

Mithril Resources Ltd

ABN 30 099 883 922

Consolidated Financial Statements

For the Year Ended 30 June 2014

Mithril Resources Ltd

ABN 30 099 883 922

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For the Year Ended 30 June 2014

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Mithril Resources Ltd

ABN 30 099 883 922

Corporate Information

Directors

Mr Graham Ascough (Chairman)
Mr David Hutton (Managing Director)
Mr Derek Carter
Mr Richard Bonython
Mr Donald Stephens

Company Secretary

Mr Donald Stephens

Registered Office

C/- HLB Mann Judd (SA) Pty Ltd
169 Fullarton Road
DULWICH SA 5065

Principal place of business

58 King William Road
GOODWOOD SA 5034

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000

Legal Advisors

O'Loughlins Lawyers
Level 2, 99 Frome Street
ADELAIDE SA 5000

Bankers

Bank SA
97 King William Street
ADELAIDE SA 5000

Auditors

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Mithril Resources Ltd

ABN 30 099 883 922

Directors' Report

30 June 2014

Your directors submit their report for the year ended 30 June 2014.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

| | | |
|---------------------|------------------------|----------------------------|
| Mr Graham Ascough * | Non-Executive Chairman | Appointed 29 November 2012 |
| Mr David Hutton | Managing Director | Appointed 18 June 2012 |
| Mr Derek Carter | Non-Executive Director | Appointed 26 April 2002 |
| Mr Richard Bonython | Non-Executive Director | Appointed 26 April 2002 |
| Mr Donald Stephens | Non-Executive Director | Appointed 26 April 2002 |

*Graham Ascough was appointed as Chairman on the 29 November 2012 but has been a member of the board since 9 October 2006.

Names, qualifications, experience and special responsibilities

Graham Ascough, BSc, PGeo (Chairman, Non-Executive Director)

Graham Ascough is a senior resources executive with more than 25 years of industry experience evaluating mineral projects and resources in Australia and overseas. He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programmes to working directly with mining and exploration companies.

Mr Ascough is a geophysicist by training and was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Ltd (acquired by Xstrata Plc in 2006).

Mr Ascough is also Chairman of ASX listed Musgrave Minerals Ltd, Phoneix Copper Ltd and Avalon Minerals Ltd. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada. He has also been a Director of Reproductive Health Science Ltd and Agua Resources Ltd in the last 3 years.

David Hutton, BSc, (Managing Director)

David Hutton is a geologist who has spent the last 24 years working in both exploration and mining throughout Australia and overseas. After graduation, he spent 7 years with the MIM Group before joining Forrestania Gold NL / LionOre Australia, where he was involved in gold exploration throughout the WA Goldfields. He worked at Western Metals as Chief Geologist of the Lennard Shelf Operations prior to rejoining LionOre Australia where he was responsible for management of the East Kimberley Nickel Joint Venture. Prior to commencing with Mithril Resources Ltd in June 2012, David worked at Breakaway Resources where he was most recently Managing Director from May 2010 to June 2012.

David is a Fellow of the AusIMM and a Member of the AIG.

Derek Carter, MSc, FAusIMM (CP) (Non-Executive Director)

Derek Carter has over 40 years experience in exploration and mine geology, including 17 years in management of ASX-listed exploration/development companies. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur in 1993. He was Managing Director of Minotaur from its inception until early 2010 when he became Chairman of that company. He is also Chairman of Highfield Resources Ltd and Blackthorn Resources Ltd and the AusIMM. He has also been a Director of Toro Energy Ltd and Petrathern Ltd in the last 3 years.

He was Vice President and later President of the South Australian Chamber of Mines and Energy, was a Director of the Australian Gold Council and Chairman of the Federal Government's Minerals Exploration Advisory Group. He is a member of the South Australian Resources Development Board, and the South Australian Minerals and Petroleum Experts Group.

He is a recipient of AMEC's Prospector of the Year Award, the AusIMM's President's Award and is a Centenary Medallist.

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Directors' Report

30 June 2014

Richard Bonython, B Ag Sc (Non-Executive Director)

Richard Bonython was a director of Minotaur Gold Ltd for six years, Minotaur Resources Ltd for 5 years and retired as chairman of Hindmarsh Resources Ltd following the takeover of that company in early 2006. He retired as chairman of Diamin Resources NL in 1999 having been a director of that company for 15 years. He was executive director of Pioneer Property Group Ltd for over 15 years and has experience of over 42 years in the building, rural and mineral industries. He is currently a director of Minotaur Exploration Ltd. Richard is also a member of the Company's Audit Committee. He has also been a Director of Petrathern Ltd in the last 3 years.

Donald Stephens, BA(Acc), FCA (Non-Executive Director)

Donald Stephens is a Chartered Accountant and corporate adviser with over 25 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd Stephens, a firm of Chartered Accountants. He is a director of Papyrus Australia Ltd, Reproductive Health Science Ltd, Petrathern Ltd and Lawson Gold Ltd and is company secretary to Minotaur Exploration Ltd, Musgrave Minerals Ltd, Lawson Gold Ltd, Reproductive Health Science Ltd and Petrathern Ltd. In the last 3 years he has been a Director of TW Holdings Ltd and CRW Holdings Ltd. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations. He is also the company secretary and is a member of the Company's audit committee.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Mithril Resources Ltd were:

| | Number of Ordinary Shares | Number of Options over Ordinary Shares |
|------------------|------------------------------|---|
| David Hutton | 978,228 | 2,000,000 |
| Graham Ascough | 2,400,000 | 4,000,000 |
| Derek Carter | 1,400,000 | 1,000,000 |
| Richard Bonython | 2,170,000 | 1,000,000 |
| Donald Stephens | 500,000 | 1,000,000 |

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

PRINCIPAL ACTIVITIES

The principal activities of the Company and consolidated entities ('the Group') during the financial year 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 year.

Directors' Report

30 June 2014

OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$718,925 [2013: Loss \$2,741,782].

OPERATIONS OVERVIEW

2014 Annual Report - Review of operations

Mithril Resources is exploring for economic copper, nickel and gold throughout the Western Australian Goldfields, while the Company's Northern Territory nickel joint venture partner, MMG Exploration Pty Ltd ("**MMG**"), is exploring within portions of the East Arunta Project Area.

During the 2013-2014 Financial Year, Mithril shifted its exploration focus from the **East Arunta Project Area** in the Northern Territory, to the Meekatharra District in Western Australia where it acquired the rights to earn a majority interest in two advanced base metal projects ("**Meekatharra Project Area**").

In addition the Company also explored for gold and nickel throughout the **West Kambalda Project Area** (*Figure 1*).

Corporate Overview

The Company spent \$2,316,000 on exploration and administration activities with \$75,156 of joint venture funds received from Sammy Resources Pty Ltd, the Company's copper joint venture partner, on selected tenements within the East Arunta Project Area.

The Company received \$361,165 in regard to the 2012-2013 Financial Year Research and Development refund and raised \$1,487,499 (before costs) through two share placement. The placements, comprising 63.1 million fully paid ordinary shares at an issue price of 1 cent per share and 32.9 million fully paid ordinary shares at an issue price of 2.6 cent per share, was made to sophisticated investors eligible under s.708 of the Corporations Act (2001).

At the end of the 2013-2014 Financial Year, the Company held \$1,680,567 cash.

The Company also issued 2,900,000 unlisted options to employees as an incentive and in accordance with the Company's Employee Share Option Scheme. The unlisted options have an exercise period of 5 years with no vesting conditions at an exercise price of 1.5 cents.



Figure 1: Project Locations

Directors' Report

30 June 2014

East Arunta Project Area

Copper Exploration - Yambah Project (MTH 100%) and Sammy JV (MTH 80%)

The Company drilled six copper targets (Mini Me West, El Gordo, Ivana, Harry Creek, Red Rock Bore, and Coles Hill North) at its East Arunta Project Area which is located immediately north and east of Alice Springs in the Northern Territory (*Figure 2*).

Copper, and / or copper – zinc anomalism was intersected at all but one of the targets. Following the drilling, the Company determined to seek a joint venture partner to underpin future copper exploration efforts and at the time of writing, discussions were continuing with potential exploration partners.

Nickel Exploration - Huckitta Option and Joint Venture (MMG earning up to 80% of the Nickel Rights) and Harts Range Option and Joint Venture (MMG earning up to 90%)

MMG drilled several conceptual nickel targets on tenements subject to the Huckitta Option and Joint Venture Agreement (*Figure 2*).

The drilling intersected a range of gneissic and amphibolite rocktypes including barren disseminated sulphides (pyrite – pyrrhotite). Adverse ground conditions meant that several targets were not drilled and remain untested.

MMG completed Stage 1 of the joint venture (having spent \$1.5M over two years) and elected to continue to Stage 2 to earn an initial 51% interest in the joint venture's Nickel Rights (by spending a further \$2.5M by no later than 31 October 2016).

MMG also expanded their East Arunta nickel search area with the execution of the Harts Range Option and Joint Venture Agreement over Exploration Licence 25453 which lies immediately adjacent to the Huckitta joint venture tenements.

Under the terms of the Harts Range agreement, MMG can earn up to a 90% interest on EL25453 which is currently held by Mithril (60%) and Oklo Resources Limited ("Oklo" - **ASX: OKU** - 40%), by completing expenditure of \$5 million over 6 years.

A high-resolution aeromagnetic survey subsequently undertaken by MMG at Harts Range identified several new features that may represent nickel sulphide – prospective mafic intrusions.

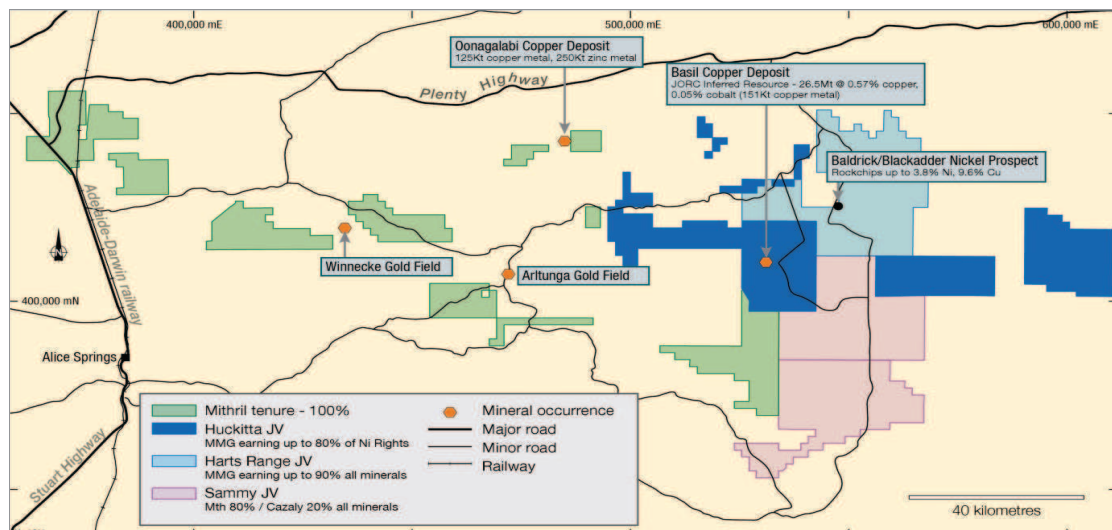


Figure 2: East Arunta Project Area

Directors' Report

30 June 2014

Meekatharra Project Area

Copper Exploration - Nanadie Well Project (MTH earning up to 75%) and Copper Hills Project (MTH earning up to 80%).

