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ABN 30 099 883 922

Annual Report - 30 June 2021

Mithril Resources Limited

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Mithril Resources Limited
Corporate directory
30 June 2021

Directors	Mr Garry Thomas (Non-Executive Director) Mr John Skeet (Managing Director) Mr Stephen Layton (Non-Executive Director)
Company secretary	Mr Adrien Wing
Registered office	Level 2 480 Collins Street MELBOURNE VIC 3000
Principal place of business	Level 2 480 Collins Street MELBOURNE VIC 3000
Share register	Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street ADELAIDE SA 5000
Auditor	Nexia Melbourne Audit Pty Ltd Level 12, 31 Queen Street MELBOURNE VIC 3000
Solicitors	Quinert Rodda & Associates Level 6, 400 Collins Street MELBOURNE VIC 3000
Bankers	National Australia Bank 800 Bourke Street 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
Managing Director's Letter

Dear Fellow Shareholders,

This year Mithril progressed its transformation to an explorer of gold and silver following the previous year's board changes and acquisition of Sun Minerals Pty Ltd. The acquisition and subsequent capital raisings positioned the Company well to embark upon its maiden drill program in the Sierra Madre mountains of Mexico at its Copalquin Mining District project. Mithril's new management rapidly mobilised and commenced the drill program in late July 2020, within two months of completing the transaction, during the wet season and Covid-19 global pandemic. Despite the challenges, the Company committed to successfully executing the drill program, confirming historic drill results and most importantly, confirming the Copalquin District as prospective for high-grade gold and silver resources.

The discovery of the large hydrothermal system at El Refugio has continued to deliver with continuing reportable gold-silver intercepts. High-grade 'ore shoots' or 'clavos' have been discovered, which are typical for these types of epithermal precious metal deposits. The success of 2020's maiden drill program allowed the Company to commit to a maiden JORC resource estimate with the drilling throughout 2021 designed to contribute to its completion in the last quarter of 2021.

Mithril set its goal to prove the Copalquin District and has achieved this with great success in its first year of exploration and I am extremely grateful to our shareholders for their support and we look forward to delivering news of our developments in Mexico over the coming year.

Sincerely,



John Skeet
Managing Director and CEO
jskeet@mithrilresources.com.au

Mithril Resources Limited

Directors' report

30 June 2021

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 2021.

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: EQ Resources Ltd
Former directorships (last 3 years): New Age Exploration Ltd (resigned 26 September 2020)
Interests in shares: 115,500,000 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: Assoc. CE
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 Internet Engineering which he sold to Sedgman Metals.
Other current directorships: Oakajee Corporation Ltd
Former directorships (last 3 years): N/A
Interests in shares: 292,685,273 ordinary shares

Mithril Resources Limited
Directors' report
30 June 2021

Name: Mr Adrien Wing (Resigned 15 February 2021)
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.

Name: Mr Dudley Leitch (Resigned 7 July 2021)
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.

'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 \$1,688,618 (30 June 2020: \$3,300,596).

REVIEW OF OPERATIONS

Exploration Highlights

- Commenced and completed the expanded maiden drill program in the Copalquin District, Mexico confirmed historic drill results and located high-grade gold and silver in the district
- Discovery of a major gold-silver mineralised structure at El Refugio
- Commenced second program of drilling at Copalquin with primary focus the El Refugio structure expanding this area sufficiently for a maiden JORC resource estimate (for Q4 2021)
- Extended known high-grade gold and silver mineralisation at La Soledad
- Intercepted high-grade gold and silver structure two kilometres east of El Refugio, at Los Reyes
- Soil sampling and mapping programs, extending the drill target for El Refugio further to the west by 1.3 kilometre



Corporate Highlights

- Mithril raised \$3.5 million in July 2020 to supplement the \$2.46 million raised as part of the Sun Minerals Pty Ltd acquisition in May 2020, being fully funded to execute an expanded maiden drill program at its Copalquin District, Mexico
- In February 2021, Mithril raised \$5 million for its second phase of drilling at Copalquin, Mexico
- The company successfully executed its drilling programs in Mexico during the Covid-19 pandemic
- Board appointments were Garry Thomas as non-executive director and John Skeet as managing director
- Adrien Wing resigned as non-executive director, remaining as company secretary and Dudley Leitch retired from the board as a non-executive director (July 2021)
- Subsequent to the year end, Mithril raised \$3.3 million with funds to be used to continue drilling while completing the maiden JORC resource estimate and progressing study work

Social Responsibility

Mithril's Copalquin District, located in the Sierra Madre mountains in the western most area of Durango State, Mexico is an isolated site currently with mule road and light aircraft access only. There are small settlements throughout the district, with El Limon just outside the south-west corner of the concession area, the largest with about 20 dwellings. In the second half of the nineteenth century, it is reported that the Copalquin settlement was home to over 2,000 inhabitants with its cobblestone street, church and mine buildings. Now there is just one family residing in the Copalquin settlement. Many of the families have been in the district for generations. While there are no records of ejidos (land grants given after the Mexican revolution) or registered communities, the inhabitants have legal possession of the land if fenced and occupied for longer than 10 years. Mithril's (and previously Sun Minerals') approach is to proceed as if the community is registered, with all members having legal possessions of land as we progress future applications for development with the Mexican authorities.

Mithril is the only employer in the Copalquin district and all of our non-professional staff are from within the district. Our people are skilled and hard-working, developed from living in an isolated location. Skills possessed include carpentry, dwelling and road construction, mule handling, farming and mining. Mithril has implemented job specific training and encourages online learning.

During the last quarter of 2021, Mithril is progressing study work on infrastructure enhancements that will be of benefit to both our exploration developments and the local community. Specific future community focused developments are for education, medical, environmental management and communications.



Photo 1: Children from San Antonio, Los Reyes, Copalquin and La Maquina settlements at El Cometa exploration camp, Mexican Independence Day, 16th September 2021. Adults from back left, Project Geologist - Guadalupe Garcia, John Skeet - CEO and Managing Director and front right, Darcy Garcia - Senior Geologist.

