



MITHRIL RESOURCES LTD

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REPORT FOR THE QUARTER ENDING 30 June 2005

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Highlights

CORPORATE

- Cash reserves of \$5,492,000 at June 30 2005, taking into consideration joint venture receivables and outstanding creditors.
- Mithril continues to leverage its exploration expenditure incurring a net expenditure of \$678,000 for the last twelve months compared to a total expenditure of \$2,265,000 inclusive of joint venture partner contributions.

EXPLORATION

Indiana Project Northern Territory

- Orientation geochemical samples have returned anomalous values up to 0.5% nickel and 0.06% cobalt from a belt of ultramafic rocks cropping out over a six kilometre strike extent.

Barrow Creek Joint Venture Northern Territory

- Three diamond and three percussion drill holes totaling 710 metres were completed during the period. Weak mineralization was recorded in drill hole BCD-008, drilled to test a highly conductive body located down dip of hole BCD-005. The drill hole intersected disseminated sulphide mineralization over 8.65m grading 0.5% copper and 0.2% nickel from a down hole depth of 307metres The mineralized zone does not correlate with the conductive body therefore to better delineate the target down hole electromagnetic surveys will commence in August.

Harris Greenstone Belt South Australia

- At the Talia Hill Joint Venture with BHP Billiton gravity data collected as part of the State's PACE initiative have led to the identification of a major gravity anomaly. This anomaly, situated on a major crustal structure has a magnitude of 9 milligals being comparable to the anomaly which resulted in the Prominent Hill copper-gold discovery. This is in addition to a drill ready nickel sulphide target consisting of a significant bedrock conductive body associated with elevated nickel levels in the weathered bedrock.

Cooper Hill Joint Venture South Australia

- At the Cooper Hill Joint Venture with BHP Billiton, located approximately 100 km west of Ceduna, ground electromagnetic data have outlined seven mid to late-time bedrock anomalies which warrant drill testing.

Sundown Project South Australia

- Geochemical sampling at the Sundown project situated in the western edge of the Musgrave Province has identified two zones (each 1.5 kilometres in length) anomalous in copper and nickel. The anomalous geochemistry correlates with an east-west dyke associated with the Giles Complex.

REVIEW OF OPERATIONS

CORPORATE

At the end of the June quarter, Mithril had cash (taking into consideration joint venture receivables and outstanding creditors) of \$5,492,100. Mithril continues to leverage its exploration expenditure having a net expenditure of \$680,000 for the last twelve months compared to a total gross expenditure of \$2,265,000.

