



MITHRIL RESOURCES LTD

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REPORT FOR THE QUARTER ENDING 30 JUNE 2006

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Highlights

CORPORATE

- Cash reserves were \$4,418,996 at 30 June 2006, taking into consideration joint venture receivables and outstanding creditors.
- Mithril and BHP Billiton have agreed to extend the current strategic alliance to December 2007. The general framework of the alliance remains unchanged however significant modifications for Mithril include access to BHP Billiton's regional exploration targets, use of proprietary geophysical technology (Geoforret) and access to the Nebo-Babel nickel project data for the purposes of developing a template for targeting in the Musgrave Province.

EXPLORATION

Kalli Joint Venture South Australia

- Mithril announced a Joint Venture with Iluka (Eucla Basin) Pty Ltd a fully own subsidiary of Iluka Resources Ltd to explore for mineral sands on Exploration Licence (EL) 2870, and Exploration Licence Application (ELA) 26/03. The Joint Venture Area is situated approximately 27 kilometres west of Ceduna in South Australia and 17 kilometres east of the zircon rich Tripitaka discovery. Iluka can earn a 51% interest in EL 2870 and ELA 26/03 by expending \$1,500,000 within 5 years on exploration within the tenements, including a minimum commitment of 1500 metres of drilling prior to withdrawal (subject to the ELA being granted within 12 months from commencement).

Silver Swan North Joint Venture Western Australia

- Mithril is farming into FerrAus Limited's property which is situated along strike and immediately to the west of LionOre's Silver Swan Mine. The tenements cover a seven and half kilometre strike length of ultramafic rocks which are known to host the Silver Swan mineralisation. Five drill holes totaling 1293 metres were completed with anomalous nickel in sulphides (up to 1000ppm) intersected in drill hole SNRC-008 over a five metre thick zone from 255 metres. A surface electromagnetic survey is currently in progress with 24 line kilometres completed to the end of the period.

Byro Joint Venture Western Australia

- Mithril entered into a joint venture with Yilgarn Mining Limited to explore for nickel sulphides at the Byro Project in Western Australia. The Joint Venture area, comprising 209 square kilometres, covers a cluster of ultramafic bodies where 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. Mithril is currently undertaking a surface geophysical survey using the BHP Billiton GeoFeret technology available to Mithril under the alliance with BHP Billiton.

Dominion Joint Venture South Australia

- Sixty Two air core drill holes for a total of 1897 metres were completed testing several geochemical and geophysical targets. In addition 288 samples were taken from 144 drill sites previously drilled by Dominion but not analysed for nickel. Analytical results are pending.

Ceduna Joint Venture South Australia

- Toro Energy Limited entered into a farm in agreement with Mithril to explore Exploration Licences 2861 and 2891 for uranium mineralisation. Recent aircore drilling by Toro has intersected encouraging indication of uranium mineralisation in the Joint Venture area. A total of 36 drillholes was completed on five traverses for a total of 2,551 metres of drilling with uranium values up to 19ppm reported.

REVIEW OF OPERATIONS

CORPORATE

At the end of the June quarter, Mithril had cash reserves (taking into consideration joint venture receivables and outstanding creditors) of \$4,418,996.

Mithril and BHP Billiton have agreed to extend the current alliance agreement to December 2007. The general framework of the strategic alliance has not been changed however significant enhancements to the agreement include;

- Granting Mithril access to existing green fields nickel targets that BHP Billiton has not pursued in their own right due to staffing limitations,
- Granting to Mithril the right to use BHP Billiton's proprietary geophysical technology known as Geoferret,
- Granting Mithril access to all geo-scientific data from the Nebo-Babel nickel sulphide mineralisation for the purpose of developing exploration templates which will assist in Mithril's exploration within the Musgrave Province of South Australia.

