

Mithril Resources Ltd

ABN 30 099 883 922

Half Year Report

for the half year ended 31 December 2010

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Directors' Report

The directors of Mithril Resources Ltd submit their report for the half-year ended 31 December 2010.

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 the entire period.

Mr John Roberts, Chairman
Mr Graham Ascough, Managing Director
Mr Derek Carter, Non-Executive Director
Mr Richard Bonython, Non-Executive Director
Mr Donald Stephens, Non-Executive Director

Operating Result

The group's loss for the half year ended 31 December 2010 after providing for income tax amounted to \$3,048,361 (2009: \$444,258)

Review of Operations

The Company continued to build on its success at the Huckitta Project during the half-year ending 31 December 2010 and is well positioned to accelerate its discovery efforts in 2011.

Drilling was completed on a number of targets at Huckitta expanding the footprint of the Basil Prospect and confirming the presence of significant copper sulphide mineralisation at the Polly and Manuel Prospects. At Basil, drilling highlights include 59.1m @ 0.63%Cu, 0.06%Co from 243m in drillhole LB035DD and 56m @ 0.52%Cu & 0.06%Co from 134.1m in LB025DD. At the Manuel Prospect two holes intersected the highest grade intersections on the project to date with 0.3m at 3.4% copper in LB29DD from 69.4m and 0.2m @ 4.68% copper in LB032DD from 64.6m depth. These intersections are 600m apart. This is a highly significant result indicating the potential of near surface, high grade copper mineralisation at Manuel.

Geological mapping and sampling on the Huckitta Project led to the discovery of high grade gold values at three new prospects. At the Tibbs prospect surface rockchip samples returned up to 13.9g/t gold with anomalous copper and tungsten. This mineralisation is extensive and occurs over 3km of strike but has not been drill tested. At the newly discovered Yoda prospect, located 15km northwest of Tibbs, values of up to 15.4g/t gold with high copper were returned from surface rockchip values. These new discoveries are a further testament to the underexplored nature and significant prospectivity of the Huckitta Project.

The 2011 exploration program at Huckitta will focus on expanding the potentially large-scale Basil copper-cobalt discovery and on identifying higher copper grades at the Manuel, Basil and Polly prospects. Drill testing of the Baldrick, Gertrude and Hammerhead nickel targets is also planned. Regional activities will focus on advancing a number of high quality targets such as the recently identified Tibbs gold prospect to a drill test decision as quickly as possible. The Company will also continue to build on the success of its regional programs to ensure a strong pipeline of high quality drill targets is maintained. Geological mapping, airborne and ground geophysical surveys and aircore drilling programs are planned for the first half of 2011 covering a number of prospective areas.

At the East Pilbara Project in Western Australia, initial field activities on newly granted wholly owned tenements delivered early and exciting results. New mineralisation was identified through surface rock chip sampling with assay results returning anomalous values of nickel,

copper, silver, gold, platinum and palladium from a number of prospects. These areas have not been drill tested. The next phase of work in the East Pilbara will include further geological mapping, systematic geochemical programs and airborne/ground electromagnetic surveys. This work will aim to delineate additional mineralised targets ahead of a drill test decision later in 2011.

Four tenements comprising the Company's wholly-owned Sandstone Project in the Yilgarn region of Western Australia were granted in December 2010. Field work is planned to commence next quarter and will include geological mapping and aircore/RAB drilling.

Subsequent to the end of the reporting period, the Company withdrew from the Pardoo farm-in and joint venture (Joint Venture) in Western Australia resulting in a \$1.55M write off, as announced to ASX on January 7th, 2011. The decision is in line with Mithril's strategy to focus on the Huckitta Project in the Northern Territory and other wholly owned projects in Western Australia.

The Musgrave Minerals Limited planned Initial Public Offering (IPO) is on schedule and the Prospectus will be available shortly. The Musgrave Minerals initiative will result in a well resourced, dedicated Musgrave explorer and Mithril shareholders will have continued exposure to the Musgraves through the Company's equity position in the new entity. It is also anticipated that Mithril shareholders, along with shareholders of the other investor companies, will have a priority right to subscribe for shares in the IPO the details of which will be outlined in the prospectus. Field work completed in November 2010 utilising the seed capital raised from the parent companies has identified 15 high priority drill targets. These early results are very encouraging.

In December, the Company announced it had completed a \$12 million capital raising through the placement of 100 million new shares. The placement was oversubscribed and received strong support from leading Australian resource-focussed institutional investors and sophisticated investors. The funds raised will enable the Company to accelerate and scale-up its exploration efforts at Huckitta with a strong focus on early drill testing of priority targets. The placement was completed in two tranches and a General Meeting to approve the subsequent issue of the tranche 1 shares and new issue of tranche 2 shares was held on February 14th, 2011. The placement received strong support and approval from shareholders.

