Mithril Resources Ltd

ABN 30 099 883 922

Half Year Report

for the half year ended 31 December 2017

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Directors' Report

The Directors of Mithril Resources Ltd ('Mithril') present their report together with the financial statements of the consolidated entity, being Mithril Resources Ltd ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2017 and the Independent Auditor's Review Report thereon.

Director Details

The following persons were directors of Mithril during and since the end of the reporting period.

Mr Graham Ascough, Chairman
Mr David Hutton, Managing Director
Mr Donald Stephens, Non-Executive Director

Operating Result

The Group's loss for the half year ended 31 December 2017 after providing for income tax amounted to $318,636 (2016: $508,112).

Principal Activities

The principal activities of the Company and consolidated entities ('the Group') during the reporting period were:

- to carry out exploration of mineral tenements, both on a joint venture basis and by the Group in its own right;
- to continue to seek extensions of areas held and to seek out new areas with mineral potential; and
- to evaluate results achieved through surface sampling, drilling and geophysical surveys carried out during the year.

There have been no significant changes in the nature of those activities during the reporting period.

Review of operations

Mithril's activities for the Half Year ending 31 December 2017 (the "Period") comprised target generation on the Company's new Billy Hills Zinc Project, the identification of high-grade nickel-cobalt mineralisation in historic drilling at the Kurnalpi prospect, and reverse circulation (RC) drilling for gold and zinc mineralisation on the Murchison Project, all of which are located in Western Australia.

Corporate Overview

During the Period, the Company spent $0.50M on its exploration activities outlined in this report and at 31 December 2017 had cash reserves of $0.90M.

Also, during the Period, the Company raised $0.89M via two Placements to sophisticated investors and undertook a Share Consolidation (1 new share for every 10 existing shares) following which Mithril has 98,649,014 fully paid ordinary shares and 3,995,000 options on issue.

Exploration Overview

Billy Hills Zinc Project (Mithril 100%)

During the Period Mithril successfully applied for two Exploration Licences adjoining the Pillara Zinc Mine, 25 kms southeast of Fitzroy Crossing in the West Kimberley region of Western Australia.

At Pillara, zinc-lead mineralisation occurs within a series of fault breccia zones that cut a sequence of Devonian limestones and had a reported pre-mine resource of 18.05 million tonnes at 7.7% zinc and 2.4% lead and produced 10.3 Mt @ 6.9% zinc, 2.3% lead from June 1997 to October 2003. Mining briefly resumed during 2007 / 2008 and the mine is now on care and maintenance.

A review of historic data has identified a priority target zone at Billy Hills comprising significant historic drill intersections and a 1.2-kilometre-long gossan (Snake Bore Prospect), directly along strike from previous drill intercepts of more than 10% (zinc + lead) over multiple metres at the Pillara West Prospect, adjacent to Mithril's tenements.

The zone also coincides with a poorly drill tested linear gravity feature that defines the western edge of the rock sequence that hosts the Pillara deposit and can be seen in geophysical data for over 12 kilometres within Mithril's tenements.

With tenement grant expected during the September 2018 Quarter, Billy Hills represents a high-priority exploration opportunity for Mithril.

Kurnalpi Nickel-Cobalt Prospect (Mithril 100%)

A review of historic drilling data has identified a new high-grade nickel-cobalt target at the Kurnalpi Prospect, approximately 70 kms east of Kalgoorlie, WA.

On the tenement, historic drilling (predominantly aircore) has returned strong nickel-cobalt intercepts over an area 250 metres wide by 600 metres strike within weathered ultramafic rocks including; 42m @ 1.25% nickel, 0.07% cobalt from 24 metres *including 6m @ 1.78% nickel, 0.20% cobalt from 28 metres*, and 19m @ 1.08% nickel, 0.07% cobalt from 33 metres *including 6m @ 1.17% nickel, 0.11% cobalt from 35 metres*.

Maximum values from any one single sample are 2.04% nickel, 0.33% cobalt and 0.28% copper with the presence of elevated copper potentially indicative of nickel sulphide mineralisation within the area.

