



MITHRIL RESOURCES LTD

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REPORT FOR THE QUARTER ENDING 31 DECEMBER 2006

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Highlights

CORPORATE

- Cash reserves were \$5,021,000 at 31 December 2006, taking into consideration joint venture receivables and outstanding creditors.
- The Board of Directors of Mithril Resources accepted the resignation of Mr Allan Quadrio as a Non-Executive Director of the Company. Mr Quadrio joined the Board of Mithril on 10 December 2004 and has resigned due to increasing commitments to other business interests.
- Mr Gary Snow has been appointed to the Mithril Board of Directors, as a Non-Executive Director. Mr Snow has over 20 years experience in the mining industry and is currently the General Manager – Exploration for Consolidated Minerals Limited.
- During the reporting period Mithril Completed a placement of 5,250,000 fully paid ordinary shares at 28 cents per share to raise \$1,470,000 before expenses.

EXPLORATION

Dominion Joint Venture - South Australia

- At the Aristarchus Prospect electromagnetic surveys have identified a conductor coincident with a magnetic high and elevated nickel-copper values from surface and aircore sampling programs. Mithril has been awarded South Australian Government PACE (Plan for Accelerating Exploration) funding of \$50,000 to partly fund the planned drill program on the Dominion Project. Drilling is planned for early 2007.

Casey Project – Northern Territory

- Mithril has identified elevated copper and zinc values in surface samples from the Pipeline Prospect where analytical results from rock samples returned values of up to 3.45% copper and 0.78% zinc. Ferruginous material was mapped over a strike length of 80 metres and is anomalous in copper over the entire strike extent.

Silver Swan North Joint Venture - Western Australia

- The planned 11 hole reverse circulation drill programme at Silver Swan North is delayed pending the completion of heritage clearance surveys. The programme is now scheduled to commence in February/March 2007 and will be funded by BHP Billiton, as part of the Mithril / BHP Billiton Alliance.

REVIEW OF OPERATIONS

CORPORATE

At the end of the reporting period, Mithril had cash reserves (taking into consideration joint venture receivables and outstanding creditors) of \$5,021,000.

Board Changes

In December 2006, the Board of Directors of Mithril Resources accepted the resignation of Mr Allan Quadrio as a Non-Executive Director of the Company. Mr Quadrio joined the Board of Mithril on 10 December 2004 and has resigned due to increasing commitments to other business interests. The Directors would like to express their gratitude for his contribution to Mithril over the past 24 months. Mr Quadrio offered extensive operating experience in the mining industry having held senior positions with several mining companies including Consolidated Minerals Limited, a substantial shareholder in Mithril through their wholly owned subsidiary Consolidated Nickel Pty Ltd.

Mr Gary Snow has been appointed to the Mithril Board of Directors, as a Non-Executive Director. Mr Snow has over 20 years experience in the mining industry and is currently the General Manager – Exploration for Consolidated Minerals Limited. He holds an MSc in geology from the University of Pretoria and an MBA from Herriot Watt University in Scotland. Gary has broad mining and exploration experience and has held senior exploration positions with several international and Australian based mining companies. The Company welcomes the appointment of Gary Snow whose experience will further enhance the Board's technical and corporate expertise.

Placement

During the reporting period Mithril completed a placement of 5,250,000 fully paid ordinary shares at 28 cents per share to raise \$1,470,000 before expenses. Mithril is pleased that substantial shareholders, Minotaur Resources Investments Pty Ltd and Consolidated Nickel Pty Ltd both participated in the placement to maintain their strategic investment in Mithril.

EXPLORATION

During the quarter Mithril Resources continued to advance priority projects to the drill stage. Drilling at Silver Swan North was delayed pending the completion of a heritage clearance survey and drilling is now expected to commence in February/March 2007. Drill targets on the Cooper Hill, Talia Hill and Dominion Joint Ventures in South Australia are ready to be drilled and are awaiting available drill equipment and crews. The Indiana and Casey projects in the Northern Territory continue to show positive

exploration results. In addition to Mithril's nickel exploration activities the Company is also exposed to uranium, copper-gold and mineral sands exploration through third parties exploring Mithril's tenements for these commodities under various joint venture agreements. The locations of current projects are shown in Figure 1.



