



MITHRIL RESOURCES LTD

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REPORT FOR THE QUARTER ENDING 31 March 2005

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Highlights

CORPORATE

- Cash reserves of \$5,748,100 at March 31 2005, taking into consideration joint venture receivables and outstanding creditors.

EXPLORATION

Barrow Creek Joint Venture Northern Territory

- Following BHP Billiton's withdrawal, Mithril entered into an Option and Joint Venture Agreement with Falconbridge (Australia) Pty Ltd. The new JV will transfer the remaining expenditure requirement from Mithril, who will be the initial operator, to Falconbridge and allow Mithril to retain 24% equity in the property free carried through to the completion of a Pre-feasibility Study or a decision to proceed with underground development whichever occurs first.
- Drilling, scheduled for May, will test an off-hole electromagnetic target located at a depth of 200 metres and 50 west of a mafic intrusive body hosting thin massive nickel sulphide mineralisation (grades up to 2.86% nickel). The conductor is coincident with a gravity high indicating the possibility for sulphide mineralisation hosted in a mafic rock at depth.

Talia Hill Joint Venture South Australia

- A ground electromagnetic survey completed in early March 2005 over the supergene nickel anomaly identified a significant bedrock conductive body. 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.
- A combined percussion and diamond drilling program comprising 1200 metres will be completed to test the conductive body and its plunge component.

Musgrave Province South Australia

- The Company finalised a Joint Venture Agreement with the Pitjantjatjara Mining Company Pty Limited (PMC) and Zeil No 1 Pty Limited (Zeil). The Joint Venture is for the purposes of exploring for nickel sulphide opportunities in South Australia's Musgrave Province. PMC and Zeil currently have twelve exploration licence applications over tenements in the Province which with Mithril's two EL applications will give potential access to over 20,000 km² or 30% of the perspective Musgrave Province in South Australia.

REVIEW OF OPERATIONS

CORPORATE

At the end of the March quarter, Mithril had cash (taking into consideration joint venture receivables and outstanding creditors) of \$5,748,100.

