

Mithril Resources Ltd

ABN 30 099 883 922

Half Year Report

for the half year ended 31 December 2007

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Directors' Report

The directors of Mithril Resources Ltd submit their report for the half-year ended 31 December 2007.

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr John Roberts, Chairman
Mr Graham Ascough, Managing Director
Dr Peter Gower
Mr Derek Carter
Mr Richard Bonython
Mr Donald Stephens
Mr Gary Snow

Review of Operations

During the reporting period the Company continued to strengthen its exploration project portfolio and advanced core projects towards discovery. The Company currently holds or is acquiring an interest in 34 exploration licences and mining licences throughout South Australia, Western Australia, Northern Territory and New South Wales and holds an interest in an additional 30 exploration license applications. Exploration activities conducted on the projects include drilling, geological mapping, geophysical surveys, geochemical surveys, petrographic studies and assaying.

During the reporting period, Mithril entered a joint venture with Segue (Pardoo) Limited on the Pardoo Nickel Project in the Pilbara region of Western Australia. Pardoo is host to the Highway Deposit where a JORC-code compliant inferred mineral resource of 44.7Mt grading 0.3% nickel and 0.1% copper has been identified by previous explorers. Mithril may earn up to a 65% interest in the project and sees excellent potential for new discoveries and to expand the size and grade of the existing resource. The Pardoo Nickel Project provides an excellent fit with the Company's exploration and development strategy. Geographically, it is well positioned, 15 km from the coast and approximately 100km east of Port Hedland along the Great Northern Highway in close proximity to power, rail and port facilities.

At the Huckitta Project in the Northern Territory, mapping and ground electromagnetic surveys over targets identified by the recently completed helicopter time-domain electromagnetic ("VTEM") survey have identified a number of high priority targets on the Hammer Hill and Indiana joint ventures that will require drill testing. BHP Billiton has elected to participate in the Hammer Hill Joint Venture with Mithril and Arafura. Their participation in two separate joint ventures at Huckitta (Hammer Hill and Indiana) is a strong endorsement of the quality of the targets delineated to date and of the potential of the region. Drill testing of priority targets is scheduled to commence in March, 2008.

At the Silver Swan North joint venture four drillholes (SNDD-020 to SNDD-023) were completed for a total of 1950m. All four drillholes intersected multiple sequences of favourable komattites with varying amounts of disseminated sulphides. Thin section examinations of selected intervals within SNDD-020 identified trace amounts of the nickel bearing sulphides pentlandite and millerite. The analytical results received to date from the sulphide bearing intervals do not indicate significant amounts of nickel. Assays are pending for drillholes SNDD-021 to SNDD-023. Results from a downhole electromagnetic surveying of SNDD-023 were recently received and an offhole conductor was identified. Further drilling on

the project is under consideration and a programme will be proposed once all analytical results are received.

Four tenements that comprise the Barrick Musgrave joint venture have been granted facilitating initial access to the Company's strategic exploration holding in the prospective Musgrave Province of South Australia. Aircore drilling is underway and will traverse the layered mafic intrusion that hosts the Alvey Platinum-Palladium Prospect on EL 3942. In addition, the South Australian Government has awarded Mithril PACE (Plan for Accelerating Exploration) funding of \$90,000 to jointly fund a future diamond drilling programme on EL 3942. Mithril continues to advance discussions and consultations in regard to the Company's other tenement holdings in the region and an Exploration Deed in regards to ELA 52/97 between Mithril and Anangu Pitjantjara Yankunytjatara has been signed facilitating grant of this licence in the next quarter.

At the Dominion joint venture in South Australia, analytical results from DMDD002 drilled in the vicinity of the Aristarchus prospect confirmed the presence of magmatic sulphides with assays of 0.16% nickel and 0.23 grams/tonne platinum-palladium over a 0.45m interval. These results confirm the mafic and ultramafic rocks in the area host magmatic sulphides, a significant exploration milestone for the project. Ground EM surveys completed over the interpreted basal contact of the buried magnetic feature immediately west of the Aristarchus Prospect have identified several weak to moderate strength conductors that are currently being assessed as potential drill targets.

