

# **Mithril Resources Ltd**

**ABN 30 099 883 922**

## **Half Year Report**

**for the half year ended 31 December 2016**

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## Directors' Report

The Directors of Mithril Resources Ltd ('Mithril') present their report together with the financial statements of the consolidated entity, being Mithril Resources Ltd ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2016 and the Independent Auditor Review Report thereon.

### Director Details

The following persons were directors of Mithril during or since the end of the reporting period.

Mr Graham Ascough, Chairman  
Mr David Hutton, Managing Director  
Mr Donald Stephens, Non-Executive Director

### Operating Result

The group's loss for the half year ended 31 December 2016 after providing for income tax amounted to \$508,112 (2015: \$612,451).

### Principal Activities

The principal activities of the Company and consolidated entities ('the Group') during the reporting period 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 reporting period.

### Review of Operations

Mithril's activities for the Half Year ending 31 December 2016 (the "Period") comprised aircore drilling for gold and nickel mineralisation on the Lignum Dam Project in Western Australia and target generation on the Coompana Project in South Australia. Mithril's farmin and joint venture partners conducted gold exploration activities on the Duffy Well, Kurnalpi and Spargos Reward Gold Projects in Western Australia.

### Corporate Overview

During the Period, the Company spent \$0.39M on its exploration activities outlined in this report and at 31 December 2016, the Company had cash reserves of \$0.53M.

During the Half Year, the Company raised \$545,400 via a Share Purchase Plan (SPP) under which, new shares were issued at a price of \$0.005 (0.5 cents) and the Company's Directors

took up their full entitlement. Following the SPP, Mithril has 686,483,065 fully paid ordinary shares on issue.

## **Exploration Overview**

### **Lignum Dam Project (Mithril 100%)**

Aircore drilling at the Lignum Dam Project (*located 50 kilometres north-northeast of Kalgoorlie, WA*) identified a new nickel sulphide prospect called Mexi, which will be the focus of ongoing exploration.

In addition to Mexi, there are also a number of other holes that ended in zones of gold anomalism and require further sampling and inspection to understand their potential significance.

With an area of approximately 270km<sup>2</sup>, Lignum Dam covers a package of gold and nickel prospective Archaean mafic, ultramafic, and felsic rocktypes directly along strike from the Lindsay's Gold Mining Centre and the high grade Silver Swan nickel deposit.

### **Coompana Project (Mithril / OZ Minerals)**

Mithril and OZ Minerals (ASX: OZL) are exploring South Australia's far western Coompana Province for magmatic nickel - copper sulphide deposits. Exploration is carried out under the terms of a Heads of Agreement whereby Mithril will undertake a target generation exercise at Coompana in the first instance, with a view to identifying potential drill targets on the tenements. OZ Minerals will invest \$250,000 as part of the stage one targeting.

If Mithril identifies drill targets which are acceptable to both parties, then negotiations will advance to a formal joint venture to undertake the exploration, at which point Mithril can elect to earn a 20% interest in the project by funding \$400,000 of a \$2M drilling program with the balance funded by OZ Minerals.

If the partnership extends to the drill testing phase, OZ Minerals will assist Mithril Resources to undertake a capital raising in support of the program.

During the Period, Mithril commenced target generation activities with the aim of identifying priority targets for geophysical and drill follow-up during 2017.

### **Duffy Well Project (Mithril 100% - Doray Minerals earning up to 85% and operating)**

Doray Minerals Limited (ASX: DRM) is earning up to an 85% interest in the project (*located 30 kilometres east of Meekatharra*) by completing exploration expenditure of \$500,000 over 3 years.

During the Period, Doray carried out aircore drilling over several gold targets, the results of which were awaited at the time of writing.

### **Kurnalpi Project (Mithril 100% - Chesser Resources earning up to 80% and operating)**

Chesser Resources Limited (ASX: CHZ) is earning an up to an 80% interest in the project (*located 60 kilometres north east of Kalgoorlie, WA*) by completing expenditure of \$250,000 over 4 years.

Auger geochemical sampling undertaken during the Period has identified a number of new surface gold anomalies that will be the focus of ongoing exploration.

No field work was undertaken by Corona during the Period.

### **Other Projects**

No field work was undertaken during the Period on the following projects: **Nanadie Well Joint Venture** (Mithril earning up to 75%), **Leaky Bore** (Mithril 100%), and **Spargos Reward** (Mithril 35%).

### **Competent Persons Statement**

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr David Hutton, who is a Competent Person, and a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Hutton is Managing Director and a full-time employee of Mithril Resources Ltd.

Mr Hutton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Hutton 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 7 and forms part of the directors' report for the half year ended 31 December 2016.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'David Hutton', with a small flourish at the end.