EXPLORATION

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

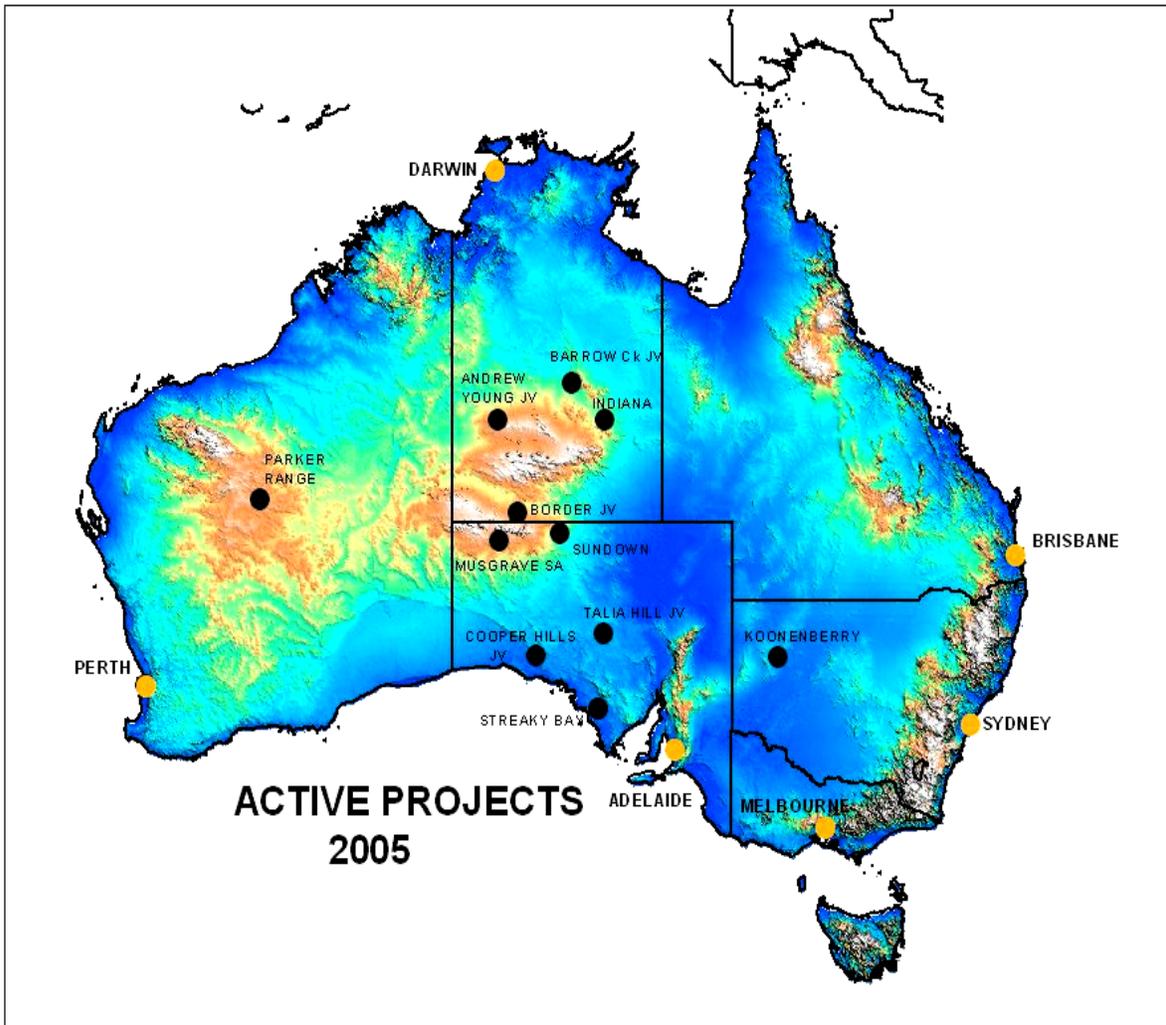


Figure 1

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.

Mithril entered into a Heads of Agreement in 2003 with Imperial Granite and Minerals Pty Ltd of Darwin and Goldstake Explorations Inc of Toronto, Canada to explore for and develop nickel sulphide deposits within Exploration Licence 23186 near Barrow Creek. The agreement allows Mithril to earn 75% equity in the project by spending \$5 million over four years. The new JV will transfer the remaining expenditure requirement from Mithril, who will be the initial operator, to Falconbridge and allow Mithril to retain 24% equity in the property. Falconbridge will continue to free carry Mithril's 24% share of the expenditure through to the completion of a Pre-feasibility Study or expenditures required to make a decision to proceed with underground development whichever occurs first.

In 2004 Mithril drilled five diamond drill holes testing two geophysical targets within the vicinity of historical nickel sulphide mineralisation known as "Prospect D". Drilling intersected narrow high grade nickel, copper and silver mineralisation over a strike extent of 800 metres (**better intersections reported included, 0.35 metres grading 8.27% copper, 1.22% nickel and 26.2 g/t silver in drill hole BCD-001 and 0.6 metres grading 2.86% nickel, 2.27% copper and 8.5 g/t silver in drill hole BCD-004**).

A drilling program of approximately 2000 metres is planned to commence in May and will test a strong off-hole conductor in BCD-005 which is coincident with a broad gravity high suggesting potential for sulphide mineralisation within a dense mafic body at depth. In addition several regional bedrock conductive bodies coincident with magnetic and gravity anomalies will be drill tested.

Talia Hill Joint Venture (S.A.); EL 2842; Mithril currently 100%, BHP Billiton earning up to 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 nickel sulphide deposits.

Exploration by Mithril at the Mullina Prospect has revealed elevated levels of nickel and associated pathfinder elements in the top 40 metres of variably weathered Harris Komatiite (ultramafic sequence). Air core drilling, completed in 2004 as part of the South Australia PACE initiative, demonstrated that geochemical enrichment increases in both tenor and thickness near the northern margin of the Harris Komatiite in the vicinity of holes THRC29 and 26 (including 31metres @ 0.4% nickel from 6 metres in THRC029 and 33 metres @ 0.45% nickel from 3 metres in THRC026).

A ground electromagnetic geophysical survey completed in early March 2005 over the anomalous zone identified a significant bedrock conductive body. 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.

A combined percussion and diamond drilling program comprising 1200 metres will be completed in the next quarter to test the conductive body.

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 November 2004 consisting of 780 line kilometres. Modelling of the data identified eight AEM anomalies which have been recommended for ground follow-up. One of the AEM anomalies is coincident with elevated nickel and copper values recorded in aircore drilling completed in 2004. Ground electromagnetic surveys are planned to be completed in May or June pending crew availability.

Andrew Young Joint Venture (N.T.); BHP Billiton 80%, Mithril currently 20% and may earn up to 80%.

The Company, in joint venture with BHP Billiton, holds four Exploration Licences and five Exploration Licence Applications totaling 565 square kilometres. These areas are located 350 kilometres west-north-west of Alice Springs and cover part of the highly prospective southern Arunta Province of central Australia. Mithril satisfied the expenditure requirements to earn a 20% interest in the project and BHP Billiton has elected to allow Mithril to earn up to a 40% interest in the project.

