



14 July, 2006

The Manager

Australian Stock Exchange Limited ("ASX")

Company Announcements Office

No Pages: 3

Dear Sir,

#### MIDAS SECURES NICKEL SULPHIDE JOINT VENTURE

The Directors are pleased to advise that Midas Resources Limited through its subsidiary Midas Mining China Company Limited (MMCL) has executed a memorandum of understanding (MOU) with private interests in relation to a nickel sulphide exploration project located in Yunnan Province, China.

#### Key Points

- Midas can fully acquire a 70% interest in a granted exploration licence of 48km<sup>2</sup> by spending US\$1.08M over four years on exploration and feasibility studies.
- The tenement contains a layered mafic intrusion of gabbro-norite composition that is one of several intrusions that are considered prospective for nickel sulphide mineralisation in the area.
- The Company considers that there is potential for the discovery of a large nickel sulphide deposit similar to the giant Norilsk deposits in northern Russia or the Canadian Voiseys Bay style nickel deposits.
- The project lies in the West Yunnan Mineralised Belt 5km north of an existing open pit and underground nickel sulphide mining operation.

Further details are provided below.

#### JOINT VENTURE

MMCL and Kangshen Nickel Mining Company (KNMC) have executed an MOU in relation to the establishment of a joint venture to explore for and, if appropriate, develop mineral deposits within a granted exploration licence of 48.02km<sup>2</sup> in Yunnan County, Yunnan Province, in south western China (Location Map).

The principal terms of the MOU are summarised below and will now be formalised in a binding agreement to be executed by the parties:

- MMCL will have a 70% project interest and will fund 90% of costs up to completion of a Bankable Feasibility Study (BFS) while KNMC will have a 30% interest and fund 10% of costs up to completion of BFS.
- MMCL and KNMC will commit to spend US\$150,000 (Midas share US\$135,000) on exploration in the first year of the JV (Phase 1) after which MMCL may elect to proceed to Phase 2 of the JV.
- Phase 2 will involve transfer of title to a special purpose company owned 70% by MMCL and 30% by KNMC and this company will continue to fund exploration involving total expenditure of an additional US\$1,050,000 of which MMCL's share is US\$945,000, without obligation, for a further three years in order to fulfil the earn-in requirements.
- Funding during exploration is disproportionate but disproportionate funding ceases if the Manager of the JV recommends construction of a mine after completion of a BFS, in which case MMCL and KNMC are each responsible for funding development and operation of a mine in proportion to their respective 70% and 30% project interests.

## LOCATION AND NICKEL POTENTIAL

The project is located in upland terrain approximately 95 km west of Dali (pop. 1.3 million), the principal city of Yunnan County. The property lies approximately 20km from the expressway trunk route that links Dali with the Myanmar border.

The key target in the EL is a 250m x 50m outcrop of gabbroic rocks that are exposed in the floor of a valley. This outcrop is located 5km north of an operating nickel sulphide mine and it is one of several intrusions that have east-west structural alignment around a major intrusive dome. It is significant that structural domes have also played a role in locating mafic-ultramafic intrusions at Yangliuping, a Ni-Cu(-PGE) mineralized intrusion in nearby southern Sichuan Province.

Much of the known Ni-Cu mineralization in this region is hosted by mafic rocks and the potential for Platinum Group Elements (PGE's) associated with disseminated sulphides in mafic rocks has parallels with some Canadian deposits (Lac Des Iles) and in some other deposits in SW China (Karatung, Panzhihua, Lufangqing).

Investigations by Midas confirm that the targeted intrusion and the host sedimentary rocks contain abundant iron sulphides, a key requirement for Ni-Cu sulphides mineralization.

The contacts of the intrusion are not fully exposed and no geophysical data is available to indicate the potential size of the system.

## PROPOSED EXPLORATION

Midas plans to carry out ground magnetic and gravity surveys later in 2006, with selected targets to be followed up by more detailed geophysical surveys and sampling. Geochemical stream sediment surveys are also planned.

Anomalies will then be tested by pitting, trenching and drilling, as appropriate. The steep terrain favours the tunnelling of relatively low-cost exploration adits as a means to test targets, and as an alternative to shallow drilling. KNMC has the necessary equipment and resources to assist with this activity.

Exploration will commence as soon as formal documentation is completed.

Midas remains pro-active on nickel sulphide exploration in this region.

Yours sincerely,



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.