Mr David Hutton  
Managing Director

3 March 2017

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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 2016, 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 AUDIT PTY LTD  
Chartered Accountants



J.L. Humphrey \*  
Partner – Audit & Assurance

Adelaide, 3 March 2017

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## Interim consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2016

	Consolidated Group Half-year ended	
	31 Dec 2016 \$	31 Dec 2015 \$
Revenue from ordinary activities	7,610	67,150
Other income	2,311	-
Loss on sale - available-for-sale investment	-	(2,995)
Impairment of exploration assets	(209,800)	(81,123)
Employee benefits expense	(218,507)	(116,705)
Depreciation expense	(3,307)	(39,637)
Impairment of available-for-sale investments	-	(318,975)
Other expenses	(86,419)	(107,558)
<b>Loss before income tax expense</b>	<b>(508,112)</b>	<b>(599,843)</b>
Income tax expense	-	(12,608)
<b>Loss from continuing operations</b>	<b>(508,112)</b>	<b>(612,451)</b>
<b>Loss attributable to members of the parent entity</b>	<b>(508,112)</b>	<b>(612,451)</b>
<b>Other comprehensive income, net of income tax</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Net fair value movements for available-for-sale financial assets	-	35,000
<b>Total comprehensive loss for the period</b>	<b>(508,112)</b>	<b>(577,451)</b>
<b>Earnings per share:</b>	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.08)	(0.13)
Diluted earnings per share	(0.08)	(0.13)

The interim consolidated statement of profit or loss and other 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 2016

	Note	Consolidated Group	
		31 December 2016 \$	30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		531,326	628,298
Trade and other receivables		86,178	12,788
Other current assets		32,833	-
<b>TOTAL CURRENT ASSETS</b>		<b>650,337</b>	<b>641,086</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		21,911	22,656
Exploration and evaluation assets	4	1,269,150	1,270,163
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,291,061</b>	<b>1,292,819</b>
<b>TOTAL ASSETS</b>		<b>1,941,398</b>	<b>1,933,905</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		53,113	124,271
Employee benefits		36,335	41,045
<b>TOTAL CURRENT LIABILITIES</b>		<b>89,448</b>	<b>165,316</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		18,827	16,147
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>18,827</b>	<b>16,147</b>
<b>TOTAL LIABILITIES</b>		<b>108,275</b>	<b>181,463</b>
<b>NET ASSETS</b>		<b>1,833,123</b>	<b>1,752,442</b>
<b>EQUITY</b>			
Issued capital	5	34,120,050	33,531,257
Reserves		158,000	158,000
Accumulated losses		(32,444,927)	(31,936,815)
<b>TOTAL EQUITY</b>		<b>1,833,123</b>	<b>1,752,442</b>

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 2016

Consolidated Group					
Note	Issued Capital Ordinary \$	Share Option Reserve \$	Available for sale revaluation reserve \$	Accumulated losses \$	Total Equity \$
<b>Balance at 1 July 2015</b>	32,879,698	1,804,090	(35,000)	(30,847,508)	3,801,280
Total comprehensive loss	-	-	-	(612,451)	(612,451)
Net fair value movements for available-for-sale	-	-	35,000	-	35,000
Issue of shares by way of rights issue	349,000	-	-	-	349,000
Transaction costs (net of tax)	(19,255)	-	-	-	(19,255)
Transfer from share based payment reserve upon lapse of options	-	(1,461,565)	-	1,461,565	-
<b>Balance at 31 December 2015</b>	<b>33,209,443</b>	<b>342,525</b>	<b>-</b>	<b>(29,998,394)</b>	<b>3,553,574</b>
<b>Balance at 1 July 2016</b>	<b>33,531,257</b>	<b>158,000</b>	<b>-</b>	<b>(31,936,815)</b>	<b>1,752,442</b>
Total comprehensive loss	-	-	-	(508,112)	(508,112)
Issue of shares by way of share purchase plan	545,400	-	-	-	545,400
Issue of shares in lieu of Directors fees	73,668	-	-	-	73,668
Transaction costs (net of tax)	(30,275)	-	-	-	(30,275)
<b>Balance at 31 December 2016</b>	<b>34,120,050</b>	<b>158,000</b>	<b>-</b>	<b>(32,444,927)</b>	<b>1,833,123</b>

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 2016

	<b>Consolidated Group</b>	
	<b>Half year ended 31 Dec 2016 \$</b>	<b>Half year ended 31 Dec 2015 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(222,278)	(248,565)
Interest received	1,628	3,000
<b>NET CASH PROVIDED USED IN OPERATING ACTIVITIES</b>	<b>(220,650)</b>	<b>(245,565)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	-	25,000
Payments for property, plant and equipment	(2,562)	(2,000)
Proceeds from sale of available-for-sale-investments	-	3,000
Proceeds from sale of exploration tenement	-	100,000
Joint venture receipts	-	54,000
Payments for exploration activities	(388,885)	(316,000)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(391,447)</b>	<b>(136,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	545,400	349,000
Payment of transaction costs for issue of shares	(30,275)	(32,000)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>515,125</b>	<b>317,000</b>
Net decrease in cash and cash equivalents	(96,972)	(64,656)
Cash at the beginning of the period	628,298	543,413
<b>CASH AT THE END OF THE PERIOD</b>	<b>531,326</b>	<b>478,848</b>

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 2016

## 1. Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 3 March 2017.

Mithril 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

### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

### Basis of preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2016 has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Mithril Resources Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### Critical accounting estimates and judgments

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

## **Notes to the condensed interim consolidated financial statements**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

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 consolidated statement of profit or loss and other comprehensive income. Refer to Note 4 for further details and a reconciliation of the capitalised expenditure written off during the year.

