



MITHRIL RESOURCES LTD

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REPORT FOR THE QUARTER ENDING 31 December 2005

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Highlights

CORPORATE

- Cash reserves were \$4,963,000 at 31 December 2005, taking into consideration joint venture receivables and outstanding creditors.

EXPLORATION

Musgrave Province South Australia

- Mithril has consolidated a major mineral landholding within the Musgrave province in South Australia. Through selected joint ventures and its own applications the company has involvement in over 23 applications for exploration licences which total an area of approximately 32,600 square kilometres.

Harris Greenstone Belt South Australia

- At the Talia Hill Joint Venture with BHP Billiton the company drilled 5 percussion holes for 682 metres testing an electromagnetic anomaly. The drilling intersected an ultramafic rock sequence with minor sulphides noted on a sheared contact. Analytical results are pending.

Dominion Joint Venture South Australia

- The Company entered into a joint venture covering 5 exploration licences (3,332 square kilometres) with Dominion Mining Limited. Previous exploration has identified nickel sulphides within a favorable host rock. The company has access to Dominion Mining's database for the purposes of analyzing existing exploration samples for nickel and associated elements.

Hammer Hill Joint Venture Northern Territory

- The Company has entered into a joint venture with Arafura Resources NL to explore for nickel sulphides on a property adjacent to the company's Indiana Project. This consolidates Mithril's tenement holding in our area where the Company had encouraging exploration results.

Neutral Junction Joint Venture Northern Territory

- Hindmarsh Resources Limited has farmed into the Company's Neutral Junction property to explore for uranium mineralisation

REVIEW OF OPERATIONS

CORPORATE

At the end of the December quarter, Mithril had cash reserves (taking into consideration joint venture receivables and outstanding creditors) of \$4,963,000.

