



MITHRIL RESOURCES LTD

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REPORT FOR THE QUARTER ENDING 30 September 2005

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REVIEW OF OPERATIONS

CORPORATE

At the end of the September quarter, Mithril had cash (taking into consideration joint venture receivables and outstanding creditors) of \$5,258,000.

EXPLORATION

The locations of current projects are shown below in Figure 1.

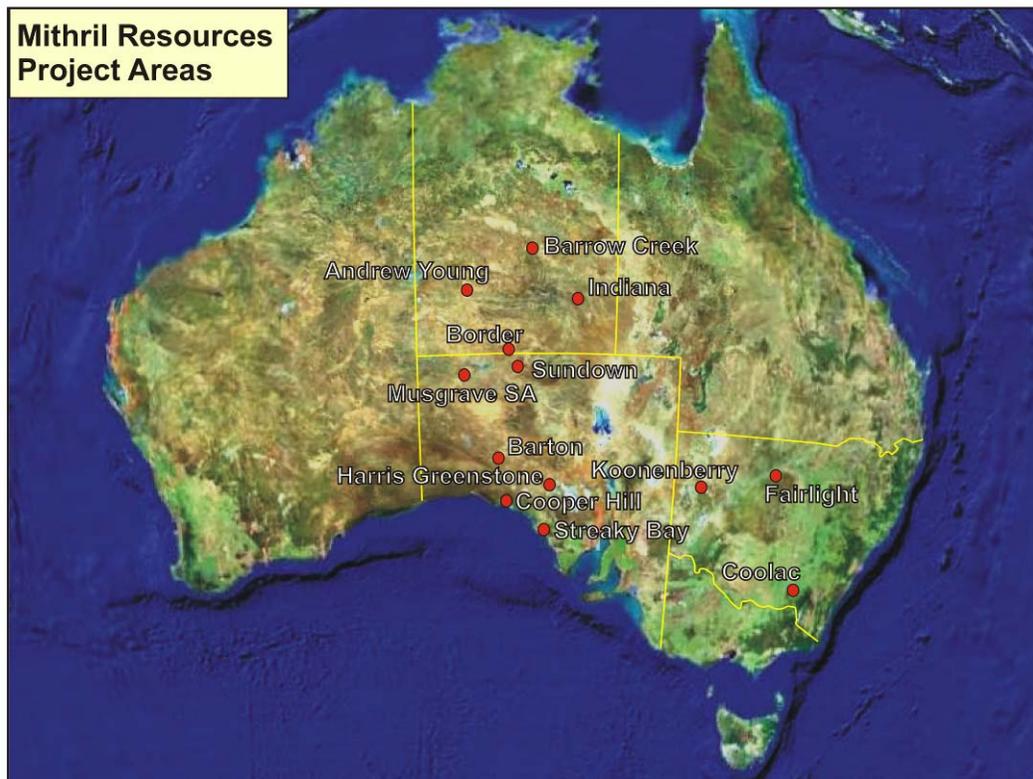


Figure 1

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

During the September quarter stream sampling was completed covering the entire project area (1389 square kilometres) to follow-up on the encouraging results obtained in the initial reconnaissance sampling (0.52% nickel and 0.06% cobalt and four kilometres to the south a second sample returned 0.44% nickel and 0.01% cobalt). Results from the regional sampling have defined three broad zones, up to ten kilometres in extent, with elevated nickel, cobalt and minor copper. Scattered outcropping ultramafic rocks occur throughout the areas.

Previous exploration by other companies (exploring the area for base metal mineralisation) returned up to 0.33% copper from a rock chip sample selected from ultramafic outcrop. The next phase of exploration will involve mapping and geochemical soil sampling.

Barrow Creek Joint Venture (N.T.); EL 23186; Falconbridge (Australia) Pty Ltd earning up to 51%.

Mithril has an Option and Joint Venture Agreement with Falconbridge (Australia) Pty Ltd to explore for and develop nickel sulphide deposits within the Barrow Creek Project located approximately 300 kilometres north of Alice Springs in the Northern Territory.