EXPLORATION

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

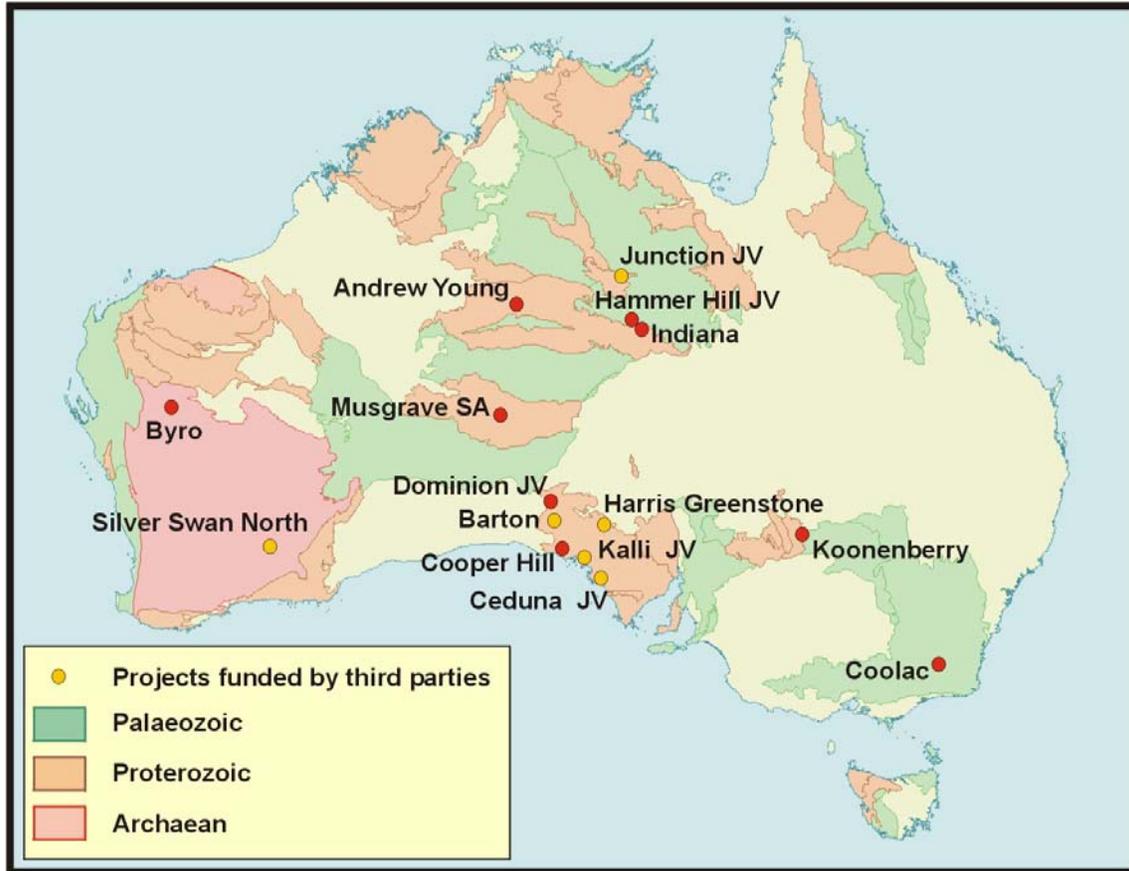


Figure 1

West Australian Projects

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

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

The Joint Venture between Mithril Resources, BHP Billiton and FerrAus consists of one Exploration Licence E27/209 and four Mining Leases M27/262-265 which form a contiguous group covering an area of approximately 39 square kilometres. The tenements cover a succession of Archaean felsic, mafic and ultramafic rocks. The ultramafic rocks are the host sequence for the Silver Swan and Black Swan nickel deposits.

In May this year five angled percussion drill holes for 1293m were completed over the project area. Two of these drill holes (SNRC-001, 008) targeted east dipping conductive

bodies identified from the recently completed ground electromagnetic (EM) surveys on ultramafic contacts and drill hole SNRC-003 targeted a conductive body internal to the ultramafic pile. Two drill holes (SNRC-004, 006) targeted contacts to the ultramafic sequence.