EXPLORATION

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

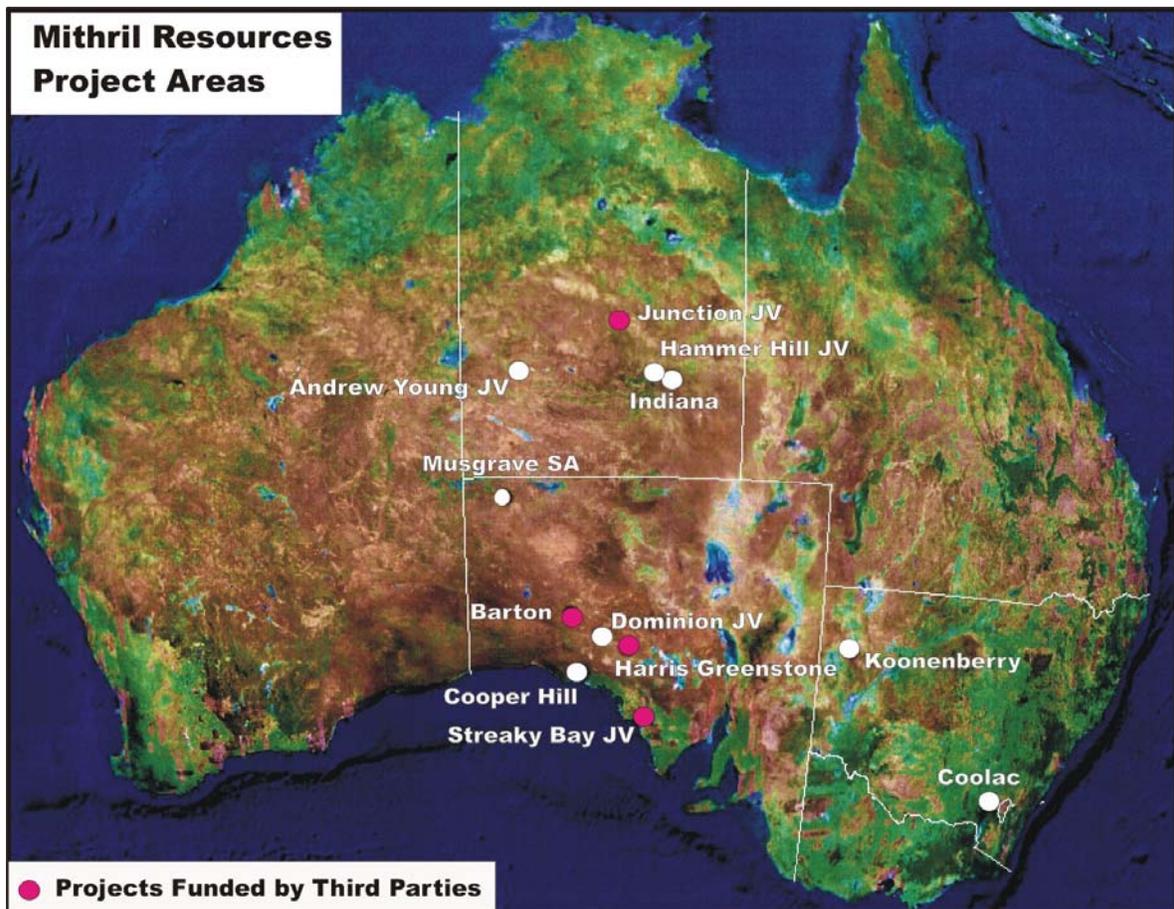
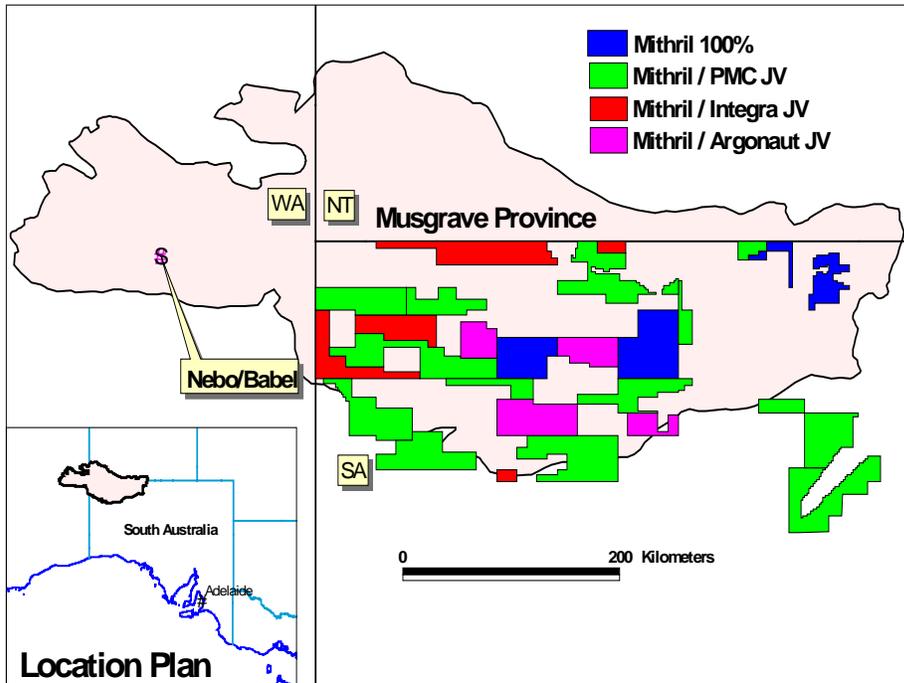


Figure 1

South Australian Projects

Musgrave Province South Australia



Mithril has consolidated a major strategic position consisting of some 32,600 square kilometres or 40% of the Musgrave Province in South Australia through a number of joint ventures and lease applications (held in its own right) in one of the last under explored mineral provinces within Australia.

An agreement had been reached with Integra Mining NL to form a joint venture covering 4,980 square kilometres currently held under five Exploration Licence Applications in the Musgrave Province. The joint venture, which will be conditional on the grant of the applications by the state government and finalising an access agreement with the Anangu Pitjantjatjara Yankunytjatjara (APY) Land Council, allows Mithril to earn 80% interest in the leases for the expenditure of \$5 million over a six year period. Integra can elect to contribute to the joint venture on a pro rata basis or dilute retaining a 1.5% net smelter return royalty if their interest falls below 10%.