At Casey in the Northern Territory three drillholes were completed on the Pipeline Prospect. An interval of copper enrichment (up to 0.14% copper) was identified in drillhole CPDD002, above an unconformity within a mega-conglomerate unit. The result provides further encouragement for the prospectivity of the region to host a significant copper deposit. The remaining analytical results for this drilling are still pending.

Mithril has consolidated an extensive exploration portfolio of quality greenfield projects and the Company's strategy is to advance these projects as quickly as possible to a drill test decision and discovery. Mithril has also commenced generative activities focused on identifying advanced opportunities with the goal of increasing the potential of discovery in the short term and producing a balanced portfolio of greenfield and advanced projects.

Auditor's independence declaration

The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2007.

Signed in accordance with a resolution of the directors.



Mr John Roberts
Chairman

11 March 2008

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TO THE DIRECTORS OF MITHRIL RESOURCES LTD**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Mithril Resources Ltd for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



P S Paterson
Partner

Dated this 11th day of March 2008

Consolidated Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

		Consolidated	
		Half year ended 31 Dec 2007	Half year ended 31 Dec 2006
		\$	\$
Revenue from ordinary activities		251,420	145,360
Exploration expenditure written off	6	(96,904)	(86,752)
Employee benefits expense		(122,111)	(31,502)
Depreciation expense		(5,513)	(4,926)
Finance costs		(157)	(741)
Other expenses	5	(343,310)	(304,801)
(Loss) before income tax expense		(316,575)	(283,362)
Income tax expense		(3,305)	(30,008)
(Loss) for the period		(319,880)	(313,370)
(Loss) attributable to members of the parent entity		(319,880)	(313,370)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(0.68)	(0.87)
Diluted earnings per share		(0.68)	(0.87)

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2007

		Consolidated	
		31 December 2007	30 June 2007
		\$	\$
Note			
	CURRENT ASSETS		
	Cash and cash equivalents	4,042,862	5,521,805
	Trade and other receivables	436,091	139,287
	Available-for-sale investments	150,000	-
	Other current assets	68,223	59,211
	TOTAL CURRENT ASSETS	4,697,176	5,720,303
	NON-CURRENT ASSETS		
	Property, plant and equipment	49,830	40,975
6	Exploration and evaluation assets	4,326,865	3,407,298
	TOTAL NON-CURRENT ASSETS	4,376,695	3,448,273
	TOTAL ASSETS	9,073,871	9,168,576
	CURRENT LIABILITIES		
	Trade and other payables	380,365	193,385
	Short-term borrowings	-	5,719
	Short-term provisions	15,770	15,007
	TOTAL CURRENT LIABILITIES	396,135	214,111
	NON-CURRENT LIABILITIES		
	Long-term provisions	9,370	7,355
	TOTAL NON-CURRENT LIABILITIES	9,370	7,355
	TOTAL LIABILITIES	405,505	221,466
	NET ASSETS	8,668,366	8,947,110
	EQUITY		
	Issued capital	11,865,533	11,863,020
	Retained earnings	(3,451,119)	(3,131,239)
	Reserves	253,952	215,329
	TOTAL EQUITY	8,668,366	8,947,110
		7	

The balance sheet is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated			Total \$
	Issued Capital Ordinary \$	Retained Earnings \$	Share Option Reserve \$	
Balance at 1 July 2006	8,768,262	(2,667,685)	154,385	6,254,962
(Loss) attributable to members of the parent entity	-	(313,370)	-	(313,370)
Shares issued via placement	1,470,000	-	3,902	1,473,902
Transaction costs (net of tax)	(100,026)	-	-	(100,026)
Write back of taxation applicable to capital related transaction costs upon recognition of deferred tax liability	30,008	-	-	30,008
Cancellation of options	-	1,440	(1,440)	-
Balance at 31 December 2006	10,168,244	(2,979,615)	156,847	7,345,476
Balance at 1 July 2007	11,863,020	(3,131,239)	215,329	8,947,110
(Loss) attributable to members of the parent entity	-	(319,880)	-	(319,880)
Transaction costs (net of tax)	2,513	-	-	2,513
Cost of share-based payments	-	-	38,623	38,623
Balance at 31 December 2007	11,865,533	(3,451,119)	253,952	8,668,366