Drill hole SNRC-001 intersected 24m of semi-massive and massive sulphides from 252 metres at the bottom of the hole near the mafic-ultramafic contact. Due to the drill rig capability this hole was stopped in these sulphides and the ultramafic contact was not intersected. Analytical results indicate these sulphides are sedimentary in origin with no nickel values greater than 100 parts per million (ppm). Drill hole SNRC-003 intersected a pyritic shale internal to the ultramafic pile and drill hole SNRC-008 intersected a five metre thick zone from 255 metres of 10-40% sulphides adjacent to the eastern ultramafic contact. Nickel values are elevated in this interval (up to 1000ppm).

As part of the Joint Venture, BHP Billiton has agreed to fund further electromagnetic surveys in the project area. This includes downhole surveys on SNRC-001, 004, 006 and 008, fixed loop surveys over untested anomalies and an additional 10 line km of moving loop EM over a magnetic anomaly directly north of the Silver Swan Deposit.

Mithril and BHP Billiton continue to view the area as highly prospective for nickel sulphides.

Byro Joint Venture Western Australia; EL 09/781 and ELA 09/1276, Mithril earning 75%

Mithril entered into a joint venture with Yilgarn Mining Limited to explore for nickel sulphides at the Byro Project in Western Australia. The Joint Venture area, comprising 209 square kilometres, covers a cluster of ultramafic bodies where 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.

Mithril has completed 28.1 line km of a surface geophysical survey using the BHP Billiton GeoFerret technology available to Mithril under the alliance with BHP Billiton. The survey will continue into the September quarter.

South Australian Projects

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

Government approvals have been received to progress the drill testing of the Yerda gravity anomaly. The Company has finalised an access agreement with the Far West Coast Native Title Claim group. It is anticipated that drilling will commence in August following the completion of a heritage survey.

Ceduna Joint Venture (S.A.); EL's 2861 and 2891, Toro Energy Limited earning 75%

Toro has entered into a farm in agreement with Mithril to explore Exploration Licences 2861 and 2891 for uranium mineralisation. Toro has the right to earn an initial 51% through the expenditure of \$750,000 over a three year period with the election to earn an additional 24% (total 75%) by spending an additional \$750,000 over a further two year period.

A total of 36 drillholes was completed on five traverses on the joint venture area for a total of 2,551 metres of drilling with uranium values up to 19ppm being reported in one traverse over the Yaninee Paleochannel. Toro has indicated that work will continue in this area in the third quarter of this year and may involve more drilling and/or a geophysical survey to help define the location of the paleochannels.

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

Exploration activities by Minotaur Exploration consisted of an aircore drilling program targeting iron oxide copper gold mineralisation. A total of 41 aircore holes was drilled for 2,844 metres. Analytical results from this drilling are not available at this time and will be reported next quarter.

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

The joint venture with Dominion Mining Limited covers 3332 square kilometres currently held under five Exploration Licences by Dominion in the Gawler Craton of South Australia.