In addition, Mithril has entered into an agreement with Argonaut Resources NL covering 4,314 square kilometres currently held under four Exploration Licence Applications. The joint venture, which is conditional on the granting of the applications and reaching an access agreement, will allow Mithril to earn a 51% interest in the leases for the expenditure of \$2 million over a three year period commencing from the grant of the licences. At that stage Argonaut may elect to contribute on a pro rata basis to the joint venture to maintain

it's 49% interest, or dilute, retaining a 1.5% net smelter return royalty, if their interest falls below 10%.

Mithril has been actively exploring in the eastern edge of the Musgrave Province (outside the APY Lands) at the Sundown Prospect within Exploration Licence 2831. A ground geophysical survey completed during the quarter failed to identify a bedrock conductor. Based on the results of the geophysical survey and previous exploration throughout the remaining portions of the lease, there appears to be limited potential within this lease for a major nickel sulphide deposit.

The Musgrave Province is a large, under-explored, Proterozoic block with a diversity of geological environments located in the north-west corner of South Australia. Proterozoic provinces represent some of the most prospective terrains for mineral exploration worldwide. In Australia, the prospectivity of Proterozoic rocks is well recognised, with the exception of those contained within the Musgrave Province, and have generally been subject to relatively intense exploration for a considerable period of time yielding a number of world class mineral deposits. Nickel sulphide mineralisation is known to occur in the Giles Complex which comprises a series of over twenty, layered, mafic-ultramafic intrusions and faulted segments emplaced within the southern granulite terrain of the Musgrave Province. The Complex is known to extend over an east-west strike length of some 500 kilometres constituting the largest mafic-ultramafic intrusive suite on the Australian continent. The Company will be working with government bodies, the APY Land Council and industry groups to facilitate access into the region.

Talia Hill Joint Venture (S.A.); Exploration Licence (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.

During the quarter a total of 682 metres was drilled testing a conductive body (defined by an electromagnetic survey) which is spatially associated with elevated nickel levels in the weathered bedrock. Five percussion drill holes were completed on three north-south traverses spaced 100 metres apart. The drilling intersected an ultramafic sequence which is intensely faulted on both contacts with the country rocks. Minor sulphides (pyrite dominant) were noted in several of the drill holes and assays are pending.

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. The first stage of a ground electromagnetic survey (210 moving loop ground electromagnetic soundings collected along 7 north south lines at 50m intervals) has been completed. Initial inspection of the data suggests that there are several responses that justify further work. Additional geophysical data will be collected in the first quarter of 2006.

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

A percussion drilling program commenced to test 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. Mithril was successful in obtaining funding from the South Australia PACE initiative to assist with the drilling campaign

Unfortunately due to drilling difficulties and capacity of the drill rig (to drill to the targeted depths) the conductive body was not adequately tested. Drill testing of the geophysical target will be completed in early 2006 (pending availability of a drill rig with the capacity to drill to the required depths).

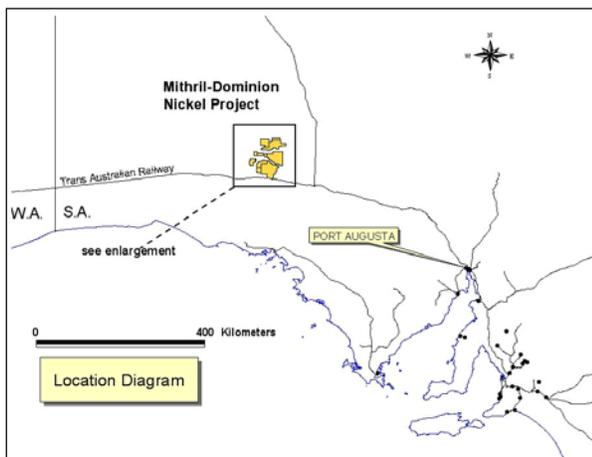
Streaky Bay Joint Venture (S.A.); EL's 2861 and 2891, Minotaur earning 75%

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. There was no activity during the quarter and exploration by Minotaur will commence in the first quarter of 2006.

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 South Australia.

