



Dear Sir

20 December 2005

EXPLORATION UPDATE

The Board of Midas Resources Limited (Midas) is pleased to provide the following update on exploration activities.

HIGHLIGHTS

- The Company is re-evaluating several mining and treatment options at its 100%-owned **Fortitude deposit** south of Laverton, following the recent improvement in the gold price. The current Combined Mineral Resource at Fortitude is 437,000 ounces.
- The process by which Company is seeking to acquire a 55% interest in the **Dong Liang gold project** in Hebei Province, P.R China has been delayed due to unsatisfactory results from its corporate due diligence enquiries. Discussions to resolve the outstanding issues are continuing.
- Elsewhere in China execution of the Joint Venture agreement with Brigade 405 in relation to the **Shimian** high grade gold and base metal project in Sichuan province is scheduled for January, with the initial evaluation program planned to commence later in the March quarter 2006.
- In Alaska a first stage RC drilling program is planned at the **Uncle Sam project** in the first half of 2006, subject to completion of a fundraising.

AUSTRALIA

Fortitude Gold Project

A number of commercial alternatives are being evaluated in respect of the Company's 100%-owned **Fortitude gold project** south of Laverton in Western Australia, where the Mineral Resource inventory currently stands at 6.64M tonnes @ 2.0gpt Au for 437,000 oz. This Mineral Resource is contained within an extensive mineralised system and the recent significant rise in the gold price has the potential to improve the viability of a mining operation. As a result, the Company is re-evaluating several mining and treatment options

including the potential for heap leaching the low-grade oxidised material followed by conventional CIP treatment of the primary zone mineralisation. Pit optimisation studies will be re-run using a range of gold prices above A\$640 per ounce. Previous studies were based on a range of optimised pits at gold prices up to \$640/oz only. The gold price outlook for 2006 is considered to be very positive and justifies the new approach. Opportunities for strategic alliances in the district involving shared infrastructure will also be reviewed.

Phantom Well

A 52-hole 2373m RAB/aircore program was completed in November which tested several highly magnetic features that are interpreted to be ultramafic bodies on the *Phantom Well* tenements. The drilling programme confirmed that there are two significant ultramafic bodies that are serpentinised olivine cumulates. Additional drilling will be required to test any prospective contacts for nickel sulphides and a decision on this will depend on the pending analytical results.

Connors Range

In Queensland the Company has recently completed a geochemical follow-up sampling program to evaluate five epithermal gold targets that resulted from the review of the extensive *Connors Range* geochemical database. Results of the follow-up are encouraging and have highlighted two of the target areas as warranting further follow-up in 2006.

Ukalunda Project

Ukalunda is a high sulphidation epithermal silver district with geological similarities to the Comstock Mine in Nevada, USA.

The recent grant of EPM 11088 with respect to the excluded lands that were subject to Native Title objections has facilitated access to ground for exploration on this highly mineralised prospect located in the northern Drummond Basin, Queensland. A review of the extensive database of drilling and geochemistry is underway. Midas considers that the greatest potential lies in the discovery of a new mineralised system under shallow cover along strike from the existing mines and workings.

The Ukalunda mineralisation is high sulphidation and therefore amenable to electrical geophysical prospecting methods. Various methods are being considered to explore the covered areas within the tenements. Drilling programmes would follow positive results of either the geochemical review or geophysical surveys.

CHINA

Acquisition of Interest in Dong Liang Gold Project

Midas has been unable to satisfactorily complete its due diligence work on Dong Liang Mining Company and has advised the parent company, China National Gold Group (CNGGC), that it is not satisfied with the degree of disclosure concerning the target company. This information concerns the financial status of the target company, the lack of a production history for the mine and insufficient drill information on which to base a minable reserve.

Following extensive technical due diligence Midas announced on 27 October 2005 that it was exercising its right to acquire an interest of 55% in the Dong Liang Mining Company but

subject to the satisfaction of a number of conditions precedent. These conditions include the completion of corporate due diligence by Midas into the Dong Liang Mining Company and subsequent execution of a formal Sale and Purchase Agreement.

The issues raised by Midas' due diligence are being addressed by CNGC but the deficiencies in information, according to CNGGC, relate to a lack of information rather than an unwillingness to disclose.

As an alternative to direct acquisition of a 55% interest in the project, and in light of the above deficient information, Midas has proposed a staged purchase arrangement to CNGGC involving up front drilling and progressive purchase payments justified by results, with Midas having the right to withdraw if results are unsatisfactory. This variation to the terms of the MOU has not been accepted by CNGGC .

While progress is clearly disappointing the Board considers that the Company should not be exposed to an unacceptable degree of risk, regardless of the technical merits of the opportunity.

The Company is continuing to work with CNGGC to resolve these issues.

Elsewhere in China the Company continues to be active on a number of fronts:

Shimian Joint Venture

The Company's 85% owned Chinese registered subsidiary Midas Mining China Limited (MMCL) will shortly execute a joint venture agreement with Geological Brigade 405 to evaluate the **Shimian** high grade gold and base metal prospect in Sichuan province. A program of trenching and channel sampling will be initiated at the earliest practical opportunity in 2006 to test an extensive mineralised shear zone up to 40m wide that is exposed over 4 km of strike within an exploration tenement held by Geological Brigade 405. Previous sampling of old dumps by Midas revealed grades of up to 7 g/t gold, 77gpt Ag and 24% combined lead and zinc.

The joint venture will allow for MMCL to earn up to an 80% interest by expenditure of A\$1.3 million over three years, after which Brigade 405 is free carried to completion of a full feasibility study. Midas will acquire an initial 40% interest after expenditure of A\$650,000.

The initial programme to be conducted by Midas will involve a commitment of A\$50,000 to carry out trenching and sampling at selected locations over the target structures. Depending on results, Midas can then continue with the joint venture or withdraw.

Several other precious and base metal joint venture opportunities are currently being evaluated in Yunnan and Sichuan provinces.

ALASKA

The Kennecott back-in agreement was executed on October 16 and execution of the formal joint venture agreement between Midas and Geoinformatics can now follow. The Company is planning to carry out an RC drilling programme at Uncle Sam in late winter (March-April) of 2006. Midas considers that the project has the potential to host a large high grade gold

system similar in style to the Pogo deposit (ore reserves 5.5 M oz @ 16 g/t) currently in development approximately 60 km to the east of the Uncle Sam project. Midas' RC drilling programme will follow-up several significant Kennecott drill intersections plus test extensive "Pogo style" gold-bismuth geochemical anomalies on the property. The RC programme is currently be finalised but implementation will be subject to a fund raising to be completed in the March Quarter.

Midas is pro-active in Alaska in its search for World Class gold deposits and several other exploration opportunities are scheduled to be evaluated in 2006.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'G Balfe', is centered on a light blue grid background.

Mr. Geoff Balfe
Managing Director CEO

The information within this report as it relates to exploration results, geology and mineral resources was compiled by Mr Geoff Balfe who is a member of the Australian Institute of Mining and Metallurgy. Mr Balfe is a full time employee of the Company. Mr. Balfe has sufficient experience which is relevant to the style of mineralisation 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 Balfe consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
