

Mithril Resources Ltd

ABN 30 099 883 922

Financial Report

for the year ended 30 June 2011

Contents to Financial Report

Corporate Information	3
Directors' Report.....	4
Auditor's Independence Declaration.....	26
Statement of Comprehensive Income.....	27
Statement of Financial Position.....	28
Statement of Changes in Equity	29
Statement of Cash Flows.....	30
Notes to the Financial Statements.....	31
1. CORPORATE INFORMATION.....	31
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	31
3. SEGMENT INFORMATION	43
4. REVENUE AND EXPENSES.....	45
5. INCOME TAX	46
6. EARNINGS PER SHARE	47
7. CASH AND CASH EQUIVALENTS.....	48
8. TRADE AND OTHER RECEIVABLES	49
9. OTHER CURRENT ASSETS.....	49
10. FINANCIAL INVESTMENTS	50
11. PLANT AND EQUIPMENT	51
12. EXPLORATION AND EVALUATION ASSETS	52
13. SHARE-BASED PAYMENTS	53
14. TRADE AND OTHER PAYABLES (CURRENT)	55
15. BORROWINGS.....	55
16. PROVISIONS.....	56
17. AUDITOR'S REMUNERATION	56
18. ISSUED CAPITAL	56
19. RESERVES	57
20. RETAINED LOSSES	57
21. COMMITMENTS FOR EXPENDITURE	58
22. SUBSIDIARIES.....	58
23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS	59
24. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION.....	62
25. PARENT ENTITY INFORMATION	63
26. SIGNIFICANT EVENTS AFTER BALANCE DATE.....	64
27. CONTINGENT LIABILITIES	64
Directors Declaration.....	65
Independent Auditor's Report.....	66

Corporate Information

This financial report covers both Mithril Resources Ltd (ABN 30 099 883 922) as an individual entity and the consolidated Group comprising Mithril Resources Ltd and its subsidiaries. The Group's functional and presentation currency is Australian Dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors report.

Directors

Mr John Roberts (Chairman)
Mr Graham Ascough (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

60 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 South Australian Partnership
Chartered Accountants
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Directors' Report

Your directors submit their report for the year ended 30 June 2011.

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 John Roberts	Chairman	Appointed 8 May 2002
Mr Graham Ascough	Managing Director	Appointed 9 October 2006
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

Names, qualifications, experience and special responsibilities

John Roberts, BSc, FAusIMM (Chairman, Non-Executive Director)

John Roberts is a geologist with 55 years experience in the mineral exploration and mining industries in Australia and the USA. During that time he has been involved in a number of new mine developments and re-developments. John was responsible for Homestake Gold of Australia Limited's activities from 1977 to 1993 and served as Managing Director from 1987 following the company's public listing.

Mr Roberts was chairman of directors of Australian Resources Limited from 1993 to 1997 and a director until early 1999. He was also chairman of directors of Ballarat Goldfields NL, an Australian, publicly listed gold exploration and development company, from mid 1997 to 2002. He also served as a director of US based Nord Pacific Ltd from 1994 to early 2004 and as chairman of that company for just over the last two years of his term as a director. Nord Pacific was involved in copper production in Australia and held an advanced gold exploration project in Papua New Guinea as well as exploration interests in Australia, Mexico and Canada. Mr Roberts was chairman of directors of Australasia Gold Limited from 2005 to May 2009; an Australian publicly listed gold exploration company based in Adelaide.

Mr Roberts is currently a councillor and president of the South Australian Chamber of Mines and Energy Inc. He is chairman of the discipline of Geology and Geophysics Industry Liaison Committee at the University of Adelaide. He is also an ex-officio member of the SA Minerals and Petroleum Expert Group and a councillor of the South Australian Resources and Energy Sector Infrastructure Council (RESIC). He is a member of the board of the Mineral Resources and Heavy Engineering Skills Centre Inc (Resources and Engineering Skills Alliance (RESA)) in South Australia and is a member of the South Australian Government's Resources Industry Development Board.

Mr Roberts is also chairman of directors of publicly listed Rum Jungle Resources Ltd, a Darwin based mineral exploration company. He is a member of Mithril's audit committee.

Directors' Report

Graham Ascough, BSc, PGeo (Managing Director)

Graham Ascough has more than 22 years of industry exploration experience evaluating mineral projects and resources in Australia and overseas. Mr Ascough has been Managing Director of ASX listed Mithril Resources Limited since October 2006. He is a geophysicist by training and prior to joining Mithril Resources Limited, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Limited (acquired by Xstrata Plc in 2006).

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 junior explorers. He is the Chairman of Musgrave Minerals Limited and a non-executive Chairman of ASX listed Aguiá Resources Limited. Mr Ascough is also a Councillor of the South Australian Chamber of Mines and Energy and is Chair of its Exploration Committee. He is a member of the AusIMM and is a Professional Geoscientist of Ontario, Canada.

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

Derek Carter has over 40 years experience in exploration and mining geology and management. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur Gold Ltd in 1993 and is currently Chairman of Minotaur Exploration. He is the Chairman of Petrathem Ltd, and a board member of Minotaur Resources Ltd and Toro Energy Ltd (all ASX Listed entities), and the AusIMM. He is a member of the South Australian Resources Industry Development Board and the South Australian Minerals and Petroleum Experts Group. He served as Chairman of the Minerals Exploration Advisory Group; as Vice President and later President of the South Australian Chamber of Mines and Energy, and was a board member of the Australian Gold Council. He was awarded AMEC's Prospector of the Year Award (jointly) in 2003 and is a Centenary Medalist. As Chairman of Minotaur Exploration Ltd, he is responsible for the management of the Board as well as the general strategic direction of the Company.

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

Richard Bonython was a director of Minotaur Gold Ltd for seven years before retiring in 2001, was a director of Minotaur Resources Ltd before it was acquired by Oxiana Ltd (now OZ Minerals Ltd) in 2005 and 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 45 years in the building, rural and mineral industries. He is also a director of Minotaur Exploration Ltd and Petrathem Ltd (both ASX Listed entities).

Directors' Report

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 and CRW Holdings Ltd and is company secretary to Minotaur Exploration Ltd, Toro Energy Ltd and Petratherm 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
John Roberts	2,460,000	1,812,500
Graham Ascough	900,000	6,350,000
Derek Carter	1,400,000	1,400,000
Richard Bonython	2,180,000	1,650,000
Donald Stephens	500,000	1,400,000

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

OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$3,598,395 [2010: Loss \$1,524,768].

OPERATIONS OVERVIEW

Mithril Resources dedicated significant focus and resources to exploring the Huckitta Project during the 12 months under review. In that time, the size of the target area expanded significantly, the number of prospects increased significantly and the Company's ability to pursue priority targets was enhanced by a capital raising strongly supported by new and existing shareholders.

Key targets over the 12 months included the Basil Copper Prospect, the Manuel Copper Prospect, the Polly Copper Prospect, and the Tibbs Gold Prospect. These form part of a constellation of more than 25 regional targets which have considerable upside and opportunities for economic discoveries.

Drilling at Basil in late 2010 continued to intersect significant widths of copper-cobalt mineralisation in the southern portion of the trend with all of the drillholes encountering semi-massive sulphides (20-40% sulphide mineralisation) over appreciable widths. Drilling demonstrated mineralisation over 2km of strike and only focused on near surface targets. Drilling later in the financial year focused on testing and expanding the near surface strike extent of Basil along with its depth extent. It is important to note that only 20% of a copper trend defined up to 10km at surface has been drill tested to date.