Exploration Project – Copalquin Gold-Silver District, Durango State, Mexico

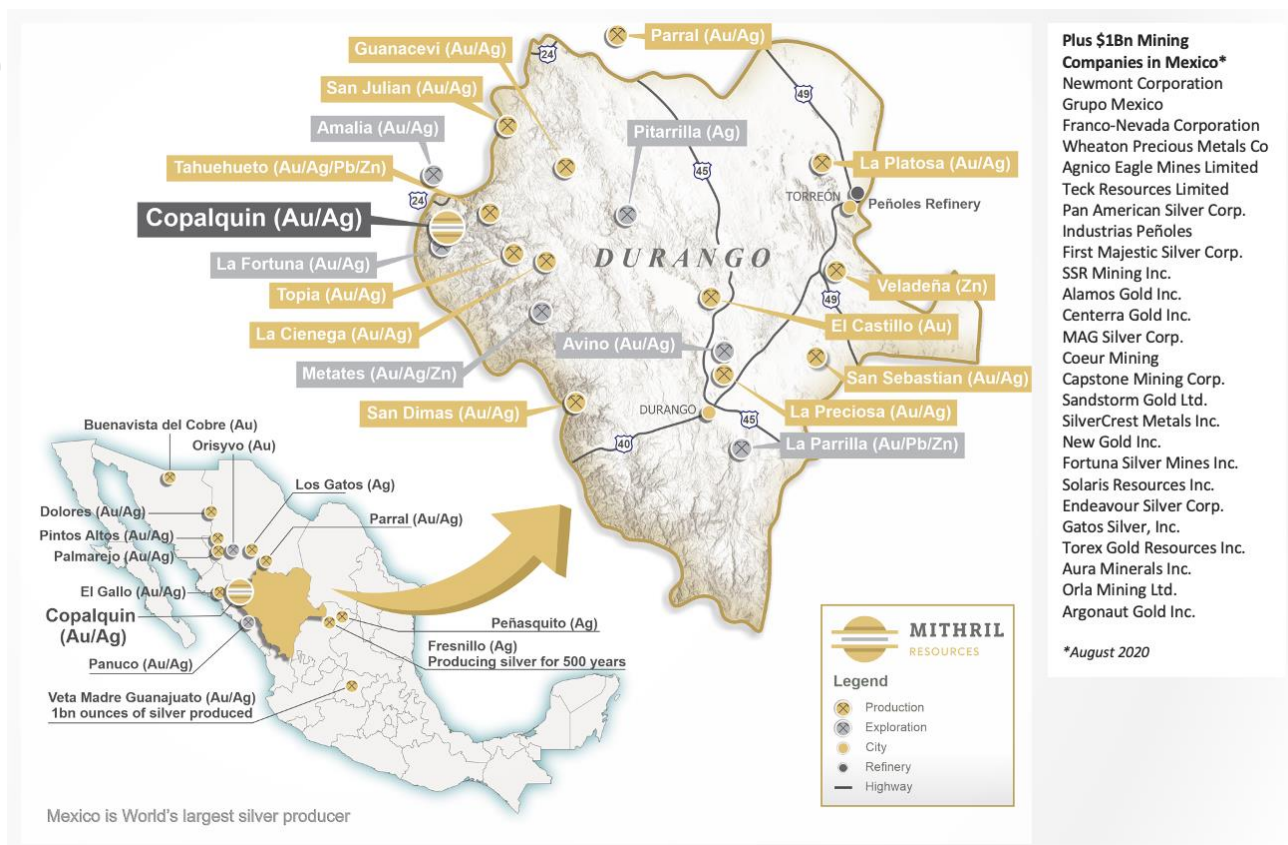


Figure 1 Copalquin District location map with locations of mining and exploration activity within the state of Durango.

Following on from the successful acquisition of Sun Minerals Pty Ltd in May 2020 for its option to acquire 100% of the Copalquin gold-silver district concessions in Mexico, Mithril commenced its maiden drill program at Copalquin in late July 2020. The maiden drill program and the continued drilling throughout 2021, confirmed the previous historic drill results and, most importantly, have led to a significant discovery at El Refugio. El Refugio has been the focus of drilling throughout 2021 with high-grade gold and silver mineralisation consistently intercepted as we have sought to test the mineralised extents in this part of the district.

With the success at El Refugio, work on a maiden JORC resource estimate is in progress and on schedule for completion during the final quarter of 2021.

Mapping and soil sampling in the district has continued to expand the potential for gold and silver mineralisation in addition to the dozens of historic mines and workings throughout the Copalquin District.

Drilling Highlights in the Copalquin District

El Refugio

- **Drilling in the Copalquin gold-silver district has expanded known mineralisation at El Refugio to 700m long x 350m deep**
- **Discovery of the '77 clavo' at El Refugio with bonanza grade intercept:**
 - **8.26m @ 80.3 g/t gold, 705 g/t silver** from 468.34m (CDH-077), including

6.26m @ 106 g/t gold, 913 g/t silver from 468.34m, including
0.77m @ 837 g/t gold, 6,680 g/t silver from 471.63m

- **High-grade gold-silver confirmed deep in the El Refugio structure proximal to the bonanza intercept of CDH-077 (8.26m @ 80.3g/t gold, 705g/t silver from 468.34m) with:**
 - 8.85m @ 7.2 g/t gold, 335 g/t silver from 312.15m (CDH-084), including 2.50m @ 18.22 g/t gold, 583 g/t silver from 317.0m, plus 2.10m @ 2.05 g/t gold, 73.6 g/t silver from 324.9m, plus 1.00m @ 1.16 g/t gold, 36.0 g/t silver from 394.0m
- **Continued expansion of the El Refugio 'clavo' (4.17m @ 62.0 g/t gold and 445 g/t silver from 233.43m CDH-050) with multiple high-grade intercepts including:**
 - 2.70m @ 13.8 g/t gold, 82.9 g/t silver from 300.3m (CDH-075), plus 4.25m @ 10.9 g/t gold, 364 g/t silver from 307.05m,
 - 8.00m @ 5.32 g/t gold, 104.63 g/t silver from 289.3m (CDH-063)
 - 4.82m @ 4.12 g/t gold, 107.13 g/t silver from 259.7m (CDH-062)
 - 7.60m @ 2.34 g/t gold, 143.6 g/t silver from 253.25m (CDH-069)
- **High-grade intercepts in CDH-079 and CDH-080 extending the El Refugio high-grade gold-silver 'clavo' 80m further east:**
 - 12.2m @ 7.6 g/t gold, 332 g/t silver from 86.6m (CDH-079), including 4.00m @ 18.3 g/t gold, 829 g/t silver from 89.8m
 - 6.11m @ 5.08 g/t gold, 197 g/t silver from 112.19m (CDH-080), including 2.00m @ 9.39 g/t gold, 716 g/t silver from 116.19m
- **Westerly expansion at El Refugio with:**
 - 26.78m @ 2.26 g/t gold, 25.1 g/t silver from 143.22m (CDH-066)
 - 4.61m @ 1.87 g/t gold, 89.3 g/t silver from 155.84m (CDH-068), plus 0.77m @ 4.00 g/t gold, 37.0 g/t silver from 176.41m, plus 0.90m @ 0.59 g/t gold, 38.0 g/t silver from 193.38m

El Cometa

Located along strike to the east of El Refugio, El Cometa consists of parallel veins with instances of tensional dilation structures that host very high-grade gold and silver mineralisation.