Mithril entered into agreements to earn a majority interest in two advanced base metal projects located between 30 and 100 kilometres southeast of Meekatharra in Western Australia (Figure 3).

The Company signed a Farm-in and Joint Venture Letter Agreement with Intermin Resources Limited ("Intermin" - **ASX: IRC**) to earn up to a 75% interest in the 150km² **Nanadie Well Project** by completing expenditure of \$4M over 6 years and with Doray Minerals Limited ("Doray" - **ASX: DRM**) to earn up to an 80% interest in the **Copper Hills Project** by completing expenditure of \$1M over four years.

Nanadie Well contains the **Nanadie Well Copper Deposit** (2004 JORC Code Compliant Inferred Resource of 36.07Mt @ 0.42% copper - 151,506 tonnes copper) and is prospective for the discovery of further copper, nickel and gold mineralisation.

Copper Hills is prospective for the discovery of polymetallic (i.e. copper – gold – silver – zinc) VMS mineralisation as well as shear hosted lode gold deposits. The project lies immediately adjacent to, and along strike from the historic Gabanintha gold mining centre.

Both projects contain a number of advanced exploration targets including an untested IP chargeability anomaly approximately 500 metres to the east of the Nanadie Well Deposit, a newly identified zone of sub-cropping nickel gossan and copper mineralisation 1.2 kilometres south east of the deposit, and a large copper – nickel soil anomaly less than 2 kilometres west of the Gabanintha gold mining centre.

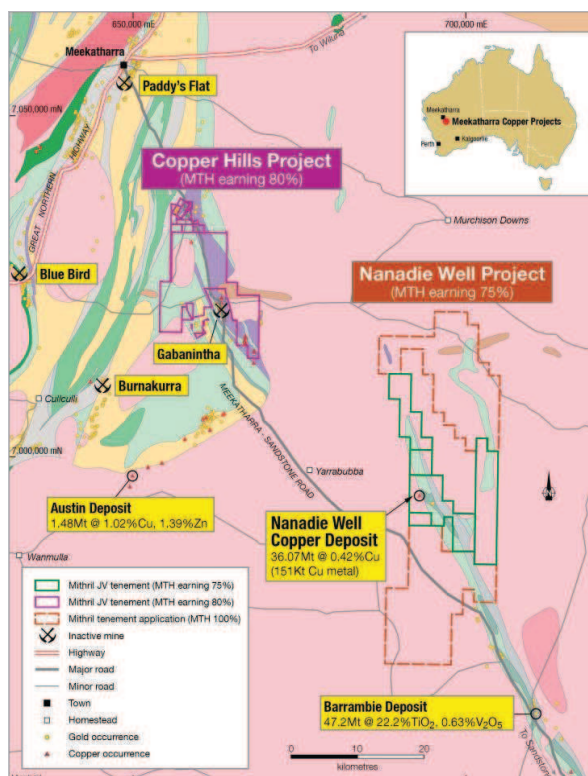


Figure 3: Meekatharra Project Area

In support of any future Nanadie Well drilling, Mithril was also offered a co-funded drilling grant of up to \$150,000 under Round 9 of the West Australian Government's Exploration Incentive Scheme. **West**

Kambalda Project Area

Gold and Nickel Exploration - Spargos Reward Gold Project (MTH 100%) and Spargoville Gold Project (MTH earning up to 80%)

The Company drilled three gold and nickel targets (Hendrix, Floyd, and Zeppelin) located 30 kilometres west of Kambalda in Western Australia on tenements subject to the Spargoville Farm-in and Joint Venture Agreement with KalNorth Gold Mines Limited ("KalNorth" - **ASX: KGM**).

The drilling confirmed and extended a near surface zone of nickel mineralisation at Hendrix, and identified a zone of weak copper – zinc anomalism in a sulphidic shale horizon at Floyd.

Mithril has earned its initial 20% interest in the joint venture (having spent \$0.32M over two years) and can now earn an additional 60% interest by spending a further \$1.68M by no later than 17 May 2017 (total expenditure of \$2 million over 4 years for an 80% interest).

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Directors' Report

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Other Projects

East Pilbara Project (MTH 100%)

No field work was undertaken during the 2013-2014 Financial Year.

Investments

Mithril is the largest shareholder in Musgrave Minerals Limited (**ASX: MGV**) with 9.28 million shares and 2.5 million options. Mithril vended tenements into Musgrave Minerals as part of their successful IPO that was completed on April 29th, 2011.

Musgrave is continuing to explore on tenements in the Musgrave Ranges and the Menninnie Dam areas, both of which are in South Australia.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr David O'Farrell who is a full-time employee of Intermin Resources Limited and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr O'Farrell has more than five years' experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr O'Farrell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Targets and Exploration Results 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.

Directors' Report

30 June 2014

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non financial nature.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 3 September 2013 the Company announced it had completed an \$856,499 capital raise through the placement of 32,942,250 shares at \$0.026 per share.

On 14 May 2014 the Company announced it had completed an \$631,000 capital raise through the placement of 63,100,000 shares at \$0.01 per share.

EVENTS ARISING SINCE THE END OF THE REPORTING DATE

Subsequent to the 2013-2014 Financial Year MMG commenced a sole funded EM geophysical survey over newly identified target areas in the Harts Range.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and therefore there are no likely developments in the Group's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites. During the year under review the majority of work carried out was in the Northern Territory and Western Australia and the Group followed procedures and pursued objectives in line with guidelines published by the Northern Territory/Western Australian Governments. These guidelines are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The Group supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable wherever it explores.

The Group is committed to minimising environmental impacts during all phases of exploration, development and production through a best practice environmental approach. The Group shares responsibility for protecting the environment for the present and the future. It believes that carefully managed exploration programs should have little or no long-lasting impact on the environment and the company has formed a best practice policy for the management of its exploration programs. The Group properly monitors and adheres to this approach and there were no environmental incidents to report for the year under review. Furthermore, the Group is in compliance with the state and/or commonwealth environmental laws for the jurisdictions in which it operates.

Directors' Report**30 June 2014****OCCUPATIONAL HEALTH, SAFETY AND WELFARE**

In running its business, Mithril aims to protect the health, safety and welfare of employees, contractors and guests. In the reporting period the Group experienced 2 reported incidents, however none of the incidents resulted in lost time or significant injuries. The Group reviews its OHS&W policy at regular intervals to ensure a high standard of OHS&W, and to reflect best practice in injury and accident prevention.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Group has indemnified (fully insured) each director and the secretary of the Group for a premium of \$11,916. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Group or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

SHARE OPTIONS**Unissued Shares**

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

| Issue Date | Expiry Date | Exercise Price | Balance at 1 July 2013 | Net Issued/ (Exercised) during Year | Lapsed/ Cancelled/ Expired | Balance at 30 June 2014 |
|-------------------------|-------------|----------------|------------------------|-------------------------------------|----------------------------|-------------------------|
| Unlisted Options | | | | | | |
| 12/12/2008 | 11/12/2013 | \$0.15 | 175,000 | - | (175,000) | - |
| 25/06/2009 | 24/06/2014 | \$0.20 | 400,000 | - | (400,000) | - |
| 26/10/2009 | 24/06/2014 | \$0.30 | 2,300,000 | - | (2,300,000) | - |
| 23/09/2010 | 22/09/2015 | \$0.18 | 350,000 | - | - | 350,000 |
| 17/12/2010 | 16/12/2015 | \$0.25 | 2,235,000 | - | - | 2,235,000 |
| 18/02/2011 | 16/12/2015 | \$0.30 | 8,000,000 | - | - | 8,000,000 |
| 23/05/2011 | 22/05/2016 | \$0.20 | 550,000 | - | - | 550,000 |
| 31/07/2012 | 30/07/2017 | \$0.10 | 1,300,000 | - | - | 1,300,000 |
| 29/11/2012 | 28/11/2017 | \$0.10 | 1,000,000 | - | - | 1,000,000 |
| 29/11/2012 | 28/11/2017 | \$0.15 | 1,000,000 | - | - | 1,000,000 |
| 22/07/2018 | 21/07/2018 | \$0.05 | - | 2,050,000 | - | 2,050,000 |
| 20/06/2019 | 19/06/2019 | \$0.015 | - | 2,900,000 | - | 2,900,000 |
| | | | 17,310,000 | 4,950,000 | (2,875,000) | 19,385,000 |

Cancellation of Options

During the financial year 2,875,000 options lapsed due to not being exercised within the given exercise period.

Directors' Report

30 June 2014

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors is responsible for the corporate governance of Mithril Resources Ltd (the Company) and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX corporate governance council and required under ASX listing rules.

The Group details below the corporate government practices in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX corporate governance council unless otherwise stated. Some of the charters and policies that form the basis of the corporate governance practices of the Group may be located on the Group's website, www.mithrilresources.com.au.

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity, remuneration, trading policies and briefings. The Group has addressed the amended principles within this statement.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Role of the Board and Management

The board are accountable to the Shareholders for the performance of the Group and have overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the board to the Managing Director and ultimately to senior executives.

The key functions reserved to the board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the managing director and senior executives against the objectives and performance indicators established by the board. The annual review of Managing Director and Senior Executives was undertaken by the board during the year.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Overseeing the implementation and management of effective safety and environmental performance systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Group meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the directors are entitled to seek independent professional advice at the Group's expense, unless the board determines otherwise. The board schedules meetings on a regular basis and other meetings as and when required.

Directors' Report

30 June 2014

CORPORATE GOVERNANCE STATEMENT

The Group has not formally established the functions reserved to the board and those delegated to senior executives in accordance with recommendations 1.1 and 1.3 of the ASX Corporate Governance Council. Given the size of the Group, the board has not considered it necessary to formulate a board charter.

Recommendation 1.2: Performance evaluation of Senior Management

The Managing Director and senior management participate in annual performance reviews. The performance of staff is measured against the objectives and performance indicators established by the board. A performance evaluation for senior management took place for the current reporting period in accordance with the Group's documented process. The performance of senior management is reviewed by comparing performance against agreed measures, examining the effectiveness and results of their contribution and identifying area for potential improvement. In accordance with recommendations 1.2 and 1.3 of the ASX Corporate Governance Council the Group has not disclosed a description of the performance evaluation process in addition to the disclosure above.

Principle 2: Structure the board to add value

Size and composition of the Board

At the date of this statement the board consists of five non-executive directors and one executive. Directors are expected to bring independent views and judgement to the board's deliberations.