Drilling at Manuel intersected the highest grade intervals on the project of 0.3m at 3.4% copper in LB29DD from 69.4m and 0.2m @ 4.68% copper in LB032DD from 64.6m depth. Further work was conducted at Manuel in early 2011 with the focus turning to ground electromagnetic surveys through the April-May period.

Drilling at the Polly Copper Prospect intersected disseminated and massive sulphide mineralisation in intervals up to 9m wide over a strike length of 800m beneath the outcropping gossan horizon which extends for over 2km. Assays at Polly have returned up to 2m @ 0.6% Cu and 0.09% Co, indicating potential for significant copper mineralisation at depth and along strike. These early results from the first drilling into Polly, whilst narrow, confirm the extensive nature of the copper-cobalt mineralising event on the project.

Mapping and sampling at the Tibbs Prospect identified a new gold anomalism with values of up to 5.1g/t gold in surface rockchips in a formation which suggest widespread mineralisation.

Regional drilling utilising aircore and reverse circulation capabilities focused on evaluating some of the 22 regional targets including the Tibbs and Percy gold targets, the hammerhead and miggins nickel targets and geophysical (magnetic and electromagnetic) targets identified under shallow cover.

Directors' Report

Mithril's campaign at Huckitta has continued into the new financial year with an aggressive drill program across priority areas, ongoing field verification of VTEM targets and using the latest technology to uncover new mineral prospects.

Mithril's focus in Western Australia expanded in the 12 months. The Company increased its exploration holdings in the East Pilbara region and now holds six tenements covering 701km² superscript of ground. These are easily accessed by road and station tracks. Four tenements have now been granted and initial field work identified new mineralisation through surface rock chip sampling. Assay results returned anomalous values of nickel, copper, silver, gold, platinum and palladium from a number of prospects. Copper bearing sulphide chalcopyrite was observed in outcrop at the Gorge Prospect and assays returned high grade copper and anomalous nickel values.

Also in Western Australia, the Company secured four tenements that comprise the wholly-owned Sandstone Project in the Yilgarn region of Western Australia. Field work has commenced at Sandstone with a focus on geological mapping and aircore/RAB drilling.

Mithril is currently the largest shareholder in Musgrave Minerals Ltd ('MGV') after vending its Musgrave Projects to MGV as part of their initial public offering ('IPO'). MGV's IPO closed oversubscribed, raising \$20 million before expenses and MGV listed on the ASX on April 29th, 2011. Mithril holds 7.67% (9.28 million shares) of the issued capital along with 2.5 million options. The options have a term of 5 years and an exercise price of \$0.25.

In December 2010, the Company announced it had completed a \$12 million capital raising through the placement of 100 million new shares. The raising received strong support and was approved by shareholders at a General Meeting held on February 14th, 2011. The funds raised have enabled the Company to accelerate and scale-up its exploration efforts at Huckitta with a strong focus on early drill testing of priority targets.

The Company is well positioned for the 2011-2012 financial year with a full schedule of exploration programs underway or planned at each of its Projects in the Northern Territory and Western Australia.

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.

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.

Directors' Report

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 the 15 December 2010 the Group announced an equity raising to fund exploration projects and provide working capital. The raising resulted in the issue of 100 million new ordinary shares at \$0.12 per share totalling \$12 million. The raising was completed over two tranches and was finalised on the 18 February 2011.

The Company sold its holdings in the Musgrave region to Musgrave Minerals Ltd with a fair value of \$1,730,000.

Musgrave Minerals Ltd listed on the ASX on the 28 April 2011 after successfully conducting an initial public offering (IPO). A maximum subscription was achieved raising \$20 million before expenses. The Group retains a 7.67% stake Musgrave Minerals Ltd.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events have occurred after the balance date.

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 the Group followed procedures and pursued objectives in line with guidelines published by the Northern Territory Government. 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

Directors' Report

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.

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 medical aid incidents, however none of the incidents resulted in lost time or 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 \$17,668. 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.

Directors' Report

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 2010	Net Issued/ (Exercised) during Year	Lapsed/ Cancelled/ Expired	Balance at 30 June 2011
Unlisted Options						
01/01/2006	31/12/2010	\$0.35	50,000	-	(50,000)	-
16/05/2006	15/05/2011	\$0.40	30,000	-	(30,000)	-
10/10/2006	9/10/2011	\$0.305	750,000	-	-	750,000
10/10/2006	9/10/2012	\$0.28	750,000	-	-	750,000
22/01/2007	22/01/2012	\$0.44	50,000	-	-	50,000
03/12/2007	2/12/2012	\$0.35	100,000	-	(100,000)	-
18/03/2008	17/03/2013	\$0.198	500,000	-	-	500,000
25/03/2008	24/03/2013	\$0.20	75,000	-	(25,000)	50,000
01/05/2008	30/04/2013	\$0.19	50,000	-	(50,000)	-
12/12/2008	11/12/2013	\$0.15	350,000	-	(175,000)	175,000
05/05/2009	30/03/2012	\$0.12	1,922,250	(100,000)	-	1,822,250
22/06/2009	30/03/2012	\$0.12	6,305,250	(300,000)	-	6,005,250
25/06/2009	24/06/2014	\$0.20	600,000	-	(200,000)	400,000
26/10/2009	24/06/2014	\$0.30	2,300,000	-	-	2,300,000
23/09/2010	22/09/2015	\$0.18	-	550,000	(200,000)	350,000
17/12/2010	16/12/2015	\$0.25	-	2,335,000	(100,000)	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	-	750,000	-	750,000
			<u>13,832,500</u>	<u>11,235,000</u>	<u>(930,000)</u>	<u>24,137,500</u>
Listed Options						
29/09/2009	28/09/2011	\$0.12	<u>24,999,973</u>	<u>(50,000)</u>	<u>-</u>	<u>24,949,973</u>
			<u>24,999,973</u>	<u>(50,000)</u>	<u>-</u>	<u>24,949,973</u>

Shares issued as a result of the exercise of options

100,000 options issued on the 5th May 2009 and 300,000 options issued on the 22nd June 2009 were exercised during the year at an exercise price of \$0.12 to acquire 400,000 fully paid ordinary shares in Mithril Resources Ltd. During the financial year, there were no options exercised by employees and executives to acquire fully paid ordinary shares in Mithril Resources Ltd. Since the end of the financial year no options have been exercised.

Directors' Report

Cancellation of Options

During the financial year 930,000 options lapsed due to not being exercised within the given exercise period.

New Options issued

On the 17th December 2010, the Company announced the proposed issue of 8,000,000 unlisted options to directors subject to shareholder approval at a future General Meeting. Shareholder approval was received at a General Meeting on the 14th February 2011 and the options were issued on the 18th February 2011. The options were issued to directors as a key component of remuneration and provide incentive linked to the Company's performance. The options have an exercise price of \$0.30 and the exercise period is from 18th February 2011 to 16th December 2015. A further 3,635,000 options were also issued to Mithril Resources employees under the Employee Share Option Plan during the year.

Directors' Report

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

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 four non-executive directors and one executive. Directors are expected to bring independent views and judgement to the board's deliberations.

