



**MITHRIL**

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**RESOURCES LTD**

**ABN 30 099 883 922**

## **Half Year Report**

**for the half year ended 31 December 2008**

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## Directors' Report

The directors of Mithril Resources Ltd submit their report for the half-year ended 31 December 2008.

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

Mr John Roberts, Chairman  
Mr Graham Ascough, Managing Director  
Mr Donald Stephens  
Mr Derek Carter  
Mr Richard Bonython  
Dr Peter Gower (Retired 18 November 2008)  
Mr Gary Snow (Retired 5 September 2008)

### Review of Operations

During the six months to December 31<sup>st</sup>, 2008, the Company advanced its core projects towards discovery and development reporting encouraging results from its Huckitta, Musgrave and Pardoo Projects. In light of the financial crisis and sharp drop in commodity prices, Mithril adopted an economy budget approach during the six month period. The Company made significant cutbacks on administrative costs and tenement commitments. After a strategic review of its exploration interests a decision was made to divest non-core projects and subsequent to the end of the reporting period Mithril agreed to sell its mineral sands interests for cash consideration of \$550,000 to Iluka Resources Ltd. Going forward the company will continue to conserve its cash while carrying out meaningful, albeit low cost exploration programs on its core projects.

During the reporting period the Company discovered a new nickel-copper prospect on the Harts Range JV of the Huckitta Project called Blackadder. Assays from rock chip samples returned 3.8% nickel, 9.6% copper and 1.7 grams per tonne platinum+palladium+gold. This exciting development is the first occurrence of nickel sulphide mineralisation within this under-explored region. Subsequent to this discovery the Company moved quickly to consolidate a significant exploration land holding in the region, entering two new joint ventures (Treasure and Sammy) and applying for an exploration licence over available vacant ground. A second phase of geological mapping identified further nickel sulphide mineralisation at the Baldrick Prospect, 1.5 km northeast of Blackadder. At Baldrick surface rock chip samples returned 2.3% nickel and 2.4% copper. Mapping 15 km to the south identified the Edmund Prospect where sampling returned highly anomalous copper and silver values (2.6% copper and 65 grams per tonne silver) with elevated nickel and platinum group elements (PGE's). In addition a number of other gabbroic bodies within Mithril's Huckitta Project area were identified. These bodies were commonly found to contain disseminated sulphides and petrographic analysis confirmed that five contain the nickel bearing sulphide pentlandite. These results confirm that a large, fertile, magmatic event is present at Huckitta with the potential to host significant and potentially economic nickel sulphide deposits.

At the Pardoo Project, located approximately 100km east of Port Hedland in Western Australia, drilling under the Highway Resource (JORC-code compliant inferred mineral resource of 44.7Mt grading 0.3% nickel and 0.1% copper) intersected wide zones of nickel, copper and cobalt mineralisation. These results confirm the continuity and depth potential of the deposit. Intersections from DD08HW001 include 95m of 0.41%nickel, 0.16% copper and

0.03% cobalt and from DD08HW002 include 59.2m of 0.44% nickel, 0.1% copper and 0.03% cobalt. Research and development activities to evaluate different processing options for the highway ore were also undertaken during the reporting period.

On the Musgrave Barrick Joint Venture Project in South Australia the results from two diamond drillholes in combination with three drillholes completed by previous explorers at Mt Alvey confirm that platinum+palladium mineralisation extends over 1.5km and is open both up and down dip and along strike. Geological mapping on the same tenement identified a new zone of outcropping vanadium bearing titaniferous-magnetite over an area of 1700m x 300m. Assays from rock chip samples have returned values up to 0.83% vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>).

*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 mineralization 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 5 and forms part of the directors' report for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the directors.



