# Mithril Resources Limited

**ABN 30 099 883 922**

# Annual Report - 30 June 2020

**Mithril Resources Limited**
**Contents**
**30 June 2020**

| | |
|---|---|
| Directors | Mr Dudley Leitch (Non-Executive Director)<br>Mr John Skeet (Managing Director)<br>Mr Stephen Layton (Non-Executive Director)<br>Mr Adrien Wing (Non-Executive Director)<br>Mr Garry Thomas (Non-Executive Director) |
| Company secretary | Mr Adrien Wing |
| Registered office | Level 2<br>480 Collins Street<br>MELBOURNE VIC 3000 |
| Principal place of business | Level 2<br>480 Collins Street<br>MELBOURNE VIC 3000 |
| Share register | Computershare Investor Services Pty Ltd<br>Level 5, 115 Grenfell Street<br>ADELAIDE SA 5000 |
| Auditor | Grant Thornton Audit Pty Ltd<br>Level 3, 170 Frome Street<br>ADELAIDE SA 5000 |
| Solicitors | Quinert Rodda & Associates<br>Level 6, 400 Collins Street<br>MELBOURNE VIC 3000 |
| Bankers | National Australia Bank<br>800 Bourke Street<br>MELBOURNE VIC 3008 |
| Stock exchange listing | Mithril Resources Limited shares are listed on the Australian Securities Exchange (ASX code: MTH) |
| Website | www.mithrilresources.com.au |

**Mithril Resources Limited**
**Directors' report**
**30 June 2020**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Mithril Resources Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

**Information on Directors**
The following persons were Directors of Mithril Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|---|---|
| Name: | John Skeet (Appointed 8 September 2020) |
| Title: | Chief Executive Officer / Managing Director |
| Qualifications: | B.App.Sc |
| Experience and expertise: | Mr. Skeet has over 30 years experience in gold-silver mining, both in management at operations and developing projects in Australia, Republic of Georgia and Mexico. He successfully developed Ballarat East, Quartzite Gold in Georgia, and Palmarejo Silver Gold Mine in Mexico, prior to the Coeur Mining takeover and was COO of Cerro Resources prior to its takeover by Primero Mining. He has 16 years experience in Mexico. He founded Sun Minerals in 2017 and acquired the option to purchase the Copalquin Project in Mexico. |
| Other current directorships: | N/A |
| Former directorships (last 3 years): | N/A |
| Interests in shares: | 221,663,615 ordinary shares |

| | |
|---|---|
| Name: | Mr Stephen Layton |
| Title: | Non-Executive Director |
| Qualifications: | MSAFAA |
| Experience and expertise: | Mr Layton has over 35 years' experience in equity capital markets in the UK and Australia. Mr Layton has worked with various stockbroking firms and/or AFSL regulated corporate advisory firms. Mr Layton specialised in capital raising services and opportunities, corporate advisory, facilitation of ASX listings and assisting companies grow. |
| Other current directorships: | Speciality Metals Int Ltd |
| Former directorships (last 3 years): | New Age Exploration Ltd |
| Interests in shares: | 110,500,000 ordinary shares |

| | |
|---|---|
| Name: | Mr Adrien Wing |
| Title: | Non-Executive Director |
| Qualifications: | BA(Acc), CPA |
| Experience and expertise: | Mr Wing is a certified practicing accountant. He previously practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the ASX as a corporate and accounting consultant and company secretary. |
| Other current directorships: | Red Sky Energy Ltd<br>High Grade Metals Ltd<br>New Age Exploration Limited |
| Former directorships (last 3 years): | N/A |
| Interests in shares: | 110,500,000 ordinary shares |

| | |
|---|---|
| Name: | Mr Dudley Leitch (Appointed 27 May 2020) |
| Title: | Non-Executive Director |
| Qualifications: | BSc |
| Experience and expertise: | Mr Leitch is a geologist and mining entrepreneur with over 40 years developing mining projects and running ASX mining/exploration companies with projects in Australia, Mexico, USA. He has previously held directorships in a number of Australian and international mining companies. |
| Other current directorships: | N/A |
| Former directorships (last 3 years): | N/A |
| Interests in shares: | 124,051,195 ordinary shares |

| | |
|---|---|
| Name: | Mr Garry Thomas (Appointed as Alternate-Director 15 June 2020) (Appointed Non-Executive Director 17 August 2020) |
| Title: | Non-Executive Director |
| Qualifications: | B.Eng |
| Experience and expertise: | Mr Thomas is a civil engineer with over 35 years' experience in civil construction, mine development and operations. He has been involved in the implementation of mining operations in Australia, Indonesia, Laos, Russia, Zimbabwe, Ghana, Zambia, South Africa, Algeria, Mexico and Mali. He has managed the construction and commissioning of over 20 CIL/CIP, flotation and heap leach plants in Australasia, Russia and Africa as well as many plant upgrades including construction of at Palmarejo, Mexico prior to the Coeur Mining take over. Mr Thomas founded Intermet Engineering which he sold to Sedgman Metals. |
| Other current directorships: | Oakajee Corporation Ltd |
| Former directorships (last 3 years): | N/A |
| Interests in shares: | 285,685,273 ordinary shares |

| | |
|---|---|
| Name: | Mr David Hutton (Resigned 29 May 2020) |
| Title: | Former Managing Director |
| Qualifications: | BSc |
| Experience and expertise: | David Hutton is a geologist who has spent the last 25 years working in both exploration and mining throughout Australia and overseas. After graduation, he spent 7 years with the MIM Group before joining Forrestania Gold NL / LionOre Australia, where he was involved in gold exploration throughout the WA Goldfields. He worked at Western Metals as Chief Geologist of the Lennard Shelf Operations prior to re-joining LionOre Australia where he was responsible for management of the East Kimberley Nickel Joint Venture. Prior to commencing with the Company in June 2012, David worked at Breakaway Resources where he was most recently Managing Director from May 2010 to June 2012. David is a Fellow of the AusIMM and a Member of the AIG. |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Principal activities**
During the financial year the principal continuing activities of the Group consisted of:
- 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.

**Dividends**
There were no dividends paid, recommended or declared during the current or previous financial year.

**Review of operations**
The loss for the Group after providing for income tax amounted to $3,300,596 (30 June 2019: $1,287,491).

## Corporate overview

Mithril announced on the 25th November, 2019, its transformative acquisition of private Australian exploration company Sun Minerals Pty Ltd. Sun Minerals held an exclusive option to earn up to a 100% interest in the high-grade Copalquin Gold Silver Project located in the Sierra Madre Trend, Durango State, western Mexico. The Copalquin Project is prospective for high-grade gold and silver mineralisation where there are 32 known historic gold and silver underground mines and surface workings plus historic drill intercepts, with highlights outlined in ASX release 25th November 2019.

The acquisition by Mithril of all issued share capital of Sun Minerals was subject to a number of conditions precedent including:

- Due diligence (completed on 20th December 2019);
- Formal documentation by way of a Share Sale Agreement (executed on 24th January 2020);
- Shareholder approvals (approved at a General Meeting of shareholders on 12th February 2020);
- Board and management changes, with Sun Minerals having the right to nominate an individual to be appointed as a Director of Mithril and to nominate an individual to be appointed to a lead management role in Mithril in respect of the exploration of the Copalquin Project; and
- Capital raising to raise approximately A$4.9 million, before costs (activities in May and July 2020 raised a total of A$5.92 million, before costs).

The impact of Covid-19 on market conditions, meant that in April 2020, Mithril and Sun Minerals executed a variation to the original Share Sale Agreement to raise a minimum of A$1.5 million in order to satisfy the condition precedent to the transaction. Mithril obtained shareholder approval for all changes within the varied Share Sale Agreement at a General Meeting held on 13th May 2020.

The capital raising was conducted by Mithril in May 2020, by way of a non-renounceable entitlement issue to shareholders with a record date of 6 April 2020, on the basis of one (1) new fully paid ordinary Mithril share for every one (1) existing fully paid ordinary Mithril share held at an issue price of A$0.005 (0.5 cent) to raise up to A$2.46 million (before costs). Funds raised were targeted to be primarily used to complete a maiden drill program at Copalquin.

Post year-end, Mithril completed a further placement to sophisticated and professional investors, comprising 194,444,444 fully paid ordinary shares in the Company at an issue price of 1.8 cents to raise A$3.5m (before costs). The placement was conducted by Taylor Collison as lead manager and within the Company's placement capacity under ASX Listing Rule 7.1 (149,444,444 shares). As part of this Placement, Directors of the Company committed A$414k in the offer prior to launch and the holder of the concessions forming the Copalquin Gold Silver Project committed A$396k. Related party participation in the placement (45,000,000 shares) was subject to shareholder approval that was subsequently sought at a General Meeting held in August 2020.

As part of the acquisition of Sun Minerals, Board and management changes included:

- Mr John Skeet (CEO) and Mr Hall Stewart (Chief Geologist), the founders of Sun Minerals and highly experienced project exploration and development team;
- Mr John Skeet appointed as Managing Director and CEO on 8 September 2020.
- Mr Dudley Leitch as a Director of the Company, nominated by Sun Minerals to join the Board which was Mithril shareholders at the meeting on 12 February 2020;
- Mr Garry Thomas (Non-Executive Director), a civil engineer with significant international mining experience, effective 17th August 2020; and
- Resignation of Mr David Hutton, as a Director of Mithril and its subsidiaries effective Friday 29th May 2020. Mr Hutton was instrumental in advancing the Australian exploration projects over his 8 year tenure.

These changes marked the final stage of Mithril's transformational acquisition of Sun Minerals.

Overall, the Company successfully completed capital raisings for a total of $5.92M (before costs) to fully fund the maiden drilling program at the flagship Copalquin Gold Silver Project, through:

- Non-Renounceable Rights Issue with shareholders which raised $2.46M; and
- Share Placement for $3.5M post year-end, with the Board and Copalquin Concession holder participating.