- | | |
|-----------------------|-----------------------------------|
| • Mr John Roberts | Non-Executive Chairman |
| • Mr Graham Ascough | 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. 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

CORPORATE GOVERNANCE STATEMENT

At the date of this statement the board consists of four non-executive directors, Mr J Roberts, who is also chairman of the board, Mr D Carter, Mr R Bonython, Mr D Stephens and an executive director, Mr G Ascough. Mr Roberts 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 9.75% of the issued capital of Mithril Resources Ltd. The Group therefore has two independent directors as that relationship is currently defined.

The board does not consist of a majority of independent directors and therefore the Group has not 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 John Roberts, 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

Directors' Report

CORPORATE GOVERNANCE STATEMENT

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 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 eleven staff, of which four are female and the board of directors consisted of five male members.

Directors' Report

CORPORATE GOVERNANCE STATEMENT

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 John Roberts (Chairman) who is also the non-executive chairman of the Group, Mr Graham Ascough an executive director and Mr Donald Stephens a non-executive director and the Company Secretary. Mr John Roberts and Mr Donald Stephens are both considered independent thereby representing a majority. 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 not complied with recommendation 4.2 of the Corporate Governance Council because it does not consist of only non-executive directors and is chaired by Mr John Roberts, 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.

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.

Directors' Report

CORPORATE GOVERNANCE STATEMENT

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.

Directors' Report

CORPORATE GOVERNANCE STATEMENT

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 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

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for Directors and other key management personnel of Mithril Resources Ltd.

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 Graham Ascough, are formalised in a contract of employment. Mr Ascough commenced employment on 9th October 2006 and his current gross salary, inclusive of 9% superannuation guarantee, is \$315,000. 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 \$201,600. 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%, 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.

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

Directors' Report

REMUNERATION REPORT - AUDITED

annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Table 1: Directors remuneration for the year ended 30 June 2010 and 30 June 2011

	Short Term Benefits	Post Employment	Share-based payments	Total	Performance related (%)
	Salary & Fees	Superannuation	Value of options (**)		
John Roberts					
2011	65,400	-	148,000	213,400	69%
2010	60,000	5,400	76,468	141,868	54%
Graham Ascough					
2011	263,762	23,739	592,000	879,501	67%
2010	238,914	21,502	91,762	352,178	26%
Derek Carter					
2011	42,000	3,780	148,000	193,780	76%
2010	42,000	3,780	61,174	106,954	57%
Richard Bonython					
2011	45,780	-	148,000	193,780	76%
2010	45,780	-	61,174	106,954	57%
Donald Stephens (*)					
2011	42,000	3,780	148,000	193,780	76%
2010	42,000	3,780	61,174	106,954	57%
TOTAL					
2011	458,942	31,299	1,184,000	1,674,241	
2010	428,694	34,462	351,754	814,910	

(*) HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year of \$94,474 (2010: \$80,061) 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.

Table 2: Remuneration of other key management personnel for the year ended 30 June 2010 and 30 June 2011

	Short Term Benefits	Post Employment	Share-based payments	Total	Total
	Salary & Fees	Superannuation	Value of options		
Jim McKinnon-Matthews					
2011	165,138	14,862	258,650	438,650	59%
2010	123,587	11,123	11,818	146,528	8%

Directors' Report

REMUNERATION REPORT - AUDITED

Table 3: Options granted as part of remuneration

Directors

30 June 2011	Grant date	Grant number	Vesting date	Value per option at grant date	Exercise Price	Total fair value	% of Remuneration
Graham Ascough	17/12/10	4,000,000	18/02/11	0.148	0.30	592,000	67.31%
John Roberts	17/12/10	1,000,000	18/02/11	0.148	0.30	148,000	69.35%
Derek Carter	17/12/10	1,000,000	18/02/11	0.148	0.30	148,000	76.38%
Richard Bonython	17/12/10	1,000,000	18/02/11	0.148	0.30	148,000	76.38%
Donald Stephens	17/12/10	1,000,000	18/02/11	0.148	0.30	148,000	76.38%

Note: None of the above options granted to key management personnel have attached performance conditions in accordance with the current remuneration policy of the Group.

Executives

30 June 2011	Grant date	Grant number	Vesting date	Value per option at grant date	Exercise Price	Total fair value	% of Remuneration
Jim Mckinnon-Matthews	23/09/10	150,000	23/09/10	0.097	0.18	14,550	3.32%
Jim Mckinnon-Matthews	17/12/10	2,000,000	17/12/10	0.109	0.25	218,000	49.70%
Jim Mckinnon-Matthews	23/05/11	300,000	23/05/11	0.087	0.20	26,100	5.95%

Table 4: Option holdings of Key Management Personnel

30 June 2011	Balance at beginning of year	Granted as remuneration	Balance at end of year	Exercise Price	First exercise date	Last exercise date
Directors						
Graham Ascough	750,000	-	750,000	0.305	10/10/2007	9/10/2011
Graham Ascough	750,000	-	750,000	0.280	10/10/2008	9/10/2012
Graham Ascough	250,000	-	250,000	0.120	22/06/2009	30/03/2012
Graham Ascough	600,000	-	600,000	0.300	25/06/2010	24/06/2014
Graham Ascough	-	4,000,000	4,000,000	0.300	18/02/2011	16/12/2015
John Roberts	312,500	-	312,500	0.120	22/06/2009	30/03/2012
John Roberts	500,000	-	500,000	0.300	25/06/2010	24/06/2014
John Roberts	-	1,000,000	1,000,000	0.300	18/02/2011	16/12/2015
Richard Bonython	250,000	-	250,000	0.120	22/06/2009	30/03/2012
Richard Bonython	400,000	-	400,000	0.300	25/06/2010	24/06/2014
Richard Bonython	-	1,000,000	1,000,000	0.300	18/02/2011	16/12/2015
Derek Carter	400,000	-	400,000	0.300	25/06/2010	24/06/2014
Derek Carter	-	1,000,000	1,000,000	0.300	18/02/2011	16/12/2015
Donald Stephens	400,000	-	400,000	0.300	25/06/2010	24/06/2014
Donald Stephens	-	1,000,000	1,000,000	0.300	18/02/2011	16/12/2015
	4,612,500	8,000,000	12,612,500			

Directors' Report

REMUNERATION REPORT - AUDITED

30 June 2011	Balance at beginning of year	Granted as remuneration	Options lapsed	Balance at end of year	Exercise Price	First exercise date	Last exercise date
Executives							
J. McKinnon-Matthews	50,000	-	(50,000)	-	0.35	1/01/2006	31/12/2010
J. McKinnon-Matthews	50,000	-	-	50,000	0.44	22/01/2007	21/01/2012
J. McKinnon-Matthews	50,000	-	-	50,000	0.20	25/03/2009	24/03/2013
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
	600,000	2,450,000	(50,000)	3,000,000			

30 June 2010	Balance at beginning of year	Granted as remuneration	Balance at end of year	Exercise Price	First exercise date	Last exercise date
Directors						
Graham Ascough	750,000	-	750,000	0.305	10/10/2007	9/10/2011
Graham Ascough	750,000	-	750,000	0.280	10/10/2008	9/10/2012
Graham Ascough	250,000	-	250,000	0.120	22/06/2009	30/03/2012
Graham Ascough	-	600,000	600,000	0.300	25/06/2010	24/06/2014
John Roberts	312,500	-	312,500	0.120	22/06/2009	30/03/2012
John Roberts	-	500,000	500,000	0.300	25/06/2010	24/06/2014
Richard Bonython	250,000	-	250,000	0.120	22/06/2009	30/03/2012
Richard Bonython	-	400,000	400,000	0.300	25/06/2010	24/06/2014
Derek Carter	-	400,000	400,000	0.300	25/06/2010	24/06/2014
Donald Stephens	-	400,000	400,000	0.300	25/06/2010	24/06/2014
	2,312,500	2,300,000	4,612,500			