- **Confirmatory El Cometa bonanza grades with twin of historic drill hole:**
 - 6.8m @ 74 g/t gold, 841 g/t silver from 35.2m, including (CDH-072), 2.1m @ 235 g/t gold, 2,554 g/t silver from 37.9m
- **Shallow drill holes at the El Cometa target towards the El Refugio target**
 - 14.85m @ 0.85 g/t gold and 47.9 g/t silver from 82.10m (CDH-034), including 1.3m @ 5.07 g/t gold and 308.9 g/t silver from 82.85m
 - 9.78m @ 0.85 g/t gold and 13.3 g/t silver from 78.75m (CDH-032)
- **Shallow drilling perpendicular to the historic drilling at the El Cometa target has intercepted the structure near surface with continuity along strike for almost 300m;**
 - 11.7m @ 1.16 g/t gold and 70.0 g/t silver from 10.9m (CDH-027), including 1.0m @ 7.17 g/t gold and 236.0 g/t silver from 15.0m
 - 2.9m @ 1.93 g/t gold and 215.7 g/t silver from 29.6m (CDH-029)
 - 5.28m @ 0.39 g/t gold and 25.56 g/t silver from 35.72m (CDH-031)
 - 10.15m @ 0.55 g/t gold and 15.47 g/t silver from 42.0m (CDH-035), including 1.0m @ 3.75 g/t gold and 69.6 g/t silver from 42.0m

La Soledad

- **Drilling at La Soledad 600 metres north east of El Refugio commenced in July 2020 with a follow up hole in February 2021. A very high-grade vein system for further drilling:**
 - **3m @ 34.72 g/t gold and 3,129.0 g/t silver** from 112.0m (CDH-001), including **1m @ 88.4 g/t gold and 6,750.0 g/t silver** from 114.0m
 - **4.55m @ 5.64 g/t gold and 325.0 g/t silver** from 91.95m (CDH-002), including **1.5m @ 9.82 g/t gold and 574.0 g/t silver** from 95.0m, plus **0.5m @ 9.27 g/t gold and 825.0 g/t silver** from 141.2m
 - **7.50m @ 6.74 g/t gold and 158.1 g/t silver** from 253.8m (CDH-014), including **3.45m @ 11.52 g/t gold and 244.1 g/t silver** from 253.8m
 - **4.88m @ 10.36 g/t gold and 80.9 g/t silver** from 288.25m (CDH-054)

Los Reyes

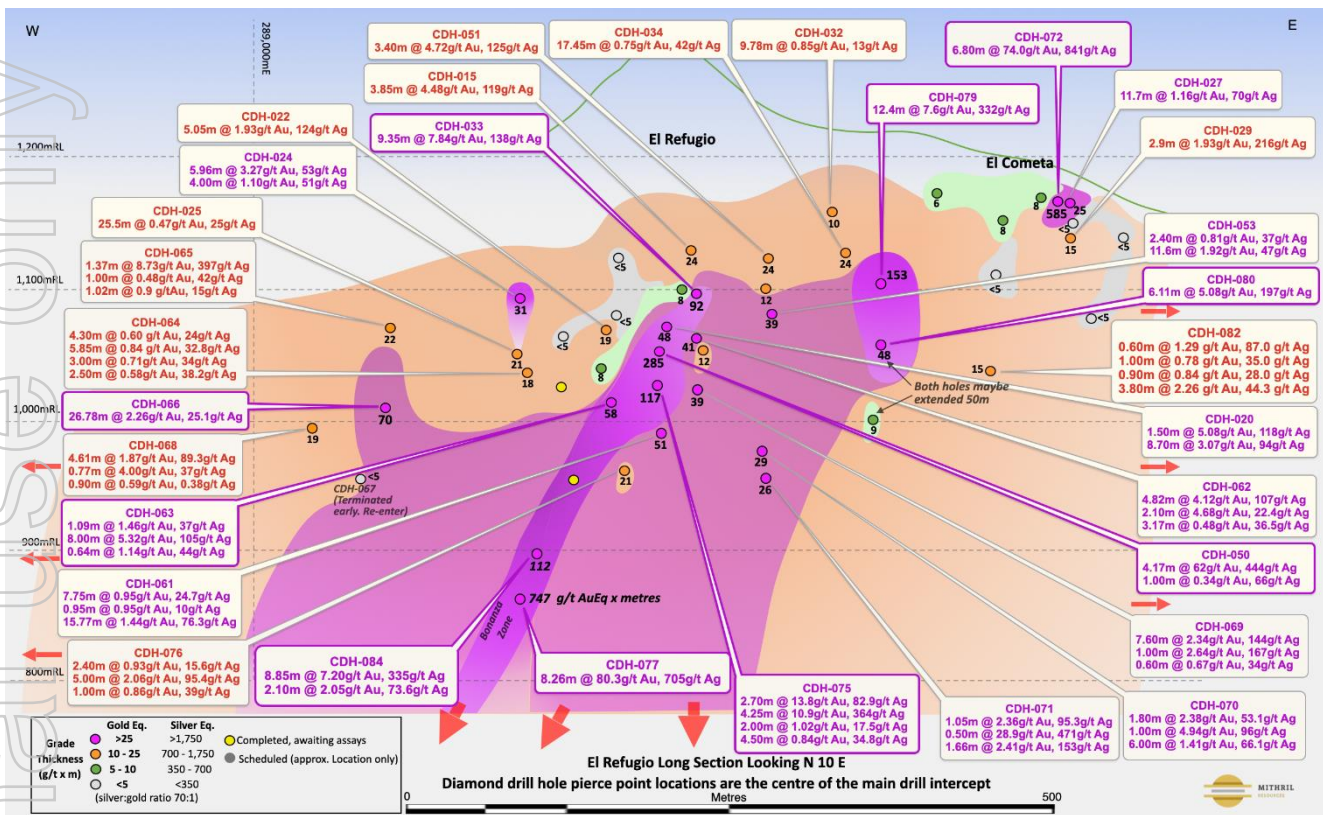
- **High-grade gold and silver results received in first drill holes at Los Reyes target. The intercepts are in the same low-angle structural zone that extends 1.5 km west to El Cometa. The structural zone with mineralised veins occurs up to 20m wide at Los Reyes:**
 - **2.22m @ 32.35 g/t gold and 184.8 g/t silver** from 91.55m (CDH-040), including
 - **1.22m @ 58.6 g/t gold and 203 g/t silver** from 92.55m, plus **0.70m @ 9.3 g/t gold and 125 g/t silver** from 75.9m, plus **1.20m @ 2.05 g/t gold and 85 g/t silver** from 84.82m
 - **3.0m @ 2.86 g/t gold and 83.8 g/t silver** from 103m (CDH-041), including
 - **0.6m @ 9.79 g/t gold and 165.0 g/t silver** from 103.7m
- **Soil sampling and mapping, expanding the El Refugio structure a further 1.3 km west**
- **Maiden JORC gold and silver resource estimate for El Refugio on track for Q4 2021**
- **Drill core samples selected for metallurgical test work**

EL REFUGIO, COPALQUIN DISTRICT, MEXICO

Post the end of the reporting year, Mithril released assay results in July 2021 for three drill holes CDH-075, CDH-076 and CDH-077 drilled during the June quarter, continuing to expand the El Refugio structure down dip with high-grade and bonanza grade gold-silver intercepts. Hole CDH-077 was designed to test the depth extents of the high-grade clavo and, in particular to test the zone predicted by the geologic model to be a bonanza zone at El Refugio. Drill hole CDH-077 successfully intercepted extremely high-grade gold and silver within a broad intercept of **8.26 metres at 80.3 g/t gold and 705 g/t silver from 468.34 metres** down hole. Further drilling commencing in July 2021 is designed to expand and further test the CDH-077 intercept.