## Exploration overview

### Mexican operations

Copalquin Gold Silver Project in Durango, Mexico

The Copalquin Gold Silver Project is located in Durango State, Mexico and covers an entire mining district of 70km$^2$ containing over 32 historic gold and silver mines and workings. The district is within the Sierra Madre Gold Silver Trend which extends north-south along the western side of Mexico and hosts many world class gold and silver deposits. Multiple mineralisation events, young intrusives thought to be system-driving heat sources, widespread alteration together with extensive surface vein exposures and dozens of historic mine workings, identify the Copalquin mining district as a major epithermal centre for gold and silver.

With the Company funded and permitted to begin exploration activities, Mithril appointed John Skeet as the new Chief Executive Officer, and Hall Stewart as Chief Geologist in June 2020. Both were the founders of Sun Minerals Pty Ltd and combined a highly experienced project exploration and development team.

The Copalquin Exploration Plan for CY2020 comprises:

- 5,000 metre diamond core drill program;
- Continued mapping and sampling of known mine areas;
- Identification of future drill targets;
- Site visit of unexplored areas in the northern and western areas of the mining concession area;
- Metallurgical test work; and
- Infrastructure studies.

Preparations began in early June 2020, for the Company's maiden drill program at Copalquin. Drilling and supporting equipment contracts were executed, with mobilisation of this equipment to site. The maiden drilling program at Copalquin commenced post year-end, announced on 27th July 2020. The expanded drilling program is fully funded and expected to run until the end of CY2020. Under the drilling program, work consists of approximately 5,000 metres of diamond core drilling, and has a six stage plan, which includes:

- Target 1 - La Soledad with some further follow up holes;
- Target 2 - El Refugio;
- Target 3 - El Cometa;
- Target 4 - Los Pinos;
- Target 5 - Los Reyes; and
- Target 6 - the multi-level mines of San Manuel and La Constancia.

The majority of the drilling will be focussed on targets 1 – 3 for the maiden drill program.

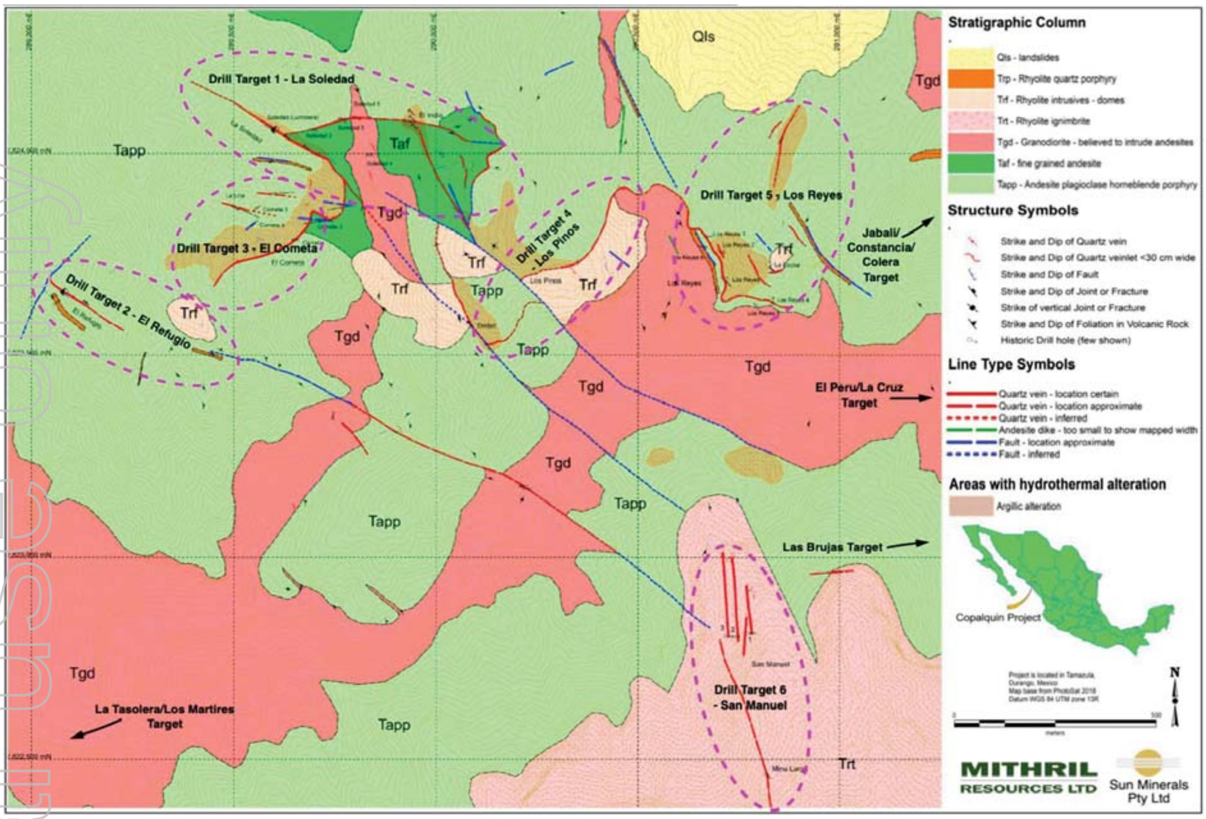


**Figure 1** - Geologic Map of the central 4.8km$^2$ of 70km$^2$ Copalquin Mining Concession Area showing the planned maiden drill targets

The Company received a promising set of first assay results, announced 26th August 2020, for the first two holes which successfully intercepted the La Soledad vein confirming historically reported bonanza grades. These results included:

- 3m @34.72 g/t gold and 3,129.0 g/t silver from 112 metres (CDH-001) (including 1m @ 88.4 g/t gold and 6,750.0 g/t silver from 114 metres);
- 4.55m @ 5.64 g/t gold and 325.0 g/t silver from 91.95 metres (CDH-002) (including 1.5m @ 9.82 g/t gold and 574.0 g/t silver from 95 metres); plus
- 0.5m @ 9.27 g/t gold and 825.0 g/t silver from 141.2 metres (CDH-002)
- Subsequent drill holes continued to intersect the La Soledad vein, assay results pending

Drilling at target 1, La Soledad has been completed and all assays for La Soledad expected before the end of September 2020. Drilling is currently progressing at El Refugio and will be completed during September 2020 with assay results due by the end of October 2020. Drilling of the near surface target of El Cometa will be completed in October 2020. In addition to the drill holes at targets 4 - 6, some further holes are scheduled for La Soledad following review of the first round of holes.

## Australian operations

During the first half of the year, Mithril continued to progress exploration activities on the Billy Hills, Kurnalpi, Limestone Well, and the Lignum Dam Projects. On the 25th November, 2019, the Company announced its intention to acquire private Australian exploration company Sun Minerals Pty Ltd which had an exclusive Option to earn up to 100% of the high-grade Copalquin Gold Silver Project in Durango, Mexico.

To ensure the Company maintained its focus on the Copalquin Gold Silver Project, Mithril introduced exploration partners to sole fund and operate exploration activities on all of its Australian assets. This includes:

- Great Boulder Resources (GBR.ASX) at the Lignum Dam Project;
- Auteco Minerals (AUT.ASX) at the Limestone Well Project;
- Carnavale Resources (CAV.ASX) at the Kurnalpi Project, and
- CBH Resources Limited ("CBH") at the Billy Hills Zinc Project.

Having exploration partners solely fund all exploration costs, ensures that the Mithril tenements are kept in good standing for the duration of the respective partnership agreements with the potential to benefit from prospectivity and exploration upside.

Billy Hills Zinc (Billy Hills)

- Mithril 100%; and
- CBH Resources Limited earning up to 80% interest by completing expenditure of A$4M over 5 years

The binding farm-in Heads of Agreement (Agreement) is conditional upon Mithril obtaining a Heritage Clearance to drill the Firetail Prospect. Mithril worked with the traditional owners of Billy Hills to obtain the necessary clearance however due to the outbreak of COVID-19, all dealings with Aboriginal communities in the area ceased for an indefinite period in order to protect the health of the local population. Mithril and CBH remain committed to the Project and agreed to extend the period, to satisfy the Agreement's Condition Precedent, from May 2020 to November 2020 in recognition of the current circumstances.

Highlights include:

- High-grade surface mineralisation identified over 350 metres strike length at Firetail Zinc Prospect with rock chip assay results up to 30.3% zinc, 127g/t silver and 3.0% lead; and
- Firetail's prospectivity reinforced by a large surface soil anomaly that overlies northern end of the mineralisation, extends to the west and remains open along strike to the north.

Kurnalpi Project (Kurnalpi)

- Mithril 100%; and
- Carnavale Resources earning an initial 80% interest by keeping the tenements in good standing over three years and paying Mithril A$250,000 cash

Carnavale carried out Fixed Loop Electromagnetic (FLEM) geophysical surveying over ultramafic/mafic sequences prospective for Kambalda style nickel sulphide, similar to the nearby Black Swan and Silver Swan Nickel Mines (see Carnavale's ASX Announcement 3rd June 2019).

The survey successfully defined two high priority conductors within Mithril's tenements which will be tested by drilling scheduled for the September 2020 Quarter.

Lignum Dam Project (Lignum)

- Mithril 100%; and
- Great Boulder Resources earning up to 80% by completing expenditure of A$1M over four years.

Great Boulder Resources continued a program of bottom-of-hole sampling on historic drill holes. The purpose of the program was to obtain chips of fresh or transitional material for multi-element sampling, which will be used for lithogeochemical mapping.

The Company is also hoping to identify distal alteration footprints associated with primary gold mineralisation by looking at the distribution of pathfinder elements. The sampling program is ongoing, on a campaign basis.