30 June 2010	Balance at beginning of year	Options lapsed	Balance at end of year	Exercise Price	First exercise date	Last exercise date
Executives						
J. McKinnon-Matthews	100,000	(100,000)	-	0.40	1/02/2005	31/01/2010
J. McKinnon-Matthews	50,000	-	50,000	0.35	1/01/2006	31/12/2010
J. McKinnon-Matthews	50,000	-	50,000	0.44	22/01/2007	21/01/2012
J. McKinnon-Matthews	50,000	-	50,000	0.20	25/03/2009	24/03/2013
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
	700,000	(100,000)	600,000			

Directors' Report

REMUNERATION REPORT - AUDITED

Table 5: Shareholdings of Key Management Personnel

30 June 2011	Balance at beginning of year	Other	Balance at end of year
Directors			
John Roberts	2,060,000	400,000	2,460,000
Graham Ascough	600,000	300,000	900,000
Derek Carter	1,200,000	200,000	1,400,000
Richard Bonython	1,880,000	300,000	2,180,000
Donald Stephens	400,000	100,000	500,000
	<u>6,140,000</u>	<u>1,300,000</u>	<u>7,440,000</u>
Executives			
Jim McKinnon-Matthews	50,000	-	50,000
	<u>50,000</u>	<u>-</u>	<u>50,000</u>

Derek Carter and Richard Bonython are Directors and Donald Stephens is the Company Secretary of Minotaur Exploration Ltd which is the beneficial holder of 9.75% of the issued capital of Mithril Resources Ltd.

30 June 2010	Balance at beginning of year	Other	Balance at end of year
Directors			
John Roberts	2,060,000	-	2,060,000
Graham Ascough	600,000	-	600,000
Derek Carter	1,200,000	-	1,200,000
Richard Bonython	1,880,000	-	1,880,000
Donald Stephens	400,000	-	400,000
	<u>6,140,000</u>	<u>-</u>	<u>6,140,000</u>
Executives			
Jim McKinnon-Matthews	50,000	-	50,000
	<u>50,000</u>	<u>-</u>	<u>50,000</u>

Directors' Report

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	9		2	
Number of meetings attended:	Eligible	Attended	Eligible	Attended
John Roberts	9	9	2	2
Graham Ascough	9	9	2	2
Derek Carter	9	9	-	-
Richard Bonython	9	9	-	-
Donald Stephens	9	7	2	2

Members acting on the audit committee of the board are:

John Roberts	Non-executive Director
Graham Ascough	Managing 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.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton South Australian Partnership, 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 2011 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 John Roberts
Chairman

Dated this 27th day of September 2011

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

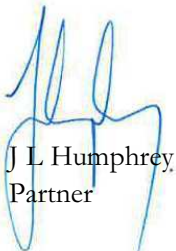
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MITHRIL RESOURCES LIMITED**

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 2011, 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.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



J L Humphrey
Partner

Adelaide, 27 September 2011

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011 \$	2010 \$
Revenue	4 (a)	582,695	297,557
Other income	4 (b)	496,983	76,840
Gain on reclassification of investment in associate	4 (b)	722,581	-
Impairment of exploration assets	4 (c)	(2,255,710)	(671,565)
Employee benefits expense	4 (d)	(2,233,742)	(704,111)
Depreciation expense	4 (c)	(72,536)	(51,441)
Finance costs		(12,311)	(6,267)
Fair Value gain/(loss) on held for trading		(40,621)	(36,423)
Other expenses	4 (e)	(561,385)	(388,780)
(Loss) before income tax		(3,374,046)	(1,484,190)
Income tax (expense)/benefit	5	(224,349)	(40,578)
(Loss) from continuing operations		(3,598,395)	(1,524,768)
Total (loss) for the year		(3,598,395)	(1,524,768)
Other comprehensive income		(1,144,468)	-
Total comprehensive (loss) for the year		(4,742,863)	(1,524,768)
<i>Earnings per share from continuing operations:</i>		<i>Cents</i>	<i>Cents</i>
Basic earnings per share	6	(2.28)	(1.41)
Diluted earnings per share	6	(2.28)	(1.41)

The accompanying notes form part of these financial statements.

Statement of Financial Position

AS AT 30 JUNE 2011

	Note	Consolidated	
		2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	7	10,628,417	5,037,357
Trade and other receivables	8	278,622	273,534
Other current assets	9	277,859	125,805
Held for trading financial assets		-	507,805
Exploration and evaluation assets - Held for sale	12	-	1,326,103
TOTAL CURRENT ASSETS		11,184,898	7,270,604
NON-CURRENT ASSETS			
Available-for-sale investments	10(a)	1,656,500	-
Investment in Associate	10(b)	-	80,000
Plant and equipment	11	346,075	182,178
Exploration and evaluation assets	12	8,900,548	5,854,614
TOTAL NON-CURRENT ASSETS		10,903,123	6,116,792
TOTAL ASSETS		22,088,021	13,387,396
CURRENT LIABILITIES			
Trade and other payables	14	817,986	701,935
Borrowings	15	55,160	54,539
Current provisions	16	69,979	41,888
TOTAL CURRENT LIABILITIES		943,125	798,362
NON-CURRENT LIABILITIES			
Borrowings	15	128,666	56,839
Non-Current provisions	16	69,315	49,866
TOTAL NON-CURRENT LIABILITIES		197,981	106,705
TOTAL LIABILITIES		1,141,106	905,067
NET ASSETS		20,946,915	12,482,329
EQUITY			
Issued capital	18	30,795,217	19,312,928
Reserves	19	1,246,996	763,349
Retained losses	20	(11,095,298)	(7,593,948)
TOTAL EQUITY		20,946,915	12,482,329

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated				Total
	Issued Capital Ordinary \$	Retained Losses \$	Share Option Reserves \$	Available- for-sale revaluation reserve \$	
Balance at 1 July 2009	13,416,825	(6,079,080)	337,574	-	7,675,319
Total Comprehensive Loss for the year	-	(1,524,768)	-	-	(1,524,768)
Transfer from share option reserve	-	9,900	(9,900)	-	-
Cost of share based payment	-	-	435,675	-	435,675
Share Issue	6,000,000	-	-	-	6,000,000
Issue of shares on conversion of options	209,610	-	-	-	209,610
Transaction costs (net of tax effect)	(313,507)	-	-	-	(313,507)
Balance at 30 June 2010	19,312,928	(7,593,948)	763,349	-	12,482,329
Balance at 1 July 2010	19,312,928	(7,593,948)	763,349	-	12,482,329
Total Comprehensive Loss for the year	-	(3,598,395)	-	(1,144,468)	(4,742,863)
Transfer from share option reserve	-	97,045	(97,045)	-	-
Cost of share based payment	-	-	1,725,160	-	1,725,160
Share Issue	12,000,000	-	-	-	12,000,000
Issue of shares on conversion of options	54,000	-	-	-	54,000
Transaction costs (net of tax effect)	(571,711)	-	-	-	(571,711)
Balance at 30 June 2011	30,795,217	(11,095,298)	2,391,464	(1,144,468)	20,946,915