Previous gold exploration and regional drilling by Primary Industries and Resources of South Australia (PIRSA) within the lease area has identified numerous large mafic and ultramafic bodies which have the potential to host nickel sulphide mineralization (see target igneous rocks, Figure next page). Drilling by PIRSA has identified an ultramafic intrusive rock hosting nickel bearing sulphides (pentlandite and mackinawite) which has returned values up to 0.49% nickel, 38 parts per billion "ppb" platinum and 58ppb palladium. Previous exploration by Kennecott (1972) reported up to 0.74% nickel from samples obtained in shallow bedrock drilling from the same area.

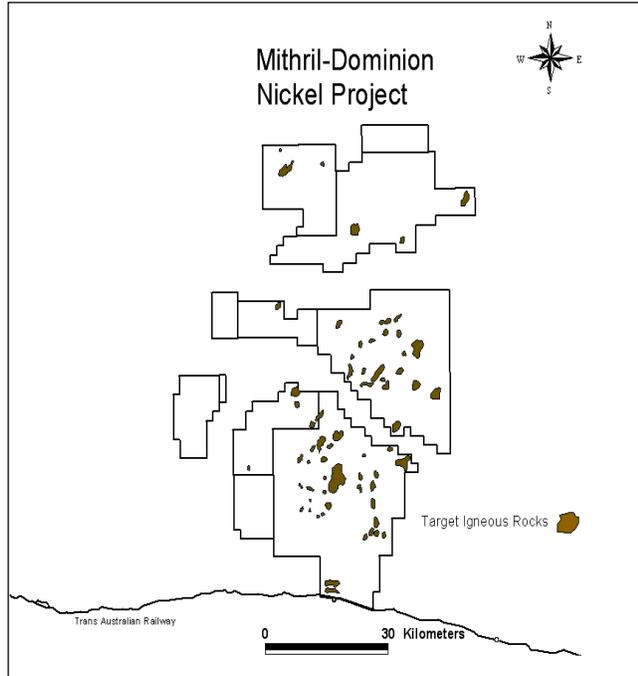


The Joint Venture area is situated at the northern end of the Fowler Domain, a major tectonic zone on the north-western flank of the Gawler Craton. The Fowler Domain comprises dense, magnetic, intermediate to ultramafic rocks overlain by thin Tertiary sands and recent sand dunes. The Thompson Nickel Belt in Canada has similar features and is considered by the PIRSA as a possible analogue of the Fowler Domain. The Thompson Nickel Belt hosts major nickel deposits which have been mined by Inco Limited (INCO) since the early

1960s. INCO has been actively exploring a portion of the Fowler Domain further to the southwest.

The joint venture allows Mithril to earn 75% interest in the leases for the expenditure of five million dollars over a six year period, with a minimum commitment of \$100,000 to be expended by June 2006. Dominion has the right to a 25% interest that is free carried to the completion of a Bankable Feasibility Study, at which time it can elect to contribute or dilute its interest in the Joint Venture converting to a 2.5% net smelter return royalty if its interest falls below 10%.

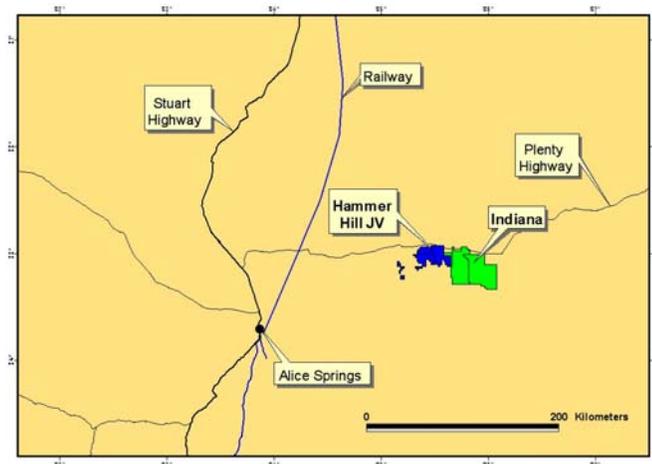
Mithril has access to all of Dominion's regional drilling and surface samples for the purposes of analysing them for nickel and associated elements. Dominion has an extensive sample data base over most of the tenements which will substantially reduce the time and cost for Mithril to delineate drill targets. Dominion's existing database, combined with the extensive landholding, excellent geological setting and proximity to rail infrastructure, make this a very exciting exploration opportunity for Mithril.



