Mithril Resources Ltd

ABN 30 099 883 922

Half Year Report

for the half year ended 31 December 2011

Contents to Half Year Report

Directors' Report

The directors of Mithril Resources Ltd ('Mithril Resources') present their Report together with the financial statements of the consolidated entity, being Mithril Resources ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2011 and the Independent Review Report thereon.

Director Details

The following persons were directors of Mithril Resources during or since the end of the financial year.

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

Operating Result

The group's loss for the half year ended 31 December 2011 after providing for income tax amounted to $1,760,320 (2010: $3,048,361)

Principal Activites

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.

Review of Operations

The Company's Huckitta Project in the Northern Territory remained the focus of activity during the first half of the financial year. Significant results during the period include the identification of new mineralisation at surface on the southern portion of the Huckitta project. The latest discovery was the Bigglesworth Prospect situated 20km south of the Basil trend and approximately 20km along strike from the recently identified Austin Prospect. Surface rockchip samples from Bigglesworth returned high levels of copper associated with highly anomalous values of gold and silver. The mineralisation is consistent with an iron-oxide-copper-gold ('IOCG') mineralising system, covers an area approximately 40kmx20km and appears structurally controlled. The setting has similarities to the Cloncurry IOCG district in Queensland that hosts a number of copper deposits.

The IOCG prospectivity of the Huckitta Project has only been recognised recently through regional surface mapping and sampling programs. It has initiated a new generation of targets on the Huckitta Project and will be the Company's focus during 2012. This style of mineralisation presents a new focus for the Company in the region and is quite different to the mineralisation observed along the 10km long Basil trend. At Huckitta the IOCG alteration system and has been named the Illogwa IOCG target area.

Geophysical surveys at the Austin IOCG Prospect have already identified targets coincident with the outcropping copper mineralisation. Heritage surveys were successfully completed over these targets and drilling is planned for April 2012. Mapping and sampling will continue along with geophysical surveys in the illogwa IOCG area generating drill targets to be tested in May-June 2012.

Drilling results from the Basil trend during the period under review demonstrated the potential for higher grades of copper mineralisation with intersections over 1% Cu at the Peaks Zone. Drilling was halted due to bushfires at Basil and the Company is currently assessing all information and completing an initial resource estimate based on all the drilling results to date. This will likely outline additional targets for the drilling program being planned for 2012. The resource figure will be released in the current quarter (March 2012).

During the period Mithril entered into an option and joint venture agreement with MMG Exploration Pty Ltd (MMG) for the nickel rights on selected 100% owned Mithril tenements of the Huckitta Project. Under the agreement Mithril will retain the rights to non-nickel minerals, including copper and gold, across the Huckitta Project. The MMG joint venture does not apply to the existing joint venture projects and it does not include the 100% owned Albarta Bore tenement (EL28335) which hosts the Bigglesworth IOCG prospect.

An aircore and reverse circulation ('RC') drilling program has been completed across a number of regional targets at Huckitta with the results currently being assessed. The results highlighted anomalous base metal values over four targets and these will be advanced for further, deeper drilling using an RC rig in 2012.

Ground geophysical surveys on the East Pilbara Project detected anomalies which are to be drilled in 2012 and heritage clearance surveys have been successfully completed to facilitate this drilling.

At the Sandstone Project ground geophysical surveys were completed; however, no compelling targets were detected. The Company s currently seeking a joint venture partner to fund exploration on the Sandstone Tenements.

Going forward the Company will continue to focus on Huckitta. Given the strong encouragement from the surface mineralisation recently discovered at Bigglesworth, and the drill targets generated at the Austin prospect, the Company is in the process of planning an aggressive exploration program to further evaluate the IOCG potential of the southern portion of the Huckitta Project in 2012. This program includes geological mapping, geophysical surveys, and extensive drilling of the targets delineated.

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

Auditor's independence declaration

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2011.

Signed in accordance with a resolution of the directors.