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Administration fees received		93,243	70,562
Payments to suppliers and employees		(951,327)	(636,823)
Finance costs		(12,311)	(6,267)
Interest received		289,654	201,763
NET CASH (USED IN) OPERATING ACTIVITIES	7	(580,741)	(370,765)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(236,433)	(101,465)
Purchase of investment in associate		(268,387)	(80,000)
Proceeds from disposal of held for trading investment		527,391	106,622
Receipt of Government Grant		105,299	16,417
Payments for exploration activities		(5,520,824)	(3,320,360)
Receipts from JV partners		222,844	218,915
NET CASH (USED IN) INVESTING ACTIVITIES		(5,170,110)	(3,159,871)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		12,054,000	6,209,610
Transaction costs on issue of shares		(790,853)	(456,825)
Proceeds from borrowings		110,298	76,129
Repayment of borrowings		(31,534)	(18,990)
NET CASH PROVIDED BY FINANCING ACTIVITIES		11,341,911	5,809,924
Net increase/(decrease) in cash and cash equivalents		5,591,060	2,279,288
Cash and cash equivalents at the beginning of the year		5,037,357	2,758,069
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	10,628,417	5,037,357

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial report of Mithril Resources Ltd (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 27th September 2011. Mithril Resources Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Mithril Resources Ltd and its controlled entities ('Group').

Basis of preparation

The financial report is a general-purpose financial report, which has 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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected Non-current assets, financial assets and financial liabilities.

a. Principles of consolidation

A controlled entity is any entity that Mithril Resources Ltd has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

The consolidated financial statements comprise the financial statements of Mithril Resources Ltd and its controlled entities as at 30 June each year.

A controlled entity is any entity Mithril Resources Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in note 23 to the financial statements.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

b. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Provision of services

Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

c. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

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 of sale.

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, 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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 the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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 short-term deposits in the statement of financial position comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

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, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instrument classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss 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. 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 that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly to other comprehensive income.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

With the exception of available-for-sale equity instruments, 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.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in 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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

- when the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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 with 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)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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

Cash flows are included in the statement of cash flows 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, are 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

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a diminishing value basis on all plant and equipment as follows:

Plant and equipment - 10 - 40%
Motor vehicles - 22.5%

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

l. Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

m. Exploration expenditure

Exploration and evaluation 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 the 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.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the 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. 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 on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to the basis that the restoration will be completed within one year of abandoning the site.

n. Trade and other payables

Trade payables 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 present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 comprehensive income net of any reimbursement.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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

p. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. 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 payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

q. Share-based payment transactions

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.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are 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 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 share capital.

r. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s. Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

t. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

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 2011.

u. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report 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.

Key Estimates – Exploration and evaluation

The Group's policy for exploration and evaluation is discussed in note 2(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 comprehensive income.

v. New and Revised Accounting Standards

The Company has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2010:

- Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project- AASB 2009-5
- Improvements to IFRSs- AASB 2010-03.

The adoption of new and revised Accounting Standards effective for the financial statements for the annual period beginning 1 July 2010 did not have a material impact on the Company's financial statements.

New Accounting Standards for Application in Future Periods

During the current year the Company adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Recently issued accounting standards to be applied in future reporting periods

The accounting standards that have not been early adopted for the period ended 30 June 2011, but will be applicable to the Company in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Company.

Joint Arrangements

IFRS 11: "Joint Arrangements" was issued by the IASB in May 2011 and provides for a more realistic reflection of joint venture arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interest in jointly controlled entities. This standard is applicable from 1 July 2013, with early adoption permitted. Management is assessing the impact on the Company, but at this stage it is believed there will be insignificant impact.

Disclosure of Interests in Other Entities

IFRS 12: "Disclosure of Interests in other Entities" was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms on interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28: "Investments in Associates" as a result of above new standard. These amendments are applicable from 1 July 2013.

Fair Value Measurement

IFRS 13: "Fair Value Measurements" was issued by the IASB in May 2011 and provides a precise definition of fair value, as a single source of fair value measurement and prescribes disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to the Company from 1 July 2013 and at this stage it is believed there will be no impact.

Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- AASB 124: "Related Party Disclosures";
- AASB 2009-12: "Amendments to Australian Accounting Standards";
- AASB 2010-4: "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project";
- AASB 2010-5: "Amendments to Australian Accounting Standards";
- AASB 2010-8: "Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets"; and
- AASB 2011-4: "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements".

We do not expect these standards to materially impact our financial results upon adoption.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

w. Carbon Tax Impact

On 10 July 2011, the Commonwealth Government announced the “Securing a Clean Energy Future - The Australian Government’s Climate Change Plan”. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Company as legislation must be voted on and passed by both houses of Parliament. In addition, as the Company will not fall within the “Top 500 Australian Polluters”, the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

3. 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 to 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 reported 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.

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	
	Year ended		Year ended	
	2011	2010	2011	2010
	\$	\$	\$	\$
Continuing Operations				
Mineral Exploration - Northern Territory	-	-	(737,793)	(670,746)
Mineral Exploration - Western Australia	-	-	(1,517,937)	(819)
Mineral Exploration - Other	-	-	-	-
	-	-	(2,255,730)	(671,565)
Finance costs	-	-	(12,311)	(6,267)
Administration/Corporate	1,079,678	374,397	(1,033,469)	(754,917)
Depreciation	-	-	(72,536)	(51,441)
Consolidated revenue	1,079,678	374,397		
Loss before income tax			(3,374,046)	(1,484,190)
Income tax expense			(224,349)	(40,578)
Loss from continuing operations			(3,598,395)	(1,524,768)

The revenue reported above represents revenue generated from various sources detailed in note 4(a) and note 4(b). There were no intersegment sales during the period.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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 chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

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:

	Opening Balance	Net Capital Expenditure	Impairment	Sale of Tenements	Closing Balance
	1/07/2010				30/06/2011
	\$	\$	\$	\$	\$
Continuing Operations					
Mineral Exploration - Northern Territory	4,474,973	4,606,700	(737,793)	-	8,343,881
Mineral Exploration - South Australia	1,286,443	-	-	(1,286,443)	-
Mineral Exploration - Western Australia	1,419,301	655,303	(1,517,937)	-	556,667
Total segment assets	7,180,717	5,262,003	(2,255,730)	(1,286,443)	8,900,548
Reconciliation of segment assets to group assets					
Administration/Corporate	6,206,679				13,187,473
Total group assets	13,387,396				22,088,021
	Opening Balance	Net Capital Expenditure	Impairment	Sale of Tenements	Closing Balance
	1/07/2009				30/06/2010
	\$	\$	\$	\$	\$
Continuing Operations					
Mineral Exploration - Northern Territory	1,922,303	3,223,416	(670,746)	-	4,474,973
Mineral Exploration - South Australia	1,171,368	115,075	-	-	1,286,443
Mineral Exploration - Western Australia	1,160,665	259,456	(819)	-	1,419,301
Total segment assets	4,254,336	3,597,948	(671,565)	-	7,180,717
Reconciliation of segment assets to group assets					
Administration/Corporate	3,789,678				6,206,679
Total group assets	8,044,014				13,387,396

