



MITHRIL RESOURCES LTD

A.C.N. 099 883 922

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REPORT FOR THE QUARTER ENDING 31 DECEMBER 2007

HIGHLIGHTS

Corporate

- Cash reserves were \$4.04 million at 31 December, 2007

Pardoo Nickel Joint Venture, WA

- The Pardoo Nickel Joint Venture with Segue (Pardoo) Limited hosts a JORC Code compliant Inferred Mineral Resource of 44.7 million tonnes, grading 0.3% nickel and 0.1% copper ("Highway Deposit") which has considerable exploration potential being open at depth. In addition, several targets outside the resource area have been identified for drill testing.

Huckitta Project, NT

- BHP Billiton has elected to participate in the Hammer Hill Joint Venture with Mithril and Arafura. Their participation in two separate joint ventures at Huckitta (Hammer Hill and Indiana) is a strong endorsement of the quality of the targets delineated to date and of the potential of the region.
- Drill testing of priority targets is scheduled to commence February, 2008

Musgrave Barrick Joint Venture, SA

- Four tenements have been granted facilitating initial access to the Company's strategic exploration holding in the prospective Musgrave Province of South Australia. Aircore drilling is scheduled for February, 2008

REVIEW OF OPERATIONS

CORPORATE

Cash, Expenditure and Securities

At the end of the reporting period, the Company held \$4.04 million in net cash.

During the quarter \$1.75 million was spent on exploration activities managed by Mithril of which \$0.69 million was Mithril's net expenditure. The expenditure was incurred on exploration activities and related administration costs on the projects summarized in the Exploration section of this report. Exploration activities included drilling, assaying, geological mapping, geophysical and geochemical surveys.

During the quarter a number of unlisted options expired. Mithril currently has 3.28 million unlisted options issued, the details of which are provided in the attached Appendix 5B.

Investments

As previously announced, Mithril agreed to vend its New South Wales tenements and provide seed capital to Meridian Minerals Limited as part of Meridian's planned initial public offering and listing on the Australian Stock Exchange (announced on August 6th, 2007). During the quarter Mithril purchased 2 million fully paid ordinary shares in Meridian for \$150,000 as part of the seed capital raising.

Property Transactions

The Company entered a Farm-in and Joint Venture Agreement with Segue (Pardoo) Limited ("Segue"), a wholly owned subsidiary of Segue Resources Limited on the Pardoo Nickel Project. Mithril can earn an initial 51% interest in the project by spending \$5.5 million over the first 4 years. Mithril can increase its holding to 65% by spending a further \$10 million on exploration or by completing a Feasibility Study (whichever occurs first).

BHP Billiton Minerals Pty Ltd ("BHP Billiton") elected to participate in the Hammer Hill Joint Venture. Hammer Hill consists of two granted exploration licences, EL 9725 and EL 10136, that are held 100% by Arafura Resources Limited ("Arafura") and is one of the four joint ventures that comprise Mithril's Huckitta Project. Under the terms of the agreement Mithril and BHP Billiton may earn up to 70% by expenditure of \$5 million. BHP Billiton will sole-fund the exploration expenditure and Mithril will manage the programme. Further details of the terms of the joint venture were provided in the ASX Announcement lodged on December 3, 2007.

Subsequent to the end of the reporting period Mithril entered a further joint venture in the Huckitta region with Oklo Uranium Limited. Under the terms of the Agreement Mithril

may earn up to 80% in Northern Territory exploration licences 25451 and 25453 for all minerals other than uranium (see ASX release dated January 3, 2008).

Exploration Alliance

The strategic exploration alliance with BHP Billiton Minerals Pty Ltd, a wholly owned subsidiary of BHP Billiton Ltd, expired on December 31, 2007. Mithril and BHP Billiton will continue as partners in the Silver Swan North, Indiana, Hammer Hill and Talia Hill Joint Ventures and all Exploration Licence Applications (ELA's) acquired for nickel but not granted prior to December 31, 2007 will still be subject to the terms of the alliance for a further period of 24 months (until December 31, 2009).