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

Consolidated Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	Half year ended 31 Dec 2007 \$	Half year ended 31 Dec 2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Administration fees	-	19,386
Payments to suppliers and employees	(759,680)	(411,143)
Interest received	160,581	127,781
Finance costs	-	(683)
NET CASH (USED IN) OPERATING ACTIVITIES	(599,099)	(264,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration activities	(1,952,614)	(725,498)
Joint venture receipts	1,193,649	242,116
Government exploration related grants	50,000	-
Purchase of property, plant and equipment	(14,368)	(9,864)
Purchase of available-for-sale investments	(150,000)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(873,333)	(493,246)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,470,000
Transaction costs of issue of shares	(792)	(19,176)
Repayment of borrowings	(5,719)	(6,302)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(6,511)	1,444,522
Net (decrease)/increase in cash and cash equivalents	(1,478,943)	686,617
Cash at the beginning of the reporting period	5,521,805	4,329,746
CASH AT THE END OF THE REPORTING PERIOD	4,042,862	5,016,363

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

Mithril Resources Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the Company's registered office.

b. Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 and any public announcements made by the consolidated entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

c. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007.

2. SEGMENT INFORMATION

The entity operates in the mining exploration sector solely within Australia.

3. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

4. EVENTS SUBSEQUENT TO REPORTING DATE

There has been no material events arising since balance date.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

5. OTHER EXPENSES

	Consolidated	
	As at 31 Dec 07	As at 31 Dec 06
	\$	\$
Accounting Fees	39,641	39,440
Audit Fees	8,190	3,690
ASX/ASIC Compliance Fees	17,453	16,744
Insurance	17,891	19,813
Rent & Service Charges	68,497	98,363
Share Registry Expense	14,112	20,159
Travel, Accommodation & Conferences	40,679	12,789
Other Expenses	136,846	93,803
	343,310	304,801

6. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 December 2007	30 June 2007
	\$	\$
Balance at beginning of period	3,407,298	1,972,031
Expenditure during the half-year	1,016,471	1,542,284
Exploration expenditure written off	(96,904)	(107,017)
Balance at end of period	4,326,865	3,407,298

7. ISSUED CAPITAL

	Consolidated	
	As at 31 Dec 07	As at 30 Jun 07
	\$	\$
Fully paid ordinary shares	11,865,533	11,863,020
	11,865,533	11,863,020

	Half year ended 31 Dec 07	
	Number	\$
	Ordinary shares	
Balance at beginning of period	47,143,000	11,863,020
Transaction costs on shares issued		2,513
Balance at end of period	47,143,000	11,865,533

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

8. INCORPORATION OF SUBSIDIARY

The Company formed a wholly-owned subsidiary, Mithril Resources Investments Pty Ltd. The subsidiary holds the investment in Meridian Minerals Limited, details of which were released to the market on the 8th August 2007.

9. SHARE-BASED PAYMENTS

The company has established the Mithril Resources Ltd Employee Share Option Plan that entitles key management personnel and senior employees to purchase shares in the entity. The terms and conditions of the share option plan are disclosed in the consolidated financial report as at and for the year ended 30 June 2007. In December 2007 a further grant on similar terms was made to a new employee.

The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
Option grant at:			
1. 3 December 2007	100,000	One year of service	5 years

Fair value of share options and assumptions for the six months ended 31 December 2007:

1. Fair value at grant date	\$0.175
Share price	\$0.290
Exercise price	\$0.350
Expected volatility	72.0%
Option life	5 years
Risk-free interest rate (based on government bonds)	6.25%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.

Directors' Declaration

In accordance with a resolution of the directors of Mithril Resources Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 , including:
 - (i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the directors.



Mr John Roberts
Chairman

11 March 2008

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MITHRIL RESOURCES LTD

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Mithril Resources Ltd (the Company) and the entities it controlled (the consolidated entity), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, and other selected explanatory notes. The consolidated entity comprises both the Mithril Resources Ltd (the Company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Mithril Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MITHRIL RESOURCES LTD (cont)**

Auditor's responsibility (cont)

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mithril Resources Ltd is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
- b complying with Accounting Standard AASB 134: *Interim Financial Reporting* and Corporations Regulations 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



P S Paterson
Partner

Dated this 11th day of March 2008