



QUARTERLY REPORT FOR THE PERIOD ENDING DECEMBER 31 2005

SUMMARY

- ◆ Agreement was reached in January with Canadian-listed company Mega Uranium Limited which will make a takeover offer for Hindmarsh Resources Limited. The offer is for 100 shares in Mega for every 694 Hindmarsh shares. At the time of the announcement the offer valued all the issued shares and options in Hindmarsh at A\$19.7M. Mega is listed on the Toronto Venture Stock Exchange and has a market capitalization of about A\$210 million. Hindmarsh directors have agreed that, unless a higher offer is made, it will support the offer from Mega.
- ◆ A gravity survey followed by an initial open-spaced aircore drill program was completed at Wynbring in December, to define paleochannels and test for extensions of previous uranium intercepts. Assay results are awaited.
- ◆ Diamond drilling at the Victory Dam project in the Peterlumbo Hill Joint Venture encountered visible sulphides, but no massive haematite. Assay results are awaited.
- ◆ Gravity surveys were carried out during the Quarter over a number of regional gravity anomalies representing potential iron oxide-copper-gold-uranium ("IOCGU") targets on Mt Christie and Tallaringa projects. One target will be followed up in 2006.
- ◆ An airborne EM survey was carried out over three magnetic anomalies within the Mt Christie tenement prior to proposed drilling in 2006.
- ◆ Three tenements comprising the Cariwerloo Project, covering 2,500km² in the central Gawler Craton, were acquired to test their potential to host unconformity-related uranium deposits similar to those mined in the Northern Territory and in the Athabasca region of Canada.
- ◆ A grant was received from the Department of Mineral Resources of South Australia under the PACE scheme to assist with drilling at Cariwerloo.
- ◆ The Company's highly prospective Cronje Dam exploration license was granted during the period, and a new tenement adjacent to Cronje Dam project was acquired.
- ◆ A joint venture was entered into with Mithril Resources Ltd over its Neutral Junction project in the Northern Territory. The Federal Government announced during the Quarter that it would take control of permits for uranium exploration and mining in the Northern Territory, in order to facilitate development of its uranium resources.
- ◆ The Company had \$2.48M cash at the end of the Quarter.



CORPORATE

On January 11 Hindmarsh announced that it has entered into a Merger Implementation Agreement with Canadian uranium company Mega Uranium Ltd, which is listed on the Toronto Venture Stock Exchange. Mega intends to make a scrip offer for all the securities of Hindmarsh with 100 Mega shares for every 694 Hindmarsh shares. Full details of the offer are contained in an announcement to the Australian Stock Exchange dated 11 January 2006.

Mega holds a number of uranium assets in Mongolia, Argentina and Australia, where it has also recently entered into agreements to acquire the Ben Lomond deposit and rights in the Maureen uranium deposit. Mega's aim is to establish itself as a significant uranium company.

The Offer has the support of the Directors of Hindmarsh, in the absence of a superior offer.

At the date of the announcement the Mega offer valued Hindmarsh shares at \$0.78.