- | | |
|-----------------------|-----------------------------------|
| • Mr Graham Ascough | Non-Executive Chairman |
| • Mr David Hutton | Managing Director |
| • Mr Derek Carter | Non-Executive |
| • Mr Richard Bonython | Non-Executive |
| • Mr Donald Stephens | Non-Executive / Company Secretary |

The board considers this to be an appropriate composition given the size and development of the Group at the present time however the board's structure and composition are regularly reviewed. A profile of each director including their skills, qualifications and experience are set out in the director's report of this Annual Report.

Recommendation 2.1: Independence

The board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the board. Those directors who have interests in specific transactions or potential transactions do not receive board papers related to those transactions or potential transactions, do not participate in any part of a directors meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other directors. Each director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

Directors' Report

30 June 2014

CORPORATE GOVERNANCE STATEMENT

At the date of this statement the board consists of four non-executive directors, Mr G Ascough, who is also chairman of the board, Mr D Carter, Mr R Bonython, Mr D Stephens, and an executive director, Mr D Hutton. Mr Ascough and Mr Stephens have no other material relationship with the Group or its subsidiary other than their directorships. Mr Carter and Mr Bonython are directors of Minotaur Exploration Ltd which is the beneficial holder of 6.78% of the issued capital of Mithril Resources Ltd. The Group therefore has three independent directors as that relationship is currently defined.

The board does consist of a majority of independent directors and therefore the Group has complied with recommendation 2.1 of the Corporate Governance Council. The board defines 'independence' in accordance with ASX recommendations. The board considers the current structure to be an appropriate composition of the required skills and experience, given the experience of the individual directors and the size and development of the Group at the present time.

Recommendations 2.2, 2.3: Role of the Chairman

The role of the Chairman is to provide leadership to the board and facilitate the efficient organisation and conduct of the boards functioning. Mr Graham Ascough, the Chairman of the Group is an independent director and does not also perform the role of the Managing Director, in accordance with recommendations 2.2 and 2.3 of the Corporate Governance Council.

Recommendation 2.4: Nomination, retirement and appointment of Directors

The board has not established a nomination and remuneration committee in accordance with recommendation 2.4 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and continues to monitor the composition of the committee and the roles and responsibilities of the members. Accordingly, the Group has not established remuneration and nomination committee charter in accordance with recommendations 2.4 and 2.6 of the ASX Corporate Governance Council.

Recommendation 2.5: Evaluation of Board performance

The board continues to review performance against appropriate measures and identify ways to improve performance. A performance evaluation of the board, its Committees and individual directors took place for the current reporting period in accordance with the Group's documented process. The board has not formally disclosed the process in accordance with recommendations 2.5 and 2.6 of the ASX Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of the performance evaluation necessary at this stage.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Code of Conduct

The board recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity and is highly committed to demonstrating appropriate corporate practices and decision making. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The board has not adopted and disclosed a formal code of conduct applying to the board and all Employees in accordance with recommendations 3.1 and 3.3 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of the code necessary at this stage.

Securities Trading Policy

Effective from the 1 January 2011, the Group adopted and disclosed a securities trading policy under ASX Listing Rules. A securities trading policy was previously a recommendation of the Corporate Governance Council, however the Group has chosen to early-adopt the amendments in accordance with the addition to the ASX Listing Rules. The Group has established a policy concerning trading in Group securities by directors, senior executives and employees, however the plan has not yet been publicly disclosed and therefore has not complied with recommendation 3.2 or 3.3 of the second edition of the Corporate Governance Council principles. The Board take ultimate responsibility for these matters.

The Company's constitution permits designated persons to acquire securities in the Company, however

Directors' Report

30 June 2014

CORPORATE GOVERNANCE STATEMENT

Group policy prohibits designated persons from dealing in the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- Any major announcements;
- The release of the Group's quarterly, half yearly and annual financial results to the Australian Securities Exchange; and
- The Annual General Meeting.

Directors must advise the Chairman of the Board before buying or selling securities in the Group. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Securities Exchange, the Company advises ASX of any transaction conducted by directors in the securities of the Company.

Recommendations 3.2, 3.3, 3.4: Diversity

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity. The Group is committed to supporting diversity, including consideration of gender, age, ethnicity and cultural background. The Board is ultimately responsible for reviewing the achievement of this policy. The Group recognises that through consideration of diversity and the best available talent, it will assist in promoting a working environment to maximise achievement of the corporate goals of the organisation.

The Group continues to strive towards achieving objectives established towards increasing gender diversity. At the end of the reporting period, the Group employed five staff, of which two are female and the board of directors consisted of five male members. The Group is highly aware of the positive impacts that diversity may bring to an organization. The Group continues to assess all staff and board appointments on their merits with consideration to diversity a driver in decision making. The Group has not yet developed or disclosed a formal diversity and policy and therefore has not complied with the recommendations 3.2 and 3.3 of the Corporate Governance Council effective from 1 January 2011.

Principle 4: Safeguard integrity in financial reporting

The Group has structured financial management to independently verify and safeguard the integrity of their financial reporting. The structure established by the Group includes:

- Review and consideration of the financial statements by the audit committee;
- A process to ensure the independence and competence of the Group's external auditors.

Recommendations 4.1, 4.2, 4.3: Audit Committee

The audit, risk and compliance committee comprises Mr Graham Ascough (Chairman) who is also the non-executive chairman of the Group, Mr R Bonython a non-executive director and Mr Donald Stephens also non-executive director and the Company Secretary. All members are considered independent. The board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the board of directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Group's governance policies.

The Group has complied with recommendation 4.2 of the Corporate Governance Council because it does consist of only non-executive directors and is chaired by Mr Graham Ascough, who is also chairman of the board. Given the skills and experience of the audit committee, the board believes the structure and process to be adequate. The board continues to monitor the composition of the committee and the roles and responsibilities of the members.

Directors' Report

30 June 2014

CORPORATE GOVERNANCE STATEMENT

In addition, the board has not adopted and disclosed a formal committee charter in accordance with recommendations 4.3 and 4.4 of the Corporate Governance Council.

Principle 5: Make timely and balanced disclosure

The Group has a policy that all shareholders and investors have equal access to the Group's information. The board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation's Act and ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX and is accountable to the board through the Chair.

Recommendations 5.1: Disclosure policy

The Group has not publicly disclosed a formal disclosure policy in accordance with recommendations 5.1 and 5.2 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a disclosure policy to be appropriate at this stage.

Principle 6: Respect the rights of shareholders

The board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Group and its directors and to make well-informed investment decisions.

Recommendations 6.1: Communications policy

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial reports;
- annual and other general meetings convened for Shareholder review and approval of board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Group maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

All information disclosed to the ASX is posted on the Group's web site www.mithrilresources.com.au.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Group has not publicly disclosed a communications policy in accordance with recommendations 6.1 and 6.2 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a communications policy to be appropriate at this stage.

Principle 7: Recognise and manage risk

The board has identified the significant areas of potential business and legal risk of the Group. In addition the board has developed the culture, processes and structures of the company to encourage a framework of risk management which identifies, monitors and manages the material risks facing the organisation.

Recommendations 7.1, 7.2: Risk management policy

The identification, monitoring and, where appropriate, the reduction of significant risk to the Group is the responsibility of the Managing Director and the board. The board has also established the audit, risk and compliance committee which addresses the risks of the Group.

The board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent board meetings. Budgets are prepared and compared against actual results.

Management and the board monitor the Group's material business risks and reports are considered at regular meetings.

The Group has not publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendations 7.1 and 7.4 of the Corporate Governance Council. The board

Directors' Report

30 June 2014

CORPORATE GOVERNANCE STATEMENT

takes ultimate responsibility for these matters and does not consider disclosure of a risk management policy to be appropriate at this stage.

Recommendations 7.3: Declaration from Managing Director and Company Secretary

The Managing Director and the Company Secretary will be required to state in writing to the board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls are operating efficiently and effectively.

Principle 8: Remunerate fairly and responsibly

The Chairman and the non-executive Directors are entitled to draw Director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Group is required to disclose in its annual report details of remuneration to directors. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$250,000. This amount cannot be increased without the approval of the Group's shareholders. Please refer to the remuneration report within the Directors' Report for details regarding the remuneration structure of the Managing Director and senior management.

Recommendation 8.1: Remuneration Committee

The board has not established a remuneration committee or disclosed a committee charter on the Company website and therefore has not complied with recommendations 8.1 and 8.3 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider a remuneration committee to be appropriate at this stage.

Directors' Report

30 June 2014

Remuneration Report (audited)

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent. These are as follows:

| | |
|--------------------------|---------------------------|
| Mr Graham Ascough | Chairman |
| Mr David Hutton | Managing Director |
| Mr Derek Carter | Non-Executive Director |
| Mr Richard Bonython | Non-Executive Director |
| Mr Donald Stephens | Non-Executive Director |
| Mr Jim McKinnon-Matthews | General Manager - Geology |

Remuneration philosophy

The board is responsible for determining remuneration policies applicable to directors and senior executives of the Group. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the board to the Group's financial performance.

Employment contracts

The employment conditions of the Managing Director, Mr David Hutton, are formalised in a contract of employment. Mr Hutton commenced employment on 18th June 2012 and his current gross salary, inclusive of 9.25% superannuation guarantee, is \$285,242. The Company or the employee may terminate the employment contract without cause by providing 6 months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the General Manager-Geology, Mr Jim McKinnon-Matthews, are formalised in a contract of employment. Mr McKinnon-Matthews commenced employment on 13 January 2003 and his current gross salary, inclusive of superannuation guarantee, is \$177,245. The Company or the employee may terminate the employment contract without cause by providing three (3) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Key management personnel remuneration and equity holdings

The board currently determines the nature and amount of remuneration for board members and senior executives of the Group. The policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

The non-executive Directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the Company share option scheme. Options are valued using the Black-Scholes methodology.

Directors' Report

30 June 2014

Remuneration Report (audited) continued

The board policy is to remunerate non-executive Directors at market rates based on comparable companies for time, commitment and responsibilities. The board determines payments to non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Voting and comments made at the company's 2013 Annual General Meeting

Mithril Resources Ltd received more than 88.37% of 'yes' votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Table 1: Directors remuneration for the year ended 30 June 2013 and 30 June 2014

| | Short Term Benefits | Post Employment | Share-based payments | Total | Performance related (%) |
|---------------------|---------------------|-----------------|-----------------------|---------|-------------------------|
| | Salary & Fees | Superannuation | Value of options (**) | | |
| David Hutton | | | | | |
| 2014 | 261,100 | 24,142 | - | 285,242 | 0% |
| 2013 | 291,100 | 25,000 | 74,000 | 390,100 | 0% |
| Graham Ascough | | | | | |
| 2014 | 52,440 | - | - | 52,440 | 0% |
| 2013 | 57,225 | - | - | 57,225 | 0% |
| Derek Carter | | | | | |
| 2014 | 36,708 | - | - | 36,708 | 0% |
| 2013 | 43,890 | 1,890 | - | 45,780 | 0% |
| Richard Bonython | | | | | |
| 2014 | 33,600 | 3,108 | - | 36,708 | 0% |
| 2013 | 45,780 | - | - | 45,780 | 0% |
| Donald Stephens (*) | | | | | |
| 2014 | 33,600 | 3,108 | - | 36,708 | 0% |
| 2013 | 42,000 | 3,780 | - | 45,780 | 0% |
| TOTAL | | | | | |
| 2014 | 417,448 | 30,358 | - | 447,806 | |
| 2013 | 479,995 | 30,670 | 74,000 | 584,665 | |

(*) HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year of \$75,919 (2013: \$122,561) in addition to directors fees. Donald Stephens, a non-executive director and the company secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

(**) Share-based payments remuneration relates to amortisation of the fair value of options granted. This aspect of remuneration is a non-cash benefit.