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

4. REVENUE AND EXPENSES

	Consolidated	
	2011	2010
	\$	\$
(a) Revenue		
Administration fees	176,861	39,618
Bank interest received or receivable	405,834	257,939
	<u>582,695</u>	<u>297,557</u>
(b) Other income		
Government Grants	-	16,416
Net gains on disposal of held for trading investment	464,104	38,042
Gain on reclassification from equity accounted investment	722,581	
Other Income	32,879	22,382
	<u>1,219,564</u>	<u>76,840</u>
(c) Expenses		
<i>Impairment of non-current assets</i>		
Capitalised tenement costs written off	2,255,710	671,565
Total impairment of non-current assets	<u>2,255,710</u>	<u>671,565</u>
<i>Depreciation of non-current assets</i>		
Plant and equipment	72,536	51,441
Total depreciation	<u>72,536</u>	<u>51,441</u>
(d) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,252,816	1,027,804
Transfer (to) exploration assets	(892,802)	(880,033)
Superannuation	101,028	88,382
Transfer to annual leave provision	28,091	9,569
Transfer to long service leave provision	19,449	22,714
Share-based payments expense	1,725,160	435,675
	<u>2,233,742</u>	<u>704,111</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011	2010
	\$	\$
(e) Other expenses from ordinary activities		
Secretarial, professional and consultancy	96,568	62,679
Occupancy costs	170,554	84,481
Share register maintenance	28,731	29,047
Insurance costs	30,582	32,463
Promotion and advertising	46,922	21,535
Employee taxes and levies	41,877	28,821
Service charges	18,160	71,021
Securities exchange fees	29,230	21,907
Travel expenses	50,485	14,877
Conferences	48,566	28,302
Transfer (to) exploration assets	(98,960)	(138,389)
Audit fees	34,200	27,022
Other expenses	64,470	105,014
	561,385	388,780

5. INCOME TAX

The major components of income tax expense are:

Current income tax

Current income tax charge/(benefit)	224,349	143,318
Research & Development Tax offset	-	(102,740)
Income tax expense/(benefit) reported in the income statement	224,349	40,578

A reconciliation between tax expense and the product

Accounting loss before income tax	(3,374,046)	(1,484,190)
At the Group's statutory income tax rate of 30% (2010: 30%)	(1,012,214)	(445,257)
Expenditure not allowable for income tax	1,459,529	366,437
Other deductible items	1,479,497	(1,156,095)
Tax losses not recognised due to not meeting recognition criteria	(1,926,812)	1,234,915
Tax portion of share issue costs	224,349	143,318
	224,349	143,318

The Group has tax losses arising in Australia of \$15,304,496 (2010: \$11,863,890) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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

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 2(i).

6. 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:

	Consolidated	
	2011	2010
	\$	\$
Net loss attributable to ordinary equity holders of the parent	(3,598,395)	(1,524,768)
	2011	2010
Weighted average number of ordinary shares for basic earnings per share	158,073,473	107,823,617
Effect of dilution	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	158,073,473	107,823,617

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 2010 or 2011.

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 2011

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	\$	\$
Cash at bank and in hand	873,417	1,037,357
Short-term deposits	9,755,000	4,000,000
	<u>10,628,417</u>	<u>5,037,357</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. \$255k of term deposits acts as security for visa cards & 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.

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

Cash at banks and in hand	873,417	1,037,357
Short-term deposits	9,755,000	4,000,000
	<u>10,628,417</u>	<u>5,037,357</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011	2010
	\$	\$
Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(3,598,395)	(1,524,768)
<i>Adjustments for non-cash items:</i>		
Depreciation	72,536	51,441
Fair value movement	40,621	36,423
Gain on sale of tenements	(403,898)	(38,042)
Impairment of non-current assets	2,255,710	671,565
Share based payments	1,725,160	435,675
Deferred tax assets written off	(224,349)	143,318
Gain on reclassification of investments as associate	(722,581)	-
<i>Changes in assets and liabilities</i>		
(Decrease)/Increase in trade and other receivables	116,051	(6,677)
Decrease/(Increase) in prepayments	152,054	4,664
Decrease/(Increase) in accrued income	185,432	(56,176)
(Increase)/Decrease in trade and other payables	116,051	(43,758)
(Decrease) in provisions	47,540	-
Increase in employee entitlements	(417,631)	32,283
(Decrease)/Increase in net goods and service tax receivable	74,958	(76,714)
Net cash (used in)/provided by operating activities	(580,741)	(370,765)

8. TRADE AND OTHER RECEIVABLES

Trade receivables (i)	5,751	49,888
Sundry receivables	4,942	105,298
Goods & Services Tax receivable	267,929	118,348
	<u>278,622</u>	<u>273,534</u>

- (i). 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 2010 or 2011 and no receivables are past due at balance date.

9. OTHER CURRENT ASSETS

Prepayments	91,428	56,314
Accrued income	185,433	69,253
Prepaid finance costs	998	238
	<u>277,859</u>	<u>125,805</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

10. FINANCIAL INVESTMENTS

	Consolidated	
	2011	2010
	\$	\$
(a) AVAILABLE FOR SALE FINANCIAL INVESTMENTS		
At fair value - Shares, listed:		
Opening Balance	-	-
Transfer from investment in associates	348,387	-
Gain on reclassification of investment in associate	722,581	-
Shares received as consideration for sale of tenements	1,250,000	-
Options received as consideration for sale of tenements	480,000	-
Fair value adjustment	(1,144,468)	-
	1,656,500	-

Available-for-sale investments consist of investments in ordinary shares in Musgrave Minerals Ltd has been calculated at fair value. The prior year includes Meridian Minerals Ltd shares which were valued based upon observable market prices at balance date. These shares were sold in current period. In accordance with AASB 139 'Financial Instruments: Recognition and Measurement', the remaining securities are measured at fair value, which is determined to be closing bid price for the securities. As at 30 June 2011, the final bid price was \$0.155

The Group has a 7.67% interest in Musgrave Minerals Limited at 30 June 2011 (2010: 40%).

(b) INVESTMENTS IN ASSOCIATES

Share of associate statement of financial position

Current assets	-	81,739
Non-current assets	-	15,366
	-	97,105
Current liabilities	-	19,984
Non-current liabilities	-	-
	-	19,984
Net Assets	-	77,120

Share of associate commitments

Operating leases	-	-
Hire purchases	-	-
Exploration licences	-	350,000
	-	350,000

Share of associate statement of comprehensive income

Comprehensive (loss) not recorded	-	(1,959)
	-	(1,959)

Reconciliation of movement in carrying amount of investment in associate

Balance at the beginning of period	-	-
Acquisitions of investments in associates	-	80,000
Carrying amount of investment in	-	80,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

11. PLANT AND EQUIPMENT

	Consolidated					
	Year ended 30 June 2011			Year ended 30 June 2010		
	Plant & equipment \$	Motor vehicles \$	Total \$	Plant & equipment \$	Motor vehicles \$	Total \$
Opening balance, net of accumulated depreciation	78,764	103,415	182,179	78,229	53,925	132,154
Additions	55,976	180,457	236,433	36,190	65,275	101,465
Disposals	-	-	-	-	-	-
Depreciation	(44,321)	(28,216)	(72,537)	(35,655)	(15,785)	(51,440)
Closing balance, net of accumulated depreciation	90,420	255,655	346,075	78,764	103,415	182,179
Opening balance						
Cost	194,413	182,687	377,100	158,223	117,412	275,635
Accumulated depreciation	(115,649)	(79,272)	(194,921)	(79,994)	(63,487)	(143,481)
Net carrying amount	78,764	103,415	182,179	78,229	53,925	132,154
Closing balance						
Cost	250,390	363,143	613,533	194,413	182,687	377,100
Accumulated depreciation	(159,970)	(107,488)	(267,458)	(115,649)	(79,272)	(194,921)
Net carrying amount	90,420	255,655	346,075	78,764	103,415	182,179

Impairment of property, plant and equipment

No impairment loss was recognised or reversed for the year ended 30 June 2010 and 2011 with respect to plant and equipment.