EXPLORATION

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

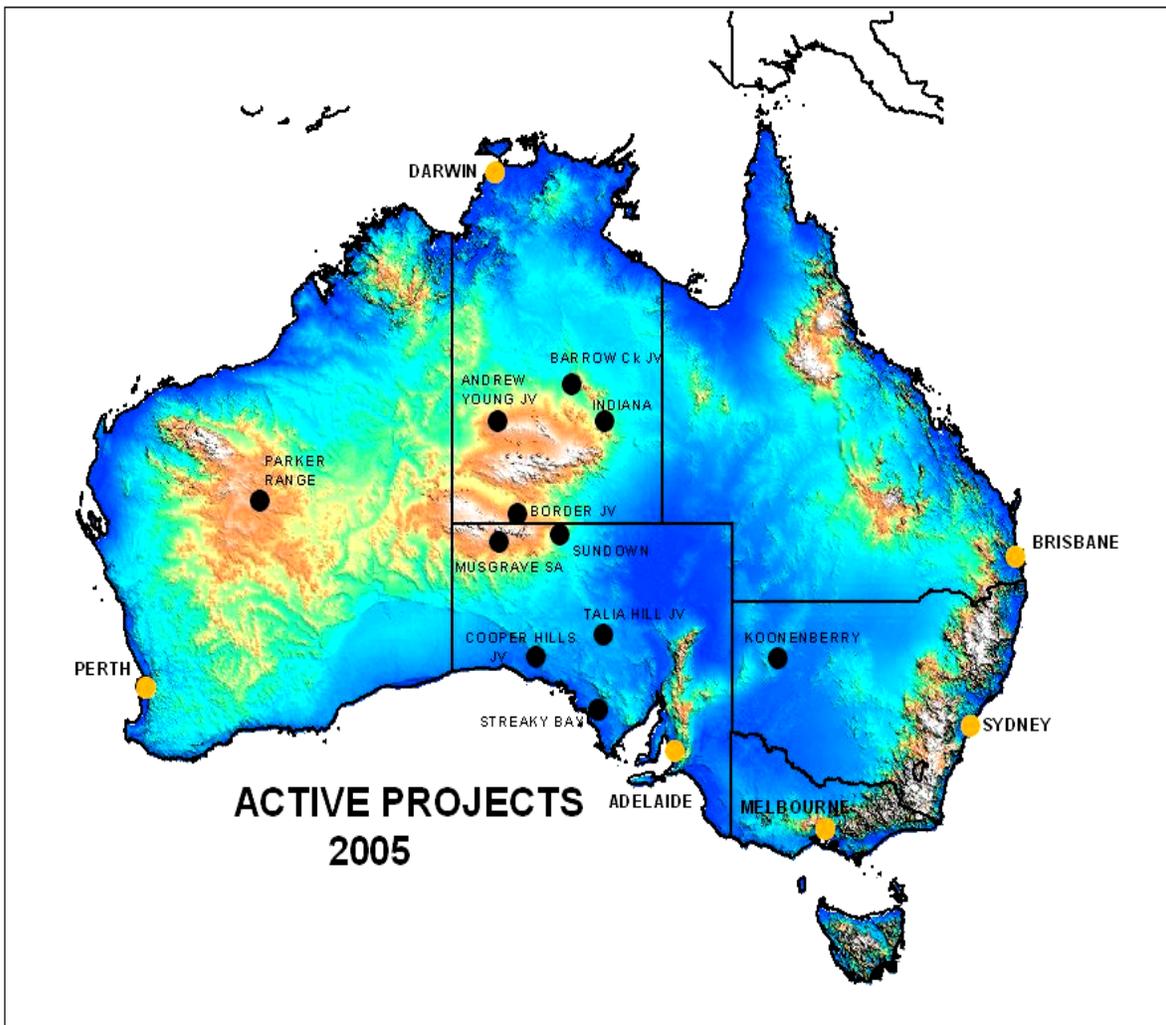


Figure 1

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

Mithril has entered into 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 quarter 6 drill holes (3 diamond and 3 percussion holes) totalling 710 metres were completed testing a geophysical target at "Prospect D" and several regional targets. Drill hole BCD-008, collared 100 metres west of drill hole BCD-005 at "Prospect D", was targeting a conductive body identified from the down hole EM survey completed during the previous drilling. The drill hole intersected disseminated mineralisation over 8.65 metres grading 0.5% copper and 0.2% nickel from a down hole depth of 307 metres. The mineralised zone does not have the conductive properties required to explain the off hole conductor identified from EM surveying drill hole BCD-005. All drill holes will be resurveyed in early August using a three component EM probe which will better define the location of the conductive body. Drilling to the south of "Prospect D" intersected a mafic body with no significant base metal mineralisation being recorded; several isolated silver intersections up to 6 grams per tonne over one metre intervals were noted.

A major program of ground geophysics, consisting of 25 to 30 line kilometres of electro magnetics, will be completed to screen known conductors identified in the airborne survey and several new targets.

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. A regional soil sampling program (1509 samples) was completed covering an area of 2700 square kilometres which is considered prospective for nickel sulphide mineralization. Infill sampling on a 400 by 500 grid has identified a 1.8 by 1.5 kilometre zone which is anomalous in copper and nickel. The anomaly extends to the north, defined by regional sampling on a 1 kilometre grid, for a further 4 kilometres into Mithril's Kulgura Prospect. The greater anomalous zone is situated on the northern side of a major fault zone, the Woodroffe Thrust, and is coincident with a large magnetic anomaly. Additional sampling and field checking will be completed next quarter.

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

Initial reconnaissance stream sediment sampling (magnetic lag fraction) along an ultramafic belt cropping out over a six kilometre strike extent has identified two areas with very encouraging results. At the northern end of the outcrop a stream sediment sample has returned 0.52% nickel and 0.06% cobalt and four kilometres to the south a second sample has returned 0.44% nickel and 0.01% cobalt. Both samples have elevated chromium and copper levels. No sampling has yet been completed between the two results or along strike north or south.

Detailed and regional stream sampling will be completed covering the entire project area (1389 square kilometres) in the September quarter.

Harris Greenstone Belt (SA)

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 nickel sulphide deposits.

At the Talia Hill Joint Venture (EL 2842-BHP Billiton earning 82%) gravity data collected as part of the State's 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.

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. This conductor is interpreted to be at least 400 metres in strike extent, sub vertical, and 70 metres below surface with a moderate easterly plunge component. Mithril is currently trying to secure a drill rig to test the target.

Mithril entered into a new 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. Previous investigations in the area by Primary Industries and Resources SA (PIRSA) have identified a favourable host sequence over a strike extent of 16 kilometres. The joint venture allows Mithril to earn up to 75% interest in the area through the expenditure of one million dollars over 4 years. Mithril may withdraw from the joint venture on completion of twenty thousand dollars expenditure prior to the end of 2005. Exploration activities will commence in the current quarter.

Cooper Hill Joint Venture (S.A.); EL's 3105 and 2870; Mithril currently 100%, BHP Billiton earning up to 79%.

The Company, on behalf of the joint venture, is exploring for nickel sulphide mineralisation associated with mafic rocks within the western Gawler Craton. Previous exploration identified anomalous nickel values associated with a series of mafic bodies localised on a major northeast trending fault. An airborne electromagnetic (AEM) survey over EL 3105 using the Geotem system was completed in 2004 consisting of 780 line kilometres. Ground electromagnetic surveys (moving loop EM) have identified seven potential late time conductors. Four of the seven targets were followed up with fixed loop EM using 500m by 300 metre loops and lines spaced 200 metre apart. On line 6475900N the fixed loop survey revealed a good quality late time moderately dipping target at a depth of 200m beneath the surface. This conductor dips at 50 degrees to the northeast, plunges at 17 degrees to the northwest, has a strike length of at least 600 metre and is open in both directions. Pending drill rig availability, drilling is planned for the September quarter

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. Field checking and geophysics will be completed in the next quarter. .