Directors' Report

30 June 2014

Remuneration Report (audited) continued

Table 2: Remuneration of other key management personnel for the year ended 30 June 2013 and 30 June 2014

| | Short Term Benefits | Post Employment | Share-based payments | Total | Total |
|-----------------------|---------------------|-----------------|----------------------|----------------|-----------|
| | Salary & Fees | Superannuation | Value of options | | |
| Jim McKinnon-Matthews | | | | | |
| 2014 | 162,238 | 15,007 | 17,500 | 194,745 | 9% |
| 2013 | 191,012 | 21,300 | 10,000 | 222,312 | 4% |

Table 3: Option holdings of Key Management Personnel

| 30 June 2014 | Balance at beginning of year | Granted as remuneration | Options exercised | Options lapsed | Balance at end of year | Exercise Price | First exercise date | Last exercise date |
|------------------|------------------------------|-------------------------|-------------------|--------------------|------------------------|----------------|---------------------|--------------------|
| Directors | | | | | | | | |
| Graham Ascough | 600,000 | - | - | (600,000) | - | 0.30 | 25/06/2010 | 24/06/2014 |
| Graham Ascough | 4,000,000 | - | - | - | 4,000,000 | 0.30 | 18/02/2011 | 16/12/2015 |
| Richard Bonython | 400,000 | - | - | (400,000) | - | 0.30 | 25/06/2010 | 24/06/2014 |
| Richard Bonython | 1,000,000 | - | - | - | 1,000,000 | 0.30 | 18/02/2011 | 16/12/2015 |
| Derek Carter | 400,000 | - | - | (400,000) | - | 0.30 | 25/06/2010 | 24/06/2014 |
| Derek Carter | 1,000,000 | - | - | - | 1,000,000 | 0.30 | 18/02/2011 | 16/12/2015 |
| Donald Stephens | 400,000 | - | - | (400,000) | - | 0.30 | 25/06/2010 | 24/06/2014 |
| Donald Stephens | 1,000,000 | - | - | - | 1,000,000 | 0.30 | 18/02/2011 | 16/12/2015 |
| David Hutton | 1,000,000 | - | - | - | 1,000,000 | 0.10 | 29/11/2012 | 28/11/2017 |
| David Hutton | 1,000,000 | - | - | - | 1,000,000 | 0.15 | 29/11/2012 | 28/11/2017 |
| | 10,800,000 | - | - | (1,800,000) | 9,000,000 | | | |

| 30 June 2014 | Balance at beginning of year | Granted as remuneration | Options exercised | Options lapsed | Balance at end of year | Exercise Price | First exercise date | Last exercise date |
|----------------------|------------------------------|-------------------------|-------------------|------------------|------------------------|----------------|---------------------|--------------------|
| Executives | | | | | | | | |
| J. McKinnon-Matthews | 150,000 | - | - | (150,000) | - | 0.15 | 12/12/2009 | 11/12/2013 |
| J. McKinnon-Matthews | 300,000 | - | - | (300,000) | - | 0.20 | 25/06/2010 | 24/06/2014 |
| J. McKinnon-Matthews | 150,000 | - | - | - | 150,000 | 0.18 | 23/09/2010 | 22/09/2015 |
| J. McKinnon-Matthews | 2,000,000 | - | - | - | 2,000,000 | 0.25 | 17/12/2010 | 16/12/2015 |
| J. McKinnon-Matthews | 300,000 | - | - | - | 300,000 | 0.20 | 23/05/2011 | 22/05/2016 |
| J. McKinnon-Matthews | 500,000 | - | - | - | 500,000 | 0.10 | 31/07/2013 | 30/07/2018 |
| | 3,400,000 | - | - | (450,000) | 2,950,000 | | | |

Directors' Report

30 June 2014

Remuneration Report (audited) continued

Table 4: Shareholdings of Key Management Personnel

| 30 June 2014 | Balance at beginning of year | Acquired/Disposed | Balance at end of year |
|-----------------------|------------------------------|-------------------|------------------------|
| Directors | | | |
| David Hutton | 649,250 | 328,978 | 978,228 |
| Graham Ascough | 900,000 | 1,500,000 | 2,400,000 |
| Derek Carter | 1,400,000 | - | 1,400,000 |
| Richard Bonython | 2,180,000 | (10,000) | 2,170,000 |
| Donald Stephens | 500,000 | - | 500,000 |
| | 5,629,250 | 1,818,978 | 7,448,228 |
| Executives | | | |
| Jim McKinnon-Matthews | 280,000 | 330,000 | 610,000 |
| | 280,000 | 330,000 | 610,000 |

The Company has not used remuneration consultants.

Remuneration report ends.

DIRECTORS MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

| | Directors' Meetings | | Audit Committee | |
|-------------------------------------|---------------------|----------|-----------------|----------|
| Number of meetings held | 10 | | 2 | |
| | | | | |
| Number of meetings attended: | Eligible | Attended | Eligible | Attended |
| David Hutton | 10 | 10 | - | - |
| Graham Ascough | 10 | 10 | 2 | 2 |
| Derek Carter | 10 | 8 | - | - |
| Richard Bonython | 10 | 9 | 2 | 2 |
| Donald Stephens | 10 | 9 | 2 | 2 |

Members acting on the audit committee of the board are:

Graham Ascough

Non-executive Director

Richard Bonython

Non-executive Director

Donald Stephens

Non-executive Director/ Company Secretary

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

Mithril Resources Ltd

ABN 30 099 883 922

Directors' Report**30 June 2014****AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Mithril Resources Ltd, has not provided any non-audit services throughout the reporting year. The auditor's independence declaration for the year ended 30 June 2014 as required under section 307C of the Corporations Act 2001 has been received and can be found on the following page.

Signed in accordance with a resolution of the board of Directors.



Mr David Hutton
Managing Director

Dated this 26th day of September 2014



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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 audit of Mithril Resources Limited for the year ended 30 June 2014, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized blue ink signature of "Grant Thornton" in a cursive script.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A blue ink signature of "S J Gray" in a cursive script.

S J Gray
Partner – Audit & Assurance

Adelaide, 26 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

| | Note | Consolidated | |
|--|------|--------------------|--------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Revenue | 3(a) | 69,968 | 188,281 |
| Other income | 3(b) | 1,237 | 27,830 |
| Impairment of exploration assets | 3(c) | (130,701) | (1,670,988) |
| Employee benefits expense | 3(c) | (530,433) | (806,536) |
| Depreciation expense | 3(c) | (55,675) | (85,736) |
| Finance costs | | (3,562) | (8,467) |
| Impairment of available-for-sale investments | 3(c) | - | (353,516) |
| Other expenses | 3(c) | (380,220) | (610,082) |
| Loss before income tax expense | | (1,029,386) | (3,319,214) |
| Income tax expense | 4 | 310,461 | 577,432 |
| Total loss for the year | | (718,925) | (2,741,782) |
| Other comprehensive income, net of income tax | | | |
| Items that will not be reclassified subsequently to profit or loss | | - | - |
| Items that may be reclassified to profit or loss when specific conditions are met | | | |
| Net fair value movements for available-for-sale financial assets | | 64,987 | - |
| Other comprehensive income for the year, net of tax | | 64,987 | - |
| Total comprehensive income for the year | | (653,938) | (2,741,782) |
| Earnings per share | | | |
| Basic earnings per share (cents) | 5 | (0.28) | (1.25) |
| Diluted earnings per share (cents) | 5 | (0.28) | (1.25) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2014

| | | Consolidated | |
|--------------------------------------|------|-------------------|-------------------|
| | | 2014 | 2013 |
| | Note | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 1,680,567 | 1,602,097 |
| Trade and other receivables | 7 | 13,938 | 591,948 |
| Other assets | 8 | 49,813 | 72,492 |
| TOTAL CURRENT ASSETS | | 1,744,318 | 2,266,537 |
| NON-CURRENT ASSETS | | | |
| Available-for-sale investments | 9 | 564,181 | 499,194 |
| Plant and equipment | 10 | 160,599 | 216,274 |
| Exploration and evaluation assets | 11 | 15,018,277 | 13,777,438 |
| TOTAL NON-CURRENT ASSETS | | 15,743,057 | 14,492,906 |
| TOTAL ASSETS | | 17,487,375 | 16,759,443 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 112,737 | 184,948 |
| Borrowings | 14 | 7,962 | 47,866 |
| Employee benefits | 15 | 126,861 | 106,640 |
| TOTAL CURRENT LIABILITIES | | 247,560 | 339,454 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 14 | - | 7,937 |
| Employee benefits | 15 | 33,395 | 18,113 |
| TOTAL NON-CURRENT LIABILITIES | | 33,395 | 26,050 |
| TOTAL LIABILITIES | | 280,955 | 365,504 |
| NET ASSETS | | 17,206,420 | 16,393,939 |
| EQUITY | | | |
| Issued capital | 17 | 32,212,636 | 30,795,217 |
| Reserves | 18 | 1,869,077 | 2,336,515 |
| Accumulated losses | 19 | (16,875,293) | (16,737,793) |
| TOTAL EQUITY | | 17,206,420 | 16,393,939 |

The accompanying notes form part of these financial statements.