Figure 1: Project Locations

Western Australia Projects

Silver Swan North Joint Venture Western Australia; Exploration Licence (EL) 27/209 and Mining Leases 27/262-265 Mithril and BHP Billiton earning 51%

The Silver Swan North Joint Venture is situated approximately 45 kilometres north-northeast of Kalgoorlie Western Australia and is immediately adjacent to the Silver Swan Nickel Mine operated by LionOre.

Mithril Resources and BHP Billiton are earning a 51% interest in one Exploration Licence E27/209 and four Mining Leases M27/262-265 currently held 100% by FerrAus Ltd. The landholding forms a contiguous area totaling approximately 39 square kilometres and covers a succession of Archaean felsic, mafic and ultramafic rocks that have only been subjected to shallow exploration drilling to date. The ultramafic rocks are the host sequence for the Silver Swan and Black Swan nickel deposits.

The planned 11 hole, 2750 metre reverse circulation drill program at Silver Swan North, delayed pending the completion of a heritage clearance survey, is expected to commence in February/March 2007. The programme will be funded by BHP Billiton, as part of the Mithril / BHP Billiton Alliance.

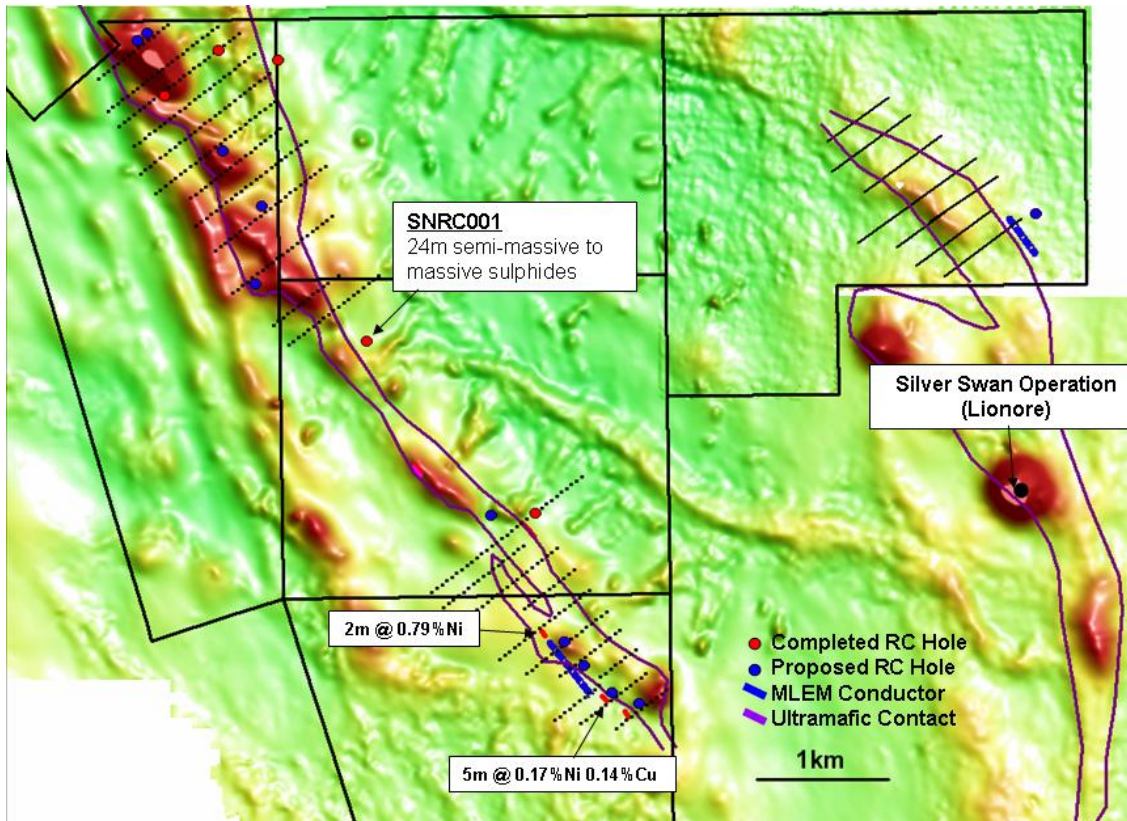


Figure 2: Silver Swan North Project - Magnetics with ultramafic outlines and Mithril drillholes (completed and planned)

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

Mithril is currently earning a 70% interest in the Byro Project in Western Australia currently held 100% by Yilgarn Mining Limited. The project area, comprising 209 square kilometres, covers a cluster of ultramafic bodies into which limited drilling (during the 1970s) gave a best intersection of 67 metres at 0.67% copper and 0.3% nickel, including 16.8 metres at 1.17% copper and 0.33% nickel.