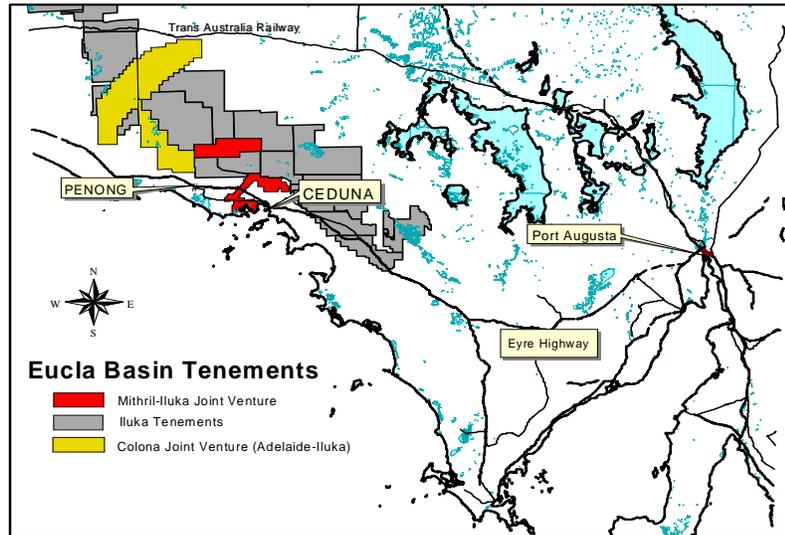
Previous gold exploration and regional drilling by Primary Industries and Resources of South Australia (PIRSA) within the lease area identified numerous large mafic and ultramafic bodies which have the potential to host nickel sulphide mineralization. Drilling by PIRSA at the Aristarchus Prospect identified an ultramafic intrusive rock hosting nickel bearing sulphides (pentlandite and mackinawite) which returned values up to 0.49% nickel, 38 parts per billion "ppb" platinum and 58ppb palladium. Nickel sulphides are present within peridotite and are considered magmatic. The drill holes lie along the western edge of a magnetic feature extending over a distance of 1.8 kilometres and interpreted to be on the edge of a larger layered mafic intrusion.

During the quarter Mithril drilled 62 air core drill holes, for a total of 1897 metres, testing a combination of geophysical and geochemical targets.

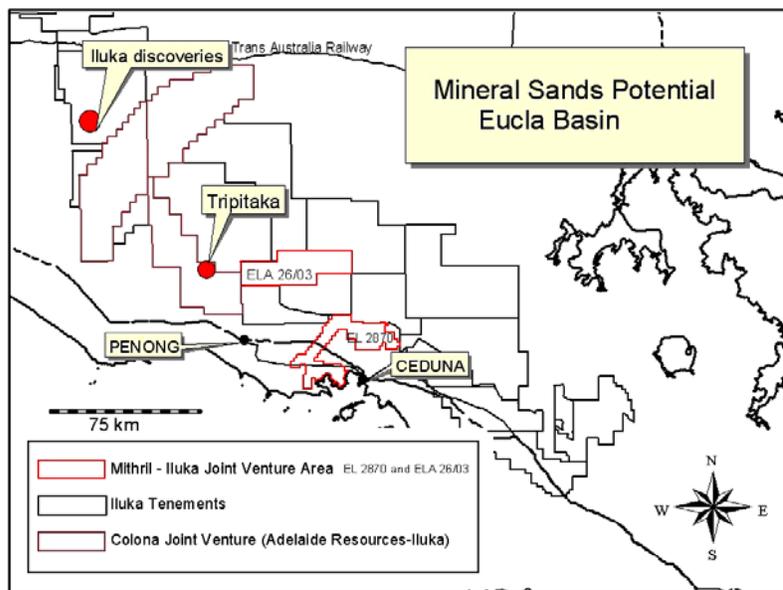
In addition, a substantial sampling program was completed on drilling previously undertaken by Dominion as part of its gold exploration program during the 1990's. These holes were analysed for gold, arsenic and some copper analyses. Mithril has completed a sampling programme in areas that had been drilled by Dominion and were prospective for nickel. This was done by revisiting old drill sites and taking a sample of the redox horizon and a sample from the bottom of the hole. A total of 288 samples was taken from 144 drill sites on approximately 200-300 metres centres. Analytical results are pending.

Kalli Joint Venture (S.A.); EL 2870 and ELA 03/26, Iluka earning 51%

Mithril announced a Joint Venture with Iluka (Eucla Basin) Pty Ltd a wholly-owned subsidiary of Iluka Resources Ltd to explore for mineral sands on Exploration Licence (EL) 2870, and Exploration Licence Application (ELA) 26/03. The Joint Venture Area is situated approximately 27 kilometres west of Ceduna in South Australia and 17 kilometres east of the zircon rich Tripitaka mineral sands discovery (see figures below).