Northern Territory Leases

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

As previously reported, reconnaissance sampling has 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 (ultramafic outcrop) are indicative of the area's potential to host nickel sulphide mineralisation. The next phase of exploration, which will commence early in 2006, will involve mapping and geochemical soil sampling.



Hammer Hill Joint Venture (N.T.); EL 9725, 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 joint venture area is located 200 kilometres northeast of Alice Springs and is readily accessible via the Stuart and Plenty Highways. The Hammer Hill nickel-cobalt-chrome project is adjacent to Mithril's Indiana Project and is hosted by a similar ultramafic rock unit.

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. The joint venture allows Mithril to earn up to 70% interest in the area through the expenditure of \$5 million over six years. Mithril may withdraw from the joint venture on completion of \$50,000 expenditure prior to 30 June 2006. Exploration activities will commence in the first quarter of 2006.

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

Mithril had 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. A review of the nickel potential of the project was completed which concluded there was diminished potential for the discovery of a significant nickel sulphide deposit. As a result Mithril and Falconbridge have withdrawn from the joint venture with Goldstake Exploration Inc. and Imperial Granite and Minerals Pty Ltd

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

Hindmarsh Resources Ltd has entered into a joint venture 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 uranium mineralisation 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. Uranium exploration was carried out by CRAE from 1979 to 1981 using airborne radiometrics and stream sediment geochemistry. Uranium values up to 200 parts per million were recorded.

The sediments of the Georgina Basin are considered to have potential to host sedimentary roll-front uranium mineralisation due to the sourcing of sediments from the uraniumiferous Ali Curung Granite, as indicated by analysis of paleo-current directions.

Hindmarsh can earn an 80% interest in EL 24253 by expending \$1,000,000 within 5 years on exploration within the tenement. Hindmarsh 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.

Exploration by Hindmarsh is expected to commence in the first Quarter of 2006.

New South Wales Projects

Coolac Serpentinite (NSW); EL6484, Mithril 100%

Mithril was granted an exploration licence by the Minister of Resources for N.S.W. covering a 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 and mapping will commence during the first quarter of 2006.

Koonenberry (NSW); EL's 6364, 6380 6495 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. Mithril's analytical results have confirmed several areas to be anomalous in nickel, copper and cobalt. Exploration will continue in the first quarter of 2006.

The Company was granted one of two leases applied for south of the current leasing which consolidates the Company's position in the belt. The leasing covers several electromagnetic anomalies identified in BHP Billiton's extensive geophysical database which is available to the Company through the Mithril-BHP Billiton alliance.

Fairlight (NSW); EL 6420, Mithril 100%

The tenement is located 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 was completed and results indicate the cover sequence is in excess of 200 metres. Future exploration activities will be reviewed considering the depth of the magnetic anomalies

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

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")

31st DECEMBER 2005

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	(311)	(683)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	115	133
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Joint Venture Repayments)	109	260
Other (PIRSA Drilling Grant)	36	36
Net Operating Cash Flows	(223)	(539)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(7)	(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	(7)	(9)
1.13 Total operating and investing cash flows (carried forward)	(230)	(548)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(230)	(548)
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	26
1.17	Repayment of borrowings	(27)	(31)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	(1)	(5)
	Net increase (decrease) in cash held	(231)	(553)
1.20	Cash at beginning of quarter/year to date	5,170	5,492
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4,939	4,939

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	94
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

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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	350
4.2 Development	
Total	350

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	17	64
5.2 Deposits at call	4,922	5,106
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,939	5,170

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			
6.2	Interests in mining tenements acquired or increased	EL 6484 EL 6495	0% 0%	100% 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 2,000,000 200,000 200,000 100,000 500,000 350,000 100,000 100,000 500,000		Exercise Price 25 50 various various 25 30 25 35 40 45 40 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 08/06/2009 31/01/2010 16/05/2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	150,000		40	31/01/2010 (Options cancelled)
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:
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.