Further assay results for two drill holes received in August 2021 expanded the El Refugio structure to the east with high-grade gold-silver intercepts. Holes CDH-079 and CDH-080 were designed to test the eastern extents of the high-grade 'clavo' with the aim of providing infill data in this area for the maiden resource estimate work. Drill hole CDH-079 intercepted high-grade gold and silver with **12.4 metres at 7.60 g/t gold and 332 g/t silver from 86.6 metres** down hole. Drill hole CDH-080 was drilled further down dip and intercepted **6.11 metres at 5.08 g/t gold and 197 g/t silver from 112.19 metres** down hole.

In September 2021 it was reported that deep drilling at El Refugio has again returned an excellent gold-silver intercept with **8.85m @ 7.2 g/t gold, 335 g/t silver** from 312.15m (CDH-084), including **2.50m @ 18.22 g/t gold, 583 g/t silver** from 317.0m, plus **2.10m @ 2.05 g/t gold, 73.6 g/t silver** from 324.9m, plus **1.00m @ 1.16 g/t gold, 36.0 g/t silver** from 394.0m



outside of the main El Refugio structure (Figure 8).

Figure 2: Long section for the El Refugio target in the Copalquin district showing drill hole pierce points. Grade thickness as shown is the sum of all intercepts shown for each hole, pierce points are the midpoint of the main intercept. Metal equivalent grades calculated using 70 g/t Ag = 1 g/t Au, based on gold price of USD1,610 per ounce and silver price of USD23 per ounce.

HISTORIC BONANZA GRADES CONFIRMED AT EL COMETA

In mid-June 2021, the Company reported bonanza grades at El Cometa and the continued expansion of the El Refugio structure.

Hole CDH-072 is Mithril's follow up test of the Cometa portion of the Refugio to Los Reyes structural zone. The first pass drilling (CDH-026 – CDH-031) was oriented perpendicular to the main structural zone and did not intercept the historically reported high grade gold mineralisation found in UC Resources hole UC-003. After further detailed geologic mapping, it is postulated that there are a series of N – S tension gashes or dilatant fractures that were favourable for the deposition of bonanza grade gold. Drill hole CDH-072 intercepted **6.8m @ 74 g/t gold, 841 g/t silver** from 35.2m (twin of historic UC-03), including **2.1m @ 235 g/t gold, 2,554 g/t silver** from 37.9m. Follow up drilling in this area will include (20m) step out drilling to locate the fractures.

confirming the high-grade mineralisation over 100m down dip in the structure. The intercept is proximal to the bonanza grade intercept of CDH-077, which is currently interpreted as being

EXTENSIVE GOLD-SILVER CONFIRMED AT EL REFUGIO WEST

In mid-May 2021, the Company announced drill results, testing the westerly extensions of El Refugio.

The first holes drilled west along the main El Refugio discovery intercepted multiple gold-silver veins within the broad El Refugio structure. These first holes reported confirmed the structure to continue 180 metres further west. Further drilling in this area will target the structure deeper and continue to test for continuation along strike.

Hole CDH-064 intercepted multiple veins down dip of holes CDH-024 and 025 within a broadening mineralised structure. This will continue to be developed at depth.

CDH-064 – 4.30m @ 0.60 g/t gold, 24 g/t silver from 165m, plus **5.85m @ 0.84 g/t gold, 32.8 g/t silver** from 175.2m, plus **3.00m @ 0.71 g/t gold, 34 g/t silver** from 201m, plus **2.5m @ 0.58 g/t gold, 38.2 g/t silver** from 226.5m.

Holes CDH-065 and CDH-066 have stepped out along strike 100m to the west and have successfully intercepted the top of the El Refugio structure. Future drilling in this area will target and develop the structure deeper.

CDH-065 – 1.37m @ 8.73 g/t gold, 397 g/t silver from 186.3m, plus **1.00m @ 0.48 g/t gold, 42 g/t silver** from 119.8m, plus **1.02m @ 0.90 g/t gold, 15 g/t silver** from 111.68m.

CDH-066 – 26.78m @ 2.26 g/t gold, 25.1 g/t silver from 143.22m, including **1.71m @ 5.23 g/t gold, 160 g/t silver** from 145.44m, and **2.00m @ 15.6 g/t gold, 35 g/t silver** from 159.0m, and **1.22m @ 5.87 g/t gold, 5.5 g/t silver** from 164.58m.

CDH-067 – drilled down dip of hole CDH-066, stopped in stockwork zone before reaching the target due to swelling clay. **1.00m @ 1.17 g/t gold, 41 g/t silver** from 189.9m, and **0.71m @ 0.77 g/t gold, 23 g/t silver** from 195.95m. To be re-entered and completed later in program.

CDH-068 was drilled a further 80m to the west of hole CDH-066 and intercepted the Refugio structure with **4.61m @ 1.87 g/t gold, 89.3 g/t silver** from 155.84m, plus **0.77m @ 4.00 g/t gold, 37.0 g/t silver** from 176.41m, plus **0.90m @ 0.59 g/t gold, 38.0 g/t silver** from 193.38m

CONTINUED EXPANSION OF EL REFUGIO DOWN DIP

CDH-069 is a deeper hole on the same section as CDH-062 (Figure 5) intercepting the veins 70 metres down dip in central part of the current El Refugio drill area with the assays showing the continued width and depth progression of this high-grade mineralised zone within the structure. **7.60m @ 2.34 g/t gold, 143.6 g/t silver** from 253.25m, plus **1.00m @ 2.64 g/t gold, 167.0 g/t silver** from 266.35m.

Drill holes aggressively stepped down dip of hole CDH-053 on the eastern side of the El Refugio clavo have extended the veins deeper by 50 metres (CDH-070) and 100 metres (CDH-071) as shown in Figure 4 with **6.00m @ 1.41 g/t gold, 66 g/t silver** from 240m (CDH-070), including **0.50m @ 9.53 g/t gold, 613 g/t silver** from 240m, plus **1.00m @ 4.94 g/t gold, 96.0 g/t silver** from 235.87m, plus **1.80m @ 2.38 g/t gold, 53.1 g/t silver** from 157.55m. CDH-071 intercepted **5.00m @ 2.36 g/t gold, 95.3 g/t silver** from 186m (CDH-071), plus **0.50m @ 28.9 g/t gold, 471 g/t silver** from 222.77m, plus **1.66m @ 2.41 g/t gold, 152.8 g/t silver** from 235.87m.

