

Mithril Resources Ltd

ABN 30 099 883 922

Half Year Report

for the half year ended 31 December 2006

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Directors' Report

The directors of Mithril Resources Ltd submit their report for the half-year ended 31 December 2006.

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 (Appointed 9 October 2006)
Dr Peter Gower
Mr Derek Carter
Mr Richard Bonython
Mr Donald Stephens
Mr Gary Snow (Appointed 4 January 2007)
Mr David Miller (Retired 29 September 2006)
Mr Allan Quadrio (Retired 4 January 2007)

Review of Operations

Mithril remains focused on growth through the discovery and development of nickel-copper sulphide resources. The company continues to advance priority projects to the drill stage and is actively exploring several projects throughout Australia where it has a valuable strategic alliance with BHP Billiton Minerals Pty Limited.

The company has 17 Exploration Licences throughout Australia and an additional 5 pending exploration applications registered in its own right. Mithril has also entered several agreements whereby it can earn an interest in tenements and tenement applications that are held by third Parties.

Exploration highlights are summarized as follows:

South Australia

- Electromagnetic surveys in the vicinity of the Aristarchus Prospect on the Dominion Project identified a conductor coincident with a magnetic high and elevated nickel-copper values from surface and aircore sampling programmes. Mithril was awarded South Australian Government PACE (Plan for Accelerating Exploration) funding of \$50,000 to partly fund the planned drill program at Dominion. Drilling is scheduled to commence in the first half of 2007.
- Drill targets on the Cooper Hill and Talia Hill projects are ready to be drilled and are awaiting available drill equipment and crews.

Western Australia

- At Bulloo Downs two tenement applications were granted and field work will commence in the first half of 2007.
- The planned 11 hole reverse circulation drill programme at Silver Swan North announced on September 28th, 2006 was delayed pending the completion of heritage clearance surveys. The programme is now scheduled to commence in March/April 2007.

Northern Territory

- Geological mapping and sampling by Mithril on the Casey Project in the Northern Territory identified elevated copper and zinc values in surface samples from the Pipeline Prospect.

- Geological mapping, geochemical sampling and geophysical surveying on the Indiana and Hammer Hill projects continue to show positive exploration results.

New South Wales

- In December the Company relinquished its interest in two tenements that form part of the Koonenberry Project (Exploration Licences 6364 and 6429) having tested the main prospects for nickel sulphide mineralisation.

In addition to Mithril's nickel exploration activities the Company is also exposed to uranium, copper-gold and mineral sands exploration through third parties exploring Mithril's tenements for these commodities under various joint venture agreements.

In September 2006 the Mithril Board of Directors accepted the resignation of David Miller as the Managing Director. Mr Graham Ascough was appointed to the position of Managing Director of Mithril and commenced employment on October 11th, 2006.

In December 2006, 5,250,000 Fully Paid Ordinary Shares were allotted to investors by way of a private placement and as a result the total number of shares quoted on the ASX increased to 40,843,000. Substantial shareholders in the Company are Minotaur Resources Investments Pty Ltd (21.7%) and Consolidated Nickel Pty Ltd (19.99%).

Matters Subsequent to the End of the Reporting Period

On January 4th the Mithril Board of Directors accepted the resignation of Mr Allan Quadrio as a Non-Executive Director of the Company and Mr Gary Snow was appointed to the Mithril Board of Directors, as a Non-Executive Director. Mr Quadrio resigned due to increasing commitments to other business interests. He brought extensive operating experience to Mithril having held senior positions with several mining companies including Consolidated Minerals Limited, a substantial shareholder in Mithril through their wholly owned subsidiary Consolidated Nickel Pty Ltd.

Mr Snow has over 20 years' experience in the mining industry and is currently the General Manager-Exploration for Consolidated Minerals Limited. He holds an MSc in geology from the University of Pretoria and an MBA from Herriot Watt University in Scotland. Mr Snow has broad mining and exploration experience and has held senior exploration positions with several international and Australian based mining companies.

Auditor's independence declaration

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2006.

Signed in accordance with a resolution of the directors.



Mr John Roberts
Chairman

13th March 2007

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

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 2006, 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



S J GRAY
Partner

Signed at *Adelaide* this *13* day of *March*

2007

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Consolidated Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	Half year ended 31 Dec 2006 \$	Half year ended 31 Dec 2005 \$
Revenue from ordinary activities	145,360	167,822
Exploration expenditure written off	3 (86,752)	(551,365)
Employee benefits expense	(31,502)	(15,894)
Depreciation expense	(4,926)	(5,516)
Finance Costs	(741)	(200,146)
Other expenses	(304,801)	(1,189)
Profit/(Loss) before income tax expense	(283,362)	(606,288)
Income tax expense	(30,008)	-
Profit/(Loss) for the period	(313,370)	(606,288)
Profit/(Loss) attributable to members of the parent entity	(313,370)	(606,288)
Earnings per share:	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.87)	(1.70)
Diluted earnings per share	(0.87)	(1.70)