Limestone Well Project (Limestone)

- Mithril 100%; and
- Auteco Minerals can earn up to an 80% interest in the project by completing exploration expenditure of A$2.5 million over five years

Highlights include:

- Maiden RC drill programme by Mithril's JV partner – Auteco Minerals (AUT.ASX) intersects multiple broad zones of shallow high-grade vanadium-titanium, including;
    - 20m @ 0.48% V2O5 & 6.5% TiO2 from 12 metres and 72m @ 0.46% V2O5 & 8.6% TiO2 from 52 metres inLWRC003;
    - 12m @ 0.72% V2O5 & 8.5% TiO2 from 12 metres and 24m @ 0.50% V2O5 & 6.2% TiO2 from 48 metres, and 56m @ 0.46% V2O5 & 6.1% TiO2 from 164 metres in LWRC005; and
    - 20m @ 0.50% V2O5 & 6.5% TiO2 from 64 metres and 116m @ 0.36% V2O5 & 11.0% TiO2 from 104 meters in LWRC006.
- Follow the successful drilling, Auteco has elected to continue sole-funding the exploration work at Limestone Well by completing exploration expenditure of $1.5M by August 2021 to earn an initial 60% interest

**Competent Persons Statement**

The information in this report that relates to sampling techniques and data, exploration results and geological interpretation for the Copalquin Project, Mexico has been compiled by Mr Hall Stewart, who is Mithril's Chief Geologist. Mr Stewart is a certified professional geologist of the American Institute of Professional Geologists, which is a Recognised Professional Organisation (RPO) under the Joint Ore Reserves Committee (JORC) Code. Mr Stewart has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Stewart consents to the inclusion in this report of the matters based on information in the form and context in which it appears. The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

**Significant changes in the state of affairs**

On 27 May 2020 the Company completed the acquisition of Sun Mineral Pty Ltd (Sun Minerals). Sun Minerals holds the exclusive option to earn up to a 100% interest in the high-grade Copalquin Gold Silver Project in Durango, Mexico.

Further information on the acquisition is set out in note 11.

There were no other significant changes in the state of affairs of the Group during the financial year.

**Matters subsequent to the end of the financial year**

*Capital Raising*

In early July 2020 the Company announced that it had received binding commitments for a placement to sophisticated and professional investors, comprising 154,444,444 fully paid ordinary shares in the Company at an issue price of 1.8 cents to raise approximately $3.5 million before costs. The placement shares were issued on 16 July 2020.

Related parties of the Company also committed to participating in the placement with shareholder approval granted on 14 August 2020. The directors of the Company committed to $414K and a holder of the concessions forming the Copalquin Gold Silver Project committed to $396K for a total of 45,000,000 placement shares. The placement shares to related parties were issued on 19 August 2020.

*Performance rights conversion milestone achieved*

Mithril achieved a market capitalisation equal to or greater than A$40,000,000 for a period of 20 consecutive trading days. This was a milestone condition for the performance rights and consequently 224,999,999 shares were issued on 14 August 2020.

*Director appointments*

On 17 August 2020 Mr Garry Thomas was appointed as a non-executive director.

On 8 September 2020 Mr John Skeet, the current CEO of the Company was appointed to the additional role of Managing Director of the Company.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Environmental regulation**

The Group is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites. During the year under review the majority of work carried out was in the Northern Territory, Western Australia and Durango (Mexico) and the Group followed procedures and pursued objectives in line with guidelines published by the Australian and Mexican Governments. These guidelines are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The Group supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable wherever it explores.

The Group is committed to minimising environmental impacts during all phases of exploration, development and production through a best practice environmental approach. The Group shares responsibility for protecting the environment for the present and the future. It believes that carefully managed exploration programs should have little or no long-lasting impact on the environment and the company has formed a best practice policy for the management of its exploration programs. The Group properly monitors and adheres to this approach and there were no environmental incidents to report for the year under review. Furthermore, the Group is in compliance with the state and/or commonwealth environmental laws for the jurisdictions in which it operates.

**Occupational Health, Safety and Welfare**

In running its business, Mithril aims to protect the health, safety and welfare of employees, contractors and guests. The Group reviews its OHS&W policy at regular intervals to ensure a high standard of OHS&W, and to reflect best practice in injury and accident prevention.

**Company Secretary**

Adrien Wing is the Company Secretary. He is also a Non-Executive Director of the Company.

**Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Mithril Resources Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Mithril Resources is in compliance to the extent possible with those guidelines, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

The Company has established a set of corporate governance policies and procedures and these can be found within the Company's Corporate Governance Statement located on the Company's website:
www.mithrilresources.com.au/corporate-governance

**Shares under option**

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 17/11/2017 | 17/11/2020 | $0.100 | 500,000 |
| 22/06/2017 | 31/12/2020 | $0.100 | 300,000 |
| 10/03/2017 | 31/12/2020 | $0.100 | 1,000,000 |
| 17/11/2017 | 31/12/2020 | $0.100 | 1,000,000 |
| 22/06/2017 | 22/06/2020 | $0.100 | 300,000 |
| 10/10/2018 | 10/10/2021 | $0.010 | 4,000,000 |
| | | | 7,100,000 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

**Shares under performance rights**

There were no unissued ordinary shares of Mithril Resources Limited under performance rights outstanding at the date of this report.

**Shares issued on the exercise of options**

The following ordinary shares of Mithril Resources Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|---|---|---|
| 10 October 2018 | $0.010 | 3,000,000 |

**Shares issued on the exercise of performance rights**

The following ordinary shares of Mithril Resources Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of performance rights granted:

| Date performance rights granted | Exercise price | Number of shares issued |
|---|---|---|
| 13 May 2020 | $0.000 | 224,999,999 |

**Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. These are as follows:

| | |
|---|---|
| Dudley Leitch | Non-Executive Director (Appointed 27 May 2020) |
| Stephen Layton | Non-Executive Director |
| Adrien Wing | Non-Executive Director |
| Garry Thomas | Alternate-Director / Non-Executive Director (Appointed Alternate-Director 15 June 2020) (Appointed Non-Executive Director 17 August 2020) |
| John Skeet | Chief Executive Officer / Managing Director (Appointed Chief Executive Officer 9 June 2020) (Appointed Managing Director 8 September 2020) |
| David Hutton | Managing Director (Resigned 29 May 2020) |

***Principles used to determine the nature and amount of remuneration***

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the Group. The Board policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the Board to the Group's financial performance.

The Board currently determines the nature and amount of remuneration for board members and senior executives of the Group. The policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

The Non-Executive Directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the Company share option scheme. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates based on comparable companies for time, commitment and responsibilities. The board determines payments to non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

There is no direct relationship between the remuneration policy and the entities performance.

*Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')*

At the 2019 AGM, more than 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

| | Short-term benefits | Post-employment benefits | Share-based payments | |
|---|---|---|---|---|
| **2020** | Cash salary and fees $ | Super-annuation $ | Performance Rights $ | Total $ |
| *Non-Executive Directors:* | | | | |
| Stephen Layton | 48,000 | - | 355,000 | 403,000 |
| Adrien Wing | 96,000 | - | 355,000 | 451,000 |
| Dudley Leitch (Appointed 27 May 2020) | 4,000 | - | 236,667 | 240,667 |
| Garry Thomas* | - | - | - | - |
| *Executive Directors:* | | | | |
| David Hutton (Resigned 29 May 2020) | 260,996 | 24,795 | - | 285,791 |
| John Skeet** | 15,000 | - | 236,667 | 251,667 |
| | 423,996 | 24,795 | 1,183,334 | 1,632,125 |

* Mr Thomas was appointed as an Alternate-Director on 15 June 2020 and appointed as a Non-Executive Director on 17 August 2020.
** Mr Skeet was appointed as CEO on 9 June 2020 and appointed Managing Director on 8 September 2020.

| 2019 | Short-term benefits<br>Cash salary and fees<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Share-based payments<br>Equity-settled<br>$ | Total<br>$ |
|---|---|---|---|---|
| *Non-Executive Directors:* | | | | |
| Graham Ascough* | 57,488 | - | - | 57,488 |
| Donald Stephens* | 36,750 | 3,491 | - | 40,241 |
| Stephen Layton | 4,000 | - | - | 4,000 |
| Adrien Wing | 4,000 | - | - | 4,000 |
| *Executive Directors:* | | | | |
| David Hutton | 281,907 | 25,000 | 24,250 | 331,157 |
| | 384,145 | 28,491 | 24,250 | 436,886 |

* Mr Ascough and Mr Stephens resigned as directors on 15 May 2019.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration 2020 | Fixed remuneration 2019 | At risk - STI 2020 | At risk - STI 2019 |
|---|---|---|---|---|
| *Non-Executive Directors:* | | | | |
| Stephen Layton | 12% | 100% | 88% | - |
| Adrien Wing | 21% | 100% | 79% | - |
| Dudley Leitch (Appointed 27 May 2020) | 2% | - | 98% | - |
| Graham Ascough* | - | 100% | - | - |
| Donald Stephens* | - | 100% | - | - |
| Garry Thomas** | - | - | - | - |
| *Executive Directors:* | | | | |
| David Hutton (Resigned 29 May 2020) | 100% | 100% | - | - |
| John Skeet*** | 6% | - | 94% | - |

* Mr Ascough and Mr Stephens resigned as directors on 15 May 2019.
** Mr Thomas was appointed as an Alternate-Director on 15 June 2020 and appointed as a Non-Executive Director on 17 August 2020.
*** Mr Skeet was appointed as CEO on 9 June 2020 and appointed Managing Director on 8 September 2020.

***Service agreements***
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| Name: | David Hutton |
| Title: | Managing Director (Resigned 29 May 2020) |
| Agreement commenced: | 18 June 2012 |
| Term of agreement: | Reviewed every three years |
| Details: | Mr Hutton's gross salary, inclusive of 9.5% superannuation guarantee, is $306,907. The Company or the employee may terminate the employment contract without cause by providing 6 months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. |

| | |
|---|---|
| Name: | John Skeet |
| Title: | Chief Executive Officer (Appointed Managing Director 8 September 2020) |
| Agreement commenced: | 9 June 2020 |
| Term of agreement: | Reviewed every two years |
| Details: | Mr Skeet's gross salary, is $180,000. The Company or the employee may terminate the employment contract without cause by providing 3 months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. |

***Share-based compensation***

*Issue of shares*
There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

*Options*
The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|
| 22/06/2017 | 10/10/2018 | 31/12/2020 | $0.100 | $0.017 |
| 22/06/2017 | 22/06/2017 | 22/06/2022 | $0.100 | $0.021 |
| 17/11/2017 | 17/11/2017 | 17/11/2020 | $0.100 | $0.016 |
| 10/10/2018 | 10/10/2018 | 10/10/2021 | $0.010 | $0.006 |

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

| Name | Number of options granted during the year 2020 | Number of options granted during the year 2019 | Number of options vested during the year 2020 | Number of options vested during the year 2019 |
|---|---|---|---|---|
| David Hutton | - | 4,000,000 | - | 4,000,000 |

The number of shares and options have been presented on a post shares and option consolidation basis.