During the previous quarter six drill holes totalling 710 metres were completed testing a geophysical target at "Prospect D" and several regional targets. Down-hole geophysical surveys, using a three component electromagnetic probe, confirmed the presence of an extremely conductive off-hole conductor to the south and mostly beneath hole BCD008. It has dimensions of 100 metre by 200 metres. A second conductor, of limited extent, was identified above the hole and is mostly masked by the larger response from beneath the hole. Down hole EM from BCD007 confirmed the presence of two off-hole conductors above and to the south of the hole. Both responses are quite conductive with the deeper of the two being the most conductive; however these targets are of limited depth extent.

The ground EM data at Prospect D did not identify any new conductors and confirmed the short strike extent of the northern target at 50800N. The four remaining late time ground EM lines from Barrow Creek were unsuccessful in identifying any potential sources.

Border Prospect (N.T.); EL's 10092, and 10093; Mithril earning 80%

Mithril is earning an 80% interest in two leases (Border Joint Venture) within the Musgrave Province in the Northern Territory along the South Australia border. Detailed sampling within the broader anomalous zone has not identified a discreet target within the area. The project will be reviewed to determine its future direction.

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

The Company is exploring for nickel sulphide mineralisation associated with ultramafic rocks within the Harris Greenstone Belt (Gawler Craton) in South Australia. The Harris Greenstone Belt is similar to the Norseman-Wiluna Belt of Western Australia, which hosts numerous economic nickel sulphide deposits.

At the Talia Hill Joint Venture gravity data collected as part of the State Government's Plan for Accelerating Exploration (PACE) initiative have led to the identification of a major gravity anomaly. The gravity complex occurs over an area approximately 5 kilometres by 3 kilometres. The anomaly is situated on a major crustal structure, the Yerda Shear Zone, and

has a magnitude of 9 milligals being comparable to the anomaly which resulted in the Prominent Hill copper-gold-uranium discovery within the Gawler Craton.

Modeling (3D) the data clearly demonstrates the shallowest and densest part of the model lies at a depth of 300 metres. The small isolated target to the east exhibits some of the highest densities and the 3D model suggests this body is shallower than the bodies further to the west. It can be clearly seen that the shallowest and densest part of the large central body is on its eastern margin. The density of the body then progressively increases with depth and it appears to have a northerly dip or plunge. A drill program has been submitted to our joint venture partner (BHP Billiton) for consideration.

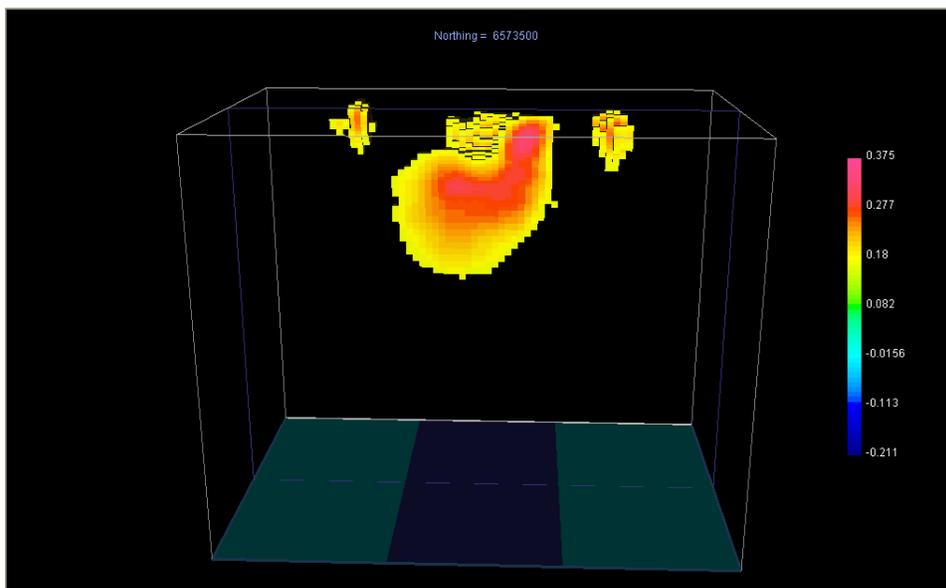


Figure 2. Talia Hill 3D gravity model

This is in addition to the drill-ready target, reported last quarter, consisting of a significant bedrock conductive body associated with elevated nickel levels in the weathered bedrock. The company has secured a drilling contractor from Western Australia and a 1200 metre percussion drilling program will commence in November.