An EM geophysical survey carried out at the end of the Period has identified several EM conductors and at the time of writing, a follow-up RC drilling program was underway.

Murchison Copper Gold Project (Mithril 100% - EL's 20/846 and 51/1615 and earning up to 75% on EL's 51/1040, 51/1270, and 20/797 - "Nanadie Well JV")

RC drilling undertaken during the Period at the Kombi and Fenceline Gold Prospects (located approximately 55 kms south east of Meekatharra, WA) returned anomalous gold (e.g. 4m @ 0.95g/t gold from 28 metres, 4m @ 0.29g/t gold from 52 metres, and 4m @ 0.17g/t gold from 20 metres) within favourable structural zones at both locations. This follows an earlier drilling program undertaken by Mithril which returned 4m @ 12.76g/t gold from 20 metres and 1m @ 5.44g/t gold from 20 metres at Kombi.

RC drilling of a historic ground EM conductor at the adjacent Sandman Zinc Prospect intersected zinc anomalism within a sequence of felsic and mafic gneisses, and minor banded iron formation; 12m @ 0.26% zinc from 97 metres including *1m @ 2.36% zinc from 97 metres*, and 5m @ 0.59% zinc from 118 metres.

Kombi and Sandman lie on EL's 51/1040 and 20/797 which are subject to a Farmin and Joint Venture Agreement with Intermin Resources Limited whereby Mithril can earn an initial 60% interest by completing expenditure of $2M by 14 April 2019 (approximately $1.3M spent to date). Mithril can earn an additional 15% by completing further expenditure of $2M over a further 2 years.

Fenceline lies on EL51/1615 which is 100% - owned by Mithril Resources.

<u>Other Projects</u>

No field work was undertaken during the Period on the following projects: **Leaky Bore** (Mithril 100%), **Lignum Dam** (Mithril 100%), **Coompana** (Mithril right to earn 20% from OZ Minerals), **Kurnalpi JV** (Chesser Resources earning up to 80%), and **Spargos Reward** (Mithril 35%).

Subsequent to the end of the period, Doray Minerals withdrew from the Duffy Well Joint Venture.

Competent Persons Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr David Hutton, who is a Competent Person, and a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Hutton is Managing Director and a full-time employee of Mithril Resources Ltd.

Mr Hutton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Hutton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr David Hutton
Managing Director

14 March 2018

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Auditor's Independence Declaration
To the Directors of Mithril Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Mithril Resources Limited for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 14 March 2018

Interim consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2017

	Consolidated Group Half-year ended	
	31 Dec 2017 $	31 Dec 2016 $
Revenue from ordinary activities	-	7,610
Other income	3,673	2,311
Impairment of exploration assets	(98,256)	(209,800)
Employee benefits expense	(87,900)	(218,507)
Depreciation expense	(2,693)	(3,307)
Other expenses	(133,460)	(86,419)
Loss before income tax expense	(318,636)	(508,112)
Income tax expense	-	-
Loss from continuing operations	(318,636)	(508,112)
Loss attributable to members of the parent entity	(318,636)	(508,112)
Other comprehensive income, net of income tax	-	-
Total comprehensive loss for the period	(318,636)	(508,112)

Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(0.34)	(0.84)
Diluted earnings per share	(0.34)	(0.84)

Earnings per share for the period ended 31 December 2016 are restated in order for the calculation to incorporate the 10:1 share consolidation.