*Performance rights*
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| | Grant date | Expiry date | Fair value per right at grant date |
|---|---|---|---|
| Performance rights | 13 May 2020 | 13 May 2024 | $0.007 |

Performance rights granted carry no dividend or voting rights.

Details of performance rights over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

| Name | Grant date | Number of rights granted | Number of rights vested | Value of rights granted $ | Value of rights expensed in the period $ | Number of rights lapsed | Value of rights lapsed $ |
|---|---|---|---|---|---|---|---|
| Stephen Layton | 13 May 2020 | 50,000,000 | 50,000,000 | 355,000 | 355,000 | - | - |
| Adrien Wing | 13 May 2020 | 50,000,000 | 50,000,000 | 355,000 | 355,000 | - | - |
| Dudley Leitch | 13 May 2020 | 33,333,333 | 33,333,333 | 236,667 | 236,667 | - | - |
| John Skeet | 13 May 2020 | 33,333,333 | 33,333,333 | 236,667 | 236,667 | - | - |

Further information regarding the performance rights can be found in note 27.

***Additional disclosures relating to key management personnel***

*Shareholding*
The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Acquired | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| David Hutton (Resigned 29 May 2020) | 4,213,180 | - | 2,000,000 | (6,213,180) | - |
| Stephen Layton | 21,000,000 | - | 31,500,000 | - | 52,500,000 |
| Adrien Wing | 21,000,000 | - | 31,500,000 | - | 52,500,000 |
| Dudley Leitch (Appointed 27 May 2020) | - | - | 90,717,862 | - | 90,717,862 |
| Garry Thomas* | - | - | 278,685,273 | - | 278,685,273 |
| John Skeet** | - | - | 188,330,282 | - | 188,330,282 |
| | 46,213,180 | - | 622,733,417 | (6,213,180) | 662,733,417 |

* Mr Thomas was appointed as an Alternate-Director on 15 June 2020 and appointed as a Non-Executive Director on 17 August 2020.
** Mr Skeet was appointed as CEO on 9 June 2020 and appointed Managing Director on 8 September 2020.

*Option holding*
The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| David Hutton | 4,700,000 | - | - | (4,700,000) | - |
| | 4,700,000 | - | - | (4,700,000) | - |

*Performance rights holding*
The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted and Vested During the year | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|
| *Performance rights over ordinary shares* | | | | |
| Stephen Layton | - | 50,000,000 | - | 50,000,000 |
| Adrien Wing | - | 50,000,000 | - | 50,000,000 |
| Dudley Leitch | - | 33,333,333 | - | 33,333,333 |
| John Skeet | - | 33,333,333 | - | 33,333,333 |
| | - | 166,666,666 | - | 166,666,666 |

*Loans from key management personnel and their related parties*
During the year the following loans from key management personnel were made to the Company:

| Key management personnel: | Date loan granted | Date loan repaid | Total loans made to the company during the year | Total loans payable as at 30 June 2020 | Total loans payable as at 30 June 2019 |
|---|---|---|---|---|---|
| Adrien Wing | 24/04/2020 | 27/05/2020 | 50,000 | - | - |
| Garry Thomas* | 27/05/2020 | 11/06/2020 | 70,000 | - | - |
| Garry Thomas* | 27/05/2020 | 17/06/2020 | 50,000 | - | - |
| John Skeet* | 27/05/2020 | 17/06/2020 | 6,006 | - | - |
| | | | 176,006 | - | - |

* Garry Thomas and John Skeet granted loans to Sun Minerals Pty Ltd prior to its acquisition by the Group.

Loans from key management personnel were interest-free and were fully repaid as at 30 June 2020.

*Other transactions with key management personnel and their related parties*
Mr J Skeet is a director of Trimin Pty Ltd (Trimin). During the financial year the Company incurred costs of $3,960 (2019: $NIL) relating to consultancy services provided by Trimin. No amount was owing to Trimin at 30 June 2020.

***This concludes the remuneration report, which has been audited.***

**Meetings of Directors**
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

| | Directors Meetings | | Audit Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| David Hutton* | 10 | 10 | 1 | 1 |
| Adrien Wing | 11 | 11 | 1 | 1 |
| Stephen Layton | 11 | 11 | 1 | 1 |
| Dudley Leitch** | 1 | 1 | - | - |
| Garry Thomas*** | 1 | 1 | - | - |

Held: represents the number of meetings held during the time the Director held office.

* Resigned 29 May 2020
** Appointed 27 May 2020
*** Appointed 15 June 2020

**Indemnity and insurance of officers**
The Group has made and agreement indemnifying all the Directors and Officers of the Company against all losses or liabilities by each Director or Officer in their capacity as Directors or Officers of the Company to the extent permitted by the Corporations Act 2001, the indemnification specifically excludes wilful acts of negligence.

The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceeding that may be brought against the officers in their capacity as officers of entities of the Group. The total amount of insurance premiums paid for the financial year was $11,850 (2019: $10,500).

**Indemnity and insurance of auditor**
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**
There were no non-audit services provided during the financial year by the auditor.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

**Auditor**
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

John Skeet
Managing Director

30 September 2020

Grant Thornton

Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

**T** +61 8 8372 6666



# Auditor's Independence Declaration

## To the Directors of Mithril Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Mithril Resources Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 30 September 2020

**Mithril Resources Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2020**

| | Note | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Income** | | | |
| Other income | 5 | 72,311 | 1,079 |
| Interest received | | 566 | 5,651 |
| Profit on sale of tenement | | 20,137 | 50,000 |
| **Expenses** | | | |
| Operating expenses | 6 | (472,097) | (360,817) |
| Share-based payments | | (1,597,500) | - |
| Employee benefits expense | | (164,552) | (203,480) |
| Depreciation and amortisation expense | | (3,162) | (4,177) |
| Impairment of exploration assets | 11 | (1,155,948) | (775,457) |
| Finance costs | | (351) | (290) |
| **Loss before income tax expense** | | (3,300,596) | (1,287,491) |
| Income tax expense | 7 | - | - |
| **Loss after income tax expense for the year** | 16 | (3,300,596) | (1,287,491) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (65,233) | - |
| Other comprehensive income for the year, net of tax | | (65,233) | - |
| **Total comprehensive income for the year** | | (3,365,829) | (1,287,491) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 26 | (0.55) | (0.40) |
| Diluted earnings per share | 26 | (0.55) | (0.40) |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Mithril Resources Limited**
**Statement of financial position**
**As at 30 June 2020**

| | Note | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 1,187,589 | 631,215 |
| Trade and other receivables | 9 | 84,604 | 50,640 |
| Other assets | 10 | - | 27,146 |
| Total current assets | | 1,272,193 | 709,001 |
| **Non-current assets** | | | |
| Property, plant and equipment | | - | 14,341 |
| Exploration and evaluation | 11 | 12,675,125 | 1,910,014 |
| Total non-current assets | | 12,675,125 | 1,924,355 |
| **Total assets** | | 13,947,318 | 2,633,356 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 170,450 | 34,053 |
| Employee benefits | 13 | 58,306 | 73,777 |
| Total current liabilities | | 228,756 | 107,830 |
| **Total liabilities** | | 228,756 | 107,830 |
| **Net assets** | | 13,718,562 | 2,525,526 |
| **Equity** | | | |
| Issued capital | 14 | 50,264,467 | 37,303,102 |
| Reserves | 15 | 1,656,763 | 124,496 |
| Accumulated losses | 16 | (38,202,668) | (34,902,072) |
| **Total equity** | | 13,718,562 | 2,525,526 |

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Mithril Resources Limited**
**Statement of changes in equity**
**For the year ended 30 June 2020**

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2018 | 36,379,826 | 152,059 | (33,684,581) | 2,847,304 |
| Loss after income tax expense for the year | - | - | (1,287,491) | (1,287,491) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (1,287,491) | (1,287,491) |
| *Transactions with Owners in their capacity as Owners:* | | | | |
| Share-based payments (note 27) | - | 42,437 | - | 42,437 |
| Lapsed options | - | (70,000) | 70,000 | - |
| Shares issued during the period (note 14) | 1,110,234 | - | - | 1,110,234 |
| Transactions costs | (186,958) | - | - | (186,958) |
| Balance at 30 June 2019 | 37,303,102 | 124,496 | (34,902,072) | 2,525,526 |

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2019 | 37,303,102 | 124,496 | (34,902,072) | 2,525,526 |
| Loss after income tax expense for the year | - | - | (3,300,596) | (3,300,596) |
| Other comprehensive income for the year, net of tax | - | (65,233) | - | (65,233) |
| Total comprehensive income for the year | - | (65,233) | (3,300,596) | (3,365,829) |
| *Transactions with Owners in their capacity as Owners:* | | | | |
| Share-based payments (note 27) | - | 1,597,500 | - | 1,597,500 |
| Shares issued during the period (note 14) | 13,049,730 | - | - | 13,049,730 |
| Transactions costs | (88,365) | - | - | (88,365) |
| Balance at 30 June 2020 | 50,264,467 | 1,656,763 | (38,202,668) | 13,718,562 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Mithril Resources Limited**
**Statement of cash flows**
**For the year ended 30 June 2020**

| | Note | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 580 | 4,777 |
| Payments to suppliers and employees (inclusive of GST) | | (628,245) | (545,352) |
| | | (627,665) | (540,575) |
| Interest received | | 566 | 5,651 |
| Government grants received | | 27,496 | - |
| Interest and other finance costs paid | | (286) | (290) |
| Net cash used in operating activities | 25 | (599,889) | (535,214) |
| **Cash flows from investing activities** | | | |
| Payments to acquire exploration assets | | (763,720) | - |
| Payments for exploration activities (capitalised) | | (730,028) | (620,617) |
| Cash on hand arising from Sun Minerals Pty Ltd acquisition | | 2,299 | - |
| Proceeds from disposal of exploration assets | | 70,137 | - |
| Net cash used in investing activities | | (1,421,312) | (620,617) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 14 | 2,791,946 | 1,110,234 |
| Proceeds from borrowings | | 50,000 | - |
| Share issue transaction costs | | (88,365) | (186,958) |
| Repayment of borrowings | | (176,006) | - |
| Net cash from financing activities | | 2,577,575 | 923,276 |
| Net increase/(decrease) in cash and cash equivalents | | 556,374 | (232,555) |
| Cash and cash equivalents at the beginning of the financial year | | 631,215 | 863,770 |
| Cash and cash equivalents at the end of the financial year | 8 | 1,187,589 | 631,215 |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. General information

The financial statements cover Mithril Resources Limited ('the Company') as a Group consisting of Mithril Resources Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Mithril Resources Limited's functional and presentation currency.