EL 2870 and ELA 26/03 are situated on the Ooldea Range an old coastal barrier within the Eucla Basin. The basin is emerging as a new major mineral sands province within South Australia as evident from the recent zircon discoveries announced by Iluka at Jacinth and Ambrosia prospects and, more recently, the joint announcement by Iluka and Adelaide Resources of the Tripitaka discovery on their Colona property. The Tripitaka discovery, situated



17 kilometres west of ELA 26/03, has been reported to contain exceptionally high levels of zircon (68%) and zircon prices are currently at near record levels. Iluka can earn a 51% interest in EL 2870 and ELA 26/03 by expending \$1,500,000 within 5 years on exploration within the tenements, including a minimum commitment of 1500 metres of drilling prior to withdrawal (subject to the ELA being granted within 12 months from commencement). Initial exploration activities will commence within EL 2870. Mithril retains all rights to explore and develop mineral deposits within the bedrock and will be evaluating the nickel sulphide potential under the existing alliance with BHP Billiton.

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

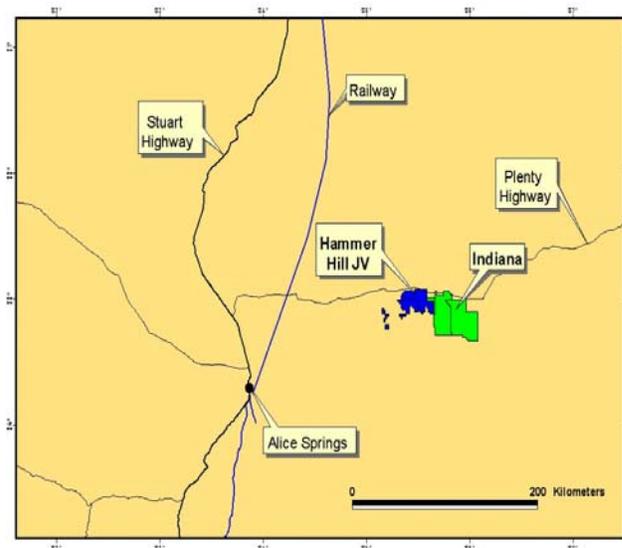
Mithril had a joint venture with Range River Gold to explore a portion of Exploration Licence 3107 (located 14 kilometres southeast of the Talia Hill J.V.) for nickel sulphide mineralization. Analytical results have downgraded the potential for the area and Mithril has withdrawn from the joint venture

Northern Territory Leases

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

As previously reported, reconnaissance surface sampling defined three broad zones of anomalous nickel and cobalt (up to a maximum of 0.52% nickel and 0.06% cobalt and four kilometres to the south, a second sample returned 0.44% nickel and 0.01% cobalt). These results combined with previous exploration by other companies (exploring the area for base metal mineralisation) of up to 0.33% copper from a rock chip sample are indicative of the area's potential to host nickel and base metal sulphide mineralisation. Geochemical surface sampling was completed by Mithril over two areas on a 500 by 200 metre grid for a total of 787 samples. Every second sample was submitted for analysis giving a geochemical coverage of 400m x 500m.

A number of Ni / Cu / Co anomalous areas were defined with Ni to 0.5% and coincident Ni/Cu/Co to 619ppm/1084ppm/302ppm respectively. Field followup including mapping, a gossan search and ground EM is planned for early in the next quarter.



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

A joint venture has been formed with Arafura Resources NL to explore for nickel sulphide mineralization within Exploration Licences 9725 and 10136 in the Northern Territory.

The Hammer Hill nickel-cobalt-chrome project is adjacent to Mithril's Indiana Project and is hosted by a similar ultramafic rock unit. Geochemical surface sampling was completed over 7 areas on a 500 by 200 metre grid for a total of 807 samples. Every second sample was submitted for analysis giving a 400m x 500m geochemical coverage. Three areas were defined showing Ni and Ni/Cu anomalism with nickel values to 0.37% and copper values to 171ppm. Field followup will be in tandem with that of Indiana consisting of geological mapping, a gossan search and ground EM in the next quarter.