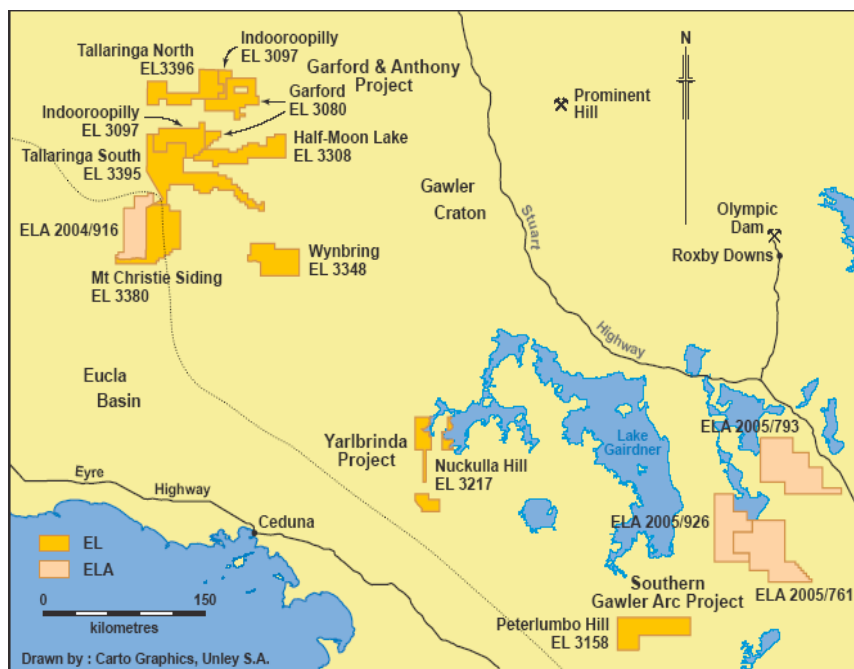
EXPLORATION

With the acquisition of four tenements in South Australia and a new joint venture with Mithril Resources Ltd over its Neutral Junction project in the Northern Territory, Hindmarsh now holds interests in over 13,600km² of land prospective for uranium mineralisation.

South Australia

The Company holds, directly and through joint ventures, rights to uranium over 12,248km² in South Australia, which is host to historic uranium mines as well as the largest known uranium

resource in the world at Olympic Dam which hosts almost 40% of the world's current uranium resources. Olympic Dam and Beverley uranium mine, also in South Australia, provide over half of Australia's annual uranium production.



The State Government offers incentives assist exploration by providing funding for drilling. For these reasons the State is seen as one of the most favourable locations in the world for uranium exploration.

Gawler Craton Projects

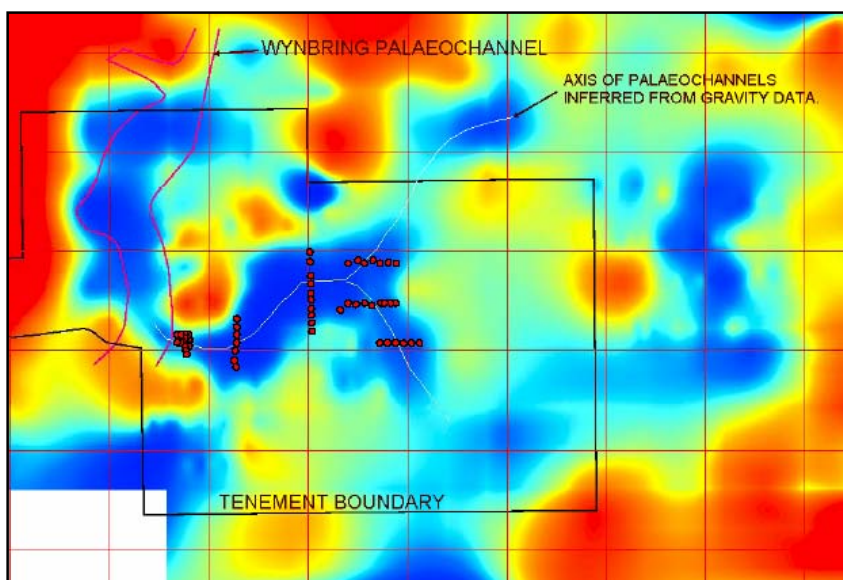
The exploration projects are located in two areas of South Australia; the Gawler Craton which hosts the Olympic Dam and Prominent Hill uranium deposits; and the Southern Curnamona in the Flinders Ranges near the Mt Painter and Mt Gee mines and the Murray Basin in the region of the historic Crookers Well and Radium Hill mines.



Gawler Craton

Wynbring Project EL3348 (Hindmarsh 100%)

Wynbring covers 485km² and lies west of Tarcoola in the central Gawler Craton. Previous exploration indicated the existence of uranium-bearing Tertiary paleochannels incised into Archaean and Proterozoic basement of granite and gneiss. In the 1970s and 1980s drilling of 55 holes on east-west traverses spaced approximately 2 kilometres apart, defined a paleochannel in the western half of the tenement with radiometric anomalies at the oxidation/reduction ("redox") boundary at about 15 – 30 metres below surface. The highest anomaly of 70 times background, obtained from TW108, when compared with similar intercepts in the area indicates a value of 0.1% (e) U₃O₈.



During the Quarter a detailed gravity survey was carried out in order to better define the paleochannels prior to drilling. A total of 173 stations implied a forked channel system, and drill lines were designed to straddle these features.