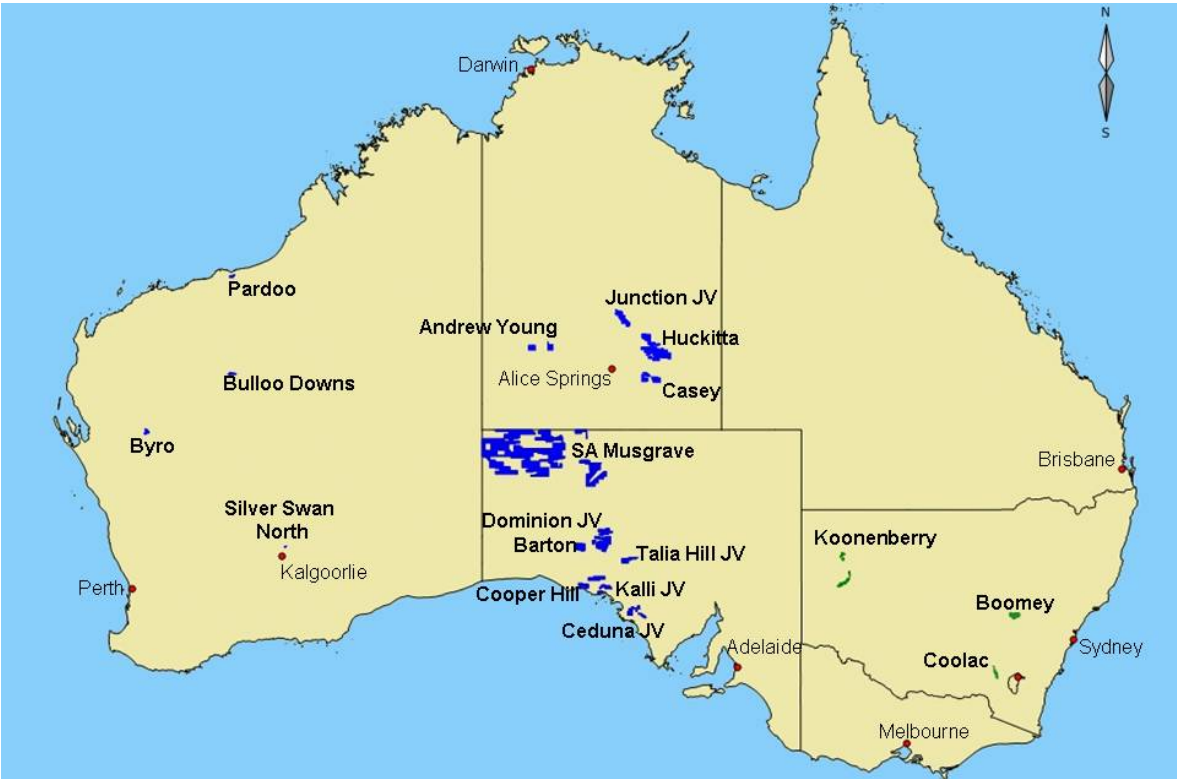


Figure 1: Mithril's Projects (blue) and Tenements vended to Meridian (green)

EXPLORATION

Northern Territory Projects

Huckitta Project (NT)

(Various joint venture interests)

The Huckitta Project is located 250km northeast of Alice Springs and is comprised of four separate joint ventures as summarised in Figure 2. Mapping and ground electromagnetic ('EM') surveys over targets identified by the recently completed helicopter time-domain electromagnetic ("VTEM") survey have identified a number of high priority targets on the Hammer Hill and Indiana joint ventures that will require drill testing (Figure 3). In summary:

- Target IVT016: ground EM results have identified high conductance bedrock features beneath thin alluvial cover. There is no outcrop in the vicinity of the targets and modelling suggests a number of conductive bodies with conductance values ranging from 220 siemens to more than 12,000 siemens. Such very high conductance values are often indicative of sulphide mineralisation.
- Targets IVT025 & IVT040: grab samples in the vicinity of these VTEM conductors, confirmed the presence of ultramafic rocks and returned values up to 1400ppm nickel and 972ppm nickel respectively.
- Target IVT040: the VTEM and ground EM results identified conductive bodies over a kilometre strike length 200m south of outcropping mafic rocks with anomalous copper (up to 1.4% copper) in outcrop samples.
- Target IVT043: anomalous nickel-copper-cobalt-platinum and palladium values were recorded in iron rich lag samples collected over the top of this bedrock conductor.