Last quarter Mithril completed 52.3 line kilometres of ground electromagnetic (EM) surveys using the GeoFerret EM technology available to Mithril under the alliance with BHP Billiton. During the quarter the final results from this survey were received and assessed. No significant targets were identified but based on a compilation of historical drill results and geophysical surveys, Mithril believes there is still potential for a body of

disseminated nickel-copper sulphide mineralisation. The review of the previous work is continuing.

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

During the quarter the Bulloo Downs tenement applications were granted. Mithril has targeted the Bulloo Downs area for Noril'sk style magmatic nickel-copper sulphides. Previous, but limited exploration work has identified anomalous nickel, chromium, and cobalt associated with layered intrusions on the project and mapping has noted minor sulphides associated with gabbroic and dioritic rocks in the area. The project tenements are located approximately 70 kilometres south of Newman in the Pilbara region of Western Australia. They cover a voluminous, unnamed mafic complex that has intruded a platformal carbonate sedimentary sequence situated on the southern margin of the Pilbara Craton providing a favourable geological and tectonic setting for the deposition of nickel sulphide mineralisation.

Geological mapping, geochemical surveys and geophysical surveys are planned for Bulloo Downs in the first half of 2007.

South Australian Projects

**Dominion Joint Venture (S.A.); EL's 3435, 3270, 2778, 3044 and 3300
Mithril earning 75%**

The Dominion Joint Venture is located 740 kilometres northwest of Adelaide and covers 3332 square kilometres comprising five exploration licences currently held by Dominion Mining Limited. The project is situated in the northern portion of the Fowler Domain of the Gawler Craton of South Australia. Mithril is currently earning a 75% interest in the nickel rights including associated elements (copper, platinum and palladium).

The priority target is the Aristarchus prospect where ground electromagnetic surveys completed by Mithril have outlined a conductive body coincident with a magnetic high and elevated nickel-copper values in surface and aircore drill sampling. The target is situated approximately one kilometre north of two shallow drillholes completed by PIRSA in 1992 that intersected narrow intervals of magmatic sulphides hosted in a metaperidotite. Drilling is planned to commence in early 2007 pending the availability of drill equipment and crews.

The South Australian Government has awarded Mithril PACE (Plan for Accelerating Exploration) funding of \$50,000 to partly fund the planned drill program on the Dominion Project. BHP Billiton has elected not to participate in the project under the Subscription Agreement alliance and Mithril will pursue the defined targets in its own right.

South Australia Musgrave Project

As previously announced Mithril has consolidated a strategic position (approximately 32,600 square kilometres) in the under-explored Musgrave Province of South Australia through a number of joint ventures and lease applications. Mithril continues to evaluate further joint venture opportunities to expand its presence in the Musgraves and will continue to work with government bodies, the Anangu Pitjantjatjara Yankunytjatjara Land Council and industry groups to facilitate access into the region.

Talia Hill Joint Venture (S.A.); EL 2842 BHP Billiton earning 82%

All regulatory hurdles have been cleared to allow drilling of the Yerda gravity target and drilling will commence in March-April 2007 pending the availability of drill crews and equipment.

Kalli Joint Venture (S.A.); EL 2870 and ELA 03/26 Iluka earning 51% of mineral sands, Mithril retains nickel rights 100%

Work continued on securing access agreements with the relevant indigenous claimant groups. It is expected that Iluka will commence drill testing of the mineral sands target areas on EL 2870 once these outstanding access issues are finalised.

