ANDREW YOUNG PROJECT
EL 23628 – MT DOREEN O.

ANNUAL TECHNICAL REPORT FOR

Jim McKinnon-Matthews
Chief Geologist

MAY 2005

MAP REFERENCE:
MOUNT DOREEN 250K – SF52-12
SUMMARY

This annual report describes all work carried out by Joint Venturers BHP Billiton and Mithril Resources on EL 23628, Andrew Young Project, during the second year of tenure ended 6th April 2005.

Exploration work on the tenement is aimed at discovering Proterozoic ultramafic-related Ni-Cu mineralisation.

Much of the area of EL 23628 covers outcropping hills of the Andrew Young Group, the target stratigraphy for nickel mineralization. Mithril have been requested not to undertake any work in the vicinity of the hills due to the areas being culturally sensitive.

Consequently work in the second year of tenure has focussed on reviewing results from work on adjacent leases with respect to the prospectivity of EL 23628. Gravity surveys have identified potential targets on adjoining leases and may be suitable for generating drillable targets on EL 23628.

The lease was reduced by 50% at the end of the second year of tenure.
1 INTRODUCTION

This annual report describes all work carried out on EL 23628 by Joint Venturers BHP Billiton and Mithril Resources during the annual period ended 6th April 2005.

Exploration Licence 23628 is located 400km west of Alice Springs in the southwest part of the Northern Territory (Figure 1) on the Mount Doreen 1:250,000 topographic sheet (Ref SF52-12). Access to the area is via the Tanami Track and numerous unsealed station tracks.

The tenement is located within the Arunta geological province which hosts large Palaeoproterozoic mafic-ultramafic magmatic systems, with intrusions occurring over a 90,000 square kilometres area. Recently completed incompatible element discrimination work identified the Western Arunta Intrusions as sulphur enriched (300-1200 ppm sulphur) and demonstrated they have potential for orthomagmatic nickel-copper-cobalt sulphide associations (Hoatson and Stewart 2001).

Mithril Resources, in Joint Venture with BHP Billiton, are exploring for nickel-copper mineralisation associated with Proterozoic mafic-ultramafic intrusions in this region.
2  TENURE AND EXPLORATION ACCESS

Exploration Licence Application 23628 was lodged by BHP Billiton Minerals Proprietary Limited on 14 June 2002.

Background tenure for EL 23628 is NT Portion 2406, Newhaven Pastoral Lease, which is owned by Birds Australia (formerly the Royal Australasian Ornithologists Union).

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<th>No. Blocks</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
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Table 1: Tenement details

In the Annual Report for EL 9695 (immediately abutting EL23628 to the north and east) Christensen, 2002 from BHP Billiton stated:

“Birds Australia has written to BHP Billiton to formally express their concern in relation to exploration activities on Newhaven Pastoral Lease. They advised they were undertaking extensive discussions and negotiations with the Traditional Owners through the Central Land Council, to include them in management and planning issues and processes.

BHP Billiton is still in discussions with Birds Australia in order to further their understanding of the proposed exploration program for EL 9695. In addition, BHP Billiton has been negotiation exploration access with the Central Land Council in order to satisfy Native Title Heritage matters. A draft Exploration Agreement is presently under discussion.

To summarise, BHP Billiton will only enter the area to carry out exploration when the concerns of the two other Parties that have an interest in the land have been addressed.”

BHP Billiton Joint Ventured EL 23628 (which at that time was still under application) to Mithril Resources in late 2002. The Andrew Young Joint Venture Agreement was registered by the NT Dept of BIRD on 24 February 2003.

In March 2003 Mithril, BHPB and the Traditional Owners signed an Exploration Deed covering EL 9596, EL 10117, EL 22909 and (application) EL 23628.

On 7 April 2003 Exploration Licence 23628 was granted to BHP Billiton and Mithril Resources assumed project management.
3 GEOLOGY

From recent investigations by the Northern Territory Geological Survey and Geoscience Australia (eg Hoatson and Stewart, 2001), the Mesoproterozoic Andrew Young Complex crops out in five hills in a regional arcuate alignment within an area 4.5 by 6.5 km. Part of this outcrop falls within EL 23628. The alignment of the ranges parallels layering trends in interpreted mafic rocks evident on aeromagnetic data; indicating the aerial extent of the whole intrusion is some 30 kilometres westerly and 13 kilometres southerly (Figure 2).