During the reporting period, BHP Billiton's participation in two separate joint ventures at Huckitta (Hammer Hill and Indiana) is a strong endorsement of the quality of the targets delineated to date and of the potential in the region and on the basis of recent results BHP Billiton elected to participate in the Hammer Hill Joint Venture with Mithril and Arafura

Casey (NT); EL 24646, ELA 25711, ELA 25887 and ELA 25888 Mithril 100%

A portion of the analytical results for the three drillholes completed at Pipeline last quarter were received in December. An interval of copper enrichment (up to 0.14% copper) has been identified in drillhole CPDD002, above an unconformity within a mega-conglomerate unit. The result provides further encouragement for the prospectivity of the region to host a significant copper deposit. The remaining analytical results for this drilling will be available in early February.

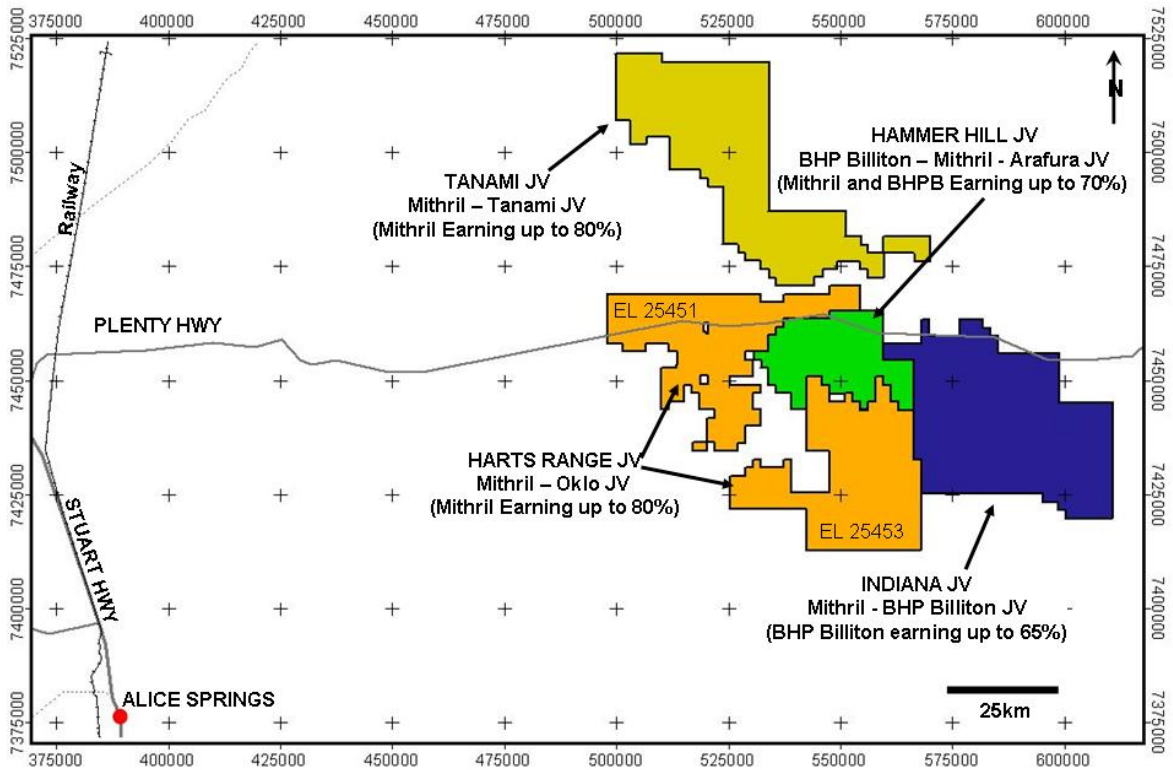


Figure 2: Huckitta Project Area

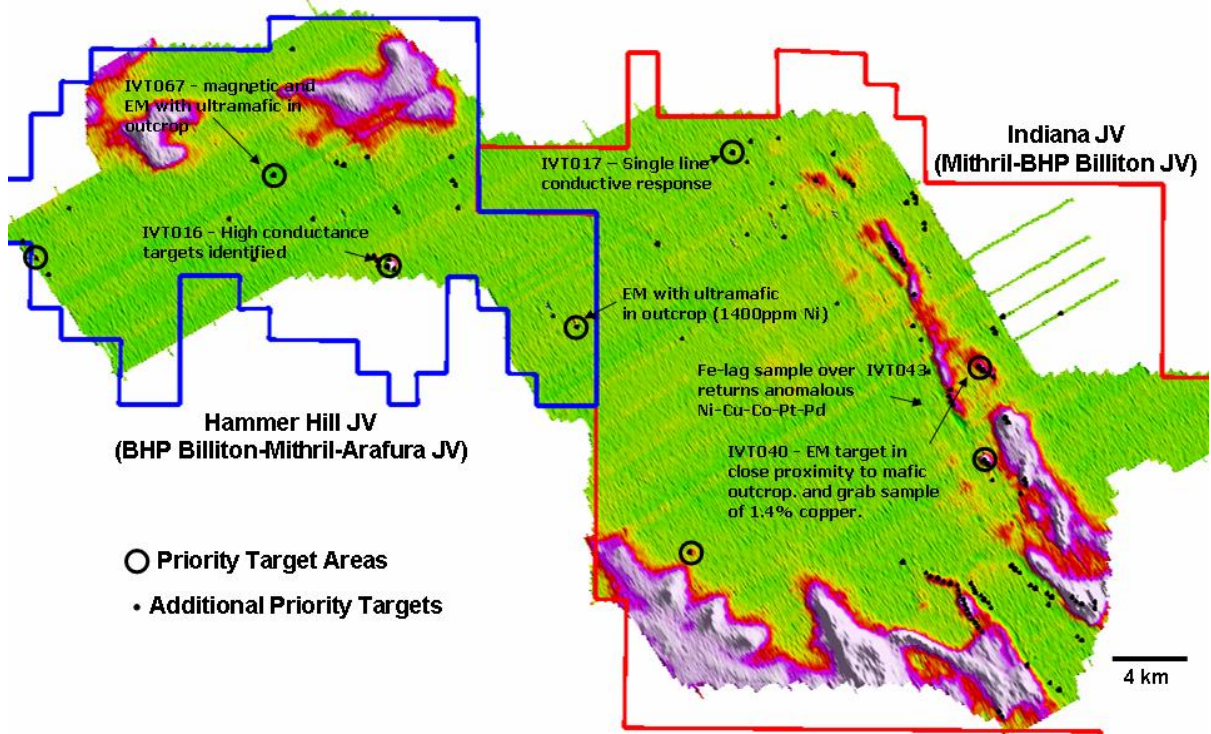


Figure 3: VTEM results with priority target areas

**Andrew Young (NT); ELA 25431 and ELA 22504
Mithril 100%**

No activity during the reporting period.

**Neutral Junction Joint Venture (NT); EL 24253
Mega Uranium Limited earning 80%**

No activity during the reporting period.

Western Australia Projects

**Pardoo Nickel Project (WA); EL45/1866, EL45/2146, PL45/2572 and PL45/2573
Mithril earning up to 65%**

Mithril recently announced it has entered a joint venture with Segue (Pardoo) Limited on the Pardoo Nickel Project in the Pilbara region of Western Australia. Pardoo is host to the Highway Deposit where a JORC-code compliant inferred mineral resource of 44.7Mt grading 0.3% nickel and 0.1% copper has been identified by previous explorers. Mithril may earn up to a 65% interest in the project and sees excellent potential for new discoveries and to expand the size and grade of the existing resource. Previous resource estimates at Highway have not incorporated by product cobalt or platinum group elements (“PGE”) and the deposit remains untested at depth with only three holes drilled to depths greater than 200m, all of which intersected significant intervals of nickel-copper mineralisation.