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 2006

	Note	Consolidated	
		31 December 2006 \$	30 June 2006 \$
CURRENT ASSETS			
Cash and cash equivalents		5,016,363	4,329,746
Trade and other receivables		76,308	81,640
Other current assets		37,610	40,114
TOTAL CURRENT ASSETS		5,130,281	4,451,500
NON-CURRENT ASSETS			
Property, plant and equipment		43,245	38,308
Exploration and evaluation assets	3	2,539,250	2,049,346
TOTAL NON-CURRENT ASSETS		2,582,495	2,087,654
TOTAL ASSETS		7,712,776	6,539,154
CURRENT LIABILITIES			
Trade and other payables		266,257	160,676
Short-term borrowings		12,377	18,679
Short-term provisions		6,540	15,043
TOTAL CURRENT LIABILITIES		285,174	194,398
NON-CURRENT LIABILITIES			
Long-term provisions		4,811	12,479
Other non-current liabilities		77,315	77,315
TOTAL NON-CURRENT LIABILITIES		82,126	89,794
TOTAL LIABILITIES		367,300	284,192
NET ASSETS		7,345,476	6,254,962
EQUITY			
Issued capital	4	10,168,244	8,768,262
Retained earnings		(2,979,615)	(2,667,685)
Reserves		156,847	154,385
TOTAL EQUITY		7,345,476	6,254,962

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 2006

	Consolidated			
	Share Capital Ordinary \$	Retained Earnings \$	Share Option Reserve \$	Total \$
Balance at 1 July 2005	8,768,262	(1,538,594)	162,825	7,392,493
Profit attributable to members of the parent entity	-	(606,288)	-	(606,288)
Cancellation of options	-	14,850	(14,850)	-
Balance at 31 December 2005	8,768,262	(2,130,032)	147,975	6,786,205
Balance at 1 July 2006	8,768,262	(2,667,685)	154,385	6,254,962
Profit attributable to members of the parent entity	-	(313,370)	-	(313,370)
Shares issued via placement	1,470,000	-	3,902	1,473,902
Transaction costs (net of tax)	(100,026)	-	-	(100,026)
Write back of taxation applicable to capital related transaction costs upon recognition of deferred tax liability	30,008	-	-	30,008
Cancellation of options	-	1,440	(1,440)	-
Balance at 31 December 2006	10,168,244	(2,979,615)	156,847	7,345,476

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 2006

	Consolidated	
	Half year ended 31 Dec 2006 \$	Half year ended 31 Dec 2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Administration fees	19,386	21,038
Payments to suppliers and employees	(411,143)	(274,590)
Interest received	127,781	191,967
Finance costs	(683)	(1,414)
NET CASH USED IN OPERATING ACTIVITIES	(264,659)	(62,999)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration activities	(725,498)	(735,338)
Joint venture receipts	242,116	222,327
Government exploration related grants	-	35,559
Purchase of property, plant and equipment	(9,864)	(8,802)
NET CASH USED IN INVESTING ACTIVITIES	(493,246)	(486,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,470,000	-
Transaction costs of issue of shares	(19,176)	-
Proceeds from borrowings	-	25,563
Repayment of borrowings	(6,302)	(29,259)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,444,522	(3,696)
Net increase/(decrease) in cash and cash equivalents	686,617	(552,949)
Cash at the beginning of the reporting period	4,329,746	5,491,957
CASH AT THE END OF THE REPORTING PERIOD	5,016,363	4,939,008

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 2006

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 2006 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 2006 is available upon request from the Company's registered office.

b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act.

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 2006.

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 2006.

2. SEGMENT INFORMATION

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

3. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 December 2006 \$	30 June 2006 \$
Balance at beginning of financial year	2,049,346	1,988,360
Expenditure during the half-year	576,656	1,034,598
Exploration expenditure written off	(86,752)	(973,612)
Balance at end of financial year	2,539,250	2,049,346

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

4. ISSUED CAPITAL

	Consolidated	
	As at 31 Dec 06 \$	As at 30 Jun 06 \$
Fully paid ordinary shares	10,168,244	8,768,262
	10,168,244	8,768,262
	Half year ended 31 Dec 06	
	Number	\$
Ordinary shares		
Balance at beginning of financial year	35,593,000	8,768,262
Share Placement issued on 27 December 2006	5,250,000	1,470,000
Transaction costs on shares issued		(70,018)
Balance at end of financial year	40,843,000	10,168,244

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

5. 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 2006. In December 2006 a further grant on similar terms was made to key management personnel.

The terms and conditions of the grants made during the six months ended 31 December 2006 are as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
Option grant at:			
1 18 December 2006	750,000	One year of service	5 years
2 18 December 2006	750,000	Two years of service	6 years

Fair value of share options and assumptions for the six months ended 31 December 2006:

1 Fair value at grant date	\$0.079
Share price	\$0.300
Exercise price	\$0.305
Expected volatility	11.7%
Option life	5 years
Risk-free interest rate (based on government bonds)	6.25%
2 Fair value at grant date	\$0.089
Share price	\$0.300
Exercise price	\$0.305
Expected volatility	11.7%
Option life	6 years
Risk-free interest rate (based on government bonds)	6.25%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2006.

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 30 June 2006 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

13th March 2007

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF MITHRIL RESOURCES LIMITED & CONTROLLED ENTITY**

Scope

Report on the financial report

We have reviewed the accompanying interim financial report of Mithril Resources Limited and Controlled Entity, which comprises the consolidated interim balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

Auditors' responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. As 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 an interim 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 have complied with the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

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Conclusion

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

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S.J. GRAY
Partner

Signed at *Adelaide* this *13* day of *March* 2007