Range River Joint Venture (S.A.); EL 3107; Mithril earning 75%

Mithril has a joint venture with Range River Gold to explore a portion of Exploration Licence 3107 (located 14 kilometres southeast of the Talia Hill J.V.) for nickel sulphide mineralization. Geochemical sampling and geophysical surveys will commence in November.

Cooper Hill (S.A.); EL's 3105 and 2870; Mithril 100%

Mithril, following BHP Billiton's decision to withdraw, has regained 100% control of the Cooper Hill project west of Ceduna and commenced drilling the first week of October. The campaign will be assisted with funding from the PACE programme.

Previous exploration by Mithril has identified anomalous nickel values associated with a series of mafic bodies localised on a major northeast trending fault. An airborne

electromagnetic (AEM) survey over 780 line kilometres over Exploration Licence 3105 was completed during the year.

A follow-up ground electromagnetic survey has identified a good quality, late-time, moderately dipping conductor at a depth of 200 metres beneath the surface. This target dips at 50 degrees to the northeast, plunges at 17 degrees to the northwest, has a strike length of at least 600 metres and is open in both directions.

Sundown (S.A.); EL's 2831, 2973; Mithril 100%

The Sundown Prospect is situated in the Musgrave Block within South Australia. Infill geochemical sampling on a 500 by 200 metre grid has identified two zones, each 1.5 kilometres in strike length, which are anomalous in copper and associated nickel. The anomalies are coincident with an east west trending dyke which is apparent in the magnetic data over a strike extent of 6 kilometres. The dyke is interpreted to be a narrow feeder zone to the Giles Mafic Complex which crops out extensively throughout the central Musgrave Province. A chip sample selected from a small outcrop of gabbro in the area has returned 0.13% copper, 33 ppb palladium and 23 ppb gold. A ground geophysical survey will be completed in the next quarter.

Streaky Bay Joint Venture (S.A.); EL's 2861 and 2891; Minotaur earning 75%

Minotaur Operations Pty Ltd and Mithril Resources Pty Ltd have formed a joint venture to explore exploration licences ELs 2861 and 2891 near Streaky Bay in South Australia. Minotaur Operations, a wholly-owned subsidiary of Minotaur Exploration Limited, has the right to earn a 75% interest in the tenements though the expenditure of 1.5 million dollars.

The two tenements are collectively known as the Streaky Bay Joint Venture. Recent data collected as part of the state government's PACE initiative have identified several gravity anomalies (up to 10 milligals) that have potential for Prominent Hill style copper-gold mineralization. Anomalous copper has been recorded in a shallow drill hole and an iron oxide breccia, the Kattata Prospect, associated with Hiltiba age granite is indicative of hydrothermal processes operating in the region. The Kattata breccia appears to be associated with a northwest trending structure with a gravity high localized along the structure within the lease package.

In addition, the joint venture covers a network of palaeochannels (Yaninee and Robinson), as interpreted from previous historical drilling, which may have potential for hosting uranium mineralization. In an area to the south adjacent to the joint venture leases previous exploration detected radioactive anomalies and traces of uranium in oxidized Pliocene sands indicating uraniferous ground waters have been present in the sequence.

Coolac Serpentinite (NSW); ELA 2549; Mithril 100%

Mithril was offered an exploration licence by the Minister of Resources for N.S.W. covering 22 kilometre strike length of ultramafic rocks associated with the Coolac serpentinite belt. Historical exploration within the application area has identified nickel values to 0.84% in a lateritised ultramafic, copper mineralization in brecciated basalt to 12% copper and numerous high grade pods of chromite within the ultramafic unit grading up to 31% chrome. No systematic exploration has been completed over the area in the past 20 years.