Drilling of 57 aircore holes for 3,006 metres was completed in December. Drillholes were generally at 400 metre spacing on lines spaced at 2-4 kilometres,

Residual gravity showing interpreted paleochannels and drill locations

with more detailed drilling at 200 x 200 metres and 200 x 100 metres in the area of the previous high results. The program was designed to test for extensions of the paleochannel to the east towards the Warrior uranium project.

Elevated gamma readings of up to 200 cps were recorded through aircore rods in sandy clay in the vicinity of the previous high in drill hole 05ACWY07.

Assays are awaited. Further work will be dependent on assay results and interpretation of the data, with further drilling likely to commence in the June Quarter.

Tallaringa Project EL3395 and 3396 (Hindmarsh 100%, Southern Gold Ltd earning 30% interest in uranium)

Gravity surveys were carried out by Haines Surveys during October and November, with 127 stations read targeting both palaeochannel and IOCGU style deposits.

Geophysical interpretation by ASIS in November clearly indicated a palaeochannel in Tallaringa North, and a possible channel in Tallaringa South.



Only one of three IOCGU targets investigated by ground gravity surveys gave encouraging results, and requires further gravity work prior to drilling.

Mt Christie EL3380 (Hindmarsh 100%)

Four gravity anomalies representing IOCGU style targets were investigated with 149 gravity stations. The detailed gravity results indicate a maximum value of 2.5mgals, and interpretation of the results does not suggest the presence of an underlying haematitic body. No further work is planned at this stage.

Peterlumbo Hill EL3158 (Southern Gold Ltd 100%, Hindmarsh Resources earning up to 35%)

Peterlumbo Hill lies south of Lake Gairdner in the southern part of the Gawler Craton, immediately to the west of the Menninnie Dam zinc-lead-silver deposit.

The tenement hosts the Oxys and Victory Dam gravity anomalies. A four-hole diamond drill programme totaling 1100m on the Victory Prospect was completed at the end of November. No significant haematite was encountered in any of the drill holes, which intersected predominantly mafic volcanics.

Brecciation with associated sulphide was intersected in one hole; assay results are awaited.

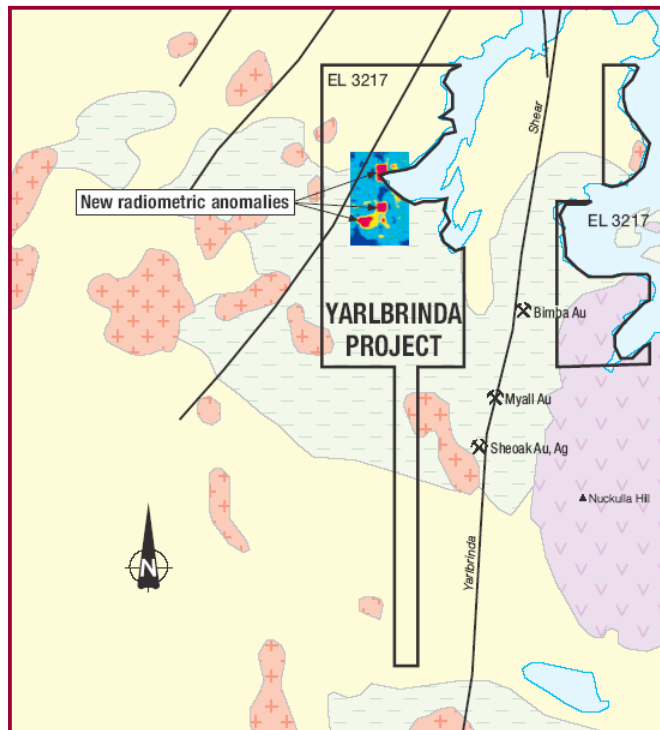
Nuckulla Hill EL3217 (Southern Gold Ltd 100%, Hindmarsh Resources earning up to 35%)

Nuckulla Hill is located west of Lake Gairdner, on the western margin of the Gawler Range Volcanics and west of the Yarbrinda Shear Zone.

The Yathong Prospect covers airborne radiometric anomalies identified within Nuckulla Hill during the previous Quarter from PIRSA surveys. The radiometric anomalies identified have peak values up to 30 times greater than background, indicating the possible presence of anomalous uranium levels. The anomalies occur in and near salt lakes, and form part of a drainage system draining the highly uraniferous Hiltaba Granite immediately to the west.