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

Northern Territory Projects

Indiana (N.T.); Exploration Licences (EL's) 24427, 24194 and 24739 Mithril 100%

The Indiana Project is located approximately 250 kilometres northeast of Alice Springs in the Northern Territory and consists of three granted Exploration Licences (24194, 24427 and 24739) that are held 100% by Mithril. Work completed by Mithril during the reporting period includes desktop compilation studies as well as 26.1 line kilometres of ground electromagnetic surveys over the priority geochemical anomalies identified through the previously reported stream sediment sampling, magnetic lag soil sampling and rock sampling programmes (Figure 3). At Indiana South, the electromagnetic results highlight a coincident mid-time conductor and magnetic anomaly associated with anomalous nickel-copper values returned from rockchip sampling (up to 0.28% nickel). The ground EM results also suggest that the background is relatively resistive and that the area would be amenable to airborne electromagnetic surveys, thus offering a viable tool to screen this large project area (1440 square kilometre) for near surface sulphide mineralisation. Survey flying should commence in the first half of 2007 and the aim of this survey is to identify further targets for drill follow-up.

**Hammer Hill Joint Venture (N.T.); EL9725, EL10136
Mithril earning 70%**

Mithril Resources is currently earning a 70% interest in exploration licences 9725 and 10136 which are currently held 100% by Arafura Resources Ltd. These tenements are immediately west of and contiguous with Mithril’s Indiana Project providing a significant landholding (2019 square kilometres) in what is thought to be an emerging belt prospective for nickel sulphide mineralization.

Work completed by Mithril during the reporting period includes desktop compilation studies as well as 9.6 line kilometres of ground electromagnetic (‘EM’) surveys over the priority geochemical anomalies. This work was completed in conjunction with the Indiana program and although no compelling EM anomalies were identified the results did suggest the area would be amenable to airborne EM surveying. Survey flying will be completed in conjunction with the Indiana program with a view to screening the area for near surface sulphide mineralisation.