The interim consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of financial position
As at 31 December 2017

	Note	Consolidated Group 31 December 2017 $	Consolidated Group 30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		900,260	818,055
Trade and other receivables		12,900	-
Other current assets		37,267	16,921
TOTAL CURRENT ASSETS		950,427	834,976
NON-CURRENT ASSETS			
Property, plant and equipment		21,603	19,829
Exploration and evaluation assets	4	2,031,672	1,632,001
TOTAL NON-CURRENT ASSETS		2,053,275	1,651,830
TOTAL ASSETS		3,003,702	2,486,806
CURRENT LIABILITIES			
Trade and other payables		32,223	109,140
Employee benefits		29,256	35,188
TOTAL CURRENT LIABILITIES		61,479	144,328
NON-CURRENT LIABILITIES			
Employee benefits		28,615	26,717
TOTAL NON-CURRENT LIABILITIES		28,615	26,717
TOTAL LIABILITIES		90,094	171,045
NET ASSETS		2,913,608	2,315,761
EQUITY			
Issued capital	5	35,075,383	34,824,778
Shares awaiting allotment	6	641,219	-
Reserves		152,059	215,400
Accumulated losses		(32,955,053)	(32,724,417)
TOTAL EQUITY		2,913,608	2,315,761

The interim consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of changes in equity
For the half year ended 31 December 2017

	Consolidated Group				
	Issued Capital Ordinary $	Share Option Reserve $	Shares Awaiting Allotment $	Accumulated losses $	Total Equity $
Balance at 1 July 2016	33,531,257	158,000	-	(31,936,815)	1,752,442
Total comprehensive loss	-	-	-	(508,112)	(508,112)
Issue of shares by way of share purchase plan	545,400	-	-	-	545,400
Issue of shares in lieu of Directors fees	73,668	-	-	-	73,668
Transaction costs (net of tax)	(30,275)	-	-	-	(30,275)
Balance at 31 December 2016	34,120,050	158,000	-	(32,444,927)	1,833,123
Balance at 1 July 2017	34,824,778	215,400	-	(32,724,417)	2,315,761
Total comprehensive loss	-	-	-	(318,636)	(318,636)
Issue of shares by way of placement	254,441	-	641,219	-	895,660
Issue of shares in lieu of Directors fees	33,507	-	-	-	33,507
Transaction costs (net of tax)	(37,343)	-	-	-	(37,343)
Transfer from share based payment reserve upon lapse of options	-	(88,000)	-	88,000	-
Transfer to share based payment reserve upon issue of options	-	24,659	-	-	24,659
Balance at 31 December 2017	35,075,383	152,059	641,219	(32,955,053)	2,913,608

The interim consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of cash flows
For the half year ended 31 December 2017

	Consolidated Group	
	Half year ended 31 Dec 2017 $	Half year ended 31 Dec 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(281,658)	(222,278)
Interest received	3,568	1,628
NET CASH USED IN OPERATING ACTIVITIES	(278,090)	(220,650)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(4,467)	(2,562)
Payments for exploration activities	(493,555)	(388,885)
NET CASH USED IN INVESTING ACTIVITIES	(498,022)	(391,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	895,660	545,400
Payment of transaction costs for issue of shares	(37,343)	(30,275)
NET CASH PROVIDED BY FINANCING ACTIVITIES	858,317	515,125
Net increase/(decrease) in cash and cash equivalents	82,205	(96,972)
Cash at the beginning of the period	818,055	628,298
CASH AT THE END OF THE PERIOD	900,260	531,326

The interim consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1. Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 14 March 2018.

Mithril Resources Limited ("Mithril") is a limited company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol MTH.

2. Basis of preparation and change to the Group's accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2017 has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Mithril Resources Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Notes to the condensed interim consolidated financial statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the consolidated statement of profit or loss and other comprehensive income. Refer to Note 4 for further details and a reconciliation of the capitalised expenditure written off during the period.

3. Segment reporting

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and has concluded at this time that there are no separately identifiable segments.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

4. Exploration and evaluation assets

	Consolidated	
	31 December 2017 $	30 June 2017 $
Exploration and evaluation costs carried forward in respect of mining areas of interest		
Exploration and evaluation phases - Joint Ventures	1,244,355	1,078,131
Exploration and evaluation phases - Other	787,317	553,870
	2,031,672	1,632,001

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Consolidated group	Exploration Joint Venture	Exploration Other	Total
Capitalised tenement expenditure movement reconciliation	$	$	$
Balance at beginning of period	1,078,131	553,870	1,632,001
Additions through expenditure capitalised	257,167	240,760	497,927
Impairment	(90,943)	(7,313)	(98,256)
Balance at end of period	1,244,355	787,317	2,031,672