Mithril Resources Ltd

ABN 30 099 883 922

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

| | Note | Consolidated | | | | Available-for-Sale Revaluation Reserve | Total |
|--|--------|-------------------------|-----------------------------|-------------------------------|---------------|---|-------------------|
| | | Issued Capital \$ | Accumulated Losses \$ | Share Option Reserve \$ | | | |
| Balance at 1 July 2013 | | 30,795,217 | (16,737,793) | 2,336,515 | - | - | 16,393,939 |
| Total comprehensive loss for the year | 19 | - | (718,925) | - | - | - | (718,925) |
| Net fair value movements for available-for-sale financial assets | | - | - | - | 64,987 | - | 64,987 |
| Share issue via placement on 10 September 2013 | | 856,499 | - | - | - | - | 856,499 |
| Share issue via placement on 22 May 2014 | | 631,000 | - | - | - | - | 631,000 |
| Transaction costs (net of tax effect) | | (70,080) | - | - | - | - | (70,080) |
| Issue of share options | 18 | - | - | 49,000 | - | - | 49,000 |
| Transfer to retained earnings from share option reserve | 18, 19 | - | 581,425 | (581,425) | - | - | - |
| Balance at 30 June 2014 | | 32,212,636 | (16,875,293) | 1,804,090 | 64,987 | - | 17,206,420 |
| Balance at 1 July 2012 | | 30,795,217 | (14,099,561) | 2,328,065 | - | - | 19,023,721 |
| Total comprehensive loss for the year | 19 | - | (2,741,782) | - | - | - | (2,741,782) |
| Issue of share options | 18 | - | - | 112,000 | - | - | 112,000 |
| Transfers to retained earnings from share option reserve | 18, 19 | - | 103,550 | (103,550) | - | - | - |
| Balance at 30 June 2013 | | 30,795,217 | (16,737,793) | 2,336,515 | - | - | 16,393,939 |

The accompanying notes form part of these financials statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

| Note | Consolidated | |
|--|--------------------|--------------------|
| | 2014 \$ | 2013 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Payments to suppliers and employees | (818,830) | (1,291,426) |
| Interest received | 51,047 | 217,286 |
| Finance costs | (3,562) | (8,467) |
| Research & development tax offset | 944,620 | - |
| Net cash provided by (used in) operating activities | 173,275 | (1,082,607) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of plant and equipment | (2,227) | (12,443) |
| Payments for exploration activities | (1,492,165) | (2,991,301) |
| Receipts from JV partners | 75,543 | 203,175 |
| Net cash used by investing activities | (1,418,849) | (2,800,569) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issue of shares | 1,487,499 | - |
| Repayment of borrowings | (47,203) | (62,178) |
| Payment of transaction costs | (116,252) | - |
| Net cash provided by (used in) financing activities | 1,324,044 | (62,178) |
| Net increase (decrease) in cash and cash equivalents held | 78,470 | (3,945,354) |
| Cash and cash equivalents at beginning of year | 1,602,097 | 5,547,451 |
| Cash and cash equivalents at end of financial year | 1,680,567 | 1,602,097 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

This financial report covers the consolidated financial statements and notes of Mithril Resources Ltd ('the Company') as an individual entity and the consolidated Group comprising Mithril Resources Ltd and its Controlled Entities ('the Group'). Mithril Resources Ltd is a listed public Company incorporated and domiciled in Australia. The financial statements were authorised for issue by the Board of Directors on 26 September 2014.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The separate financial statements and notes of the parent entity, Mithril Resources Ltd, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity summary is included in note 27.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

Except for the cash flow information, the financial statements are prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 22 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(b) Principles of Consolidation (continued)

Joint Arrangements

AASB 11 *Joint Arrangements* defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

Mithril Resources Ltd has determined that it has only joint operations.

Joint operations:

In relation to its joint venture operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, Mithril Resources Ltd has recognised:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue

Interest is recognised using the effective interest method.

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(c) Revenue and other income (continued)

Rendering of services (continued)

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Grant revenue

Government grants are recognised at fair value where this is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income of the periods necessary to match the grant to the costs they are compensating. Research and development grants are recognised as an income tax benefit in the statement of profit or loss and other comprehensive income when they are received.

(d) Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the consolidated statement of financial position.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(h) Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Classification and subsequent measurement

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, which include any financial assets not included in the above categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability, extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(i) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(i) Income Tax (continued)

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(i) Income Tax (continued)

Tax consolidation

Mithril Resources Ltd and its wholly-owned Australian controlled entities have formed an income tax consolidated group under tax consolidation legislation as of 1 July 2007. The Australian Taxation Office has been notified of the decision.

The head entity of the Group is Mithril Resources Ltd. Mithril Resources Ltd and each of its own wholly-owned controlled entities recognise the current and deferred tax assets and deferred tax liabilities applicable to the transactions undertaken by it, after elimination of intra-group transactions. Mithril Resources Ltd recognises the entire tax-consolidated group's retained tax losses.

(j) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Plant and Equipment

Each class of plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|--------------------------|--------------------------|
| Plant and Equipment | 10 - 40% |
| Motor Vehicles | 22.5% |

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(k) Plant and Equipment (continued)

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(l) Impairment of non-financial assets

At the end of each reporting period, the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(m) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the asset is not available for use it is not depreciated or amortised.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon that area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense which is recognised in finance costs. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology discounted to their

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(m) Exploration and development expenditure (continued)

present value.

Any changes in the estimates for the costs are accounted on a prospective basis in the consolidated statement of profit or loss and other comprehensive income. In determining the costs of site restoration, there is an uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

(n) Trade and other payables

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(p) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the consolidated statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(q) Equity-settled compensation

The Group provides benefits to employees of the Group in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP) which provides benefits to directors and employees.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(q) Equity-settled compensation (continued)

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they were granted. The fair value is determined using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income, together with a corresponding increase in the share option reserve, when the options are issued. However, where options have vesting terms attached, the cost of the transaction is amortised over the vesting period.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to issued capital.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(s) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to members of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2014 and 2013.

(t) 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.

Key judgments - exploration and evaluation expenditure

The Group's policy for exploration and evaluation is discussed in note 1(m). The application of this policy requires management to make certain assumptions as to future events and circumstances. 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 statement of profit or loss and other comprehensive income.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(u) Going concern

The financial report has been prepared on the basis of a going concern. The financial report shows the Group incurred a net loss of \$718,925 (2013: \$2,741,782) and a net cash outflow from operating and investing activities of \$1,245,574 (2013: \$3,883,176) during the year ended 30 June 2014. The Group continues to be economically dependent on the generation of cashflow from the business and/ or raising additional capital for the continued operations and the provision of working capital.

The Group's ability to continue as a going concern is contingent upon generation of cashflow from its business and/ or successfully raising additional capital. If sufficient cash flow is not generated and/or additional funds are not raised, 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.

(v) Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investment in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*
- AASB 2012-9 *Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(v) Adoption of new and revised accounting standards (continued)

supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

(w) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(w) New Accounting Standards and Interpretations (continued)

| Standard Name | Effective date for Group | Requirements | Impact |
|--|--------------------------|---|--|
| AASB 9 Financial Instruments | 30 June 2019 | Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. | The impact of AASB 9 has not yet been determined. |
| AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009) | | | |
| AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures | | | |
| AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments | | Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. | |
| AASB 2014-1 Amendments to Australian Accounting Standards | | AASB 2013 – 9 also permits an entity to elect to apply the own credit risk provisions without applying the other requirements in AASB 9 (2010). If an entity does so, it is required to disclose that fact and provide the disclosures in paragraphs 10-11 of AASB 7 concerning financial liabilities designated at fair value. | |
| | | AASB 2014-1 defers the effective date to 1 January 2018. | |
| AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] | 30 June 2015 | This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. | The adoption of this standard will not change the reported financial position and performance of the Group, there are no impact on disclosures as there are no offsetting arrangements currently in place. |
| AASB 2013 – 3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets | 30 June 2015 | This standard amends AASB 136 to require additional disclosures about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. | There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required. |

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(w) New Accounting Standards and Interpretations (continued)

| | | | |
|---|--------------|--|--|
| AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments | 30 June 2015 | This standard withdraws the substantive content in AASB 1031 and provides signpost references to materiality in other Australian Accounting Standards. | There is not expected to be any changes to the reported financial position, performance or cash flows of the Group. |
| AASB 2014-1 Amendments to Australian Accounting Standards | | AASB 2014 -1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality as each standard is amended for another purpose. | |
| AASB 2014-1 Amendments to Australian Accounting Standards (2010 – 2012 cycle) | 30 June 2015 | <p>The following standards and changes are made under AASB 2014-1:</p> <ul style="list-style-type: none"> - AASB 2 Share-based Payments – amendments to definitions - AASB 3 Business Combinations – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. - AASB 8 Operating Segments – amendments to disclosures - AASB 3 Business Combinations – references to contingent consideration - AASB 13 Fair value measurement – minor clarification re: measurement of short-term receivables and payables - AASB 116 Property, plant and equipment – clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. - AASB 124 Related Party Disclosures – clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. - AASB 138 Intangible Assets – clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. | There are not expected to be any changes to reported financial position or performance arising from the adoption of part A of AASB 2014-1. |

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 Operating Segments

Segment information

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risk rewards approach, with the entity's "system of internal financial reporting" to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

Information reporting to the Company's Managing Director for the purposes of resources allocation and assessment of performance is more specifically focused on the areas in which the Group is exploring. The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration activities conducted in the Northern Territory; and
- Exploration activities conducted in Western Australia.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 Operating Segments (continued)

Segment performance

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

| | Mineral Exploration - Northern Territory | | Mineral Exploration - Western Australia | | Mineral Exploration - Other | | Administration/Corporate | | Total | |
|--|---|-------------|--|-----------|--------------------------------|------|--------------------------|-------------|-------------|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| REVENUE | | | | | | | | | | |
| Administration fees | - | - | - | - | - | - | 14,496 | 35,461 | 14,496 | 35,461 |
| Interest revenue | - | - | - | - | - | - | 56,709 | 152,820 | 56,709 | 152,820 |
| Other income | - | - | - | - | - | - | - | 27,830 | - | 27,830 |
| Total segment revenue | - | - | - | - | - | - | 71,205 | 216,111 | 71,205 | 216,111 |
| Finance costs | - | - | - | - | - | - | (3,562) | (8,467) | (3,562) | (8,467) |
| Administration/corporate | - | - | - | - | - | - | (839,448) | (1,554,023) | (839,448) | (1,554,023) |
| Depreciation | - | - | - | - | - | - | (55,675) | (85,736) | (55,675) | (85,736) |
| Segment operating result | (129,918) | (1,117,072) | (783) | (553,916) | - | - | - | - | (130,701) | (1,670,988) |
| Loss before income tax | (129,918) | (1,117,072) | (783) | (553,916) | - | - | (898,685) | (1,648,226) | (1,029,386) | (3,319,214) |
| Income tax expense or income | - | - | - | - | - | - | 310,461 | 577,432 | 310,461 | 577,432 |
| Net loss from continuing operations | | | | | | | | | (718,925) | (2,741,782) |

The revenue reporting above represents revenue generated from various sources detailed in Note 3(a) and Note 3(b). There were no intersegment sales during the period.

Segment loss represents the loss from each segment without allocation of central administration costs, finance costs and income tax expense. This is the measure reporting to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 Operating Segments (continued)

Segment assets and liabilities

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

The Group has not reported on segment liabilities as such amounts are not regularly provided to the chief operating decision maker.