2011 is shaping-up to be an exciting year for Mithril. An extensive drill program is set to commence in March 2011 at the Company's Huckitta Project in the Northern Territory and at the new tenements recently granted in the Pilbara and Yilgarn regions of Western Australia. With the completion of a \$12 million capital raising as announced in December, the Company is well positioned to accelerate and scale-up its exploration efforts in 2011 with a strong focus on discovery and the early drill testing of priority targets.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr G Ascough, who is a full-time employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr G Ascough 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 G Ascough consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's independence declaration

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2010.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'G. Ascough', written in a cursive style.

Mr Graham Ascough
Managing Director

15 March 2011



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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MITHRIL RESOURCES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Mithril Resources Limited for the half-year ended 31 December 2010, 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.

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GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants


J L Humphrey
Partner

Adelaide, 15 March 2011

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Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Half-year ended	
		31 Dec 2010 \$	31 Dec 2009 \$
Revenue from ordinary activities		197,133	107,804
Other Income		9,996	32,335
Gain on sale of held for trading investment		60,206	-
Impairment of exploration assets	(1C)	(2,257,159)	(12,845)
Fair Value Gain/(loss) - held for trading investment		11,606	44,865
Employee benefits expense		(693,636)	(265,516)
Depreciation expense		(61,442)	(21,019)
Finance costs		(4,904)	(2,464)
Other expenses		(189,287)	(184,100)
Loss before income tax expense		(2,927,487)	(300,940)
Income tax expense		(120,874)	(143,318)
Loss from continuing operations		(3,048,361)	(444,258)
Total loss for the period		(3,048,361)	(444,258)
Other comprehensive income		-	-
Total comprehensive income for the period		(3,048,361)	(444,258)
Earnings per share from continuing operations:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(2.54)	(0.46)
Diluted earnings per share		(2.54)	(0.46)

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	Note	Consolidated	
		31 December 2010 \$	30 June 2010 \$
CURRENT ASSETS			
Cash and cash equivalents		4,362,870	5,037,357
Trade and other receivables		390,119	273,534
Exploration and evaluation assets - held for sale		1,326,103	1,326,103
Held for trading financial assets		52,227	507,805
Other current assets		56,193	125,805
TOTAL CURRENT ASSETS		6,187,512	7,270,604
NON-CURRENT ASSETS			
Investments in associates		348,387	80,000
Property, plant and equipment		198,237	182,178
Exploration and evaluation assets		5,563,492	5,854,614
TOTAL NON-CURRENT ASSETS		6,110,116	6,116,792
TOTAL ASSETS		12,297,628	13,387,396
CURRENT LIABILITIES			
Trade and other payables		319,587	701,935
Short-term borrowings		47,602	54,539
Short-term provisions		45,766	41,888
TOTAL CURRENT LIABILITIES		412,955	798,362
NON-CURRENT LIABILITIES			
Long-term borrowings		49,213	56,839
Long-term provisions		54,843	49,866
TOTAL NON-CURRENT LIABILITIES		104,056	106,705
TOTAL LIABILITIES		517,011	905,067
NET ASSETS		11,780,617	12,482,329
EQUITY			
Issued capital	3	21,183,067	19,312,928
Reserves		1,239,859	763,349
Retained earnings		(10,642,309)	(7,593,948)
TOTAL EQUITY		11,780,617	12,482,329

The consolidated statement of financial position 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 2010

	Consolidated				
	Note	Issued Capital Ordinary \$	Retained Earnings \$	Share Option Reserve \$	Total \$
Balance at 1 July 2009		13,416,825	(6,079,080)	337,574	7,675,319
Total comprehensive income		-	(444,258)	-	(444,258)
Issue of shares		6,000,000			6,000,000
Exercise of unlisted options		209,610			209,610
Transaction costs (net of tax)		(313,507)			(313,507)
Cost of share based payment		-	-	142,023	142,023
Balance at 31 December 2009		19,312,928	(6,523,338)	479,597	13,269,187
Balance at 1 July 2010		19,312,928	(7,593,948)	763,349	12,482,329
Total comprehensive income		-	(3,048,361)	-	(3,048,361)
Issue of shares	3	2,145,879	-	-	2,145,879
Cost of share based payment		-	-	476,510	476,510
Exercise of unlisted options	3	6,000	-	-	6,000
Transaction costs (net of tax)	3	(281,740)	-	-	(281,740)
Balance at 31 December 2010		21,183,067	(10,642,309)	1,239,859	11,780,617

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

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	Half year ended 31 Dec 2010	Half year ended 31 Dec 2009
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	93,243	15,743
Payments to suppliers and employees	(434,491)	(387,081)
Research & Development Tax offset received	105,299	113,862
Interest received	146,515	70,624
Finance costs	-	(795)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(89,434)	(187,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(77,501)	(8,296)
Proceeds from sale of held for trading assets	527,391	-
Purchase of investment in associate	(268,387)	-
Joint venture receipts	-	102,906
Payments for exploration activities	(2,343,680)	(2,039,492)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(2,162,177)	(1,944,882)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,981,879	6,209,610
Transaction costs of issue of shares	(397,407)	(456,825)
Repayment of borrowings	(7,348)	(6,957)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	1,577,124	5,745,828
Net increase/(decrease) in cash and cash equivalents	(674,487)	3,613,299
Cash at the beginning of the period	5,037,357	2,758,069
CASH AT THE END OF THE PERIOD	4,362,870	6,371,368

The consolidated statement of cash flows 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 2010

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 2010 comprises the Company and its subsidiaries (the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office.

b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant change occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010, together with any public announcements made during the half-year.