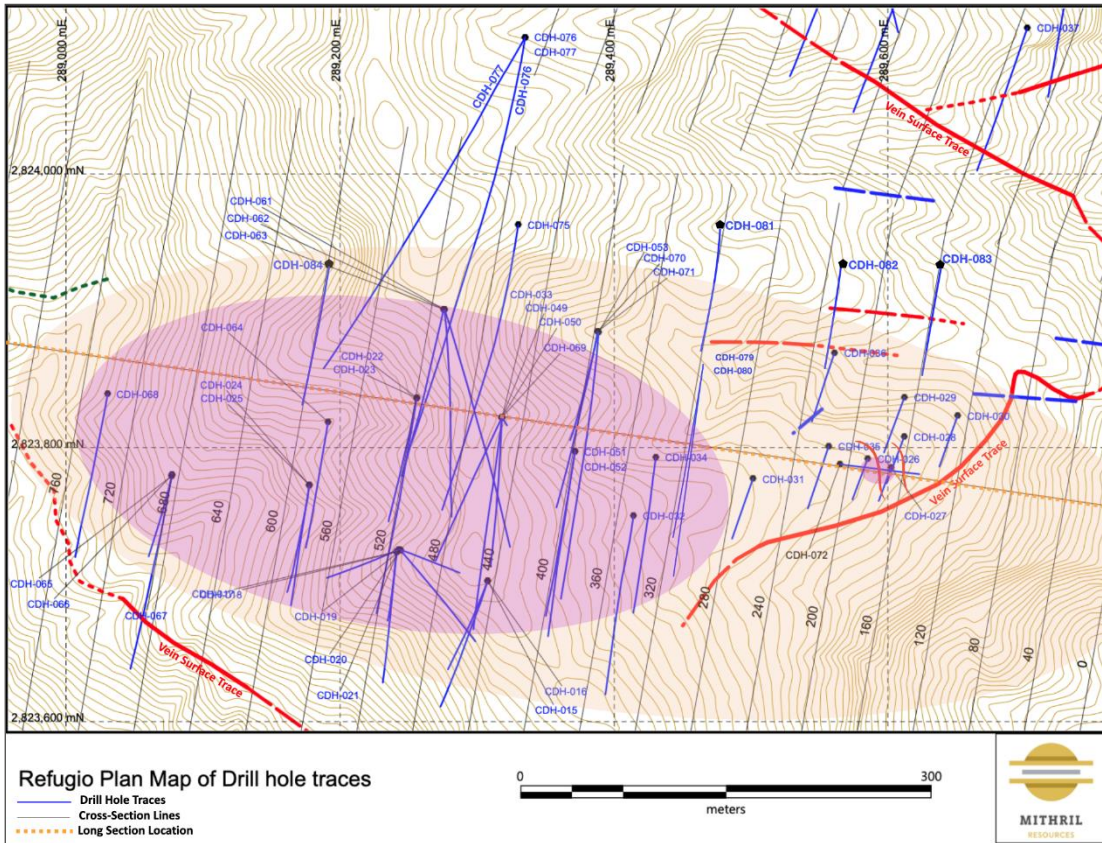


Figure 3: Map view of the El Cometa/El Refugio drilling showing the drill traces and the drill intercepts covered in this release. Long section indicated by orange dotted line shown in Figure 2

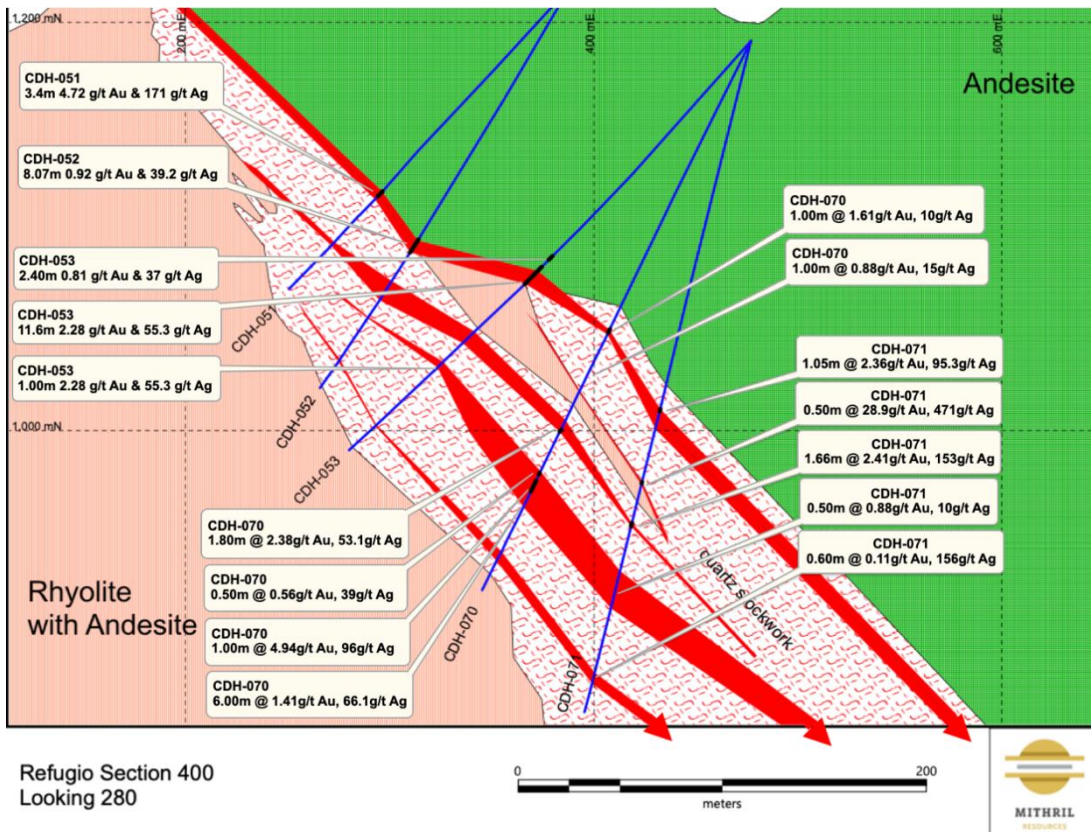


Figure 4: El Refugio cross section 400 showing the down dip extension holes CDH-070 and CDH-071.