The following is an analysis of the Group's assets by reportable operating segment:

| | Mineral Exploration - Northern Territory | | Mineral Exploration - Western Australia | | Administration/Corporate | | Total |
|---|---|-------------------|--|------------------|--------------------------|------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| Opening balance at 1 July | \$ 12,211,130 | \$ 11,737,354 | \$ 1,566,308 | \$ 794,232 | \$ - | \$ - | \$ 12,531,586 |
| Net capital expenditure | 967,644 | 1,590,848 | 403,896 | 1,325,992 | - | - | 2,916,840 |
| Impairment | (129,918) | (1,117,072) | (783) | (553,916) | - | - | (1,670,988) |
| Sale of tenements | - | - | - | - | - | - | - |
| Total segment assets | 13,048,856 | 12,211,130 | 1,969,421 | 1,566,308 | - | - | 15,018,277 |
| Reconciliation of segment assets to group assets | | | | | | | |
| Administration/corporate | - | - | - | - | 2,469,098 | 2,982,005 | 2,982,005 |
| Closing balance at 30 June (Total group assets) | 13,048,856 | 12,211,130 | 1,969,421 | 1,566,308 | 2,469,098 | 2,982,005 | 16,759,443 |

Notes to the Financial Statements

For the Year Ended 30 June 2014

3 Revenue and expenses

(a) Revenue

| | Consolidated | |
|--------------------------------------|---------------|----------------|
| | 2014 | 2013 |
| Note | \$ | \$ |
| Administration fees | 13,259 | 35,461 |
| Bank interest received or receivable | 56,709 | 152,820 |
| Total revenue | 69,968 | 188,281 |

(b) Other income

| | | |
|--------------|-------|--------|
| Other income | 1,237 | 27,830 |
|--------------|-------|--------|

(c) Expenses

Impairment of Non-Current Assets

| | | |
|--|---------|-----------|
| Capitalised tenement costs written off | 130,701 | 1,670,988 |
|--|---------|-----------|

Depreciation of Non-Current Assets

| | | |
|---------------------|--------|--------|
| Plant and equipment | 55,675 | 85,736 |
|---------------------|--------|--------|

Employee Benefits Expense

| | | |
|---|-----------|-----------|
| Wages, salaries, directors fees & other remuneration expenses | 922,747 | 1,348,369 |
| Transfer (to) exploration assets | (553,926) | (749,553) |
| Superannuation | 77,108 | 103,504 |
| Transfer to annual leave provision | 18,932 | (14,490) |
| Transfer to long service leave provision | 16,572 | 6,706 |
| Share-based payments expense | 49,000 | 112,000 |

Total employee benefits expense

| | | |
|--|---------|---------|
| | 530,433 | 806,536 |
|--|---------|---------|

Other Expenses from Ordinary Activities

| | | |
|---|-----------|-----------|
| Secretarial, professional and consultancy | 73,091 | 123,222 |
| Occupancy costs | 131,356 | 225,489 |
| Share register maintenance | 18,946 | 20,883 |
| Insurance costs | 31,358 | 36,944 |
| Promotion and advertising | 23,735 | 45,621 |
| Employee taxes and levies | 13,369 | 46,993 |
| Service charges | 4,260 | 4,504 |
| Securities exchange fees | 37,699 | 50,615 |
| Travel expenses | 19,306 | 29,216 |
| Conferences | 15,963 | 82,472 |
| Transfer (to) exploration assets | (190,252) | (268,620) |
| Audit fees | 35,094 | 20,795 |
| Legal fees | 103,250 | 104,207 |
| Other expenses | 63,045 | 87,741 |

Total other expenses from ordinary activities

| | | |
|--|---------|---------|
| | 380,220 | 610,082 |
|--|---------|---------|

Impairment of Available-for-Sale Investments

| | | |
|---|---|---------|
| Impairment of investment in Musgrave Minerals Ltd | - | 353,516 |
|---|---|---------|

Total impairment of available-for-sale investments

| | | |
|--|---|---------|
| | - | 353,516 |
|--|---|---------|

Notes to the Financial Statements

For the Year Ended 30 June 2014

3 Revenue and expenses (continued)

(d) Impairment of Available-for-Sale Investments

In accordance with AASB 139 Financial Instruments: Recognition and Measurement, the Directors have recognised the "significant" and "prolonged" decrease in the fair value of the Musgrave Minerals investment as impaired. This has resulted in amounts recognised in the current and prior periods in the available-for-sale reserve being released to the Statement of Profit or Loss and Other Comprehensive Income at 30 June 2013.

4 Income Tax Expense

(a) The major components of tax expense (income) comprise:

| | Consolidated | |
|---|------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Current tax expense | | |
| Current income tax charge/(benefit) | 50,704 | - |
| Research & development tax offset | (361,165) | (577,432) |
| Total income tax expense/(benefit) | (310,461) | (577,432) |

(b) Reconciliation of income tax to accounting profit/(loss):

| | | |
|-----------------------------------|------------------|------------------|
| Accounting loss before income tax | (1,029,386) | (3,319,214) |
| Group's statutory income tax rate | 30% | 30% |
| | (308,816) | (995,764) |

Add:

Tax effect of:

| | | |
|---|----------------|----------------|
| - expenditure not allowable for income tax purposes | 58,484 | 524,834 |
| - other deductible items | 911,735 | 1,253,611 |
| - tax portion of share issue costs | 50,704 | - |
| | 712,107 | 782,681 |

Less:

Tax effect of:

| | | |
|---|---------|---------|
| - tax losses not recognised due to not meeting recognition criteria | 661,403 | 782,681 |
| - Research & development tax offset | 361,165 | 577,432 |

Income tax expense

(310,461) (577,432)

The Group has tax losses arising in Australia of \$33,178,262 (2013: \$29,304,705) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

No deferred tax asset has been recognised because it is not likely future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.

Notes to the Financial Statements

For the Year Ended 30 June 2014

4 Income Tax Expense (continued)

(c) Tax Consolidation

Mithril Resources Ltd and its wholly-owned Australian controlled entities have implemented a tax consolidated group under the tax consolidation legislation as of 1 July 2007. The Australian Taxation Office has been notified of the decision. The accounting policy relating to the implementation of the tax consolidation legislation is set out in Note 1(i).

5 Earnings per Share

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

(a) Reconciliation of earnings to profit or loss from continuing operations

| | Consolidated | |
|--|------------------|--------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Net loss attributable to ordinary equity holders of the parent | (653,938) | (2,741,782) |
| Earnings used to calculate basic EPS from continuing operations | (653,938) | (2,741,782) |
| Earnings used in the calculation of dilutive EPS from continuing operations | (653,938) | (2,741,782) |

(b) Earnings used to calculate overall earnings per share

| | | |
|---|-----------|-------------|
| Earnings used to calculate overall earnings per share | (653,938) | (2,741,782) |
|---|-----------|-------------|

(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

| | No. | No. |
|--|--------------------|--------------------|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 252,884,368 | 219,615,500 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 252,884,368 | 219,615,500 |

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2014 or 2013.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

6 Cash and cash equivalents

| | Note | Consolidated | |
|--|------|------------------|------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Cash at bank and in hand | | 230,567 | 152,097 |
| Short-term bank deposits | | 1,450,000 | 1,450,000 |
| Total cash and cash equivalents | 6(a) | 1,680,567 | 1,602,097 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

\$255,000 of short-term deposits acts as security for visa cards and the billflex facility.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(a) Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

| | | |
|--|------------------|------------------|
| Cash and cash equivalents | 1,680,567 | 1,602,097 |
| Balance as per consolidated statement of cash flows | 1,680,567 | 1,602,097 |

7 Trade and other receivables

| | | | |
|--|------|---------------|----------------|
| CURRENT | | | |
| Trade receivables | 7(a) | 13,938 | 8,493 |
| R & D tax refund | | - | 583,455 |
| Total current trade and other receivables | | 13,938 | 591,948 |

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No impairment was recognised in 2014 or 2013 and no receivables are past due at balance date.

8 Other assets

| | | | |
|-----------------------------------|--|---------------|---------------|
| CURRENT | | | |
| Prepayments | | 32,098 | 70,090 |
| Accrued income | | 7,917 | 2,227 |
| Prepaid finance costs | | - | 175 |
| Payroll tax rebate | | 9,798 | - |
| Total current other assets | | 49,813 | 72,492 |

Notes to the Financial Statements

For the Year Ended 30 June 2014

9 Other financial assets

Available-for-sale financial assets comprise:

| | Consolidated | |
|--|----------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| NON-CURRENT | | |
| Listed investments, at fair value | | |
| - Opening balance at 1 July | 499,194 | 852,710 |
| - Fair value adjustment | 64,987 | (353,516) |
| Total non-current available-for-sale financial assets | 564,181 | 499,194 |

Available-for-sale financial assets comprise of investments in the ordinary shares of Musgrave Minerals Ltd. In accordance with AASB 139 "Financial Instruments: Recognition and Measurement", the securities are measured at fair value, which is determined to be the closing bid price for the securities. As at 30 June 2014, the final bid price was \$0.057 (2013: \$0.05).

The Group has a 7.67% interest in Musgrave Minerals Limited at 30 June 2014 (2013: 7.67%).

10 Plant and equipment

PLANT AND EQUIPMENT

Plant and equipment

At cost

Accumulated depreciation

Total plant and equipment

Motor vehicles

At cost

Accumulated depreciation

Total motor vehicles

Total plant and equipment

| | | |
|--|----------------|----------------|
| | 363,771 | 300,268 |
| | (287,299) | (268,753) |
| | 76,472 | 31,515 |
| | | |
| | 285,643 | 363,143 |
| | (201,516) | (178,384) |
| | 84,127 | 184,759 |
| | 160,599 | 216,274 |

Notes to the Financial Statements

For the Year Ended 30 June 2014

10 Plant and equipment (continued)

(a) Movements in carrying amounts of plant and equipment

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current and previous financial years:

| | Plant and Equipment | Motor Vehicles | Total |
|---------------------------------------|------------------------|-------------------|----------------|
| | \$ | \$ | \$ |
| Consolidated | | | |
| Year ended 30 June 2014 | | | |
| Balance at the beginning of year | 31,515 | 184,759 | 216,274 |
| Transfers | 77,438 | (77,438) | - |
| Depreciation expense | (32,481) | (23,194) | (55,675) |
| Balance at the end of the year | 76,472 | 84,127 | 160,599 |
| Year ended 30 June 2013 | | | |
| Balance at the beginning of year | 74,292 | 215,276 | 289,568 |
| Additions | 12,442 | - | 12,442 |
| Depreciation expense | (55,219) | (30,517) | (85,736) |
| Balance at the end of the year | 31,515 | 184,759 | 216,274 |

(b) Impairment and depreciation of plant and equipment

No impairment loss was recognised or reversed for the years ended 30 June 2014 and 2013 with respect to plant and equipment.