The accounting policies and methods of computation are the same as those adopted in the consolidated financial report as at and for the year ended 30 June 2010.

c. Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

In the half-year ended 31 December 2010, management reassessed its estimates in respect of:

Carrying value of exploration expenditure

The Group performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continue to be capitalised under AASB 6 'Exploration for and Evaluation of Mineral Resources' or written off to the statement of comprehensive income. As a result of this review, management has determined that \$2,257,159 be written off as a result of relinquishment of title.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

2. SEGMENT INFORMATION

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

	Segment Revenue		Segment Result	
	Half Year ended		Half Year ended	
	31-Dec 2010 \$	31-Dec 2009 \$	31-Dec 2010 \$	31-Dec 2009 \$
Continuing Operations				
Mineral Exploration - Northern Territory	-	-	(702,102)	(12,845)
Mineral Exploration - South Australia	-	-	-	-
Mineral Exploration - Western Australia	-	-	(1,555,057)	-
	-	-	(2,257,159)	(12,845)
Finance costs	-	-	(4,904)	(2,464)
Administration/Corporate	278,941	185,004	(603,982)	(264,612)
Depreciation	-	-	(61,442)	(21,019)
Consolidated revenue	278,941	185,004		
Loss before income tax			(2,927,487)	(300,940)
Income tax expense			(120,874)	(143,318)
Loss from continuing operations			(3,048,361)	(444,258)

The revenue reported above represents revenue generated from interest revenue and service charges charged to associated entities. 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 reported to the Managing Director for the purposes of resources allocation and assessment of segment performance.

Segment Assets

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Opening Balance 1/07/2010	Capital Expenditure	Impairment	Closing Balance 31/12/2010
	\$	\$	\$	\$
Continuing Operations				
Mineral Exploration - Northern Territory	4,474,974	1,591,153	(702,102)	5,364,025
Mineral Exploration - South Australia	1,286,443	39,660	-	1,326,103
Mineral Exploration - Western Australia	1,419,301	335,223	(1,555,057)	199,467
Total segment assets	7,180,718	1,966,035	(2,257,159)	6,889,595
Reconciliation of segment assets to group assets				
Administration/Corporate	6,206,678			5,408,033
Total group assets	13,387,396			12,297,628

3. ISSUED CAPITAL

	Consolidated	
	As at 31 Dec 10	As at 30 Jun 10
	\$	\$
Fully paid ordinary shares	21,183,067	19,312,928
	21,183,067	19,312,928
Half year ended 31 Dec 10		
	Number	\$
Ordinary shares		
Balance at beginning of period	119,165,500	19,312,928
Shares issued at \$0.12	17,882,325	2,145,879
Exercise of options at \$0.12	50,000	6,000
Transaction costs on shares issued (net of tax)	-	(281,740)
Balance at end of period	137,097,825	21,183,067

4. CONTINGENT LIABILITIES

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

5. SHARE BASED PAYMENTS

The company has established the Mithril Resources Ltd Employee Share Option Plan that entitles employees to receive unlisted options in the entity as an incentive. 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 2010. In the half year further grants on similar terms was made to Mithril Resources Ltd personnel.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

The terms and conditions of the grants made during the six months ended 31 December 2010 as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
	2,885,000	Not Applicable	5 years
Fair value at grant date			\$0.097 - \$0.109
Share price			\$0.13 - \$0.15
Exercise price			\$0.18 - \$0.25
Expected volatility			103.66%
Risk-free interest rate			4.98% - 5.38%

6. SUBSEQUENT EVENTS

On 18 February 2011, in accordance with a resolution passed at a general meeting of shareholders, a total of 8 million options were issued to the Directors of the board. The terms of the options are an exercise price of \$0.30 and an expiry date of 16 December 2015.

On the 18 February 2011, in accordance with a resolution passed at a general meeting of shareholders, the Company pursuant to a placement issued a total of 82,117,675 Ordinary Fully Paid Shares at an issue price of \$0.12 per share. The placement of capital raised a total of \$9,854,121 (before issue costs) for the Company.

On 28 February 2011, the Company's associated entity Musgrave Minerals Ltd lodged a prospectus with ASIC offering 60 million shares in the Company at an issue price of \$0.25 per share to raise \$15 million with a minimum subscription of \$10 million and the right to accept oversubscriptions of up to an additional \$5 million.

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 2010 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.

On behalf of the Board



Mr Graham Ascough
Managing Director

15 March 2011



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

We have reviewed the accompanying half-year financial report of Mithril Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company 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 controls 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mithril Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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.

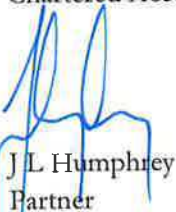
Conclusion

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 Limited 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 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



J.L. Humphrey
Partner

Adelaide, 15 March 2011