Mithril Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2
480 Collins Street
MELBOURNE VIC 3000

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2020.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

*AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business*
The Group has early adopted AASB 2018-6 from 1 July 2019. This amendment seeks to clarify the definition of a business, to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

*Interpretation 23 Uncertainty over Income Tax Treatments*
The Group has applied Interpretation 23 from 1 July 2019. Interpretation 23 provides new guidance on the application of AASB 112 *Income Taxes* in situations where there is uncertainty over the appropriate income tax treatment of a transaction or class of transactions, and about whether a treatment will be accepted by a tax authority. The Group has applied this Interpretation given the uncertainty surrounding the judgements and assumptions required in the taxation treatment of its international (Mexico) operations.

*AASB 16 Leases*
The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The operating lease commitments of the Group during the year related to the head office tenancy which expired at 30 June 2020 and was not renewed, satisfying the relevant criteria of a short term lease under AASB 16. Therefore the adoption of this standard has no impact on the Group.

## Note 2. Significant accounting policies (continued)

### Going concern
The financial report has been prepared on the basis of a going concern. The financial report shows the Group incurred a net loss of $3,300,596 (2019: $1,287,491) and a net cash outflow from operating and investing activities of $2,021,201 (2019: $1,155,831) during the year ended 30 June 2020. The Group continues to be economically dependent on the generation of cashflow from the raising of additional capital as and when required for the continued operations including the exploration program and the provision of working capital.

The Group's ability to continue as a going concern is contingent upon generation of cashflow from successfully raising additional capital. If sufficient additional funds are not raised, 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. The Group continues to receive strong interest and support from professional investors in its capital raisings. On 16 July 2020 the Group placed in a capital raising of approximately $3.5 million before costs. For more information refer to note 24.

No allowance for such circumstances has been made in the financial report.

### Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 22.

### Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mithril Resources Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Mithril Resources Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Foreign currency translation
The financial statements are presented in Australian dollars, which is Mithril Resources Limited's functional and presentation currency.

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign exchange reserve in equity.

The foreign exchange reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Note 2. Significant accounting policies (continued)**

The foreign exchange reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Income**
*Interest*
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Joint Arrangement**
AASB 11 Joint Arrangements defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

Mithril Resources Ltd has determined that it has both joint ventures and joint operations.

In relation to its joint venture operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, Mithril Resources Ltd has recognised:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

**Impairment of non-financial assets**
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Goods and Services Tax ('GST') and other similar taxes**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Note 2. Significant accounting policies (continued)**

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Capitalisation of exploration and evaluation expenditure*
The Group's policy for exploration and evaluation is discussed in Note 12. The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the consolidated statement of profit or loss and other comprehensive income.

*Share-based payment transactions*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Acquisition of Sun Minerals Pty Ltd*
Key estimates and judgments are applied in the acquisition accounting including determining the type of acquisition, the fair value of the assets and liabilities acquired and the fair value of the consideration paid. The acquisition was determined by the directors to be an asset acquisition as detailed in note 11.

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Note 4. Operating segments

*Identification of reportable operating segments*
The Board has considered the requirements of AASB 8 Operating Segments and has determined that the Group has two operating segments: Mexican operations and Australian operations.

In determining these operating segments, the Board has considered the location of the Group's exploration activities which represent its principal operations. The results of these operating segments are monitored by the Board and form the basis for which strategic decisions are made.

The acquisition of the Copalquin Gold Silver Project in Durango, Mexico during the year constitutes a separately identifiable operating segment to the Group's Australian operations given the Board's intention to regularly review the financial information from its Mexican operations to determine the future allocation of resources.

The Board concluded that there were no separately identifiable segments during the year ended 30 June 2019.

## Note 4. Operating segments (continued)

*Operating segment information*

| **Consolidated - 2020** | Mexican operations $ | Australian operations $ | Total $ |
|---|---|---|---|
| **Revenue** | | | |
| Profit on sale of tenement | - | 20,137 | 20,137 |
| Interest revenue | - | 566 | 566 |
| Other income | - | 72,311 | 72,311 |
| **Total revenue** | - | 93,014 | 93,014 |
| | | | |
| Operating expenses | (35,135) | (436,962) | (472,097) |
| Share-based payments | - | (1,597,500) | (1,597,500) |
| Employee benefits expense | - | (164,552) | (164,552) |
| Depreciation and amortisation expense | - | (3,162) | (3,162) |
| Impairment of assets | - | (1,155,948) | (1,155,948) |
| Finance costs | (65) | (286) | (351) |
| **Loss before income tax expense** | (35,200) | (3,265,396) | (3,300,596) |
| Income tax expense | | | - |
| **Loss after income tax expense** | | | (3,300,596) |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | (65,233) | - | (65,233) |
| Other comprehensive income for the year, net of tax | (65,233) | - | (65,233) |
| | | | |
| **Total comprehensive income for the year** | (100,433) | (3,265,396) | (3,365,829) |
| | | | |
| **Assets** | | | |
| Cash and cash equivalents | 73,175 | 1,114,414 | 1,187,589 |
| Trade and other receivables | 48,473 | 36,131 | 84,604 |
| Exploration and evaluation | 11,506,008 | 1,169,117 | 12,675,125 |
| **Total assets** | 11,627,656 | 2,319,663 | 13,947,318 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | 64,906 | 105,544 | 170,450 |
| Employee benefits | - | 58,306 | 58,306 |
| **Total liabilities** | 64,906 | 163,850 | 228,756 |

*Geographical information*

| | **Geographical exploration assets 2020 $** |
|---|---|
| Australia | 1,169,117 |
| Mexico | 11,506,008 |
| | 12,675,125 |

*Accounting policy for operating segments*
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Board. The Board is responsible for the allocation of resources to operating segments and assessing their performance.

## Note 5. Other income

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Government Boosting Cashflow Payment | 41,220 | - |
| Other income | 31,091 | 1,079 |
| Other income | 72,311 | 1,079 |

*Government Boosting Cashflow Payment*
Boosting Cashflow income is recognised when there is reasonable assurance that the Company will comply with the conditions attached to it, and the grant will be received. The nature of the grant is unconditional and has been presented on a gross basis.

*Other income*
Other income is recognised when it is received or when the right to receive payment is established.

## Note 6. Operating expenses

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Professional fees | 206,002 | 85,270 |
| Annual report and AGM | 39,397 | 30,356 |
| ASX and ASIC fees | 29,634 | 23,906 |
| Audit fees | 38,124 | 30,624 |
| Communication expenses | 3,683 | 7,677 |
| Computer expenses | 8,769 | 11,987 |
| Occupancy costs | 64,896 | 59,855 |
| Insurance | 23,717 | 20,077 |
| Legal costs | 19,773 | 12,532 |
| Office expenses | 33,224 | 11,407 |
| Share registry charges | 23,719 | 19,473 |
| Travel expenses | 967 | 2,838 |
| Promotion and advertising | 2,121 | 7,182 |
| Shareholder Meetings | - | 65,050 |
| Other expenses | 21,131 | 13,858 |
| Transfer (to) exploration assets | (43,060) | (41,275) |
| | 472,097 | 360,817 |

## Note 7. Income tax

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Loss before income tax expense | (3,300,596) | (1,287,491) |
| | | |
| Tax at the statutory tax rate of 27.5% (2019: 30%) | (907,664) | (386,247) |
| | | |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Unrealised foreign exchange losses | 1,057 | - |
| Expenses not allowable for income tax purposes | 766,023 | 249,210 |
| Other deductible items | (417,549) | (218,914) |
| | | |
| | (558,133) | (355,951) |
| Current year tax losses not recognised | 558,133 | 355,951 |
| | | |
| Income tax expense | - | - |

The Group has tax losses arising in Australia of $38,711,565 (2019: $36,039,948) that may be available and may be offset against future taxable profits. In addition, these tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

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

*Accounting policy for income tax*
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

## Note 7. Income tax (continued)

Mithril Resources Ltd and its wholly owned Australian resident entities are part of a tax consolidated group under the tax consolidation legislation as of 1 July 2007.

The head entity within the tax-consolidated group is Mithril Resources Ltd. Mithril Resources Ltd and each of its wholly-owned controlled entities recognise the current and deferred tax assets and deferred tax liabilities applicable to the transactions undertaken by it, after elimination of intra-group transactions. Mithril Resources Ltd recognises the entire tax-consolidated group's retained tax losses.

## Note 8. Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Cash at bank | 1,187,589 | 626,215 |
| Short-term deposits | - | 5,000 |
| | 1,187,589 | 631,215 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

During the year ended 30 June 2019 the Company held $5,000 of short-term bank deposits acting as security for visa cards and the billflex facility. The Company withdrew the deposit after cancelling the visa card and billflex facilities during the year ended 30 June 2020.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

*Accounting policy for cash and cash equivalents*
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Note 9. Trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Trade receivables | - | 50,640 |
| Other receivables | 13,733 | - |
| GST receivable | 70,871 | - |
| | 84,604 | 50,640 |

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for expected credit loss is made when there is objective evidence that a trade receivable is impaired. No impairment was recognised in the current and prior financial year and no receivables are past due at balance date.