The depreciation rates of the assets were estimated as follows both for 2010 and 2011:

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

Motor Vehicles - 22.5% (Diminishing value)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

12. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2011	2010
	\$	\$
Exploration and evaluation costs carried forward in respect of areas of interest		
CURRENT		
Exploration and evaluation phases - Joint Ventures	-	1,253,143
Exploration and evaluation phases - Other	-	72,960
Total (Refer note 12(a))	-	1,326,103
NON-CURRENT		
Exploration and evaluation phases - Joint Ventures	1,541,301	2,498,725
Exploration and evaluation phases - Other	7,359,247	3,355,889
	8,900,548	5,854,614
TOTAL	8,900,548	7,180,717

Consolidated entity	Exploration Joint Venture	Exploration Other	Total
Capitalised tenement expenditure movement reconciliation			
Balance at the beginning of the year	3,751,868	3,428,849	7,180,717
Additions through expenditure	1,318,475	3,966,089	5,284,564
Reductions through joint venture contributions	(22,580)	-	(22,580)
Write off of tenements relinquished	(2,220,019)	(35,691)	(2,255,710)
Sale of tenements	(1,286,443)		(1,286,443)
Balance at end of year	1,541,301	7,359,247	8,900,548

(a) In the prior year the Group recognised exploration assets to be sold to Musgrave Minerals Ltd as held for sale. This transaction was completed during the period in consideration for share and options in Musgrave Minerals Ltd with a fair-value of \$1,730,000.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

13. SHARE-BASED PAYMENTS

Employee Share Option Plan

The Group has 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.
- 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 comprehensive income in relation to share-based payments is disclosed in note 4(d). The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	1,305,000	0.22	1,405,000	0.23
Granted during the year	3,560,000	0.22	-	-
Cancelled during the year	(855,000)	0.19	(100,000)	0.40
Outstanding at the end of the year	4,010,000	0.23	1,305,000	0.22
Exercisable at the end of the year	4,010,000	0.23	1,305,000	0.22

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

The outstanding balance as at 30 June 2011 is represented by:

- A total of 50,000 options exercisable any time until 22 January 2012 with a strike price of \$0.44.
- A total of 50,000 options exercisable any time until 24 March 2013 with a strike price of \$0.20.
- A total of 175,000 options, vesting 12 December 2009 and exercisable until 11 December 2013 with a strike price of \$0.15.
- A total of 400,000 options, vesting 24 June 2010 and exercisable until 24 June 2014 with a strike price of \$0.20.
- 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 750,000 options exercisable any time until 22 May 2016 with a strike price of \$0.20

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 4.21 years (2010: 3.31 years).

The range of exercise prices for options outstanding at the end of the year was \$0.15-\$0.44 (2010: \$0.15-\$0.44).

The weighted average fair value of employee options granted during the year was \$0.22 2010 (nil)

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes 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 year ended 30 June 2011 (there were no employee options issued and valued in the year ended 30 June 2010):

	2011	2010
Historical volatility (%)	104%	-
Risk-free interest rate (%)	5%	-
Expected life of option (years)	5	-

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. (there were employee options issued and valued in the year ended 30 June 2010):

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Director Options

The Group issues options to director's 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 director's in accordance with applicable legislation.

During the year, the Group issued a total of 8,000,000 options to directors. Full details of option holdings of directors are disclosed in the remuneration report and note 24. The fair value of the equity-settled share options granted to directors is calculated using the method detailed above. The following table lists the inputs to the model used for the year ended 30 June 2011 (there were no director options issued and valued in the year ended 30 June 2010):

	2011	2010
Historical volatility (%)	104%	125%
Risk-free interest rate (%)	5%	5%
Expected life of option (years)	5	5

14. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2011	2010
	\$	\$
Trade payables (i)	695,445	598,429
Other payables	122,541	103,506
	<u>817,986</u>	<u>701,935</u>

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

15. BORROWINGS

Current

Hire purchase contracts	55,160	54,539
	<u>55,160</u>	<u>54,539</u>

Non-current

Hire purchase contracts	128,666	56,839
	<u>128,666</u>	<u>56,839</u>

Assets with a written down value of \$178,156 (2010: \$96,758) act as security for these borrowings.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

16. PROVISIONS

	Consolidated	
	2011	2010
	\$	\$
Current		
Annual leave provision		
Opening Balance	41,888	32,319
Transfer to provision	28,091	9,569
Closing Balance	69,979	41,888
Non-current		
Long Service leave Provision		
Opening Balance	49,866	27,151
Transfer to provision	19,449	22,715
Closing Balance	69,315	49,866
	139,294	91,754
Number of employees	11	10

17. AUDITOR'S REMUNERATION

Audit or review of financial report	34,200	27,022
	34,200	27,022

No non audit services have been provided.

18. ISSUED CAPITAL

219,615,500 fully paid ordinary shares (2010: 119,165,500)	30,795,217	19,312,928
	30,795,217	19,312,928

	2011		2010	
	Number	\$	Number	\$
Balance at beginning of financial year	119,165,500	19,312,928	67,418,750	13,416,825
Share Issue	100,000,000	12,000,000	50,000,000	6,000,000
Issue of shares on conversion of options	450,000	54,000	1,746,750	209,610
Transaction costs (net of tax effect)	-	(571,711)	-	(313,507)
Balance at end of financial year	219,615,500	30,795,217	119,165,500	19,312,928

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

19. RESERVES

Share Option Reserve

The share option reserve records items recognised as expenses on valuation of employee share options and other equity settled transactions. During the financial year 930,000 (2010: 600,000) options lapsed due to not being exercised within the given exercise period.

Available-for-sale revaluation

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset is transferred to the Statement of Comprehensive Income. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

	Consolidated			
	2011	2010		
	\$	\$		
Reserves				
Share option reserve (a)	2,391,464	763,349		
Available-for-sale reserve (b)	(1,144,468)	-		
	<u>1,246,996</u>	<u>763,349</u>		
	2011		2010	
Share option reserve (a)	Number	\$	Number	\$
Balance at beginning of financial year	15,079,250	763,349	13,879,250	337,574
Issued to Directors	8,000,000	1,184,000	2,300,000	351,755
Lapse of options due to expiration	(855,000)	(97,045)	(1,100,000)	(9,900)
Exercise of options	(300,000)	-	-	-
Issued to employees and officer under Employee Share Option Plan	3,560,000	541,160	-	83,920
Balance at end of financial year	<u>25,484,250</u>	<u>2,391,464</u>	<u>15,079,250</u>	<u>763,349</u>
Available-for-sale revaluation (b)				
Balance at beginning of financial year	-	-		
Revaluation decrement	(1,144,468)	-		
	<u>(1,144,468)</u>	<u>-</u>		
20. RETAINED LOSSES				
Balance at beginning of financial year	(7,593,948)	(6,079,080)		
Net loss attributable to members of the parent entity	(3,598,395)	(1,524,768)		
Transfer from share based payments reserve	97,045	9,900		
Balance at end of financial year	<u>(11,095,298)</u>	<u>(7,593,948)</u>		

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

21. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2011	2010
	\$	\$
Operating leases		
Not longer than 1 year	73,482	73,482
Longer than 1 year and not longer than 5 years	18,718	18,718
	92,200	92,200
Hire purchase commitments		
Not longer than 1 year	49,015	63,004
Longer than 1 year and not longer than 5 years	10,078	63,601
	59,093	126,605

Terms of lease arrangements

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.