The Andrew Young complex consists of a homogeneous mafic sequence of fine- to medium-grained, gabbronorite, gabbro, hornblende tonalite and diorite. The rocks contain well-preserved igneous features and are not foliated or strongly recrystallized. Contacts between rock types tend to be diffuse and distinctive marker layers and compositional layering are absent; the most marked variation relates to the degree of felsic contamination.

The complex intruded greenschist facies pelites and psammites and is itself intruded by late stage hornblende granite, aplite and pegmatite. Regional occurrences of felsic volcanics and granitic rocks indicate that these rocks and the gabbroic intrusions are part of a large igneous province.
Geochemical data show that Andrew Young Complex is strongly contaminated with felsic crustal material and is sulphur enriched (Figure 3, after Hoatson). Copper and nickel ratios indicate that the magma was depleted in these elements and therefore that sulphides may have segregated prior to the current level of intrusion. The latter is similar to interpretations for the Noril'sk region, where segregated sulphides from early magmas were injected into country rock or carried by later magmas to basal parts of intrusions. This similarity to Noril'sk applies to the overall rare earth element distribution for Andrew Young Complex, which also shows a strong similarity to that for Noril'sk (Figure 4).

Figure 3: S v Zr geochemistry of Arunta Intrusives
4 WORK COMPLETED – 2003/04

Immediately following the execution of the Exploration Deed in late March 2003, consent was given by the Traditional Owners (via the Central Land Council) for a brief field visit to examine outcrops of the Andrew Young complex and to assess the viability of ground electrical geophysics.

During this brief reconnaissance trip field evidence was found to support the geochemical evidence for crustal contamination (as discussed in section 3). This is illustrated in the gabbroic rock identified at the Andrew Young Complex, Figure 5.

Work during the first year of tenure was initially focused on processing and interpretation of airborne GEOTEM flown by BHPB in 1999. No basement conductors were identified within the lease area although two were identified just outside the lease boundary, on adjacent projects also part of the Andrew Young Joint Venture. Ground TEM follow-up was undertaken on similar targets in the adjacent leases and indicated that the airborne EM has not penetrated through highly conductive overburden. It is thus apparent that airborne EM is an ineffective technique for identifying drill targets.
Figure 5: Evidence for crustal contamination: Feldspar xenocrysts in gabbroic rocks.

5 WORK COMPLETED – 2004/05

No fieldwork was completed during the reporting period due to Mithril’s exploration focus being on CLC cleared ground on adjacent licences. EL 23628 covers a portion of the gabbroic Andrew Young Hills (figure 2), which has been identified as being significant from a Ni sulphide exploration viewpoint. However, these outcropping hills are deemed as being culturally sensitive and thus far no areas have been cleared by the CLC. Consequently Mithril has been unable to undertake any exploration work in this part of the lease. Mithril will pursue further clearances over EL 23628 during 2005.

In March 2005 Mithril reduced EL 23628 by 6 blocks, retaining 9 that covered the outcropping and interpreted gabbroic rocks associated with the Andrew Young Hills. This is shown in figure 6.
6 EXPENDITURE

Combined project expenditure for the year ended 6 April 2005 totals $11,287 against an annual commitment of $19,000 (Table 2). The shortfall is because to date we have been unable to undertake field work due to heritage clearance issues.

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Table 2: EL 23628 expenditure details

7 PROPOSED EXPLORATION PROGRAM YEAR 3

Considering that Airborne EM is ineffective other exploration techniques are required for identifying drill targets. As a result Mithril and BHPB propose the following program for the next 12 months:

- Complete heritage clearances
- Undertake an airborne gravity (possibly using BHPB’s FALCON system) or ground gravity surveys
- Process and model results
- Aircore/RC drill priority targets
- Compile and analyse all results

Proposed expenditure will compromise:

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Table 3: EL 23628 planned expenditure

8 REFERENCES