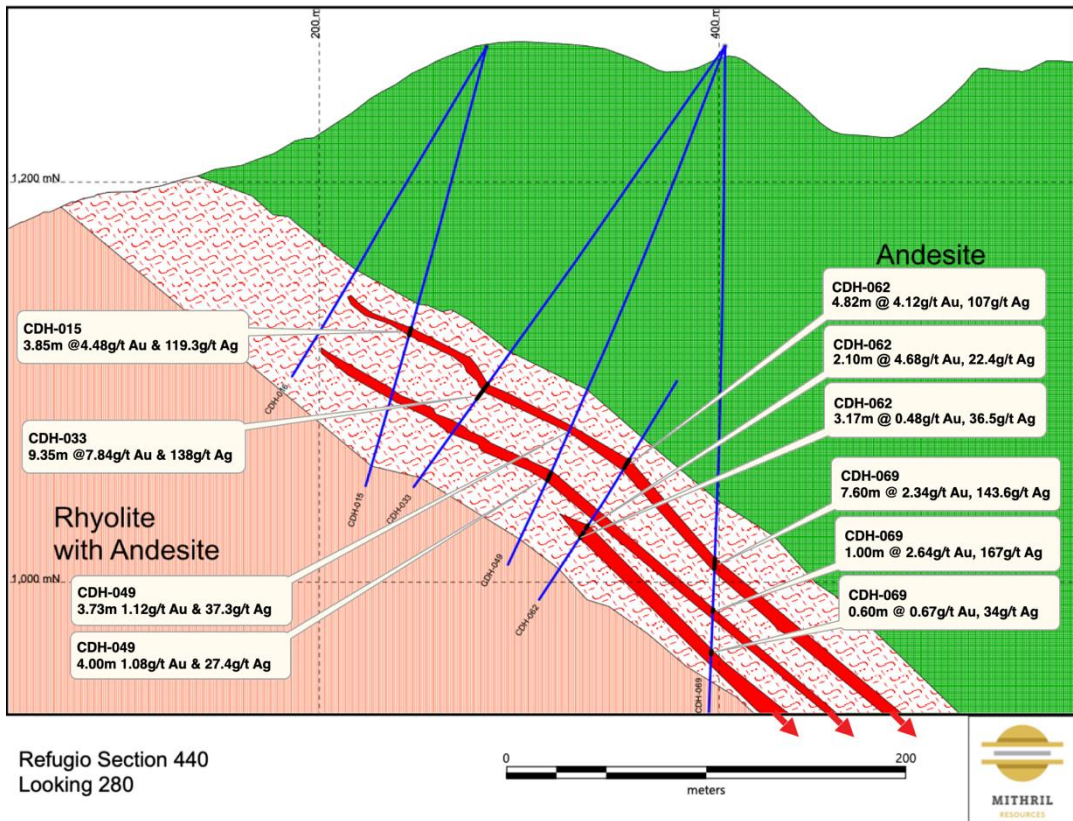


Figure 5: El Refugio cross section 440 showing the down dip extension of hole CDH-069.

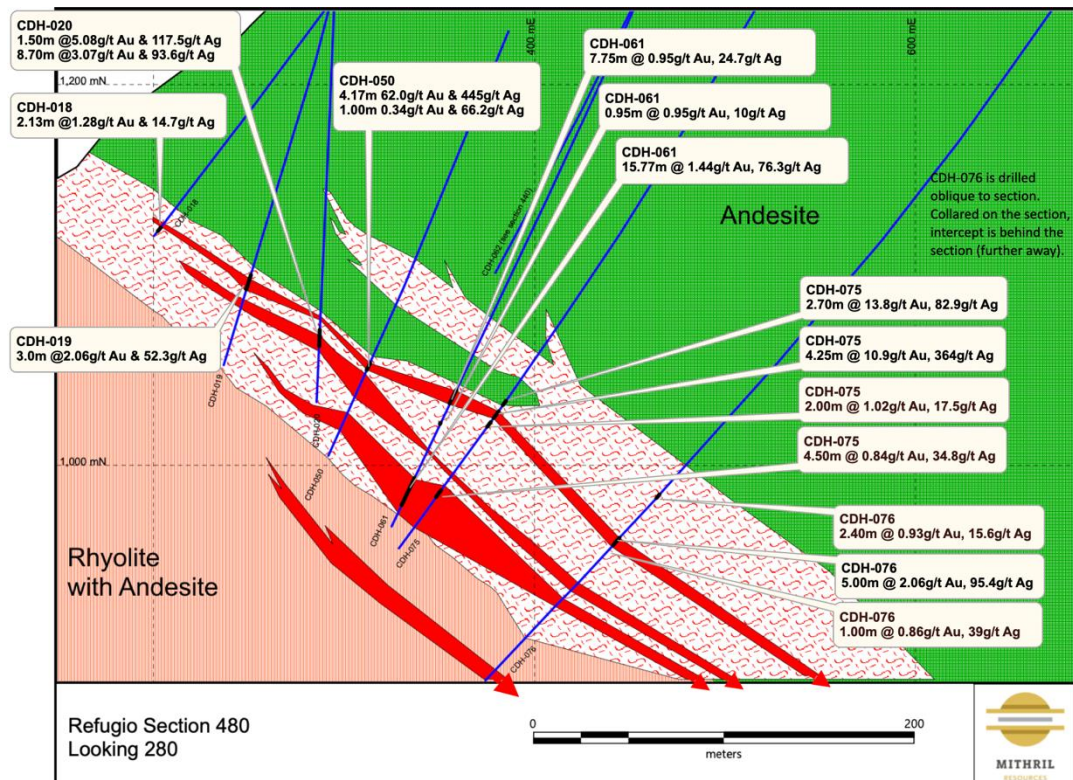


Figure 6: El Refugio cross section 480 showing intercepts for drill holes CDH-075 & 076. Note: CDH-076 collared on this section 480, intercept is behind (further away).

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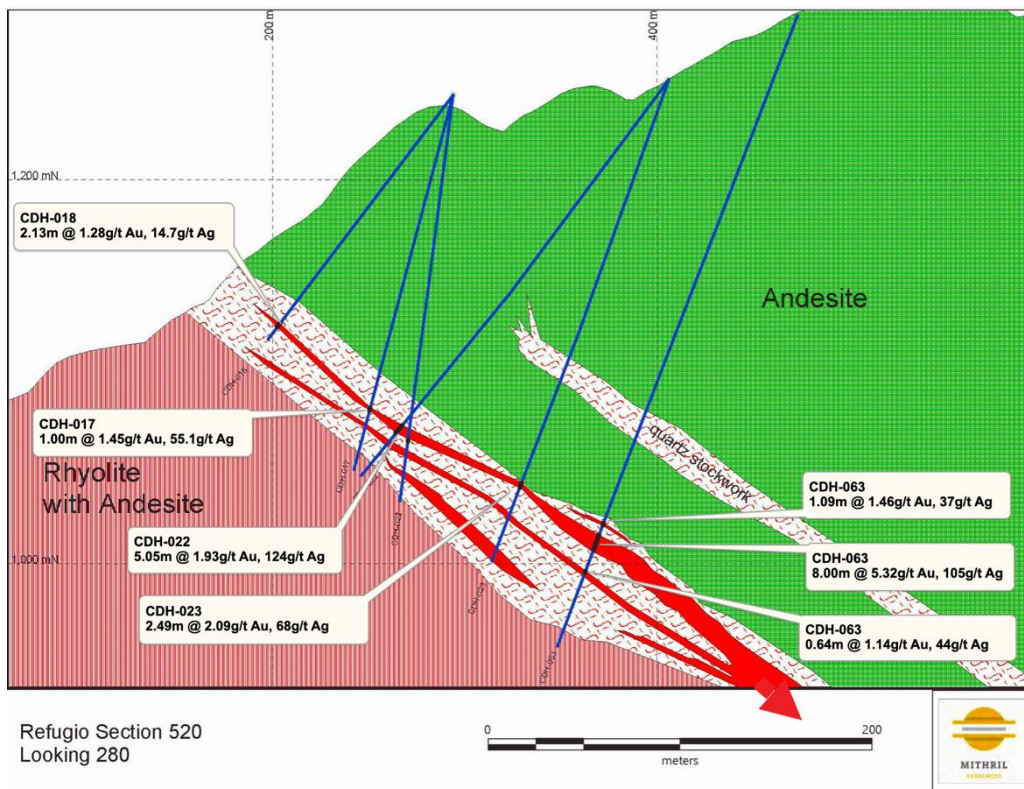