The depreciation rates of the assets were estimated as follows for both 2014 and 2013:

Plant and equipment - 10 - 40% (Diminishing value)

Motor vehicles - 22.5% (Diminishing value)

11 Exploration and evaluation assets

| | Consolidated | |
|--|-------------------|-------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Exploration and evaluation phases - Joint Operations | 13,030,723 | 4,017,561 |
| Exploration and evaluation phases - Other | 1,987,554 | 9,759,877 |
| Total exploration and evaluation assets | 15,018,277 | 13,777,438 |

Capitalised tenement expenditure movement reconciliation

Notes to the Financial Statements

For the Year Ended 30 June 2014

11 Exploration and evaluation assets (continued)

| Consolidated | Exploration and Evaluation - Joint Operations \$ | Exploration and Evaluation - Other \$ | Total \$ |
|--|---|--|-------------------|
| 2014 | | | |
| Balance at beginning of the year | 4,017,561 | 9,759,877 | 13,777,438 |
| Additions through expenditure capitalised | 988,930 | 382,610 | 1,371,540 |
| Reductions through joint venture contributions | (75,543) | - | (75,543) |
| Write off of tenements relinquished | - | (130,701) | (130,701) |
| Transfer to/(from) | 8,099,775 | (8,024,232) | 75,543 |
| Balance at end of the year | <u>13,030,723</u> | <u>1,987,554</u> | <u>15,018,277</u> |
| 2013 | | | |
| Balance at beginning of the year | 3,439,430 | 9,092,156 | 12,531,586 |
| Additions through expenditure capitalised | 782,241 | 2,338,709 | 3,120,950 |
| Reductions through joint venture contributions | (204,110) | - | (204,110) |
| Write off of tenements relinquished | - | (1,670,988) | (1,670,988) |
| Balance at end of the year | <u>4,017,561</u> | <u>9,759,877</u> | <u>13,777,438</u> |

12 Share-based Payments

(i) Employee Share Option Plan

The Group established the Mithril Resources Ltd Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Group, although the Board may waive this requirement.
- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. Options will be issued free. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares, the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of the Group for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.

Notes to the Financial Statements

For the Year Ended 30 June 2014

12 Share-based Payments (continued)

- Options can't be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options issued under the plan.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules. The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed in Note 3(c). The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

A summary of the Company options issued is as follows:

| 2014 | Start of the year | Granted during the year | Exercised during the year | Cancelled/lapsed during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|---------------------|-------------------|-------------------------|---------------------------|----------------------------------|--------------------------------|---|
| Exercise price WAEP | No. | No. | No. | No. | No. | No. |
| 0.19 | 5,010,000 | - | - | - | 5,010,000 | 5,010,000 |
| 0.03 | - | 4,950,000 | - | - | 4,950,000 | 4,950,000 |
| 0.18 | - | - | - | (575,000) | (575,000) | (575,000) |
| | 5,010,000 | 4,950,000 | - | (575,000) | 9,385,000 | 9,385,000 |

| 2013 | Start of the year | Granted during the year | Exercised during the year | Cancelled/lapsed during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|---------------------|-------------------|-------------------------|---------------------------|----------------------------------|--------------------------------|---|
| Exercise Price WAEP | No. | No. | No. | No. | No. | No. |
| 0.22 | 3,960,000 | - | - | - | 3,960,000 | 3,960,000 |
| 0.10 | - | 1,900,000 | - | - | 1,900,000 | 1,900,000 |
| 0.14 | - | - | - | (850,000) | (850,000) | (850,000) |
| | 3,960,000 | 1,900,000 | - | (850,000) | 5,010,000 | 5,010,000 |

The WAEP of issued options that are exercisable as at 30 June 2014 is \$0.11 (2013: \$0.19).

The outstanding balance as at 30 June 2014 is represented by:

- A total of 350,000 options exercisable any time until 22 September 2015 with a strike price of \$0.18.
- A total of 2,235,000 options exercisable any time until 16 December 2015 with a strike price of \$0.25.
- A total of 550,000 options exercisable any time until 22 May 2016 with a strike price of \$0.20.
- A total of 1,300,000 options exercisable any time until 22 May 2016 with a strike price of \$0.20.

Notes to the Financial Statements

For the Year Ended 30 June 2014

12 Share-based Payments (continued)

- A total of 2,050,000 options exercisable any time until 21 July 2018 with a strike price of \$0.05.
- A total of 2,900,000 options exercisable any time until 19 June 2018 with a strike price of \$0.015.

The weighted average remaining contractual life of options outstanding at year end was 3.36 years (2013: 2.73 years).

The range of exercise prices for options outstanding at the end of the year was \$0.015 - \$0.25 (2013: \$0.10 - \$0.25).

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of employee options granted during the year was \$ 0.02 (2013: \$ 0.02)

The fair value of the equity-settled share options granted under the option plan is estimated as at the grant date by using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2014 and 30 June 2013:

30 June 2014

| | |
|--|---------|
| Weighted average life of the option (years): | 5 |
| Expected share price volatility: | 104.00% |
| Risk-free interest rate: | 2.98% |

30 June 2013

| | |
|--|---------|
| Weighted average life of the option (years): | 5 |
| Expected share price volatility: | 108.00% |
| Risk-free interest rate: | 3.00% |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Volatility is calculated as the average historical volatility of the Company share price for the period of the option life.

No other features of options granted were incorporated into the measurement of fair value.

Director options

The Group issues options to Directors in order to retain their services and provide incentive linked to the performance of the Company. Shareholder approval is sought for all options issued to Directors in accordance with applicable legislation.

During the year, NIL (2013: 2,000,000) share options were issued to the Directors. Full details of option holdings of Directors are disclosed in the Remuneration Report contained within the Directors' Report. The fair value of the equity-settled share options granted to Directors is calculated using the method detailed above.

Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Trade and other payables

| | | Consolidated | |
|---|-------|----------------|----------------|
| | | 2014 | 2013 |
| | Note | \$ | \$ |
| CURRENT | | | |
| Unsecured liabilities | | | |
| Trade payables | 13(a) | 78,285 | 137,079 |
| Other payables | | 34,452 | 47,869 |
| Total current trade and other payables | | 112,737 | 184,948 |

(a) Trade payables

Trade payables are non-interest bearing and normally settled on 60-day terms.

14 Borrowings

CURRENT

Secured liabilities:

| | | | |
|---------------------------------|-------|--------------|---------------|
| Hire purchase contracts | 21(b) | 7,962 | 47,866 |
| Total current borrowings | | 7,962 | 47,866 |

NON-CURRENT

Secured liabilities:

| | | | |
|-------------------------------------|-------|--------------|---------------|
| Hire purchase contracts | 21(b) | - | 7,937 |
| Total non-current borrowings | | - | 7,937 |
| Total borrowings | 21(b) | 7,962 | 55,803 |

Assets with a written down value of \$84,127 (2013: \$84,882) act as security for these borrowings.

15 Employee Benefits

CURRENT

| | | |
|--|----------------|----------------|
| Long service leave | 53,167 | 51,877 |
| Annual leave | 73,694 | 54,763 |
| Total current employee benefits liability | 126,861 | 106,640 |

NON-CURRENT

| | | |
|--|---------------|---------------|
| Long service leave | 33,395 | 18,113 |
| Total non-current employee benefits liability | 33,395 | 18,113 |

Notes to the Financial Statements

For the Year Ended 30 June 2014

15 Employee Benefits (continued)

(a) Movements in employee benefits liability

| | Consolidated | |
|--|----------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Annual leave provision | | |
| Opening balance | 54,763 | 69,979 |
| Net transfer to provision/(provision used) | 72,099 | (15,216) |
| Closing balance | 126,862 | 54,763 |
| Long service leave provision | | |
| Opening balance | 69,990 | 69,315 |
| Net transfer to provision/(provision used) | (36,595) | 675 |
| Closing balance | 33,395 | 69,990 |
| Total employee benefit liability | 160,257 | 124,753 |

16 Remuneration of Auditors

Remuneration of the auditor of the Company, Grant Thornton Audit Pty Ltd, for:

| | | |
|--|---------------|---------------|
| - auditing or reviewing the financial report | 24,900 | 20,795 |
| Total remuneration of auditors | 24,900 | 20,795 |

No non-audit services have been provided.

17 Issued Capital

| | | |
|---|-------------------|-------------------|
| 315,657,750 (2013: 219,615,500) Ordinary shares | 32,212,636 | 30,795,217 |
| Total issued capital | 32,212,636 | 30,795,217 |

(a) Ordinary shares

| | Consolidated | |
|--|--------------------|--------------------|
| | 2014 | 2013 |
| | No. | No. |
| At the beginning of the reporting period | 219,615,500 | 219,615,500 |
| Shares issued during the year | | |
| - Share issue via placement on 10 September 2013 | 32,942,250 | - |
| - Share issue via placement on 22 May 2014 | 63,100,000 | - |
| At the end of the reporting period | 315,657,750 | 219,615,500 |

The holders of ordinary shares are entitled to participate in dividends (in the event when a dividend is declared) and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

Notes to the Financial Statements

For the Year Ended 30 June 2014

17 Issued Capital (continued)

(a) Ordinary shares (continued)

In the event of winding up the Company, ordinary shareholders rank after all creditors and are fully entitled to any net proceeds of liquidation.

(b) Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 17, 18 and 19 respectively.

Proceeds from share issues are used to maintain and expand the Group's exploration activities and fund operating costs.

18 Reserves

| Note | Consolidated | |
|---|------------------------|------------|
| | 2014 \$ | 2013 \$ |
| Available-for-sale revaluation reserve | | |
| Revaluation | 64,987 | - |
| Balance at end of the year | 18(a) 64,987 | - |
| Share option reserve | | |
| Balance at beginning of financial year | 2,336,515 | 2,328,065 |
| Issued to Directors | - | 74,000 |
| Lapse of options due to expiration | (581,425) | (103,550) |
| Issued to employee and officers under ESOP | 49,000 | 38,000 |
| Balance at end of the year | 18(b) 1,804,090 | 2,336,515 |
| Total reserves | 1,869,077 | 2,336,515 |

(a) Available-for-sale revaluation reserve

Change in the fair value of available-for-sale investments are recognised in other comprehensive income - available-for-sale revaluation reserve. Amounts are reclassified to profit or loss on disposal of the investment or when an impairment arises.

(b) Share option reserve

This reserve records items recognised as expenses on valuation of employee share options and other equity settled transactions.

During the financial year 4,175,000 (2013: 1,750,000) options lapsed due to not being exercised within the given exercise period.

Notes to the Financial Statements

For the Year Ended 30 June 2014

19 Accumulated losses

| | Consolidated | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| Note | \$ | \$ |
| Opening balance at start of the financial year | (16,737,793) | (14,099,561) |
| Net loss attributable to members of the parent entity | (718,925) | (2,741,782) |
| Transfer from share option reserve | 581,425 | 103,550 |
| Accumulated losses at end of the financial year | (16,875,293) | (16,737,793) |

20 Cash Flow Information

| | | |
|---|----------------|--------------------|
| (a) Reconciliation of result for the year to cashflows from operating activities | | |
| Net loss | (718,925) | (2,741,782) |
| Non-cash flows in profit: | | |
| - depreciation | 55,675 | 85,736 |
| - impairment of non-current assets | 130,701 | 1,670,988 |
| - impairment of available-for-sale investments | - | 353,516 |
| - share based payments | 49,000 | 112,000 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | 537,391 | (577,075) |
| - (increase)/decrease in prepayments | 210,363 | 262,304 |
| - increase/(decrease) in trade and other payables | (114,150) | (279,507) |
| - increase/(decrease) in provisions | 23,220 | 31,213 |
| Net cash (used in)/provided by operating activities | 173,275 | (1,082,607) |

21 Capital and Leasing Commitments

| | | |
|--|----------------|----------------|
| (a) Operating Leases | | |
| Minimum lease payments under non-cancellable operating leases: | | |
| - not later than one year | 134,313 | 145,683 |
| - between one year and five years | 21,076 | 126,000 |
| Minimum lease payments | 155,389 | 271,683 |

The Group has operating leases in place for its principal place of business and operating equipment which have terms of 3-4 years. The terms of renewal have an escalation clause linked to CPI in some cases.

| | | |
|--------------------------------------|--------------|---------------|
| (b) Hire purchase commitments | | |
| Minimum lease payments: | | |
| - not later than one year | 7,937 | 47,866 |
| - between one year and five years | - | 7,937 |
| Minimum lease payments | 7,937 | 55,803 |

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Future minimum lease payments under hire purchase contracts together with the present value of the net minimum payments are listed in the above table.