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

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 2011 net amounts of approximately \$1,897,000 (2010: \$1,299,200) 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. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2011	2010
		%	%
Parent entity			
Mithril Resources Ltd	Australia		
Subsidiaries			
Minex (Aust) Pty Ltd	Australia	100	100
Mithril Resources Investments Pty Ltd	Australia	100	100

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS

Capital risk 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 18, 19 and 20 respectively.

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

Categories of financial instruments

	Consolidated	
	2011	2010
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	10,628,417	5,037,357
Trade and other receivables	278,622	353,534
Held for trading investments	1,656,500	507,805
Investment in associate	-	80,000
	12,563,539	5,978,696
FINANCIAL LIABILITIES		
Trade and other payables	817,986	701,935
Hire purchase contracts	183,826	111,378
	1,001,812	813,313

Credit risk management

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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.

Interest rate sensitivity analysis

At reporting date, if interest rates had been 0.5% higher or lower and all other variables were held constant, the Group's:

- Net loss would increase or decrease by \$19,489 which is attributable to the Group's exposure to interest rates on its variable bank deposits.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who 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.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Non-interest bearing financial liabilities are normally settled on 60-day terms

	CONSOLIDATED							
	Year ended 30 June 2011				Year ended 30 June 2010			
	< 1year	> 1 - < 5 years	Non- Interest Bearing	Total	< 1year	> 1 - < 5 years	Non- Interest Bearing	Total
FINANCIAL LIABILITIES								
Fixed rate	55,160	128,666	817,986	1,001,812	54,539	56,839	701,935	813,313
Weighted average effective interest rate	9.04%	9.04%	-	-	9.04%	9.04%	-	-
TOTAL	55,160	128,666	817,986	1,001,812	54,539	56,839	701,935	813,313

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period. Non-interest bearing financial assets are generally issued on 30-90 day terms.

	CONSOLIDATED							
	Year ended 30 June 2011				Year ended 30 June 2010			
	< 1year	> 1 - < 5 years	Non- Interest Bearing	Total	< 1year	> 1 - < 5 years	Non- Interest Bearing	Total
	\$	\$	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS								
Fixed rate	-	-	-	0	-	-	861,339	861,339
Term Deposits	9,755,000	-	-	9,755,000	4,000,000	-	-	4,000,000
Weighted average effective interest rate	5.23%	-	-	-	5.23%	-	-	-
Floating rate	873,417	-	-	873,417	1,037,357	-	-	1,037,357
Weighted average effective interest rate	4.59%	-	-	-	4.91%	-	-	-
	10,628,417	-	-	10,628,417	5,037,357	-	861,339	5,898,696

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement purposes.

As of 1 July 2010, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices)(level 2); and
- Inputs for the asset that are not based on observable market data (unobservable inputs)(level 3).

The following table presents the Group's assets recognized at fair value at 30 June 2011. Comparative information has not been provided as permitted by the transitional provisions of the new rules:

2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
FINANCIAL ASSETS AT FAIR VALUE				
Held for trading investments				
- Musgrave Minerals Ltd - Shares	1,439,000	-	-	- 1,439,000
- Musgrave Minerals Ltd - Unlisted Options	-	217,500	-	- 217,500
	-	-	-	-
	1,439,000	217,500	-	- 1,656,500
2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
FINANCIAL ASSETS AT FAIR VALUE				
Held for trading investments				
- Meridian Minerals Ltd - Shares	467,184	-	-	- 467,184
- Meridian Minerals Ltd - Unlisted Options	-	40,621	-	- 40,621
Investment in associate				
- Musgrave Minerals Ltd	-	-	80,000	80,000
	467,184	40,621	80,000	587,805

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

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. These instruments are included in Level 2.

In the circumstances where a valuation technique is based on significant unobservable inputs, such instruments are included in Level 3.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

24. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

Payments to related parties

Throughout the year ended 30 June 2011, Minotaur Exploration Ltd, of which Messrs Carter and Bonython are Directors, provided the Group with access to exploration personnel and equipment. In exchange for these services, Minotaur Exploration Ltd 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 to Minotaur Exploration Ltd through the period ended 30 June 2011 was \$22,269 (2010: \$81,054). At 30 June 2011, the Group owed \$nil (2010: \$9,689) to Minotaur Exploration Ltd.

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year of \$94,812 (2010:\$84,527). Donald Stephens, a Director and the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd. All transactions were conducted on commercial terms and were arms length transactions. At 30 June 2011, the Group owed \$13,437 (2010: \$3,631) to HLB Mann Judd (SA) Pty Ltd.

Throughout the year ended 30 June 2011 the Group provided Musgrave Minerals Ltd, of which Mr Ascough is a Director, 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 period ended 30 June 2011 was \$390,006 (2010: 21,139). At 30 June 2011, the Group was owed \$5,751 (2010: \$47,804) 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, representing full payment for certain tenements acquired by Musgrave Minerals Ltd of which Graham Ascough is the Chairman and Donald Stephens the Company Secretary.

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.

Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Remuneration

The totals of remuneration paid to KMP of the Group during the year are as follows:

	2011	2010
	\$	\$
Consolidated entity		
Short-term employee benefits	624,080	569,866
Post-employment benefits	46,161	56,650
Share-based payments	1,442,650	392,917
	<u>2,112,891</u>	<u>1,019,433</u>

25. PARENT ENTITY INFORMATION

Financial Position

Assets

Current Assets	12,471,048	7,529,701
Non-current Assets	9,616,972	5,724,828
	<u>22,088,020</u>	<u>13,254,529</u>

Liabilities

Current liabilities	943,124	798,362
Non-current Liabilities	197,981	106,705
	<u>1,141,105</u>	<u>905,067</u>

Equity

Issued Capital	30,795,217	19,312,928
Reserves	2,391,464	763,349
Retained Earnings	(12,239,766)	(7,726,815)
	<u>20,946,915</u>	<u>12,349,462</u>

Financial Performance

(Loss) for the year	(4,610,016)	(1,526,192)
Other comprehensive income	-	-
	<u>(4,610,016)</u>	<u>(1,526,192)</u>

Contingent Liabilities

Contingent liabilities of the parent entity have been incorporated into the Group information in note 27. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

26. SIGNIFICANT EVENTS AFTER BALANCE DATE

No subsequent events have occurred after the balance date.

27. CONTINGENT LIABILITIES

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 \$255,000 at 30 June 2011 which act as collateral over exploration tenements.

Directors Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 1 to 64, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated group;
2. the Managing Director and Company Secretary have each declared that:
 - a. the financial records of the group for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards;
 - 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.

On behalf of the board



Mr John Roberts
Chairman

Dated this 27th day of September 2011

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2011, the consolidated statement of 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 of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be 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, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 which 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.

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 and fair presentation of the financial report 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 2011 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.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



J L Humphrey
Partner

Adelaide, 27 September 2011