Mithril’s planned exploration programs will evaluate existing exploration targets, advance the understanding of the Highway Deposit in terms of its size, economic parameters, metallurgy and processing options, and look to generate further exploration targets on the project. A number of desktop studies and re-sampling programmes are underway. Electromagnetic survey crews will be mobilizing to the area in late February and a drill rig has been scheduled for April 2008.

The Pardoo Nickel Project provides an excellent fit with the Company’s exploration and development strategy. Geographically, it is well positioned, 15 km from the coast and approximately 100km east of Port Hedland along the Great Northern Highway in close proximity to power, rail and port facilities.

**Silver Swan North Joint Venture (WA); EL 27/209 and Mining Leases (ML)
27/262-265
Mithril and BHP Billiton earning 51%**

Four drillholes (SNDD-020 to SNDD-023) were completed on the Silver Swan North joint venture for a total of 1950m. All four drillholes intersected multiple sequences of favourable komattites of low to high MgO affinities (ie 20-35% MgO) with variable amounts of disseminated sulphides. Each hole was drilled through the basal contact of the ultramafic sequence and all four drillholes intersected disseminated sulphides within the

ultramafic rocks that appear to concentrate toward the basal flows. Thin section examinations of selected intervals within SNDD-020 identified trace amounts of the nickel bearing sulphides pentlandite and millerite. The analytical results received to date from the sulphide bearing intervals do not indicate significant amounts of nickel. Thin intervals of barren semi-massive sulphides (predominately pyrite and pyrrhotite) are present at or very near the basal contacts in drillholes SNDD-020 and SNDD-022 with graphite being a common accessory in SNDD-020.

An EM survey was conducted in drillhole SNDD-020 and no significant in-hole or off-hole conductivity was detected. Due to difficult ground conditions (thick intervals of broken and faulted ground) holes SNDD-021 and 022 were not able to be surveyed with downhole geophysics. In addition, these adverse ground conditions precluded further drilling beyond the basal contact in SNDD-022.

Assays are pending for SNDD-023 and downhole EM surveying of this drillhole is scheduled for early February 2008. Further drilling on the project is under consideration and a programme will be proposed when all results are received and assessed.