The joint venture in combination with Mithril's existing lease holdings consolidates the Company's position (total 2019 square kilometres) in what is believed to be an emerging belt prospective for nickel sulphide mineralization.

Neutral Junction Joint Venture (N.T.); E.L. 24253, Mega Uranium Limited earning 80%

Mega Uranium, following the acquisition of Hindmarsh Resources Ltd will assume the joint venture obligations with Mithril over an area covering 1,400 square kilometres and located about 220 kilometres south of Tennant Creek.

The tenement is considered to have potential to host both unconformity-related and sedimentary “roll-front” uranium mineralisation. Neutral Junction covers approximately 80 kilometres of the unconformable contact between the Arunta Province Proterozoic basement and overlying sediments of the Georgina Basin.

Mega Uranium can earn an 80% interest in EL 24253 by expending \$1,000,000 within 5 years on exploration within the tenement. Mega Uranium may withdraw at any time after an initial appraisal period provided it has expended at least \$25,000 and met the expenditure conditions on the tenement.

During the reporting period Mega Uranium completed a review of existing data and historical exploration over the project.

New South Wales Projects

Coolac Serpentinite (NSW); EL6484 and EL6574, Mithril 100%

The project, located approximately 20km east northeast of Tumut, covers a large north south trending ultramafic belt known as the Coolac Serpentinite. A number of historical chromite, base metal and gold workings occur throughout the licence area, the most significant being the Tumut Gold Mine and McAlpine Mine. Historical production for the rhyolite hosted Tumut Gold occurrence is recorded at 97.5t at 5.3% copper, 1.1% zinc, 4.6g/t gold and 137g/t silver. The sphalerite and chalcopyrite rich McAlpine Mine is hosted within chloritic and talc rich rocks which form part of a reaction zone between serpentinite and granodiorite. Follow up activities are planned for the September quarter.

Exploration Licence (EL6574) was granted during the reporting period. This licence covers a number of magnetic features immediately to the west of EL6484 and will be explored for nickel, base metals and gold.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr D R Miller, who is Managing Director and a full time employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr D R Miller 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 D R Miller 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

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MITHRIL RESOURCES LTD

ABN

30 099 883 922

Quarter ended ("current quarter")

30th JUNE 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A '000	Year to date (12 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	(556)	(1,562)
1.3 Dividends received	(126)	(501)
1.4 Interest and other items of a similar nature received	120	264
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Joint Venture Repayments)	221	576
Other (PIRSA Drilling Grant)	42	78
Net Operating Cash Flows	(299)	(1,145)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		(9)
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	-	(9)
1.13 Total operating and investing cash flows (carried forward)	(299)	(1,154)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(299)	(1,154)
	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		26
1.17	Repayment of borrowings		(35)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		(9)
	Net increase (decrease) in cash held	(299)	(1,163)
1.20	Cash at beginning of quarter/year to date	4,628	5,492
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4,329	4,329

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	35
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 and superannuation.

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

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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

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	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	360
4.2 Development	
Total	

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	29	50
5.2 Deposits at call	4,300	4,578
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,329	4,628

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	E80/3443		100%	0%
6.2 Interests in mining tenements acquired or increased	EL6574		0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (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
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 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 90,000		Exercise Price 25 50 various various 25 30 25 35 40 40 40 35 40	Expiry Date 02/05/07 11/11/07 28/05/07 11/11/07 30/09/07 30/09/07 25/02/08 25/09/08 26/11/08 31/01/2010 16/05/2010 31/12/2010 15/05/2011
7.8 Issued during quarter	90,000		40	15/05/2011
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 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 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 25th July 2006
DONALD STEPHENS
(Company secretary)

Print name:

Notes

- 1 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 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 **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 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **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.

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+ See chapter 19 for defined terms.