*Accounting policy for trade and other receivables*
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

## Note 9. Trade and other receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 10. Other assets

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Accrued revenue | - | 32 |
| Prepayments | - | 27,114 |
| | - | 27,146 |

## Note 11. Exploration and evaluation

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Tangible exploration assets** | | |
| Exploration and evaluation - Copalquin Gold Silver Project (Mexico) | 64,315 | - |
| | 64,315 | - |
| **Inangible exploration assets** | | |
| Exploration and evaluation - joint operations (Australia) | 22,398 | 1,114,703 |
| Exploration and evaluation - other (Australia) | 1,146,719 | 795,311 |
| Exploration and evaluation - Copalquin Gold Silver Project (Mexico) | 11,441,693 | - |
| | 12,610,810 | 1,910,014 |
| | 12,675,125 | 1,910,014 |

**Note 11. Exploration and evaluation (continued)**

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Joint Operations $ | Other $ | Copalquin Gold Silver Project $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2018 | 1,331,395 | 733,459 | - | 2,064,854 |
| Additions through expenditures capitalised | 93,523 | 527,094 | - | 620,617 |
| Impairment of tenements | (83,467) | (691,990) | - | (775,457) |
| Balance at 30 June 2019 | 1,341,451 | 568,563 | - | 1,910,014 |
| Copalquin Gold Silver Project (Mexico) | - | - | 10,953,771 | 10,953,771 |
| Additions through expenditures capitalised | 24,149 | 390,902 | 552,237 | 967,288 |
| Relinquished tenements* | (1,116,454) | (39,494) | - | (1,155,948) |
| Transfers in/(out) | (226,748) | 226,748 | - | - |
| Balance at 30 June 2020 | 22,398 | 1,146,719 | 11,506,008 | 12,675,125 |

* write-off of capitalised exploration expenditures for the tenements that were relinquished during the year, included in impairment of exploration assets expense.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The recoverable amount of development expenditure is determined as the higher of its fair value less costs to sell and its value in use.

Exploration and Evaluation expenditure has been carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recovered reserves. Management assessment of carried forward expenditure resulted in impairment charges of $1,155,948 arising from relinquished tenements (2019: $775,457 ).

*Acquisition of Copalquin Gold Silver Project (Mexico)*
On 27 May 2020 the Company completed the acquisition of Sun Mineral Pty Ltd (Sun Minerals). Sun Minerals holds the exclusive option to earn up to a 100% interest in the high-grade Copalquin Gold Silver Project in Durango, Mexico as set out below:

(a) At the completion of the Transaction Sun Minerals will hold a 10% interest in the concessions forming Copalquin.
(b) If, on or before 7 August 2023, Sun Minerals:

(i) incurs expenditure of US $4 million on Copalquin, Sun Minerals will hold a 25% interest in the concessions forming Copalquin; and
(ii) incurs further expenditure of US $4 million (aggregate expenditure of US $8 million) on Copalquin, Sun Minerals will hold a 50% interest in the concessions forming Copalquin.
(c) At any time on or before 7 August 2023, Sun Minerals may make a cash payment of US $10 million to CMC (and/or its nominee) to acquire the remaining interests then held by CMC. CMC may elect to receive the US $10 million through the issue of fully paid Mithril shares at a deemed issue price per share that is the higher of:

(i) a 10% discount for the 20-day VWAP of fully paid Mithril shares on ASX, ending on the trading day immediately before any such election; or
(ii) $0.01 (1 cent).

Following payment of the US $10 million (in cash, fully paid Mithril shares or a combination of both) the Group will hold a 100% interest on the concessions forming Copalquin.

**Note 11. Exploration and evaluation (continued)**

As consideration for the acquisition of Sun Minerals:

- The Company made an Exclusivity Payment of $150,000 AUD to Sun Minerals Pty Ltd to be used solely for, and form part of expenditure on Copalquin.
- The Company issued an aggregate of 673,852,281 fully paid ordinary shares to the shareholders of Sun Minerals for the acquisition of all the issued capital of Sun Minerals.
- The Company issued 10,000,000 fully paid ordinary shares to Compania Minera Copalquin S.A de S.V. (CMC) and paid $200,000 USD ($303,674 AUD) in accordance with the Company's completion requirements.
- The fair value of the shares issued is $0.015 per share, being the market value of the equity instruments on the measurement date of 27 May 2020.
- The total consideration paid to acquire Sun Minerals Pty Ltd was $10,711,458.

The acquisition of Sun Minerals falls outside of the scope of AASB3 *Business Combinations.* It is the acquisition of a group of assets that do not constitute a business.

A reconciliation to the fair value of the Copalquin Gold Silver Project as at 30 June 2020 is set out below:

| | Copalquin Gold Silver Project |
|---|---|
| **Fair value of asset acquired:** | |
| 673,852,281 shares issued to Sun Minerals shareholders at $0.015 per share | 10,107,784 |
| 10,000,000 shares issued to Compania Minera Copalquin (CMC) at $0.015 per share | 150,000 |
| $200,000 USD ($303,674 AUD) paid to Compania Minera Copalquin (CMC) | 303,674 |
| Exclusivity Payment of $150,000 AUD paid to Sun Minerals Pty Ltd | 150,000 |
| Capitalised transaction costs | 108,143 |
| | 10,819,601 |
| **Less: identifiable assets/(liabilities) acquired:** | |
| Cash | (2,299) |
| Trade and other receivables | (3,189) |
| Trade and other payables | 139,658 |
| | 134,170 |
| Additions through expenditures capitalised | 552,237 |
| | 11,506,008 |

*Accounting policy for exploration and evaluation assets*
Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(a) the rights to tenure of the area of interest are current; and
(b) at least one of the following conditions is also met:

(i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(ii) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

**Note 11. Exploration and evaluation (continued)**

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities.

General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off as an impairment loss.

**Note 12. Trade and other payables**

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Trade payables | 88,815 | 22,154 |
| Other payables | 81,635 | 11,899 |
| | 170,450 | 34,053 |

Refer to note 17 for further information on financial instruments.

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Note 13. Employee benefits**

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Annual leave | 2,415 | 17,585 |
| Long service leave | 55,891 | 56,192 |
| | 58,306 | 73,777 |

*Accounting policy for employee benefits*

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

## Note 14. Issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | **2020 Shares** | **2019 Shares** | **2020 $** | **2019 $** |
| Ordinary shares - fully paid | 1,664,630,703 | 422,389,211 | 50,264,467 | 37,303,102 |

*Movements in ordinary share capital*

| **Details** | **Date** | **Shares** | **Issue price** | **$** |
|---|---|---|---|---|
| Balance | 1 July 2018 | 200,342,380 | | 36,379,826 |
| Shares issued via placement | 21 November 2018 | 30,051,357 | $0.005 | 150,257 |
| Shares issued via rights issue | 20 December 2018 | 191,995,474 | $0.005 | 959,977 |
| Transaction costs (net of tax) | | - | $0.000 | (186,958) |
| Balance | 30 June 2019 | 422,389,211 | | 37,303,102 |
| Shares issued via private placement | 18 September 2019 | 68,000,000 | $0.005 | 340,000 |
| Shares issued via rights issue | 21 May 2020 | 490,389,211 | $0.005 | 2,451,946 |
| Shares issued to shareholders of Sun Minerals Pty Ltd (note 11) | 27 May 2020 | 673,852,281 | $0.015 | 10,107,784 |
| Shares issued to Compania Minera Copalquin S.A de C.V. (note 11) | 27 May 2020 | 10,000,000 | $0.015 | 150,000 |
| Transaction costs (net of tax) | | - | $0.000 | (88,365) |
| Balance | 30 June 2020 | 1,664,630,703 | | 50,264,467 |

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*
There is no current on-market share buy-back.

*Capital risk management*
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

*Accounting policy for issued capital*
Ordinary shares are classified as equity.

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

## Note 15. Reserves

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Foreign exchange reserve | (65,233) | - |
| Share options reserve | 124,496 | 124,496 |
| Performance rights reserve | 1,597,500 | - |
| | 1,656,763 | 124,496 |

*Foreign exchange reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

*Share-based payments reserves*
The share options reserve and the performance rights reserve are used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| **Consolidated** | Share options reserve $ | Performance rights reserve $ | Foreign exchange reserve $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2018 | 152,059 | - | - | 152,059 |
| Issue of options | 42,437 | - | - | 42,437 |
| Lapsed options | (70,000) | - | - | (70,000) |
| Balance at 30 June 2019 | 124,496 | - | - | 124,496 |
| Issue of performance rights | - | 1,597,500 | - | 1,597,500 |
| Movement in foreign exchange reserve | - | - | (65,233) | (65,233) |
| Balance at 30 June 2020 | 124,496 | 1,597,500 | (65,233) | 1,656,763 |

## Note 16. Accumulated losses

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (34,902,072) | (33,684,581) |
| Loss after income tax expense for the year | (3,300,596) | (1,287,491) |
| Transfer from options reserve | - | 70,000 |
| Accumulated losses at the end of the financial year | (38,202,668) | (34,902,072) |

## Note 17. Financial instruments

***Financial risk management objectives***
The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

**Note 17. Financial instruments (continued)**

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The Board identifies, evaluates and hedges financial risks within the Group's operating units.

***Market risk***

*Foreign currency risk*
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The Board has determined that the current level of foreign currency risk resulting from its operations in Mexico is not significant to the Group.

*Price risk*
The Group is not exposed to any significant price risk.

*Interest rate risk*
The Group is not exposed to any significant interest rate risk.

The effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Consolidated** | **Weighted average interest rate %** | **Balance $** | **Weighted average interest rate %** | **Balance $** |
| Cash and cash equivalents | 0.01% | 1,187,589 | 0.76% | 631,217 |
| Trade and other payables | - | (170,450) | - | (34,053) |
| Net exposure to cash flow interest rate risk | | 1,017,139 | | 597,164 |

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions but are not expected to have a significant impact on the Group's operating result.

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| **Consolidated - 2020** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** |
| Cash and cash equivalents | 50 | 5,734 | 5,734 | 50 | (5,734) | 5,734 |

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| **Consolidated - 2019** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** | **Basis points change** | **Effect on profit before tax** | **Effect on equity** |
| Cash and cash equivalents | 50 | 2,952 | 2,952 | (50) | (2,952) | 2,952 |

***Credit risk***
Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks and institutions with high quality external credit ratings. The Group has no past due or impaired debtors as at 30 June 2020.

