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ASX RELEASE

MUSGRAVE EXPLORATION UPDATE

SUMMARY

- **Grant of exploration licence 4047**
- **Completion of a 52 hole aircore drilling program traversing the layered mafic intrusion that hosts the Alvey platinum-palladium prospect**
- **Identification of copper mineralisation associated with the Mann fault**
- **Ground EM surveys targeting nickel sulphides underway**

Mithril Resources Ltd is pleased to advise that exploration licence application 52/97 located in the Bryson Hills region of the Musgrave Province of South Australia has been granted. The exploration licence ("EL") is numbered 4047 (Figure 1) and is one of 12 tenements that comprise the Musgrave Block Farm-in and Joint Venture Agreement entered into on January 11, 2005 between Pitjantjatjara Mining Company Pty Limited ("PMC"), Zeil No. 1 Pty Limited ("Zeil") and Mithril.

Under the terms of the Agreement Mithril is required on grant of the first tenement to issue to each of PMC and Zeil 125,000 fully paid ordinary shares, free of any payment or consideration and 250,000 unlisted options. The term of the options is 5 years and the exercise price is \$0.198. No further issue of shares or options is required on the grant of the remaining 11 exploration licence applications. Mithril may earn an initial 51% interest in the joint venture by spending A\$2.604 million and may then elect to increase its interest to 75% by spending a further \$2 million.

Mithril has a large strategic exploration land holding in the Musgrave Province of South Australia and with the grant of EL 4047 has access to some 2970 km² of granted tenements (Figure 1).

On EL's 3941 and 3942 of the Barrick JV project the company has recently completed a 52 hole reconnaissance aircore drilling program. The drilling confirmed the presence of non-outcropping mafic and ultramafic rocks of the Giles Complex that are prospective for hosting nickel, copper and platinum group mineralisation. Analytical results from samples collected during the program are expected in 4 to 6 weeks time. The western most drill traverse confirmed the layered mafic body that hosts the Alvey platinum-palladium ('Pt-Pd') prospect continues onto Mithril's tenement and two diamond drillholes to test this area (Alvey East) are planned. As previously reported Mithril has received \$90,000 in PACE funding to partly fund this program.

A new copper prospect has been identified on EL 3941 of the Barrick JV where a copper bearing quartz vein system with secondary copper minerals malachite, azurite and atacamite outcrops over an 80m strike extent. The mineralisation occurs in close proximity to the Mann Fault, a continental scale structure in excess of 500km long that transects the Musgrave Block. Analytical results from grab samples collected from this occurrence are pending.

Also on EL's 3941 and 3942, ground electromagnetic surveys are underway over a number of airborne electromagnetic anomalies and surface geochemical targets that were identified by previous explorers but not followed up. For the most part these targets appear to be associated with mafic rocks of the Giles Complex and are prospective for nickel sulphide mineralisation.

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For more information on the company visit www.mithrilresources.com.au

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr G Ascough, who is a full-time employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr G Ascough has more than five years experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr G Ascough consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

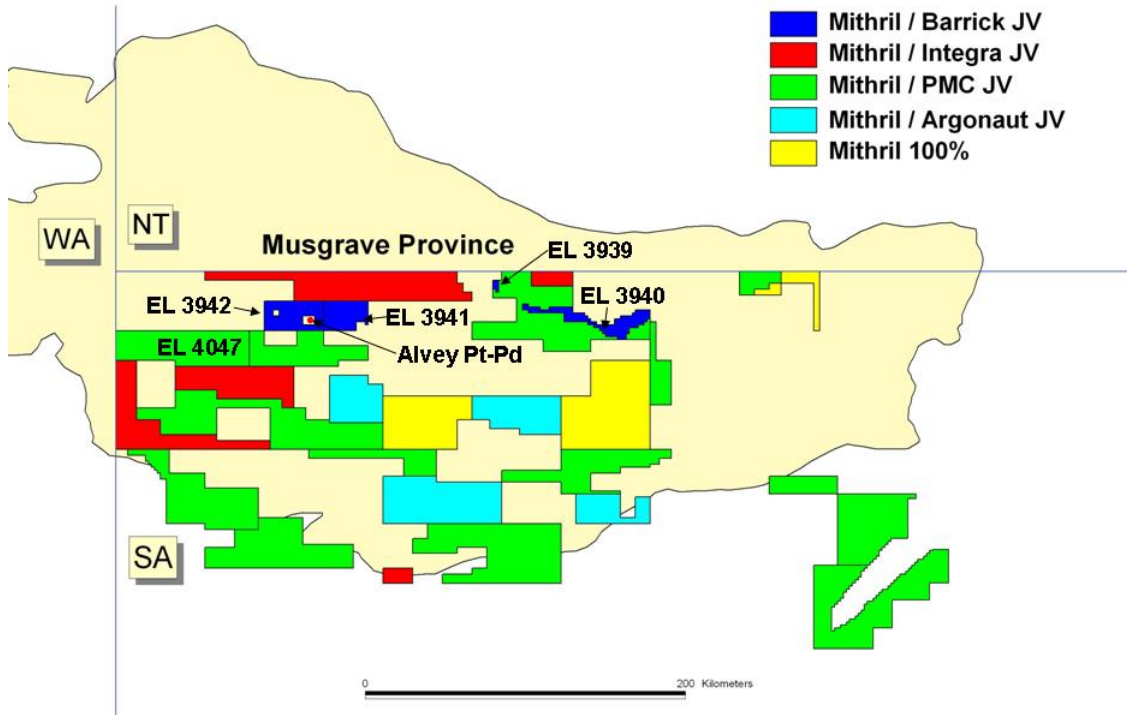


Figure 1: Mithril's tenement position in the South Australia Musgrave Province showing the granted tenements labelled by licence number