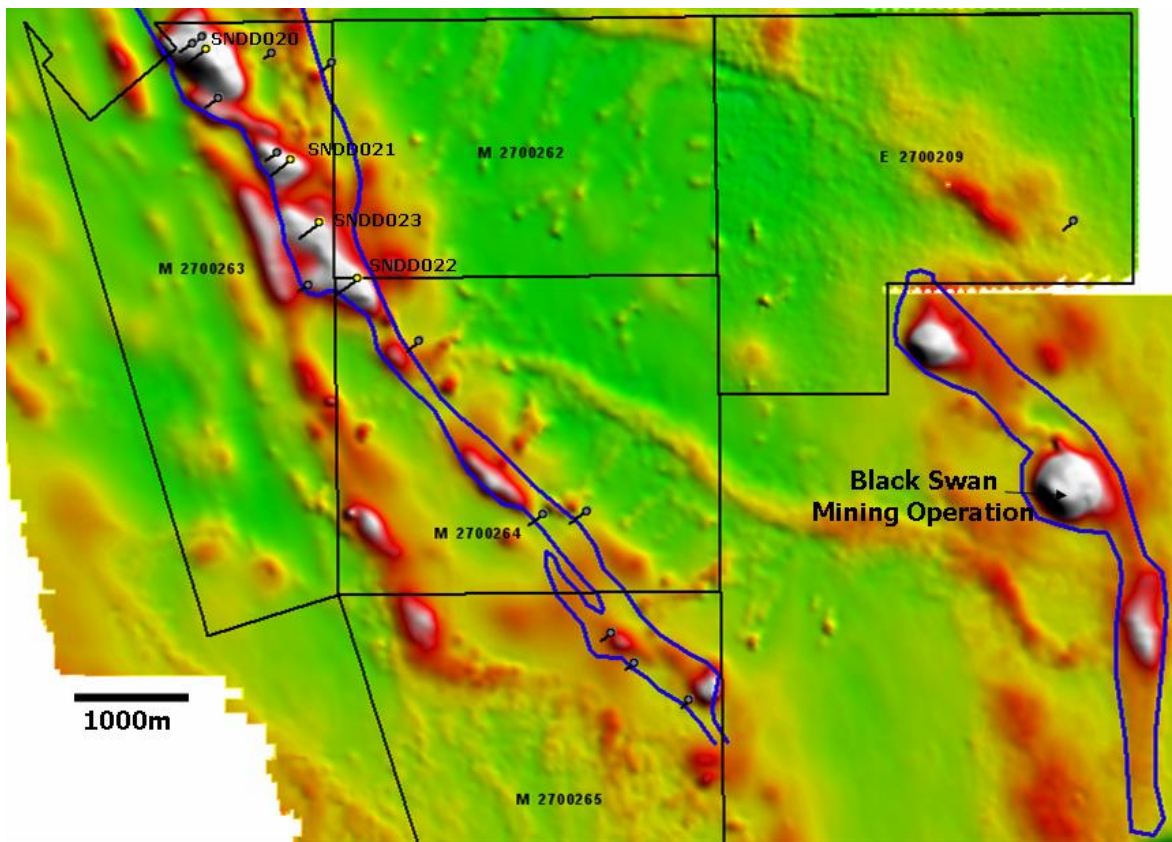


Figure 4: Silver Swan North Project showing tenements, ultramafic contacts (blue) and Mithril drillhole locations with magnetic image in background.

**Byro Joint Venture Western Australia; EL 09/781, EL 09/1276 and ELA 09/1401
Mithril earning 70%**

No field activity to report.

**Bulloo Downs Western Australia; EL 52/1929 and EL 52/1930
Mithril 100%**

Results from the mapping programme complete in June 2007 down graded the nickel potential of this property significantly. As a result EL 52/1930 was relinquished during the reporting period. Mithril is seeking a joint venture partner for EL 52/1929.

South Australian Projects

**Musgrave Province of South Australia, SA
(Various joint venture interests together with 100% interest in four tenements)**

The four exploration licences that comprise the Barrick Joint Venture were granted facilitating initial access to the Company's strategic exploration holding in the prospective Musgrave Province of South Australia (Figure 5).

A planned 51 hole, 3000m air-core drilling programme commenced on the Barrick JV Project in December 2007. This programme was suspended during the first hole due to equipment problems, and is scheduled to recommence in February 2008. Drilling will traverse the layered mafic intrusion that hosts the Alvey platinum-palladium prospect and will test for the potential continuation of the mineralisation onto Mithril's tenements. It will also provide detailed geological and analytical information to further assess the prospectivity of the area to host significant deposits of nickel, copper and platinum group elements.

Mithril continues to advance discussions and consultations in regard to the Company's other tenement holdings in the region and an Exploration Deed in regards to ELA 52/97 between Mithril and the Anangu Pitjantjatjara Yankunytjatjara (APY) has been signed facilitating grant of this licence in the next quarter.

**Dominion Joint Venture (SA); EL 3435, EL 3270, EL 2778, EL 3044 and EL 3300
Mithril earning up to 75% in nickel and associated elements**

Ground EM surveys completed over the interpreted basal contact of the buried magnetic feature immediately west of the Aristarchus prospect have identified several weak to moderate strength conductors that are currently being assessed as potential drill targets.