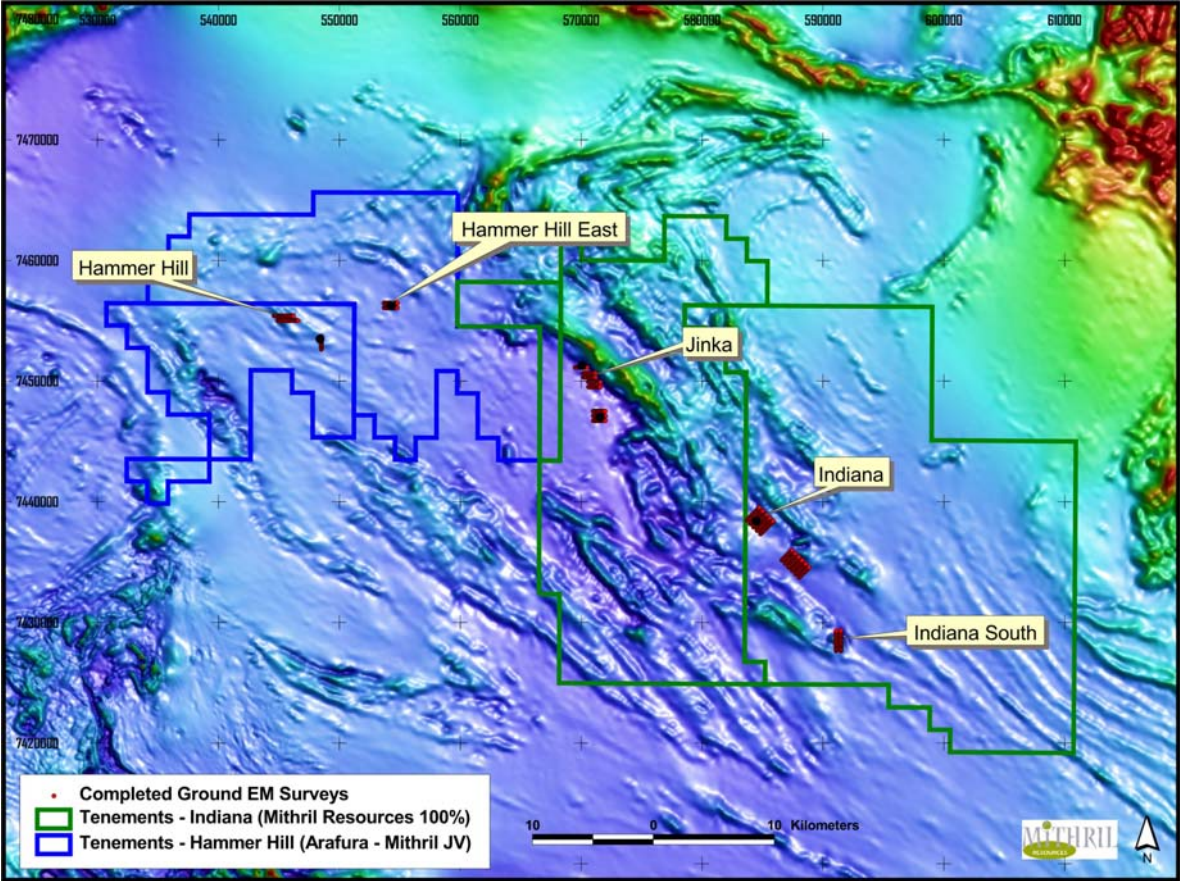


Figure 3: Indiana and Hammer Hill tenements on magnetics with electromagnetic survey coverage

**Casey (N.T.); EL 24646, ELA 25711, ELA 25887 and ELA 25888
Mithril 100%**

Geological mapping and sampling at Mithril's wholly owned Casey Project has identified elevated copper and zinc values in surface samples from the Pipeline prospect. The project is located in the Northern Territory approximately 200 kilometres east of Alice Springs. Analytical results from grab samples returned values of up to 3.45% copper and 0.78% zinc from the Pipeline area (Figure 4). At Pipeline ferruginous material was mapped over a strike length of 80 metres and is anomalous in copper over the entire strike extent. There is no evidence of previous base metal exploration in the area. Mithril has completed ground electromagnetic surveys over the Pipeline Prospect and has identified a weak to moderate strength conductor 100 metres east of the main copper occurrence.

Based on the positive results and further compilation of previous work in the area, Mithril has submitted an Exploration Licence Application (ELA) over the Ringwood Prospect where previous explorers have reportedly mapped sporadic copper mineralisation (up to 0.25% copper) over a strike length of 12 kilometres.

In January 2007 two additional EL applications were submitted (ELA 25887 and ELA 25888) and Mithril's land position in the area now totals 1414 square kilometres.

Further geological mapping and geophysical surveys are planned for the Casey Property in 2007. An agreement to facilitate heritage clearance surveys ahead of ground disturbing work (drilling) is currently under negotiation with the Central Land Council.