Mr Graham Ascough
Managing Director

2 March 2012

Grant Thornton

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

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

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

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 2 March 2012

Interim consolidated statement of comprehensive income

For the half-year ended 31 December 2011

	Note	Consolidated Group Half-year ended 31 Dec 2011 $	Consolidated Group Half-year ended 31 Dec 2010 $
Revenue from ordinary activities		311,657	197,133
Other Income		9,533	9,996
Gain on sale of Non-Current Assets		-	60,206
Impairment of exploration assets		(5,626)	(2,257,159)
Fair Value Gain/(loss) - held for trading investment		-	11,606
Employee benefits expense		(281,679)	(693,636)
Depreciation expense		(44,353)	(61,442)
Finance costs		(8,652)	(4,904)
Impairment of available-for-sale investments	3	(1,470,756)	-
Other expenses		(270,444)	(189,287)
Loss before income tax expense		(1,760,320)	(2,927,487)
Income tax benefit/(expense)		-	(120,874)
Loss from continuing operations		(1,760,320)	(3,048,361)
Loss attributable to members of the parent entity		(1,760,320)	(3,048,361)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,760,320)	(3,048,361)

	31 Dec 2011	31 Dec 2010
Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(0.80)	(2.54)
Diluted earnings per share	(0.80)	(2.54)

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

Interim consolidated statement of financial position
As at 31 December 2011

	Note	Consolidated Group 31 December 2011 $	30 June 2011 $
CURRENT ASSETS			
Cash and cash equivalents		6,908,962	10,628,417
Trade and other receivables		114,954	278,622
Other current assets		268,696	277,859
TOTAL CURRENT ASSETS		7,292,612	11,184,898
NON-CURRENT ASSETS			
Available-for-sale investments	5	1,330,212	1,656,500
Property, plant and equipment	6	305,542	346,075
Exploration and evaluation assets	7	11,885,940	8,900,548
TOTAL NON-CURRENT ASSETS		13,521,694	10,903,123
TOTAL ASSETS		20,814,306	22,088,021
CURRENT LIABILITIES			
Trade and other payables		170,513	817,986
Short-term borrowings		69,409	55,160
Short-term provisions		113,200	69,979
TOTAL CURRENT LIABILITIES		353,122	943,125
NON-CURRENT LIABILITIES			
Long-term borrowings		82,378	128,666
Long-term provisions		47,743	69,315
TOTAL NON-CURRENT LIABILITIES		130,121	197,981
TOTAL LIABILITIES		483,243	1,141,106
NET ASSETS		20,331,063	20,946,915
EQUITY			
Issued capital	8	30,795,217	30,795,217
Reserves		2,332,215	1,246,996
Retained earnings		(12,796,369)	(11,095,298)
TOTAL EQUITY		20,331,063	20,946,915

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

Interim consolidated statement of changes in equity

For the half-year ended 31 December 2011

	Note	Consolidated Group				
		Issued Capital Ordinary $	Share Option Reserve $	Available for sale revaluation reserve $	Retained Earnings $	Total Equity $
Balance at 1 July 2010		19,312,928	763,349		(7,593,948)	12,482,329
Total comprehensive loss		-	-	-	(3,048,361)	(3,048,361)
Issue of shares		2,145,879	-	-	-	2,145,879
Cost of share based payment		-	476,510	-	-	476,510
Exercise of unlisted options		6,000	-	-	-	6,000
Transaction costs (net of tax)		(281,740)	-	-	-	(281,740)
Balance at 31 December 2010		21,183,067	1,239,859	-	(10,642,309)	11,780,617
Balance at 1 July 2011		30,795,217	2,391,464	(1,144,468)	(11,095,298)	20,946,915
Total comprehensive loss		-	-	(326,288)	(1,760,320)	(2,086,608)
Impairment of availalbe for sale revaluation reserve to fair value		-	-	1,470,756	-	1,470,756
Transfer from share based payment reserve upon lapse of options		-	(59,249)	-	59,249	-
Balance at 31 December 2011		30,795,217	2,332,215	-	(12,796,369)	20,331,063