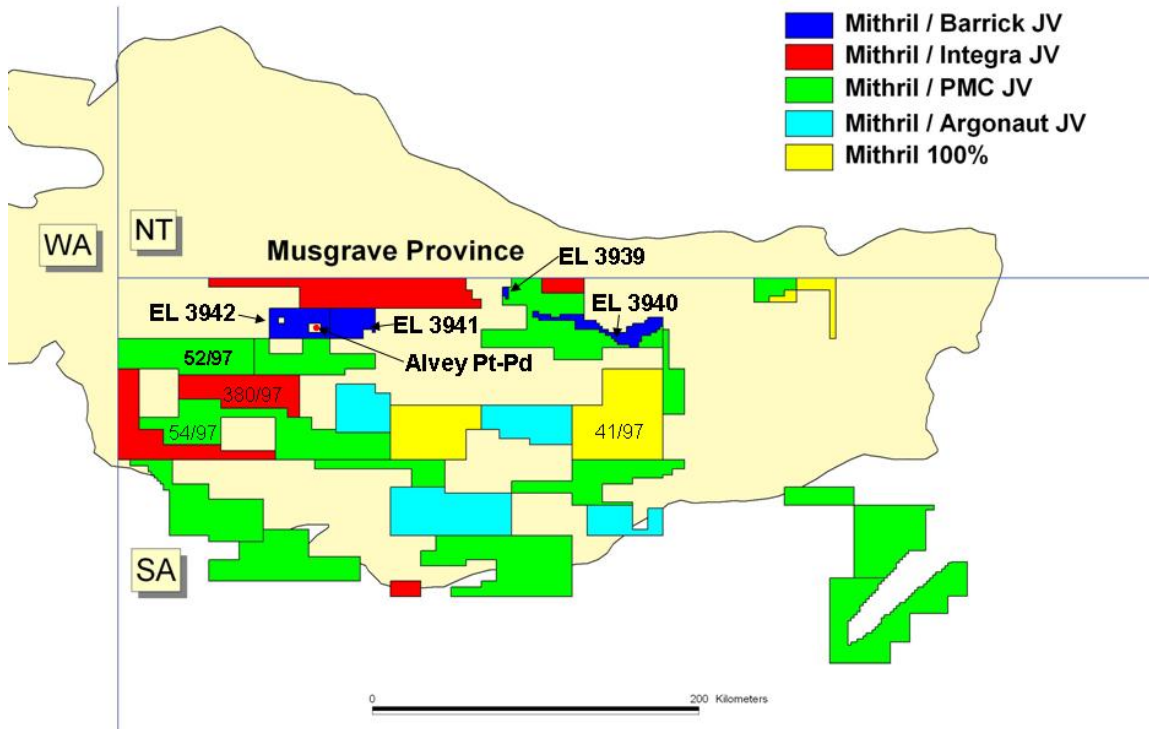


Figure 5: Mithril's Musgrave Tenement Holdings

Kalli Joint Venture (SA); EL 3746 and ELA 26/03

Iluka earning 51% of mineral sands, Mithril retains other rights 100%

Iluka Resources Ltd is earning 51% of the mineral sands rights on Kalli tenements. No further field activity was completed by Iluka during the quarter. Follow-up drilling is planned for 2008.

Mithril retains all rights to explore for and develop mineral deposits within the bedrock on the Kalli Project and will continue to evaluate the nickel sulphide potential on the tenements.

Talia Hill Joint Venture (SA); EL 2842

BHP Billiton earning 82%

Drill testing of the Yerda gravity target was further delayed due to the lack of availability of drill crews and equipment.

Cooper (SA); EL 3105

Mithril 100%

No field activity during the reporting period. Mithril is actively seeking a Joint Venture partner for the Cooper project.

Barton Joint Venture (SA); ELA 265/04

Image Resources Earning 70% of mineral sands, Mithril retains other rights

Negotiations to establish an Exploration Deed and facilitate the grant of ELA 265/04 continued during the Quarter. No field activity was undertaken.

Ceduna Joint Venture (SA); EL 2861 and EL 2891

Toro Energy Limited earning up to 75% - Uranium Minerals Only

EL 2861 and 2891 are two of six tenements that comprise Toro's Yaninee Project. Toro did not undertake any on-ground exploration activity during the Quarter but did complete desktop studies including the processing and interpretation of satellite imagery in an attempt to identify palaeochannel margins in the area. Toro is currently assessing the area's potential for an airborne EM survey during 2008 the results of which will be used to identify drill targets.