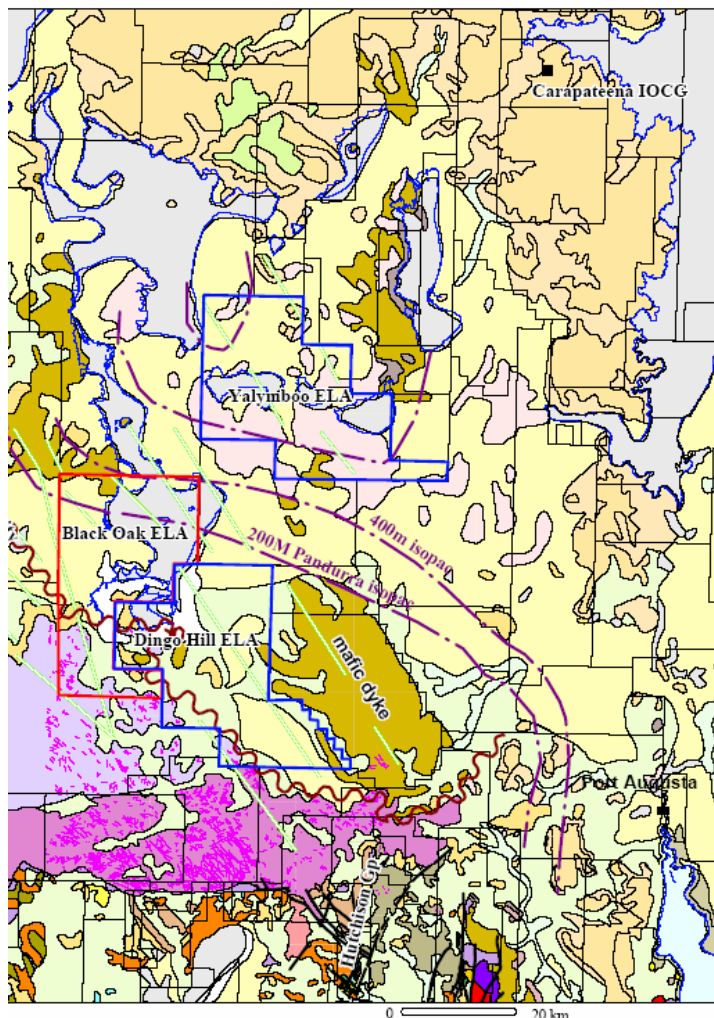
During the Quarter Southern Gold carried out a detailed gravity survey and, calcrete and stream sediment sampling. Results of the stream sediment survey indicate elevated uranium and rare earth elements possibly associated with an IOCGU environment.

New gravity survey information from the SA Government reveals the Yathong Prospect as a significant gravity anomaly.



Cariewerloo Project ELAs 2005/761, 793, and 926 (Hindmarsh 100%)

Three new Exploration Licences Applications were acquired, covering 2,585km² on the central Gawler Craton about 180 kilometres south of Olympic Dam and 90 kilometres south-west of Carrapateena.



Cariewerloo Project

These tenements were applied for to explore the potential to host Unconformity-Related uranium deposits. This style of mineralisation is not currently known to occur in South Australia but high-grade deposits occur in other locations such as Ranger, Koongarra and Jabiluka in the Alligator Rivers area of the Northern Territory, and Rabbit Lake, McLean Lake and Cigar Lake uranium mines in the Athabasca region of Canada.

Cariewerloo covers the unconformable contact between Paleo-Proterozoic rocks of the Hutchison Formation and overlying Gawler Range Volcanics and Mid-Proterozoic Pandurra Formation. The Hutchison Formation is graphitic where it is exposed to the south of Cariewerloo, providing a potential reducing environment for uranium deposition, and the region has been subject to extensive uranium mineralisation, notably at Olympic Dam to the north and at Carrapateena to the north-east.