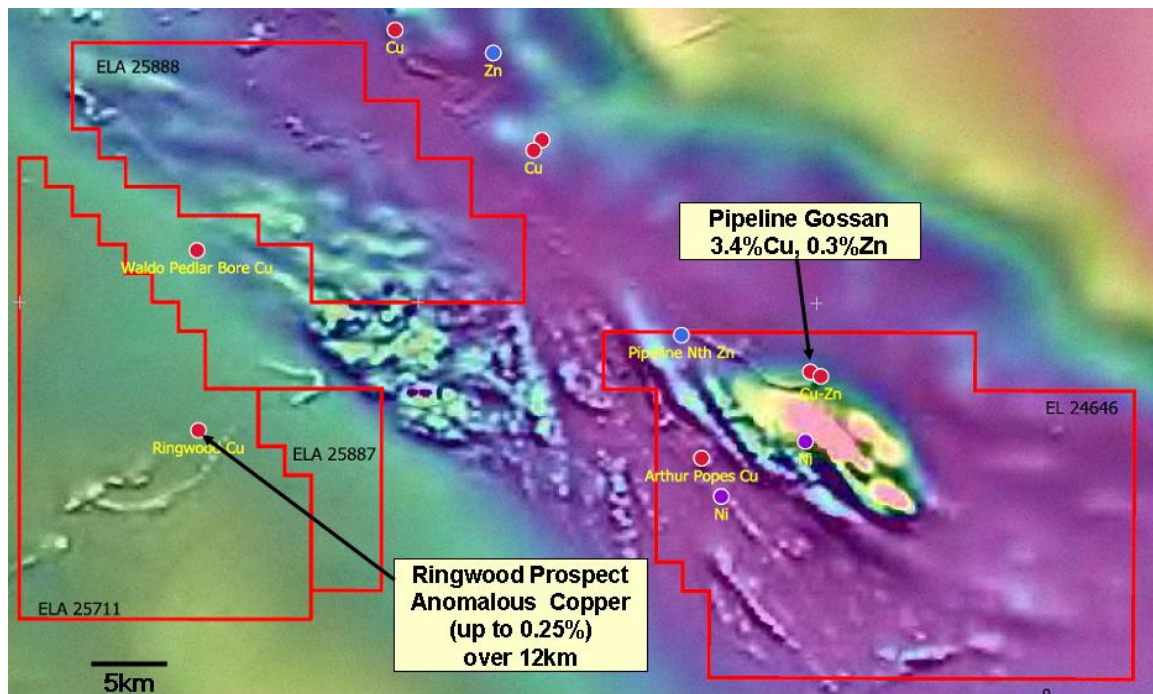


Figure 4: Casey tenements on magnetics with mineral occurrences

New South Wales Projects

Koonenberry (NSW); EL's 6364, 6380, 6429, 6495, 6517 Mithril 100%

The tenements cover an extensive suite of mafic rocks intruded along the eastern edge of the Curnamona Craton east of Broken Hill. During the quarter the Company relinquished its interest in EL's 6364 and 6429 having tested the main prospects for nickel sulphide mineralisation.

A number of untested electromagnetic anomalies identified in BHP Billiton's extensive geophysical database (available to the Company through the alliance) have been identified on EL's 6495 and 6517 to the south referred to as the Grasmere Area. Ground electromagnetic surveys to follow-up these anomalies are planned for the first half of 2007.

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-06

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	(429)	(762)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	63	127
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - Joint Venture repayments	79	263
1.7 Other - Rebates	-	-
Net Operating Cash Flows	(538)	(746)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	-
	-	-
	(5)	(5)
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	(5)	(5)
1.13 Total operating and investing cash flows (carried forward)	(543)	(751)

1.13 Total operating and investing cash flows (brought forward)	(543)	(751)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc	1,470	1,470
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)	(27)	(27)
Net financing cash flows	1,443	1,443
Net increase (decrease) in cash held	900	692
1.20 Cash at beginning of quarter / year to date	4,121	4,329
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	5,021	5,021
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		45
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, 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 cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,091
4.2 Development	-
Total	1,091

Reconciliation of cash

	Current quarter \$A'000	Previous quarter \$A'000
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.		
5.1 Cash on hand and at bank	99	32
5.2 Deposits at call	4,922	4,089
5.3 Bank overdraft		
5.4 Other (provide details) - 30 and 60 day term deposits		
Total: cash at end of quarter (item 1.22)	5,021	4,121

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	6380	Koonenberry 1 Koonenberry 2 Koonenberry 3	100% 100% 100%	0% 40% 0%
6.2	Interests in mining tenements acquired or increased	E52/1929 E52/1930	Bullo Downs 1 Bullo Downs 2	0% 0%	100% 100%

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	40,843,000	40,843,000	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,250,000	5,250,000	28 cents each	28 cents each
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>	1,000,000 12,500,000 5,400,000 2,000,000 200,000 200,000 100,000 500,000 350,000 100,000 500,000 50,000 80,000 750,000 750,000		<u>Excise Price</u> 25 cents each 50 cents each Various Various 25 cents each 30 cents each 25 cents each 35 cents each 40 cents each 40 cents each 40 cents each 40 cents each 35 cents each 40 cents each 30.5 cents each ***	<u>Expiry Date</u> 02/05/2007 11/11/2007 28/05/2007 11/11/2007 30/09/2007 30/09/2007 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
7.8 Issued during quarter	750,000 750,000		30.5 cents each ***	09/10/2011 09/10/2012

*** Exercise Price to be based on volume weighted average share price of the five business days prior to 9th October 2007.

7.9	Exercised during quarter				
7.10	Cancelled during quarter	10,000		40 cents each	15/05/2011
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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 2007

DONALD STEPHENS

Print name:

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.