### **3. Segment reporting**

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and has concluded at this time that there are no separately identifiable segment.

# Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 4. Exploration and evaluation assets

	Consolidated	
	31 December 2016 \$	30 June 2016 \$

Exploration and evaluation costs carried forward in respect of mining areas of interest

Exploration and evaluation phases - Joint Ventures	918,021	1,059,666
Exploration and evaluation phases - Other	351,129	210,497
	<u>1,269,150</u>	<u>1,270,163</u>

### Consolidated group

Capitalised tenement expenditure movement reconciliation

	Exploration Joint Venture \$	Exploration Other \$	Total \$
Balance at beginning of period	1,059,666	210,497	1,270,163
Additions through expenditure capitalised	34,013	174,774	208,788
Impairment	(48,765)	(35,742)	(84,507)
Disposal of tenements	(126,893)	1,600	(125,293)
Balance at end of period	<u>918,021</u>	<u>351,129</u>	<u>1,269,150</u>

# Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 5. Issued capital

	Consolidated Group	
	31 Dec 16	30 Jun 16
	\$	\$
Fully paid ordinary shares	34,120,050	33,531,257
	34,120,050	33,531,257
	Number	\$
<b>Ordinary shares</b>		
Balance at beginning of financial period	566,879,066	33,531,257
Transaction costs on shares issued	-	(30,275)
Shares issued during period	119,603,999	619,068
Balance at end of the financial period	686,483,065	34,120,050

## 6. Related party transactions

During the period 10,523,999 ordinary shares were issued to the Company's non-executive Directors, Messrs Graham Ascough and Donald Stephens (or their nominees) in lieu of part of the directors' fees payable to them for the period commencing on 1 September 2015 and ending on 30 September 2016 (together the Directors Shares).

For the period referred to above:

- (a) Mr Ascough was entitled to a director's fee of \$54,167, but was not paid any part thereof. Mr Ascough agreed to forego 20% of the amount of the director's fee to which he was is entitled (\$10,833) and received 6,190,571 ordinary shares in lieu of the unpaid balance of the director's fee to which he was entitled (\$43,334).
- (b) Mr Stephens was entitled to a director's fee of \$37,917, but was not paid any part thereof. Mr Stephens agreed to forego 20% of the amount of the director's fee to which he was is entitled (\$7,583) and received 4,333,428 ordinary shares in lieu of the unpaid balance of the director's fee to which he was entitled (\$30,334).

The deemed issue price of each Director Share was \$0.007, being the 30 day VWAP of the Company's shares on ASX prior to 20 September 2016.

No funds were raised from the issue of the Directors Shares as they were not being issued for cash consideration, but rather in consideration for the services provided by the Directors during the period referred to above.

Shareholders approved the issue of Director Shares at the Company's 2016 AGM and the shares were issued 9 November 2016.

## **Notes to the condensed interim consolidated financial statements**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

### **7. Subsequent events**

On 1 March 2017, the Company announced a successful capital raising via placement to underpin exploration at the Mexi Nickel Prospect and Stark Copper Prospect.

The placement comprises 161,620,706 fully paid ordinary shares at an issue price of \$0.005 (0.5 cents) per share, raising \$808,103 (before costs). 10 million unlisted options, exercisable at \$0.01 (1 cent) and expiring on 31 December 2020 are also to be issued.

The new ordinary shares will rank equally with existing ordinary shares quoted on the ASX.

### **8. Contingent liabilities**

There has been no change in contingent liabilities since the last reporting date. The Group has various bank guarantees totaling \$122,000 at 31 December 2016 which act as collateral over tenement restoration on which the Group operate.

### **9. Going concern basis of accounting**

The financial report has been prepared on the basis of a going concern.

The consolidated entity incurred a net loss after tax of \$508,112 during the period ended 31 December 2016, and had a net cash outflow of \$612,097 from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital.

Subsequent to the end of the reporting period, the Company raised \$808,103 (before costs) which will be used to underpin exploration at the Mexi Nickel Prospect and the Stark Copper Prospect.

If further additional capital is not obtained, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.



## 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 2016 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 David Hutton  
Managing Director

3 March 2017

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MITHRIL RESOURCES LTD**

We have reviewed the accompanying half-year financial report of Mithril Resources Ltd (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising description of accounting policies, other explanatory information 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 Mithril Resources Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **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 half-year 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 2016 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 Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### **Independence**

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

### **Conclusion**

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

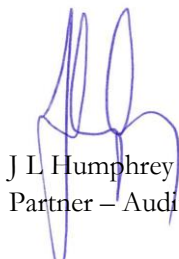
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### **Material uncertainty regarding continuation as a going concern**

Without qualifying our conclusion, we draw attention to Note 9 in the financial report which indicates that the consolidated entity's incurred a net loss of \$508,112 for the half year 31 December 2016 and cash used in operating and investing activities was \$612,097. These conditions, along with other matters as set forth in Note 9, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the half year financial report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 3 March 2017