Figure 7: El Refugio cross section 520 showing the down dip extension holes CDH-063.

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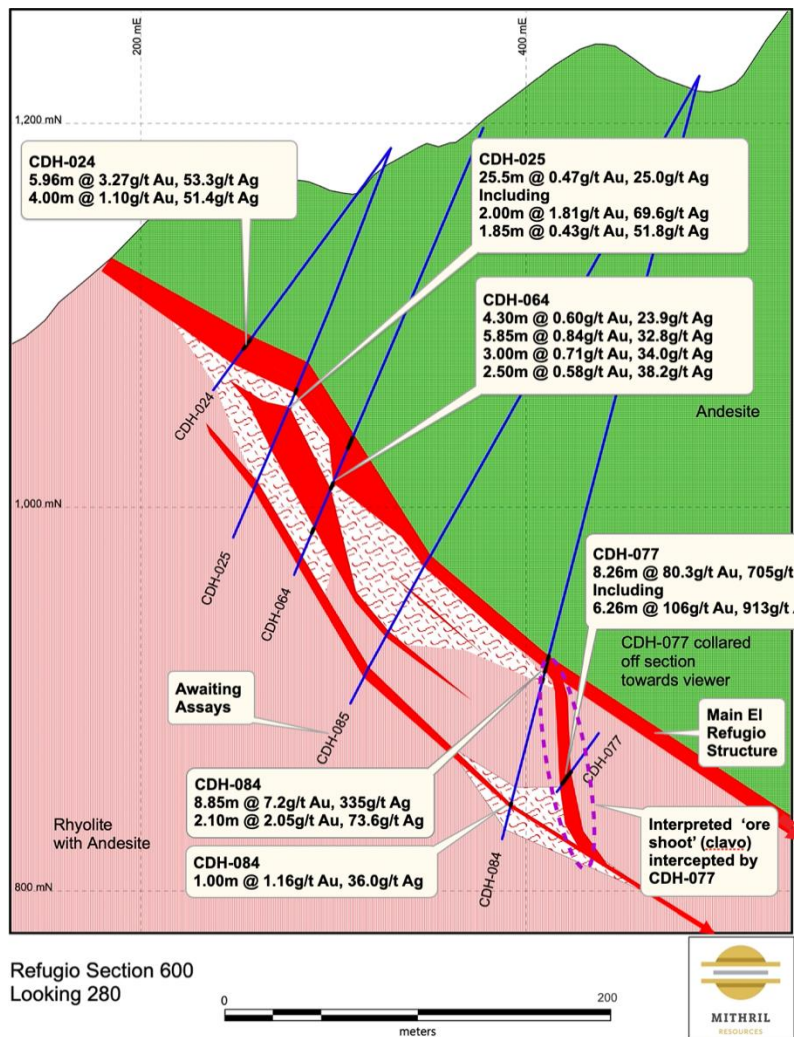


Figure 8: El Refugio cross section 600 showing drill hole CDH-077 intercept reaching the bonanza zone as per the geologic model shown in Figure 26.

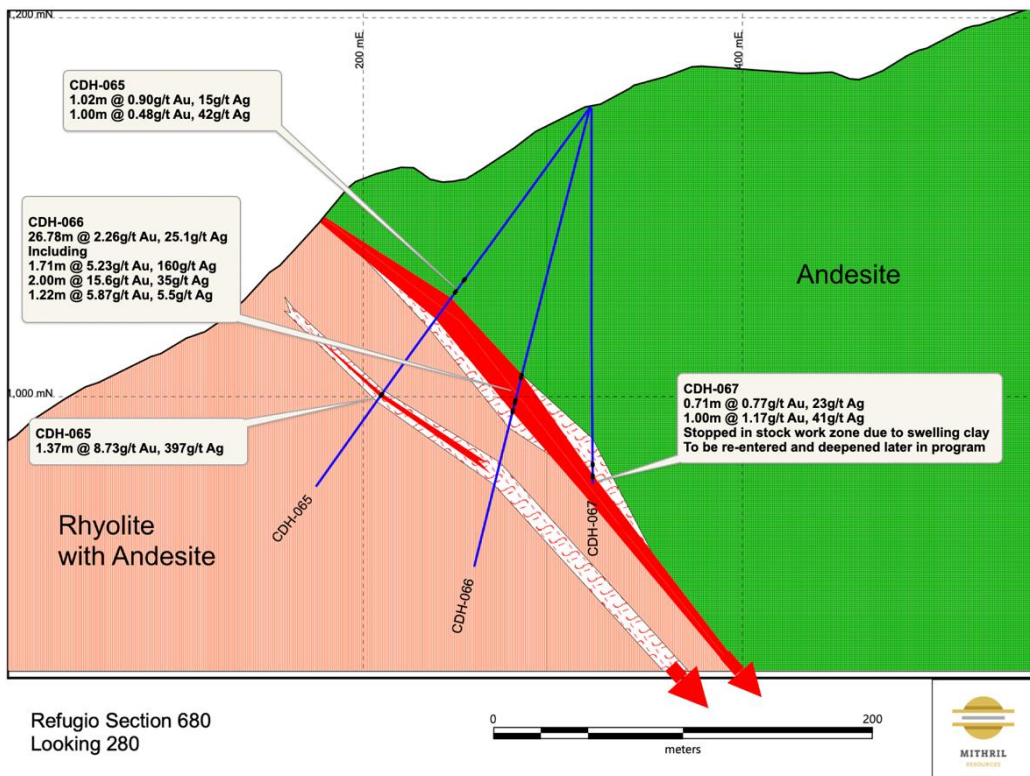


Figure 9: El Refugio cross section 680 showing the first western strike extension holes CDH-065, CDH-066 and CDH-067.