13 March 2009

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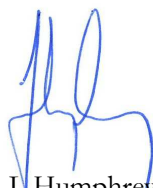
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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MITHRIL RESOURCES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Mithril Resources Limited Pty Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



J L Humphrey  
Partner

Signed at Wayville on this 13<sup>th</sup> day of March 2009

## Consolidated Income Statement

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	Half year ended 31 Dec 2008 \$	Half year ended 31 Dec 2007 \$
Revenue from ordinary activities	103,748	251,420
Other income	5,313	-
Gain on sale of Non-Current Assets	794,524	-
Impairment of non-current assets	(82,825)	(96,904)
Fair value loss	(797,392)	-
Employee benefits expense	(172,547)	(122,111)
Depreciation expense	(31,466)	(5,513)
Finance costs	(272)	(157)
Other expenses	5 (269,565)	(343,310)
<b>(Loss) before income tax expense</b>	<b>(450,482)</b>	<b>(316,575)</b>
Income tax expense	(6,971)	(3,305)
<b>(Loss) for the period</b>	<b>(457,453)</b>	<b>(319,880)</b>
<b>(Loss) attributable to members of the parent entity</b>	<b>(457,453)</b>	<b>(319,880)</b>
<b>Earnings per share:</b>	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.97)	(0.68)
Diluted earnings per share	(0.97)	(0.68)

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

## Consolidated Balance Sheet

### AS AT 31 DECEMBER 2008

	Note	Consolidated	
		31 December 2008 \$	30 June 2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,320,873	2,782,212
Trade and other receivables		128,165	432,990
Other current assets		75,181	102,694
Held for trading investments		472,703	150,000
Exploration and evaluation assets - Held for sale	6	126,472	325,572
<b>TOTAL CURRENT ASSETS</b>		<b>2,123,394</b>	<b>3,793,468</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		162,159	193,072
Exploration and evaluation assets	6	5,318,732	4,591,868
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,480,891</b>	<b>4,784,940</b>
<b>TOTAL ASSETS</b>		<b>7,604,285</b>	<b>8,578,408</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		215,865	722,063
Borrowings		13,775	13,186
Short-term provisions		25,976	27,899
Deferred income		45,555	69,701
<b>TOTAL CURRENT LIABILITIES</b>		<b>301,171</b>	<b>832,849</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		47,318	54,356
Long-term provisions		21,820	15,483
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>69,138</b>	<b>69,839</b>
<b>TOTAL LIABILITIES</b>		<b>370,309</b>	<b>902,688</b>
<b>NET ASSETS</b>		<b>7,233,976</b>	<b>7,675,720</b>
<b>EQUITY</b>			
Issued capital	7	11,914,326	11,909,693
Retained earnings		(4,978,336)	(4,573,033)
Reserves		297,986	339,060
<b>TOTAL EQUITY</b>		<b>7,233,976</b>	<b>7,675,720</b>

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

## Consolidated Statement of Changes in Equity

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated			
	Issued Capital Ordinary \$	Retained Earnings \$	Share Option Reserve \$	Total \$
<b>Balance at 1 July 2007</b>	11,863,020	(3,131,239)	215,329	8,947,110
(Loss) attributable to members of the parent entity	-	(319,880)	-	(319,880)
Transaction costs (net of tax)	2,513	-	-	2,513
Cost of share-based payments	-	-	38,623	38,623
<b>Balance at 31 December 2007</b>	<b>11,865,533</b>	<b>(3,451,119)</b>	<b>253,952</b>	<b>8,668,366</b>
<b>Balance at 1 July 2008</b>	11,909,693	(4,573,033)	339,060	7,675,720
(Loss) attributable to members of the parent entity	-	(457,453)	-	(457,453)
Transaction costs (net of tax)	(16,267)	-	-	(16,267)
Revaluation of Available-for-sale investments	-	-	-	-
Transfer from employee share option reserve	20,900	52,150	(73,050)	-
Cost of share-based payments	-	-	31,976	31,976
<b>Balance at 31 December 2008</b>	<b>11,914,326</b>	<b>(4,978,336)</b>	<b>297,986</b>	<b>7,233,976</b>

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



## Consolidated Cash Flow Statement

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	Half year ended 31 Dec 2008 \$	Half year ended 31 Dec 2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	5,313	-
Payments to suppliers and employees	(657,940)	(759,680)
Interest received	58,673	160,581
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(593,954)</b>	<b>(599,099)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration activities	(1,474,301)	(1,952,614)
Joint venture receipts	583,999	1,193,649
Government exploration related grants	49,500	50,000
Purchase of property, plant and equipment	3,104	(14,368)
Purchase of available-for-sale investments	-	(150,000)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(837,698)</b>	<b>(873,333)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Transaction costs of issue of shares	(23,238)	(792)
Repayment of borrowings	(6,449)	(5,719)
<b>NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES</b>	<b>(29,687)</b>	<b>(6,511)</b>
Net (decrease) in cash and cash equivalents	(1,461,339)	(1,478,943)
Cash at the beginning of the reporting period	2,782,212	5,521,805
<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>1,320,873</b>	<b>4,042,862</b>

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

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Reporting entity

Mithril Resources Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company's registered office.