Notes to the Financial Statements

For the Year Ended 30 June 2014

21 Capital and Leasing Commitments (continued)

(c) Exploration leases

In order to maintain current rights of tenure to exploration tenements, the Group will be required to spend in the year ending 30 June 2014, net amounts of approximately \$1,450,380 (2013: \$1,029,920) in respect of tenement lease rentals and to meet minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations.

22 Interests in Subsidiaries

| | Principal place of business / Country of Incorporation | Percentage Owned (%) [*] 2014 | Percentage Owned (%) [*] 2013 |
|---|--|--|--|
| Subsidiaries: | | | |
| Minex (Aust) Pty Ltd | Australia | 100 | 100 |
| Mithril Resources Investments Pty Ltd | Australia | 100 | 100 |
| Minex (West) Pty Ltd (Incorporated on 22 November 2013) | Australia | 100 | - |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

23 Financial Risk Management

Categories of financial instruments

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | | Consolidated | |
|---|----|------------------|------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Financial Assets | | | |
| Cash and cash equivalents | 6 | 1,680,567 | 1,602,097 |
| Loans and receivables | 7 | 13,938 | 591,948 |
| Available-for-sale financial assets: | | | |
| - at fair value | | | |
| - listed shares in other corporations | 9 | 499,194 | 499,194 |
| Total financial assets | | 2,193,699 | 2,693,239 |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| - Trade and other payables | 13 | 112,737 | 184,948 |
| - Borrowings | 14 | 7,962 | 55,803 |
| Total financial liabilities | | 120,699 | 240,751 |

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Notes to the Financial Statements

For the Year Ended 30 June 2014

23 Financial Risk Management (continued)

Credit risk (continued)

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Market risk

(i) Cash flow interest rate sensitivity

The Company is exposed to interest rate risk as it holds some bank deposits at floating rates.

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term deposits are therefore usually at fixed rates. At the reporting date, the Company is exposed to changes in market interest rates through its bank deposits, which are subject to variable interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +0.50% and -0.50% (2013: +0.50%/-0.50%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

| | 2014 | | 2013 | |
|----------------------------------|--------|---------|--------|---------|
| | +0.50% | -0.50% | +0.50% | -0.50% |
| | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | | | | |
| Net results | 5,109 | (5,109) | 4,903 | (4,903) |
| Equity | 5,109 | (5,109) | 4,903 | (4,903) |

Notes to the Financial Statements

For the Year Ended 30 June 2014

23 Financial Risk Management (continued)

(ii) Financial instrument composition and maturity analysis

The Company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| | Weighted Average Effective Interest Rate | | Floating Interest Rate | | Maturing within 1 Year | | Maturing 1 to 5 Years | | Non-interest Bearing | | Total | |
|------------------------------------|--|------|------------------------|----------------|------------------------|---------------|-----------------------|--------------|----------------------|----------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | % | % | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Assets: | | | | | | | | | | | | |
| Cash and cash equivalents | 3.58 | 3.64 | 230,567 | 152,097 | 1,450,000 | - | - | - | - | - | 1,680,567 | 1,602,097 |
| Trade and other receivables | - | - | - | - | - | - | - | - | 13,938 | 591,948 | 13,938 | 591,948 |
| Total Financial Assets | | | 230,567 | 152,097 | 1,450,000 | - | - | - | 13,938 | 591,948 | 1,694,505 | 2,194,045 |
| Financial Liabilities: | | | | | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | - | - | 112,737 | 184,948 | 112,737 | 184,948 |
| Hire purchase liabilities | 9.04 | 9.04 | - | - | 7,962 | 47,866 | - | 7,937 | - | - | 7,962 | 55,803 |
| Total Financial Liabilities | | | - | - | 7,962 | 47,866 | - | 7,937 | 112,737 | 184,948 | 120,699 | 240,751 |

The Company is not materially exposed to any effects on changes in interest rates.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, whom have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Notes to the Financial Statements

For the Year Ended 30 June 2014

24 Fair Value Measurement

The Group measures the following assets at fair value on a recurring basis:

- Financial assets
 - Musgrave Minerals Ltd - Listed Shares
 - Musgrave Minerals Ltd - Unlisted Options

The Group does not have any liabilities measured at fair value.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

| | |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Unobservable inputs for the asset or liability. |

The table below shows the assigned level for each asset held at fair value by the Group:

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|----------|----------------|
| 30 June 2014 | \$ | \$ | \$ | \$ |
| Recurring fair value measurements | | | | |
| Financial assets | | | | |
| Musgrave Minerals Ltd - Listed Shares | 529,181 | - | - | 529,181 |
| Musgrave Minerals Ltd - Unlisted Options | - | 35,000 | - | 35,000 |
| Total | 529,181 | 35,000 | - | 564,181 |

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|---------------|----------|----------------|
| 30 June 2013 | \$ | \$ | \$ | \$ |
| Recurring fair value measurements | | | | |
| Financial assets | | | | |
| Musgrave Minerals Ltd - Listed Shares | 464,194 | - | - | 464,194 |
| Musgrave Minerals Ltd - Unlisted Options | - | 35,000 | - | 35,000 |
| Total | 464,194 | 35,000 | - | 499,194 |

Level 2 measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation methodologies. Quoted market prices for similar instruments is a method used to determine the fair value.

Notes to the Financial Statements

For the Year Ended 30 June 2014

24 Fair Value Measurement (continued)

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

25 Related Parties

(a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

- HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year totalling \$75,919 (2013: \$122,561). Donald Stephens, a Director and the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Limited. All transactions were conducted on commercial terms and were arms length transactions. At 30 June 2014, the Group owed \$6,941 (2013: \$17,726) to HLB Mann Judd (SA) Pty Ltd.
- Throughout the year ended 30 June 2014, the Group provided Musgrave Minerals Ltd, of which Mr Ascough is the Chairman, with access to premises, exploration personnel and equipment. In exchange for these services, the Group has received income in the form of service charges. All transactions were conducted on commercial terms and were arms length transactions. The total amount paid or to be paid by Musgrave Minerals Ltd through the year ended 30 June 2014 was \$7,133 (2013: \$2,475). At 30 June 2014, the Group was owed \$13,042 (2013: \$Nil) from Musgrave Minerals Ltd.
- In conjunction with the Musgrave Minerals Ltd ('Musgrave') Initial Public Offering, Mithril Resources Investments Pty Ltd (a wholly-owned subsidiary of the Company) was issued 5,000,000 fully paid ordinary shares and 2,500,000 unlisted options in Musgrave, with the options having an exercise price of \$0.25 and an expiry date of 19 April 2016. The fair value of the shares and options, being a total consideration of \$1,730,000, represented full payment for certain tenements acquired by Musgrave Minerals Ltd of which Graham Ascough is the Chairman and Donald Stephens the Company Secretary.

(b) Wholly owned group transactions

Loans

The wholly owned Group consists of Mithril Resources Ltd and its wholly owned controlled entities Minex (Aust) Pty Ltd and Mithril Resources Investments Pty Ltd. Ownership interest in the controlled entities is set out in Note 22. Transactions between Mithril Resources Ltd and its wholly owned entities in the Group during the year consisted of loans advanced by Mithril Resources Ltd to fund exploration and investment activities.

(c) Interests of Key Management Personnel (KMP)

For details of Key Management Personnel's interests in shares and options of the Company, refer to Note 26: Key Management Personnel Disclosures. The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

Notes to the Financial Statements

For the Year Ended 30 June 2014

26 Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 579,686 | 698,257 |
| Post-employment benefits | 45,365 | 51,970 |
| Share-based payments | 17,500 | 84,000 |
| Total remuneration paid to key management personnel | 642,551 | 834,227 |

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

Other key management personnel transactions

For details of other transactions with key management personnel, refer to the Remuneration Report.

27 Parent entity

The following information has been extracted from the books and records of the parent, Mithril Resources Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Mithril Resources Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

Mithril Resources Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

Notes to the Financial Statements

For the Year Ended 30 June 2014

27 Parent entity (continued)

| | 2014 \$ | 2013 \$ |
|---|--------------------|--------------------|
| Statement of Financial Position | | |
| Assets | | |
| Current assets | 4,487,938 | 4,147,335 |
| Non-current assets | 12,999,437 | 13,579,801 |
| Total Assets | 17,487,375 | 17,727,136 |
| Liabilities | | |
| Current liabilities | 262,877 | 330,767 |
| Non-current liabilities | 33,395 | 26,050 |
| Total Liabilities | 296,272 | 356,817 |
| Equity | | |
| Issued capital | 32,212,636 | 30,795,217 |
| Accumulated losses | (16,825,623) | (15,761,412) |
| Reserves | 1,804,090 | 2,336,515 |
| Total Equity | 17,191,103 | 17,370,320 |
| Statement of Profit or Loss and Other Comprehensive Income | | |
| Total profit or loss for the year | (1,645,636) | (2,291,796) |
| Other comprehensive income | - | - |
| Total comprehensive income | (1,645,636) | (2,291,796) |

Contingent liabilities

Contingent liabilities of the parent entity have been incorporated into the Group information in Note 29. The contingent liabilities of the parent are consistent with that of the Group.

Contractual commitments

Contractual commitments of the parent entity have been incorporated into the Group information in Note 21. The contractual commitments of the parent are consistent with that of the Group.

28 Events Occurring After the Reporting Date

The financial report was authorised for issue on 26 September 2014 by the Board of Directors.

No 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.

29 Contingencies

There has been no change in contingent liabilities since the last reporting date. It is, however, noted that the Group has various bank guarantees totalling \$211,107 at 30 June 2014 (2013: \$211,107) which act as collateral over exploration tenements.

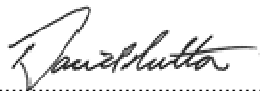
Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Managing Director and Company Secretary have given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Mr David Hutton
Managing Director

Dated this 26th day of September 2014



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITHRIL RESOURCES LIMITED

Report on the financial report

We have audited the accompanying financial report of Mithril Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Mithril Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1(u) in the financial report which indicates that the consolidated entity incurred a net loss of \$718,925 during the year ended 30 June 2014 and, as of that date, the consolidated entity's cash outflows from operating and investing activities equates to \$1,245,574. These conditions, along with other matters as set forth in Note 1(u), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Mithril Resources Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S J Gray
Partner – Audit & Assurance

Adelaide, 26 September 2014