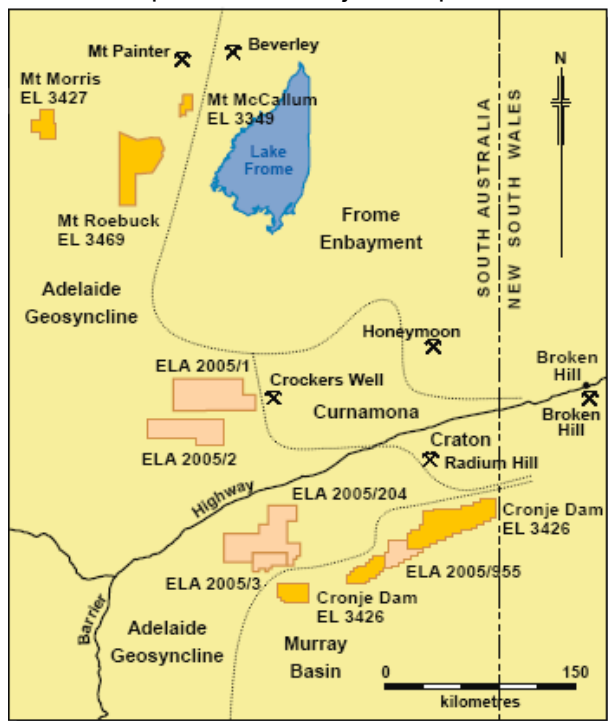
Exploration will commence with compilation of all information on the open file or in the public domain including airborne geophysical surveys and previous drilling, with (subject to consent by PIRSA) analysis for uranium of reference samples held by PIRSA from previous exploration which have not been analysed for uranium. This work will be followed once the tenements are granted by proposed stratigraphic drilling of 20 holes for 4,000 metres to test the depth and characteristics of target stratigraphy. In December 2005 the Company received a grant of \$50,000 from the Department of Primary Industry and Resources under the PACE scheme to assist with funding this project.



Southern Curnamona

Cronje Dam Project EL 3426, ELA 2005/955 (Hindmarsh 100%)

The Cronje Dam tenement EL 3426 was granted in October 2005, and Oakbank ELA 2005/955 was applied for in December. Oakbank connects the Central and Eastern blocks of EL 3426 and covers part of the Cronje Dam paleochannel.



Exploration during the 1970s included drilling of 263 holes for 28,155 metres, largely in Eastern Block. Assays up to 0.1% U_3O_8 were obtained from the Western Block, and gamma logging in the Eastern and Central Blocks returned values up to 0.05% (e) U_3O_8 .

The paleochannel extends for more than 30 kilometres along the Anabarna Fault line, and ranges from 2 to 5 kilometres in width. It lies south of Radium Hill in an area of known elevated uranium levels.

Compilation of the large amount of data from previous exploration commenced in December. Drilling is planned to commence in the June Quarter of 2006.

No field work was carried out in the other Murray Basin projects, pending grant of the remaining tenements.

Southern Curnamona Projects

Flinders Ranges Project ELs 3349, 3427, and 3469 (Hindmarsh 100%)

EL 3427 Mt Morris and EL 3469 Mt Roebuck were granted in October and December, respectively.

Mt McCallum, Mt Morris and Mt Roebuck cover 792 km² south and west of Mt Painter and Mt Gee, and cover coincident radiometric and gravity anomalies, and are thought to have potential for haematitic breccia uranium mineralisation. Exploration of these tenements will commence in 2006 with detailed gravity and ground scintillometer surveys.

Northern Territory

Neutral Junction Joint Venture EL24253 (Hindmarsh earning 80%)

In December 2005 Hindmarsh entered into a joint venture with Mithril Resources Ltd over Mithril's Neutral Junction tenement, which is located 220 kilometres south of Tennant Creek in the Northern Territory.

Neutral Junction is considered to have potential to host both unconformity-related uranium mineralisation and sedimentary "roll-front" uranium mineralisation. The tenement covers approximately 80 kilometres of the unconformable contact between the Arunta Province Proterozoic basement and overlying sediments of the Georgina Basin. Local basement highs at the Georgina Basin margin within EL 24253 are composed of the Middle Proterozoic Barrow



The sediments of the Georgina Basin are considered to have potential to host roll-front uranium mineralisation due to the sourcing of sediments from the uraniferous Ali Curung Granite. The sediments include favourable strata for the migration and deposition of uranium, consisting of a basal fluvial/deltaic sedimentary sequence containing multiple coarse, permeable units, capped above and below by less permeable shale units. In addition the basement unconformity and within-sequence disconformities, and active basin-bounding faults, provide pathways for migrating fluids.



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

The information in this report relating to exploration has been compiled by John Howard who is a Member of the Australasian Institute of Mining and Metallurgy and who has a minimum of five years experience in the type of activities being reported. Mr Howard acts as a consultant geologist to the Company.

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