##### b. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 and any public announcements made by the consolidated entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

##### c. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008.

#### 2. SEGMENT INFORMATION

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

#### 3. CONTINGENT LIABILITIES

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

#### 4. EVENTS SUBSEQUENT TO REPORTING DATE

On the 17 February 2009, Mithril Resources Ltd announced that it had sold 1 tenement and 3 tenement applications for \$550,000 (incl. GST) to Iluka (Eukla Basin) Pty Ltd, a wholly owned subsidiary of Iluka Resources Ltd.

The tenements have been classified as current assets 'held-for-sale' as at 31 December 2008.

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

#### 5. OTHER EXPENSES

	Consolidated	
	As at 31 Dec 08	As at 31 Dec 07
	\$	\$
Accounting Fees	49,005	39,641
Audit Fees	7,500	8,190
ASX/ASIC Compliance Fees	17,005	17,453
Insurance	28,687	17,891
Rent & Service Charges	83,294	68,497
Share Registry Expense	15,209	14,112
Travel, Accommodation & Conferences	18,579	40,679
Other Expenses	50,286	136,847
	269,565	343,310

#### 6. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
<b>Current</b>		
Balance at beginning of period	325,572	-
Disposal of exploration asset	(325,572)	-
Transfer from Non-Current	126,472	325,572
Balance at end of period	126,472	325,572
<b>Non Current</b>		
Balance at beginning of period	4,591,868	3,407,298
Net expenditure during the half-year	936,161	2,533,261
Transfer to Current	(126,472)	(325,572)
Exploration expenditure written off	(82,825)	(1,023,119)
Balance at end of period	5,318,732	4,591,868
<b>Total</b>	5,445,204	4,917,440

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

#### 7. ISSUED CAPITAL

	Consolidated	
	As at 31 Dec 08 \$	As at 30 Jun 08 \$
Fully paid ordinary shares	11,914,326	11,909,693
	11,914,326	11,909,693

	Half year ended 31 Dec 08	
	Number	\$
<b>Ordinary shares</b>		
Balance at beginning of period	47,393,000	11,909,693
Transfer from employee equity-settled benefits reserve	-	20,900
Transaction costs (net of tax)	-	(16,267)
Balance at end of period	47,393,000	11,914,326

#### 8. SHARE-BASED PAYMENTS

The company has established the Mithril Resources Ltd Employee Share Option Plan that entitles key management personnel and senior employees to purchase shares in the entity. The terms and conditions of the share option plan are disclosed in the consolidated financial report as at and for the year ended 30 June 2008. In December 2008 a further grant on similar terms were made to employees.

The terms and conditions of the grants made during the six months ended 31 December 2008 are as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
Option grant at:			
1. 12 December 2008	350,000	One year of service	5 years

Fair value of share options and assumptions for the six months ended 31 December 2008:

1. Fair value at grant date	\$0.071
Share price	\$0.080
Exercise price	\$0.150
Expected volatility	153.0%
Option life	5 years
Risk-free interest rate (based on government bonds)	3.67%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

## Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 , including:
  - (i) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Mr John Roberts  
Chairman

13 March 2009

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF MITHRIL RESOURCES LIMITED AND CONTROLLED  
ENTITIES**

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Mithril Resources Limited (the Company) and consolidated entity, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Company and the entities it controlled at the half-year's end or from time to time during that 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 control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports 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 2008 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.

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF MITHRIL RESOURCES LIMITED AND CONTROLLED  
ENTITIES Cont**

**Auditor's responsibility Cont**

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**

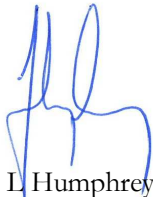
In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**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 2008 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  
South Australian Partnership  
Chartered Accountants



J L Humphrey  
Partner

Signed at Wayville on this 13th day of March 2009