In March 2005 eight air core drill holes (totalling 688 metres) tested magnetic and gravity features in Mithril Resources Andrew Young Project in the Northern Territory. The drilling intersected favourable rock types but no significant nickel mineralisation was located.

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

A ground electromagnetic survey scheduled for May 2005. The survey will cover a large coincident nickel-copper-cobalt geochemical anomaly localised on the south margin of a mafic intrusive body.

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

The Sundown Prospect is situated in the Musgrave Block within South Australia. Regional geochemical sampling defined a coincident nickel-copper-cobalt anomaly over an area of 5 x 3 kilometres. The anomaly overlies a NNE trending magnetic anomaly which is interpreted to be sourced by mafic rock types of the Giles Complex. Infill geochemistry to further define the 5 by 3 kilometre anomaly has been completed with a total of 898 magnetic lag samples being collected. Analytical results are pending.

Nagel Hill (S.A.); EL 3104 Mithril 100%

A detailed ground gravity survey identified a discreet anomaly within a large mafic body within the Black Hills Intrusive Complex. A ground electromagnetic survey covering the gravity anomaly was completed during the quarter but failed to detect any bedrock conductors.

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

Mithril is earning an 80% interest in two leases (Border Joint Venture) within the Musgrave Province situated 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. Analytical results defined three anomalous zones, collectively covering a 50 square kilometre area, which are anomalous in nickel, copper and cobalt. Infill sampling will be completed in May 2005.

Koonenberry (N.S.W.); EL's 6364, 6380 and ELA 2442, Mithril 100%

Five exploration licence applications have been amalgamated under two titles and granted by the Mines Department with one application yet to be granted. 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 samples, several large areas anomalous in nickel, copper and cobalt. Three hundred magnetic lag samples have been collected within several existing targets. Analytical results have confirmed several areas to be anomalous in nickel, copper and cobalt. Exploration activities will continue into the second quarter.

Haughton (W.A.)

A new application, consisting of 40 sub blocks or 60 square kilometres, was submitted covering the south-western extension of Midproterozoic suite of rock types that hosts the Sally Malay nickel sulphide deposit in WA. The application covers a magnetic anomaly along strike of the host sequence to the nickel deposits.

Musgrave Province (S.A.)

The Company finalised a Joint Venture Agreement with the Pitjantjatjara Mining Company Pty Limited (PMC) and Zeil No 1 Pty Limited for the purposes of exploring for nickel sulphide deposits in South Australia's Musgrave Province. PMC and Zeil currently hold twelve exploration licence applications over tenements in the Province which, with Mithril's two EL applications will jointly give potential access to over 20,000 square kilometres.

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

Quarter Ended ("Current Quarter")

31ST MARCH 2005

Consolidated Statement of Cash Flows

	Current Quarter \$A'000	Year to Date (9 months) \$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	(316)	(1,405)
(b) development		
(c) production		
(d) administration	(83)	(354)
1.3 Dividends received	78	195
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Joint Venture Repayments)	31	1,039
(PIRSA Drilling Grant)	30	30
Net Operating Cash Flows	(260)	(495)
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)	(260)	(497)

	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)	(12)
1.18	Dividends paid		
1.19	Other (Share issue expenses)		(1)
	Net Financing Cash Flows	(4)	12
	Net Increase (Decrease) in Cash Held	(264)	(485)
1.20	Cash at beginning of quarter/year to date	5,943	6164
1.21	Exchange rate adjustments to 1.20		
1.22	Cash at End of Quarter	5,679	5679

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	97
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	33
3.2 Credit standby arrangements	-	-

Estimated Cash Outflows for Next Quarter

	\$A'000
4.1 Exploration and evaluation	240
4.2 Development	
Total	240

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	40	32
5.2 Deposits at call	5,639	5,911
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: Cash at End of Quarter (item 1.22)	5,679	5,943

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	E39/872		100%	0%
	E39/873		100%	0%
	E39/934		100%	0%
	E69/1573		100%	0%
	EL23901		100%	0%
	EL23902		100%	0%
6.2 Interests in mining tenements acquired or increased				

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	35,343,000	35,343,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
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		Exercise Price 25 50 25 various 50 various 25 30 25 35 40 45 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
7.8 Issued during quarter	250,000		Exercise Price 40	Expiry Date 31/01/2010
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>		
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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 ~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Date:
(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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