Ceduna Joint Venture (SA); EL 2861 and EL 2891

Minotaur Exploration Ltd earning 75%

No activity during the reporting period.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr G L Ascough, who is Managing Director and a full time employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr G L Ascough has more than 5 years' experience which is relevant to the styles of mineralization and types 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 L Ascough consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX 5B
Mining exploration entity quarterly report

MITHRIL RESOURCES LTD

ABN 30 099 883 922

Quarter ended

31-Dec-07

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,305)	(1,965)
1.3 Dividends received	(446)	(758)
1.4 Interest and other items of a similar nature received	77	161
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - Joint Venture repayments	1,033	1,199
1.7 Other - Grants	50	50
Net Operating Cash Flows	(591)	(1,313)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	-
	(150)	(150)
	(14)	(16)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	-	-
	-	-
	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net Investing cash flows	(164)	(166)
1.13 Total operating and investing cash flows (carried forward)	(755)	(1,479)

1.13 Total operating and investing cash flows (brought forward)	(755)	(1,479)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (Share issue costs)	-	-
Net financing cash flows	0	0
Net increase (decrease) in cash held	(755)	(1,479)
1.20 Cash at beginning of quarter / year to date	4,798	5,522
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	4,043	4,043
Payments to directors of the entity and associates of the directors		
Payments to related entities of the entity and associates of the related entities		Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2		99
1.24 Aggregate amount of loans to the parties included in item 1.10		-
1.25 Explanation necessary for an understanding of the transactions		
Directors' fees, wages and superannuation for the Quarter		
Non-cash financing and investing activities		
2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows		
Nil		

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated net cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation (Exploration of \$1,104,914 less JV contributions of \$538,380)	567
4.2 Development	-
Total	567

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	43	50
5.2 Deposits at call	4,000	4,748
5.3 Bank overdraft		
5.4 Other (provide details) - 30 and 60 day term deposits		
Total: cash at end of quarter (item 1.22)	4,043	4,798

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL 52/1930 EL 9725 & EL 10136	Relinquished Hammer Hill Joint Venture - Mithril may earn up to 19% and BHPB may earn up to 51% in tenement held by Arafura	100% 0%	0% 0%
6.2	Interests in mining tenements acquired or increased	EL 3939	Grant of ELA 12/06, subject to Barrick Musgrave JV Mithril may earn up to 80%	0%	0%
		EL 3940	Grant of ELA 13/06, subject to Barrick Musgrave JV Mithril may earn up to 80%	0%	0%
		EL 3941	Grant of ELA 104/07, subject to Barrick Musgrave JV Mithril may earn up to 80%	0%	0%
		EL 3942	Grant of ELA 105/07, subject to Barrick Musgrave JV Mithril may earn up to 80%	0%	0%
		EL 45/1586, EL 45/2146, PL 45/2572 & PL 45/2573	Pardoo Nickel Joint Venture, Mithril may earn up to 65%	0%	0%

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	47,143,000	47,143,000	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	100,000 500,000 350,000 100,000 500,000 50,000 30,000 750,000 750,000 50,000 100,000		<u>Exercise Price</u> 25 cents each 35 cents each 40 cents each 40 cents each 40 cents each 35 cents each 40 cents each 30.5 cents each 28 cents each 44 cents each 35 cents each	<u>Expiry Date</u> 25/02/2008 25/09/2008 26/11/2008 31/01/2010 16/05/2010 31/12/2010 15/05/2011 09/10/2011 09/10/2012 22/01/2012 02/12/2012
7.8 Issued during quarter	100,000		35 cents each	02/12/2012

7.9	Exercised during quarter				
7.10	Cancelled during quarter	500,000 12,500,000 2,000,000 50,000		35 cents each 50 cents each Various 40 cents each	10/11/2007 11/11/2007 11/11/2007 15/05/2011
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1.0 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2.0 This statement does give a true and fair view of the matters disclosed.



Sign here:.....
Company Secretary

Date: 29 Jan 2008

Print name: DONALD STEPHENS
.....

Notes

- 1.0 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2.0 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3.0 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4.0 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5.0 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.