Geochemical sampling will commence during the next quarter.

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

The tenements cover an extensive suite of mafic rocks intruded along the eastern edge of the Curnamona Craton east of Broken Hill. Historical exploration in the 1970's and 80's identified, through stream sediment geochemical samples, several large areas anomalous in nickel, copper and cobalt. Three hundred magnetic lag samples have been collected over several existing targets. Analytical results have confirmed several areas to be anomalous in nickel, copper and cobalt. Additional sampling was completed during the quarter following up on previous results. Analytical results are pending.

The company has applied for three additional tenements to the south of the current leasing. The applications cover several electromagnetic anomalies identified in BHP Billiton's extensive geophysical database which is available to the company through the alliance.

Fairlight (NSW); EL 6420; Mithril 100%

The tenement occurs within the Parkes Terrace a regional gravity high trending north-south over 80 kilometres in width and 500 kilometres in length. The Parkes Terrace is characterized by a number of ultramafic intrusions that have been documented to be anomalous in platinum the most notable being the Fifield Platinum Field. The alluvial platinum deposits are assumed to originate from primary platinum mineralization in poorly outcropping basic to ultramafic intrusive rocks. The individual intrusions coincide with circular magnetic highs. The company's exploration licence encompasses a cluster of magnetic features interpreted to reflect ultramafic rocks and considered to be in a favorable geological setting with potential for hosting nickel sulphides and associated platinum group elements. A ground electromagnetic survey will be completed in the next quarter.

The drill results reported by Mithril insofar as they relate to ore or mineralisation are based on information compiled by D R Miller (Member of the Australasian Institute of Mining and Metallurgy) who has a minimum of five years' experience in the field of activity being reported. It should not be assumed that the reported exploration results will result, with further exploration, in the definition of a Mineral Resource. Any exploration target sizes mentioned are conceptual in nature and do not imply that Mineral Resources have been, or will be, defined.

APPENDIX 5B
Mining exploration entity quarterly report

MITHRIL RESOURCES LTD

ABN 099 883 922

Quarter ended 30 September 2005

Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(372)	(372)
(b) development		
(c) production		
(d) administration	(113)	(113)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	18	18
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - Joint Venture Repayments	151	151
	(316)	(316)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(2)
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)	-	-
	(2)	(2)
Net Investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(318)	(318)

1.13 Total operating and investing cash flows (brought forward)	(318)	(318)
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	(4)	(4)
1.18 Dividends paid	-	-
1.19 Other (Share issue costs)	-	-
Net financing cash flows	(4)	(4)
Net increase (decrease) in cash held	(322)	(322)
1.20 Cash at beginning of quarter / year to date	5,492	5,492
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	5,170	5,170
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	105	
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 and contract services		
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	68	25
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	320
4.2 Development	-
Total	320

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	64	63
5.2 Deposits at call	5,106	5,429
5.3 Bank overdraft	-	-
5.4 Other (provide details) - 30 and 60 day term deposits	-	-
Total: cash at end of quarter (item 1.22)	5,170	5,492

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	EL2831 EL3104 E69/1853		100% 100% 100%	0% 0% 0%
6.2 Interests in mining tenements acquired or increased	NIL		-	-

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	35,593,000	35,593,000	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>	1,000,000 5,400,000 200,000 200,000 12,500,000 2,000,000 100,000 500,000 350,000 100,000 250,000 500,000	- - - - - - - - - - - -	<u>Exercise price</u> 25 cents each various 25 cents each 30 cents each 50 cents each various 25 cents each 35 cents each 40 cents each 45 cents each 40 cents each 40 cents each	<u>Expiry date</u> 2 May 2007 28 May 2007 30 Sep 2007 30 Sep 2007 11 Nov 2007 11 Nov 2007 25 Feb 2008 25 Sep 2008 26 Nov 2008 8 Jun 2009 31 Jan 2010 16 May 2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Cancelled during quarter				
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:..... Date: 28 October 2005.
 Company Secretary

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.