Streaky Bay (SA); EL's 2861 and 2891; Mithril 100%

Mithril Resources has been actively exploring two leases in the Gawler Craton for nickel sulphide mineralization. Results to date have downgraded the areas potential for this style of mineralization however recent data collected as part of the State'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, 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 Mithril's leasing package. Mithril prefers to maintain a focus on nickel sulphide exploration and is looking for joint venture partners to progress the copper-gold exploration.

Parker Range (W.A.); EL 69/1853; Mithril 100%

Ground electromagnetic surveys covering the south margin of a mafic intrusive body failed to delineate any significant conductors. A review of the data will be completed during the next quarter.

Coolac Serpentinite (NSW)

Mithril has submitted an application for an exploration licence covering 22 kilometre strike length of ultramafic rocks associated with the Coolac serpentinite belt in southern NSW. Historical exploration within the application has identified nickel 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. It is anticipated the lease will be granted in the next quarter

Barton Mineral Sands Joint Venture (SA)

The Barton Joint Venture area (ELA 2004/265) is located 50 kilometres to the northeast of the recently discovered zircon-rich Jacinth and Ambrosia prospects. The joint venture covers 992 square kilometres of the Barton Range Shoreline, an older coastal barrier than that hosting Jacinth which is situated on the Ooldea Range Shoreline. PIRSA's drilling (1993) demonstrated the mineral sands potential of the Barton Range Shoreline identifying a heavy mineral concentrate comprised of 56% altered ilmenite, 17% zircon, 15% leucoxene, and 3% rutile (based on visual estimation for the -1 mm +38µm fraction) from a down hole depth of 16-22 metres down hole in drill hole LBR17 which is located in the joint venture area.

Mithril has entered into a joint venture with Image Resources NL whereby Image is required to spend \$300,000 to earn a 51% interest in the joint venture and may elect to increase its interest to 70% through an additional expenditure of \$200,000. Mithril was successful in its application for funding to assist with mineral sands exploration from the state government's PACE initiative collaborative drilling programs. As the application is within the Maralinga Tjarutja Lands, exploration will commence on finalizing heritage and land access agreements.

Mithril retains the rights to all other minerals in particular nickel having identified several targets which it will pursue in its own right as part of the ongoing alliance with BHP Billiton.

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.

Name of Entity

MITHRIL RESOURCES LTD

ACN or ARBN

099 883 922

Year Ended (30/06/2005)

30th JUNE 2005

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	(409)	(1814)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	76	271
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Joint Venture Repayments) (PIRSA Drilling Grant)	247	1,286 30
Net Operating Cash Flows	(183)	(678)
Cash Flows Related to Investing Activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		(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 from other entities		
1.12 Other (provide details if material)		
Net Investing Cash Flows	0	(2)
1.13 Total operating and investing cash flows (carried forward)	(183)	(680)

	Cash Flows Related to Financing Activities		
1.14	Proceeds from issues of shares, options, etc.		25
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(4)	(16)
1.18	Dividends paid		
1.19	Other (Share issue expenses)		(1)
	Net Financing Cash Flows	(4)	8
	Net Increase (Decrease) in Cash Held	(187)	(672)
1.20	Cash at beginning of quarter/year to date	5,679	6164
1.21	Exchange rate adjustments to 1.20		
1.22	Cash at End of Quarter	5,492	5492

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	85
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Represents payments of salaries, directors fees and superannuation to directors of Mithril Resources Ltd.

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

Add notes as necessary for an understanding of the position.

	Amount Available \$A'000	Amount Used \$A'000
3.1 Loan facilities	68	29
3.2 Credit standby arrangements	-	-

Estimated Cash Outflows for Next Quarter

	\$A'000
4.1 Exploration and evaluation	241
4.2 Development	
Total	241

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	63	40
5.2 Deposits at call	5,429	5,639
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: Cash at End of Quarter (item 1.22)	5,492	5,679

Changes in Interests in Mining Tenements

	Tenement Reference	Nature of Interest (see note2)	Interest at Beginning of Quarter	Interest at End of Quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E39/871		100%	0%
6.2 Interests in mining tenements acquired or increased	EL6429		0%	100%
	EL24253		0%	100%
	EL24427		0%	100%

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		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	250,000	250,000		
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>	300,000 7,500,000 700,000 5,400,000 5,000,000 2,000,000 200,000 200,000 100,000 500,000 350,000 100,000 250,000 500,000		Exercise Price 25 50 25 various 50 various 25 30 25 35 40 45 40 40	Expiry Date 02/05/07 11/11/07 02/05/07 28/05/07 11/11/07 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	500,000		Exercise Price 40	Expiry Date 16/05/2010
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>		

Compliance Statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Donald Stephens Date: 19.07.05
(Secretary)

Print name: DONALD STEPHENS

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 item 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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