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

5. Issued capital

		Consolidated Group	
		31 Dec 17	30 Jun 17
		$	$
Fully paid ordinary shares		35,075,383	34,824,778
		35,075,383	34,824,778

Ordinary shares

		Number	$
Balance at beginning of financial period		848,103,831	34,824,778
Transaction costs on shares issued		-	(37,343)
Shares issued by way of placement		127,215,574	254,441
Shares issued in lieu of Directors fees		11,169,000	33,507
Share consolidation (10:1 basis)	(a)	(887,839,391)	-
Balance at end of the financial period		98,649,014	35,075,383

(a) The company completed a share consolidation which involved the conversion of every ten fully paid ordinary shares on issue into one fully paid ordinary share. As result of this conversion there is a restatement of share capital.

6. Shares awaiting allotment

The company had received subscription funds totaling $641,219 at 31 December 2017 for 24,662,252 shares. These shares were not officially allotted until 2 January 2018.

7. Related party transactions

During the period 11,169,000 ordinary shares were issued to the Company's non-executive Directors, Messrs Graham Ascough and Donald Stephens (or their nominees) in lieu of part of the directors' fees payable to them for the period commencing on 1 July 2017 and ending on 31 December 2017 (together the Directors Shares).

For the period referred to above:

Mr Ascough was entitled to a director's fee of $39,420 but was not paid any part thereof. Mr Ascough agreed to forego 50% of the amount of the director's fee to which he was is entitled ($19,710) and received 6,570,000 ordinary shares in lieu of the unpaid balance of the director's fee to which he was entitled ($19,710).

Mr Stephens was entitled to a director's fee of $27,594 but was not paid any part thereof. Mr Stephens agreed to forego 50% of the amount of the director's fee to which he was is entitled ($13,797) and received 4,599,000 ordinary shares in lieu of the unpaid balance of the director's fee to which he was entitled ($13,797).

The deemed issue price of each Director Share was $0.003 being the fair value of the securities at date of issue.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

No funds were raised from the issue of the Directors Shares as they were not being issued for cash consideration, but rather in consideration for the services provided by the Directors during the period referred to above.

Shareholders approved the issue of Director Shares at the Company's 2017 AGM and the shares were issued 15 November 2017.

8. Subsequent events

On 2 January 2018 the Company lodged an Appendix 3B form (New Issue Announcement) with the Australian Securities Exchange (ASX) to allot 24,662,252 ordinary shares. The proceeds of this capital raising were received by the Company before the period end.

The new ordinary shares will rank equally with existing ordinary shares quoted on the ASX.

Aside from the event outlined above no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

9. Contingent liabilities

There has been no change in contingent liabilities since the last reporting date. The Group has various bank guarantees totaling $10,000 at 31 December 2017 which act as collateral over tenement restoration on which the Group operate.

10. Going concern basis of accounting

The financial report has been prepared on the basis of a going concern.

The consolidated entity incurred a net loss after tax of $318,636 during the period ended 31 December 2017 and had a net cash inflow of $82,205 from operating, investing and financing activities. The positive net cash inflow is the result of capital raising throughout the period. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital.

If further additional capital is not obtained, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

Directors' Declaration

In the opinion of the directors of Mithril Resources Ltd:

(a) the consolidated financial statements and notes of Mithril Resources Ltd are in accordance with the Corporations Act 2001, including:

  (i) give a true and fair view of its financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

  (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr David Hutton
Managing Director

14 March 2018

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Independent Auditor's Review Report
To the Members of Mithril Resources Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Mithril Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Mithril Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 10 in the financial report, which indicates that the Group incurred a net loss of $318,636 during the half year ended 31 December 2017 and had a net cash inflow of $82,205.The positive net cash inflow is the result of capital raising throughout the period. As stated in Note 10, these events or conditions, along with other matters as set forth in Note 10, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group’s financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mithril Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 14 March 2018