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

Interim consolidated statement of cash flows
For the half-year ended 31 December 2011

	Consolidated Group	
	Half year ended 31 Dec 2011 $	Half year ended 31 Dec 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	211,246	93,243
Payments to suppliers and employees	(638,581)	(429,587)
Research & Development Tax offset received	20,937	105,299
Interest received	239,212	146,515
Finance costs	(8,652)	(4,904)
NET CASH (USED IN) OPERATING ACTIVITIES	(175,838)	(89,434)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(3,820)	(77,501)
Proceeds from sale of held for trading assets	-	527,391
Purchase of investments in associates	-	(268,387)
Joint venture receipts	120,497	-
Payments for exploration activities	(3,628,255)	(2,343,680)
NET CASH (USED IN) INVESTING ACTIVITIES	(3,511,578)	(2,162,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,981,879
Payment of transaction costs for issue of shares	-	(397,407)
Repayment of borrowings	(32,039)	(7,348)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(32,039)	1,577,124
Net (decrease) in cash and cash equivalents	(3,719,455)	(674,487)
Cash at the beginning of the period	10,628,417	5,037,357
CASH AT THE END OF THE PERIOD	6,908,962	4,362,870

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

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

1. Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 2 March 2012.

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

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

Basis of preparation

The interim consolidated financial statements for the six months ended 31 December 2011 have been prepared in accordance with AASB 134 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2011, together with any public announcements made during the half-year.

New standards, interpretations and amendments adopted by the Group

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2011, except for the adoption of Improvements to AASBs 2010 (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to AASBs. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Amendments to AASB 134 Interim Financial Reporting

The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Group's circumstances since the last annual financial statements. The Group's interim financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2011.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Significant events and transactions

There are no significant events or transaction for the period.

3. Impairment of available-for-sale investments

	Consolidated	
	2011	2010
	$	$
Impairment of investment in Musgrave Minerals Ltd	1,470,756	
	1,470,756	-

In accordance with AASB 139 Financial Instruments: Recognition and Measurement, the Directors have recognised the 'significant' and 'prolonged' decrease in the fair value of the Musgrave Minerals investment as impaired. This has resulted in amounts recognised in the current and prior periods in the available for sale reserve being released to the Statement of comprehensive income at 31 December 2011.

4. Segment reporting

Management identifies its operating segments based on the types of business segments encountered by the Group. The Group's three main operating segments are:

- Investment being a strategic investment by the Group in equity instruments of associates and other similar entities;
- Exploration activities conducted in Northern Territory; and
- Exploration activities conducted in Western Australia.

During the six month period to 31 December 2011, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Notes to the condensed interim consolidated financial statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

4. Segment Reporting (continued)

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

	Segment Revenue		Segment Result	
	Half Year ended		Half Year ended	
	31-Dec 2011 $	31-Dec 2010 $	31-Dec 2011 $	31-Dec 2010 $
Continuing Operations				
Mineral Exploration - South Australia	-	-	-	(702,102)
Mineral Exploration - Nothern Territory	-	-	(5,626)	-
Mineral Exploration - Western Australia	-	-	-	(1,555,057)
	-	-	(5,626)	(2,257,159)
Finance costs	-	-	(8,652)	(4,904)
Administration/Corporate	321,190	278,941	(230,933)	(603,982)
Depreciation	-	-	(44,353)	(61,442)
Impairment	-	-	(1,470,756)	-
Consolidated revenue	321,190	278,941		
Loss before income tax			(1,760,320)	(2,927,487)
Income tax expense			-	(120,874)
Loss from continuing operations			(1,760,320)	(3,048,361)

The revenue reported above represents revenue generated from financial institutions, investments revenues and management fees earned from joint venture partners. There were no intersegment sales during the period.