## Note 17. Financial instruments (continued)

***Liquidity risk***

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, whom have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves.

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 18. Key management personnel disclosures

*Compensation*

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Short-term employee benefits | 423,996 | 384,145 |
| Post-employment benefits | 24,795 | 28,491 |
| Share-based payments | 1,183,334 | 24,250 |
| | 1,632,125 | 436,886 |

Full details of the remuneration of each director of the Company and each of the other key management personnel are disclosed in the Remuneration Report contained within the Directors' Report.

*Loans from key management personnel and their related parties*

During the year the following loans from key management personnel were made to the Company:

| Key management personnel: | Date loan granted | Date loan repaid | Total loans made to the company during the year | Total loans payable as at 30 June 2020 | Total loans payable as at 30 June 2019 |
|---|---|---|---|---|---|
| Adrien Wing | 01/01/2015 | 27/05/2020 | 50,000 | - | - |
| Garry Thomas* | 27/05/2020 | 11/06/2020 | 70,000 | - | - |
| Garry Thomas* | 27/05/2020 | 17/06/2020 | 50,000 | - | - |
| John Skeet* | 27/05/2020 | 17/06/2020 | 6,006 | - | - |
| | | | 176,006 | - | - |

* Garry Thomas and John Skeet granted loans to Sun Minerals Pty Ltd prior to its acquisition by the Group.

Loans from key management personnel were interest-free and were fully repaid as at 30 June 2020.

*Other transactions with key management personnel*

Mr J Skeet is a director of Trimin Pty Ltd (Trimin). During the financial year the Company incurred costs of $3,960 (2019: $NIL) relating to consultancy services provided by Trimin. No amount was owing to Trimin at 30 June 2020.

## Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company:

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| *Audit services - Grant Thornton Audit Pty Ltd* | | |
| Audit or review of the financial statements | 38,124 | 30,624 |

## Note 20. Capital and leasing commitments

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| *Capital commitments* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Exploration and evaluation* | 1,721,380 | 559,000 |
| *Lease commitments - operating*** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | - | 56,153 |

* In order to maintain current rights of tenure to exploration tenements, the Company is required to meet minimum expenditure requirements in respect of tenement lease rentals. These obligations are expected to be fulfilled in the normal course of operations.

** The operating lease in place for the Company's head office tenancy expired at 30 June 2020 and was not renewed by the Company. This was considered in the Company's first time adoption of AASB 16: Leases.

## Note 21. Related party transactions

*Parent entity*
Mithril Resources Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 23.

Transactions between Mithril Resources Ltd and its wholly owned entities during the year consisted of loans advanced by Mithril Resources Ltd to fund exploration and investment activities.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the Directors' report.

*Transactions with related parties*
There were no transactions with related parties during the current and previous financial year other than those disclosed in note 18.

**Note 21. Related party transactions (continued)**

*Payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Current payables: | | |
| Director's fees payable | 4,000 | - |

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date other than those disclosed in note 18.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

**Note 22. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Loss after income tax | (3,264,905) | (2,276,577) |
| Other comprehensive income for the year, net of tax | - | - |
| Total comprehensive income | (3,264,905) | (2,276,577) |

## Note 22. Parent entity information (continued)

*Statement of financial position*

| | Parent 2020 $ | Parent 2019 $ |
|---|---|---|
| Total current assets | 1,150,536 | 2,619,015 |
| Total non-current assets | 12,797,108 | 14,341 |
| Total assets | 13,947,644 | 2,633,356 |
| Total current liabilities | 163,849 | 107,830 |
| Total non-current liabilities | - | - |
| Total liabilities | 163,849 | 107,830 |
| Net assets | 13,783,795 | 2,525,526 |
| Equity | | |
| Issued capital | 50,264,467 | 37,303,102 |
| Share options reserve | 124,496 | 124,496 |
| Performance rights reserve | 1,597,500 | - |
| Accumulated losses | (38,202,668) | (34,902,072) |
| Total equity | 13,783,795 | 2,525,526 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest 2020 % | 2019 % |
|---|---|---|---|
| Minex (Aust) Pty Ltd | Australia | 100% | 100% |
| Minex (West) Pty Ltd | Australia | 100% | 100% |
| Mithril Resources Investments Pty Ltd | Australia | 100% | 100% |
| Sun Minerals Pty Ltd | Australia | 100% | - |
| Drummond Gold | Mexico | 100% | - |
| Carlton Gold | Mexico | 100% | - |

* The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

## Note 24. Events after the reporting period

*Capital Raising*
In early July 2020 the Company announced that it had received binding commitments for a placement to sophisticated and professional investors, comprising 154,444,444 fully paid ordinary shares in the Company at an issue price of 1.8 cents to raise approximately $3.5 million before costs. The placement shares were issued on 16 July 2020.

Related parties of the Company also committed to participating in the placement with shareholder approval granted on 14 August 2020. The directors of the Company committed to $414K and a holder of the concessions forming the Copalquin Gold Silver Project committed to $396K for a total of 45,000,000 placement shares. The placement shares to related parties were issued on 19 August 2020.

*Performance rights conversion milestone achieved*
Mithril achieved a market capitalisation equal to or greater than A$40,000,000 for a period of 20 consecutive trading days. This was a milestone condition for the performance rights and consequently 224,999,999 shares were issued on 14 August 2020.

*Director appointments*
On 17 August 2020 Mr Garry Thomas was appointed as a non-executive director.

On 8 September 2020 Mr John Skeet, the current CEO of the Company was appointed to the additional role of Managing Director of the Company.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Note 25. Cash flow information

*Reconciliation of loss after income tax to net cash used in operating activities*

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Loss after income tax expense for the year | (3,300,596) | (1,287,491) |
| Adjustments for: | | |
| Depreciation and amortisation | 3,162 | 4,177 |
| Impairment of non-current assets | 1,155,948 | 775,457 |
| Net gain on disposal of non-current assets | (20,137) | - |
| Net loss on disposal of property, plant and equipment | 11,179 | - |
| Share-based payments | 1,597,500 | 42,437 |
| Foreign exchange differences | 3,844 | - |
| Transfers to exploration assets | (43,060) | - |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (83,955) | (49,182) |
| Decrease in accrued revenue | 32 | 54 |
| Decrease/(increase) in prepayments | 27,114 | (15,913) |
| Increase/(decrease) in trade and other payables | 64,551 | (12,960) |
| Increase/(decrease) in employee benefits | (15,471) | 8,207 |
| Net cash used in operating activities | (599,889) | (535,214) |

*Quarterly cash flows*

Payments for exploration and evaluation assets activities and acquisitions and receipts from disposal of exploration and evaluation assets reported in the consolidated statement of cash flows is reported as an investing activity in accordance with AASB 107 Statement of Cash Flows. This varies from the reporting in the Appendix 5B Quarterly Cash Flow Reports in which these payments are included in operating activities. Going forward capitalised expenditure and acquisition expenditure on exploration and development assets will be classified as investing activities in the Appendix 5B.

## Note 26. Earnings per share

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Loss after income tax | (3,300,596) | (1,287,491) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 596,041,636 | 320,141,086 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 596,041,636 | 320,141,086 |
| | **Cents** | **Cents** |
| Basic earnings per share | (0.55) | (0.40) |
| Diluted earnings per share | (0.55) | (0.40) |

**Note 26. Earnings per share (continued)**

*Accounting policy for earnings per share*

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the Owners of Mithril Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Note 27. Share-based payments**

The Group established the Mithril Resources Ltd Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment, although the Board may waive this requirement.

- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.

- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. Options will be issued free. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares, the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.

- If, prior to the expiry date of options, a person ceases to be an employee of the Company for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.

- Options can’t be transferred other than to the legal personal representative of a deceased option holder.

- The Company will not apply for official quotation of any options issued under the plan.

- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.

- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

**Note 27. Share-based payments (continued)**

Set out below are summaries of options granted under the plan:

2020

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 10/03/2017 | 31/12/2020 | $0.100 | 1,000,000 | - | - | - | 1,000,000 |
| 22/06/2017 | 31/12/2020 | $0.100 | 300,000 | - | - | - | 300,000 |
| 22/06/2017 | 22/06/2022 | $0.100 | 300,000 | - | - | - | 300,000 |
| 17/11/2017 | 17/11/2020 | $0.100 | 500,000 | - | - | - | 500,000 |
| 17/11/2017 | 31/12/2020 | $0.100 | 1,000,000 | - | - | - | 1,000,000 |
| 10/10/2018 | 10/10/2021 | $0.010 | 7,000,000 | - | - | - | 7,000,000 |
| | | | 10,100,000 | - | - | - | 10,100,000 |

2019

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 22/07/2013 | 21/07/2018 | $0.500 | 30,000 | - | - | (30,000) | - |
| 20/06/2014 | 21/07/2018 | $0.500 | 75,000 | - | - | (75,000) | - |
| 20/06/2014 | 19/06/2019 | $0.150 | 140,000 | - | - | (140,000) | - |
| 21/04/2016 | 21/04/2019 | $0.050 | 650,000 | - | - | (650,000) | - |
| 10/03/2017 | 31/12/2020 | $0.100 | 1,000,000 | - | - | - | 1,000,000 |
| 22/06/2017 | 31/12/2020 | $0.100 | 300,000 | - | - | - | 300,000 |
| 22/06/2017 | 22/06/2022 | $0.100 | 300,000 | - | - | - | 300,000 |
| 17/11/2017 | 17/11/2020 | $0.100 | 500,000 | - | - | - | 500,000 |
| 17/11/2017 | 31/12/2020 | $0.100 | 1,000,000 | - | - | - | 1,000,000 |
| 10/10/2018 | 10/10/2021 | $0.010 | - | 7,000,000 | - | - | 7,000,000 |
| | | | 3,995,000 | 7,000,000 | - | (895,000) | 10,100,000 |

Set out below are the options exercisable at the end of the financial year:

| Grant date | Expiry date | 2020 Number | 2019 Number |
|---|---|---|---|
| 10/03/2017 | 31/12/2020 | 1,000,000 | 1,000,000 |
| 22/06/2017 | 31/12/2020 | 300,000 | 300,000 |
| 22/06/2017 | 22/06/2022 | 300,000 | 300,000 |
| 17/11/2017 | 17/11/2020 | 500,000 | 500,000 |
| 17/11/2017 | 31/12/2020 | 1,000,000 | 1,000,000 |
| 10/10/2018 | 10/10/2021 | 7,000,000 | 7,000,000 |
| | | 10,100,000 | 10,100,000 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.08 years (2019: 1.80 years).

**Note 27. Share-based payments (continued)**

*Performance rights granted to directors and key management personnel*
At the General Meeting held on 13 May 2020 the shareholders of the Company granted approval for the issue of 166,666,666 performance rights to directors and members of key management personnel. Details of the performance rights issued can be found in the Notice of General Meeting announcement dated 9 April 2020. The Company also issued 58,333,333 performance rights to corporate advisors and consultants as part of their compensation for services rendered. The vesting condition for the issue of these performance rights was the completion of Sun Minerals transaction. Details on the acquisition of Sun Minerals Pty Ltd are disclosed in note 11.

The conversion of the issued performance rights to fully paid ordinary shares of the Company is subject to the satisfaction of either of the following applicable milestones:
- Determination by a geological consultant of an Inferred JORC Resource of 5.443Mt at a combined AuEq grade of not less than 4g/t for 700koz Au (or AuEq) on the Copalquin Project; or
- Mithril achieving a market capitalisation equal to or greater than A$40,000,000 for a period of 20 consecutive trading days on which the securities of the Company traded. This milestone was achieved post year-end and shares issued on 14 August 2020.

*Fair value of performance rights granted:*
The fair value of performance rights granted was independently determined using a Monte Carlo pricing model. This model simulates share price movements using assumptions of lognormally distributed prices, averages the payoff values over the range of resultant outcomes, and then discounts the expected payoff at the risk-free rate to get an estimate of the value of the option or performance right.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 13/05/2020 | 13/05/2024 | $0.010 | $0.000 | 95.000% | - | 0.240% | $0.007 |

Share-based payments during the year are:

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Options issued to Directors, employees and consultants | - | 42,437 |
| Performance rights issued to Directors and key management personnel | 1,420,000 | - |
| Performance rights issued to consultants | 177,500 | - |
| | 1,597,500 | 42,437 |

*Exploration and evaluation share based payments*
During the period the Company made the following share-based payments in accordance with the terms sheet to acquire 100% of the shares of Sun Minerals Pty Ltd:

- Issued 673,852,281 fully paid ordinary shares to the shareholders of Sun Minerals Pty Ltd
- Issued 10,000,000 fully paid ordinary shares to Compania Minera Copalquin S.A de C.V

The fair value of the shares issued is $0.015 per share. The amount of the equity settled share-based payment recognised in the current period in respect of the ordinary shares issued is $10,257,784.

*Accounting policy for share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

**Note 27. Share-based payments (continued)**

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Monte Carlo or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Mithril Resources Limited**
**Directors' declaration**
**30 June 2020**

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

John Skeet
Managing Director

30 September 2020

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# Independent Auditor's Report

## To the Members of Mithril Resources Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Mithril Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $3,300,596 and a cash outflow from operating and investing activities of $2,021,201 during the year ended 30 June 2020. As stated in Note 2, these events or conditions, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Grant Thornton



### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *material uncertainty related to going concern section*, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Exploration and evaluation assets - Notes 3 & 11** | |
| At 30 June 2020 the carrying value of exploration and evaluation assets was $12,675,125.<br><br>In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.<br><br>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.<br><br>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers. | Our procedures included, amongst others:<br>• obtaining the management-prepared reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;<br>• reviewing management's area of interest considerations against AASB 6;<br>• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;<br>– tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;<br>– enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;<br>– understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;<br>• assessing the accuracy of the impairment recorded for the year as it pertained to exploration interests and capitalisation in relation to the relinquished tenements ;<br>• evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and<br>• assessing the appropriateness of the related financial statement disclosures. |
| **Asset Acquisition Notes 3 & 11** | |
| The Group acquired Sun Minerals Pty Ltd and its controlled entities, which hold options for mining concessions within Mexico, for total consideration of $10,819,601. Consideration included $10,257,784 of equity instruments of the Group.<br><br>The risk is that the assessment of whether the acquisition falls within the scope of AASB 3 *Business Combinations*, or is of an asset or group of assets that do not constitute a business and is therefore outside the scope of AASB 3. Another risk is that the assignment of the initial measurement of the carrying value of assets and liabilities based on relative fair value is inappropriate.<br><br>This is a key audit matter due to the size of the acquisition which has a pervasive impact on the Group's financial statements. | Our procedures included, amongst others:<br>• assessing whether the transaction should be treated as an asset acquisition or business combination, in accordance with Australian Accounting Standards;<br>• reading the relevant purchase agreement to identify consideration components;<br>• testing the mathematical accuracy of the calculations prepared by management;<br>• reviewing management's assessment of the assets acquired through the transaction and the value attributed to the assets;<br>• assessing the adequacy of the Groups disclosures within the financial statements. |

Grant Thornton

## Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Mithril Resources Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 30 September 2020

**Mithril Resources Limited**
**Shareholder information**
**30 June 2020**

The shareholder information set out below was applicable as at 17 September 2020.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of options over ordinary shares |
|---|---|---|
| 1 to 1,000 | 304 | - |
| 1,001 to 5,000 | 328 | 1 |
| 5,001 to 10,000 | 173 | - |
| 10,001 to 100,000 | 1,424 | - |
| 100,001 and over | 1,081 | 3 |
| | 3,310 | 4 |
| Holding less than a marketable parcel | 814 | 1 |

**Equity security holders**

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| GARRY THOMAS & NANCY-LEE THOMAS | 285,685,273 | 13.69 |
| TRIMIN PTY LTD | 221,663,615 | 10.62 |
| MR DUDLEY ROY LEITCH | 124,051,195 | 5.94 |
| MR HALL HERBERT STEWART | 114,979,409 | 5.51 |
| NORTHERN STAR NOMINEES PTY LTD | 110,500,000 | 5.29 |
| MR STEPHEN LAYTON | 110,500,000 | 5.29 |
| COVENANT HOLDINGS (WA) PTY LTD | 60,000,000 | 2.87 |
| JENNINGS FAMILY INVESTMENTS PTY LTD | 34,308,514 | 1.64 |
| MIGUEL ANGEL MATAS MARTINEZ | 32,000,000 | 1.53 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 31,785,639 | 1.52 |
| ALTOR CAPITAL MANAGEMENT PTY LTD | 20,000,000 | 0.96 |
| UBS NOMINEES PTY LTD | 19,434,388 | 0.93 |
| MGL CORP PTY LTD | 18,640,000 | 0.89 |
| PENAUSE PTY LTD | 18,143,573 | 0.87 |
| MR ARTHUR CHARLAFTIS | 14,820,228 | 0.71 |
| LOCKWOOD SUPERANNUATION FUND PTY LTD | 12,500,000 | 0.60 |
| MR DANIEL EDDINGTON & MRS JULIE EDDINGTON | 10,000,000 | 0.48 |
| IRX ENTERPRISES PTY LTD | 10,000,000 | 0.48 |
| MR ADRIAN MATHEW LIPPI | 10,000,000 | 0.48 |
| MR MARK LIPPI & MRS KELLY LIPPI | 10,000,000 | 0.48 |
| | 1,269,011,834 | 60.78 |

*Share buy-back*
There is no current on-market share buy-back.

**Mithril Resources Limited**
**Shareholder information**
**30 June 2020**

*Unquoted equity securities*
There are no unquoted equity securities.

**Substantial holders**
Substantial holders in the Company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| GARRY THOMAS & NANCY-LEE THOMAS | 285,685,273 | 13.69 |
| TRIMIN PTY LTD | 221,663,615 | 10.62 |
| MR DUDLEY ROY LEITCH | 124,051,195 | 5.94 |
| MR HALL HERBERT STEWART | 114,979,409 | 5.51 |
| NORTHERN STAR NOMINEES PTY LTD | 110,500,000 | 5.29 |
| MR STEPHEN LAYTON | 110,500,000 | 5.29 |

**Voting rights**
The voting rights attached to equity securities are set out below:

*Ordinary shares*
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Options*
No voting rights.

There are no other classes of equity securities.

**Securities subject to voluntary escrow**

| Class | Expiry date | Number of shares |
|---|---|---|
| Fully paid ordinary shares | 27 May 2022 | 657,523,066 |

The vendors of Sun Minerals Pty Ltd agreed to a voluntary escrow of 657,523,066 fully paid ordinary shares received as part of the consideration from its acquisition by the Group.

**List of Australian tenements**

| Project | Tenement number | Interest owned % |
|---|---|---|
| Huckitta | EL26942 | 100.00 |
| Kurnalpi Area | E28/2506 | 100.00 |
| Kurnalpi Area | E28/2567 | 100.00 |
| Kurnalpi Area | E28/2682 | 100.00 |
| Kurnalpi Area | E28/2760 | 100.00 |
| Lignum Dam Area | E27/538 | 100.00 |
| Lignum Dam Area | E27/582 | 100.00 |
| Lignum Dam Area | E27/584 | 100.00 |
| Murchison Area | E20/846 | 100.00 |
| Murchison Area | E57/1069 | 100.00 |
| Neutral Junction | EL24253 | 33.30 |
| West Kimberley Area | E04/2497 | 100.00 |
| West Kimberley Area | E04/2503 | 100.00 |
| West Kimberley Area | E80/5191 | 100.00 |

**Mexican operations**

| Concession | Concession title number | Interest owned % |
|---|---|---|
| LA SOLEDAD | 52033 | 10.00 |
| EL COMETA | 164869 | 10.00 |
| SAN MANUEL | 165451 | 10.00 |
| COPALQUIN | 178014 | 10.00 |
| EL SOL | 236130 | 10.00 |
| EL CORRAL | 236131 | 10.00 |

Sun Minerals, a wholly owned subsidiary of Mithril, holds the exclusive option to earn up to a 100% interest in the concessions forming the Copalquin Gold Silver Project in Durango, Mexico. Further details are disclosed in note 11.