Segment profit/(loss) represents the profit or (loss) earned/(incurred) by each segment without allocation of central administration costs, finance costs, depreciation and income tax (expense)/benefit. This is the measure reported to the Managing Director for the purposes of resource allocation and assessment of segment performance.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

4. Segment Reporting (continued)

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. The following is an analysis of the Group's assets by reportable operating segment.

	Opening Balance 1/07/2011 $	Capital Expenditure/ Investment $	Impairment/ Share of loss $	Closing Balance 31/12/2011 $
Continuing Operations				
Mineral Exploration - South Australia	-	-	-	-
Mineral Exploration - Nothern Territory	8,343,881	2,467,195	(5,626)	10,805,450
Mineral Exploration - Western Australia	556,667	523,823	-	1,080,490
Total segment assets	8,900,548	2,991,018	(5,626)	11,885,940
Other				
Administration/Corporate	13,187,473			8,928,366
	22,088,021			20,814,306

Notes to the condensed interim consolidated financial statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

5. Available-for-sale investments

	Consolidated	
	31-Dec 2011 $	30-Jun 2010 $
At fair value - Shares, listed: options, unlisted:		
Opening balance	1,656,500	2,800,968
Revaluations to market value	(326,288)	(1,144,468)
	1,330,212	1,656,500

6. Property, plant and equipment

	Consolidated					
	Period ended 31 Dec 2011			Year ended 30 June 2011		
	Plant & equipment $	Motor vehicles $	Total $	Plant & equipment $	Motor vehicles $	Total $
Opening balance, net of accumulated depreciation	90,420	255,655	346,075	78,764	103,415	182,179
Additions	3,820	-	3,820	55,976	180,456	236,432
Disposals	-	-	-	-	-	-
Depreciation	(24,085)	(20,268)	(44,353)	(44,320)	(28,216)	(72,536)
Closing balance, net of accumulated depreciation	70,155	235,387	305,542	90,420	255,655	346,075
Opening 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
Closing balance						
Cost	254,210	363,143	617,353	250,390	363,143	613,533
Accumulated depreciation	(184,055)	(127,756)	(311,811)	(159,970)	(107,488)	(267,458)
Net carrying amount	70,155	235,387	305,542	90,420	255,655	346,075

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

7. Exploration and evaluation assets

	Consolidated 31-Dec 2011 $	Consolidated 30-Jun 2011 $
Exploration and evaluation costs carried forward in respect of mining areas of interest		
Exploration and evaluation phases - Joint Ventures	2,413,966	1,541,301
Exploration and evaluation phases - Other	9,471,974	7,359,247
	11,885,940	8,900,548

Consolidated group Capitalised tenement expenditure movement reconciliation	Exploration Joint Venture $	Exploration Other $	Total $
Balance at beginning of year	1,541,301	7,359,247	8,900,548
Additions through expenditure	884,179	2,118,353	3,002,532
Reductions through joint venture contributions	(11,514)	-	(11,514)
Write off of tenements relinquished	-	(5,626)	(5,626)
Balance at end of year	2,413,966	9,471,974	11,885,940

8. Issued capital

	Consolidated Group 31 Dec 11 $	Consolidated Group 30 Jun 11 $
Fully paid ordinary shares	30,795,217	30,795,217
	30,795,217	30,795,217

Ordinary shares	Number	$
Balance at beginning of financial period	219,615,500	30,795,217
Shares issued during period	-	-
Balance at end of the financial period	219,615,500	30,795,217

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

9. Subsequent events

No subsequent events have occurred after the balance date.

10. 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 totaling $300,000 at 31 December 2011 which act as collateral over tenements which Mithril Resources Ltd operate.

Directors' Declaration

In the opinion of the directors of Mithril Resources Ltd:

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

  (i) give a true and fair view of its financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

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

On behalf of the Board

Mr Graham Ascough
Managing Director

2 March 2012

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

We have reviewed the accompanying half-year financial report of Mithril Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mithril Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 2 March 2012