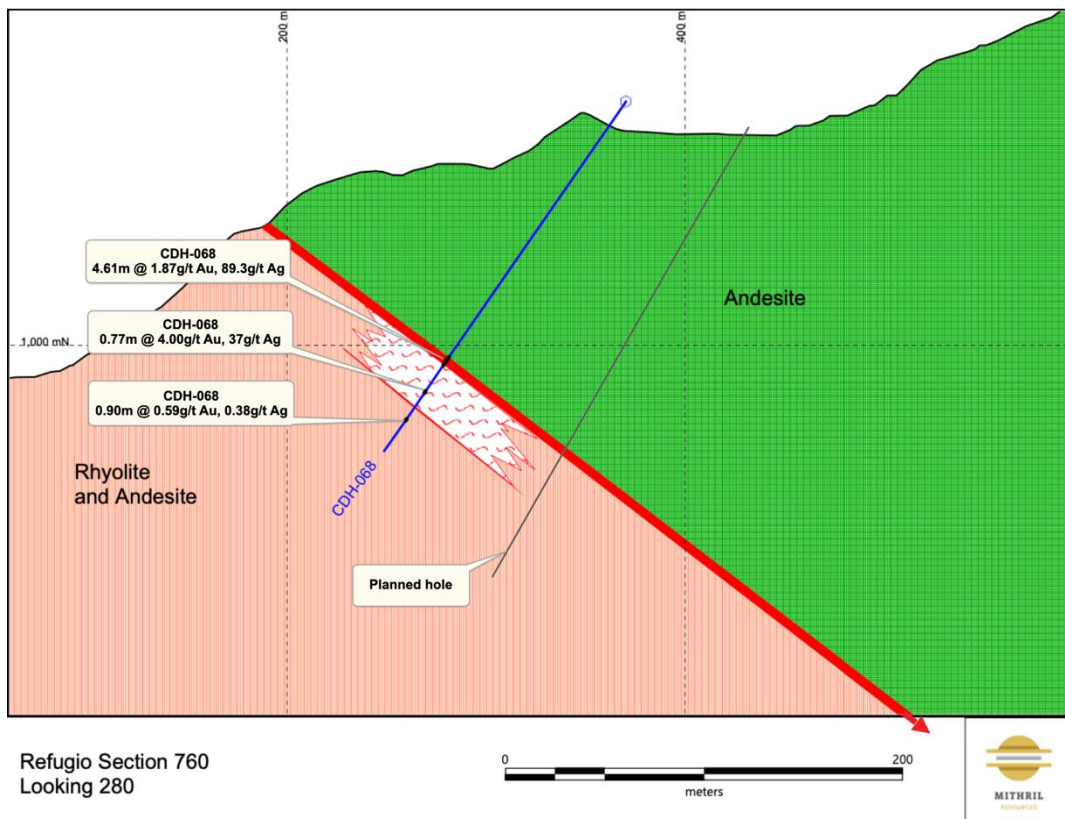


Figure 10: El Refugio cross section 760 showing the most westerly intercept to date with hole CDH-068 with future down dip holes planned.

Drill Core Photos from holes CDH-072, 075, 076 and 077 with Visible Gold, Copalquin District



Figure 11: Two halves of cut NQ size core from hole CDH-077 472.1-472.3 metres with abundant visible gold

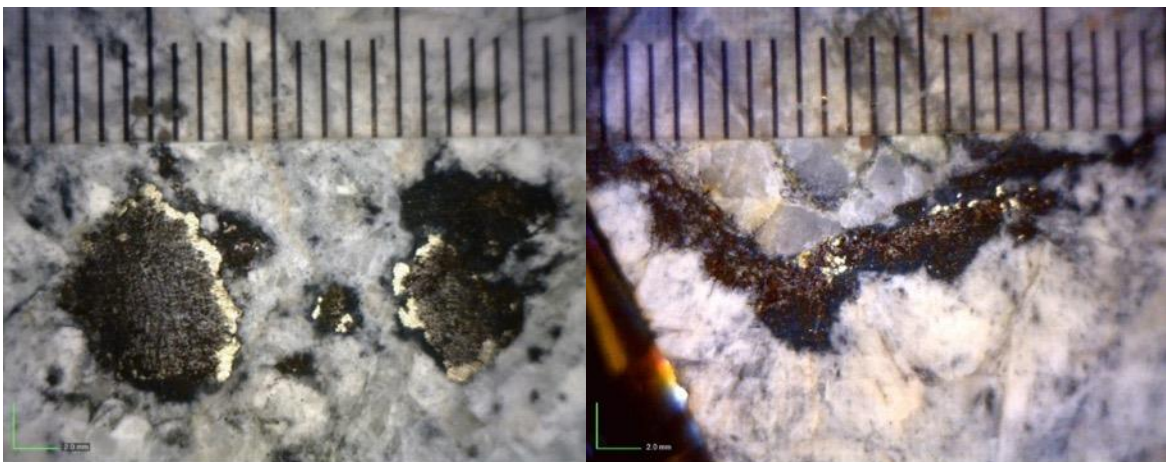


Figure 12a and b: mm wide rims of free gold surrounding fine aggregates of pyrite plus gold, plus silver sulphides 472.2 m CDH-077

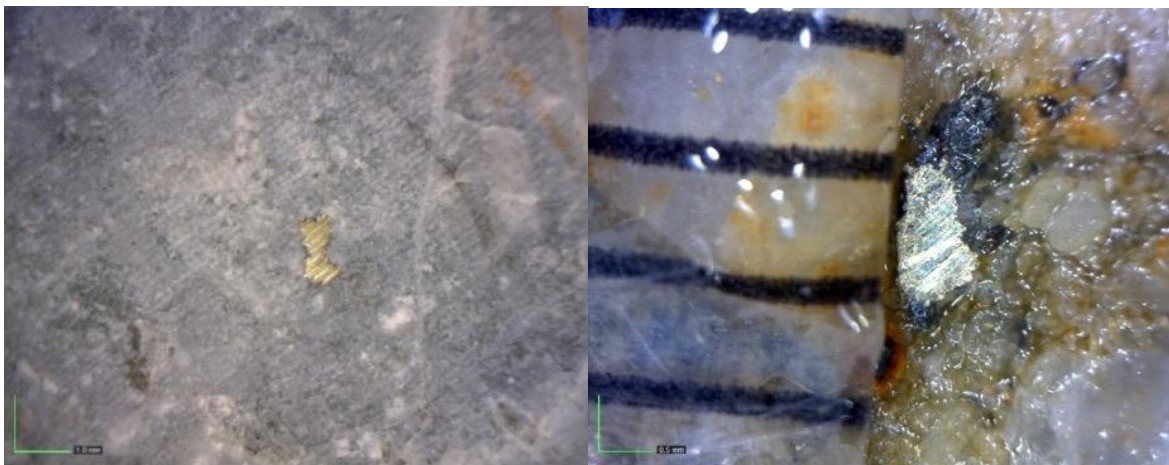


Figure 13: Glint of gold in CDH-076 at 376.2m

Figure 14: Glint of gold in CDH-072 at 38.0m (ASX Release 15/6/2021)

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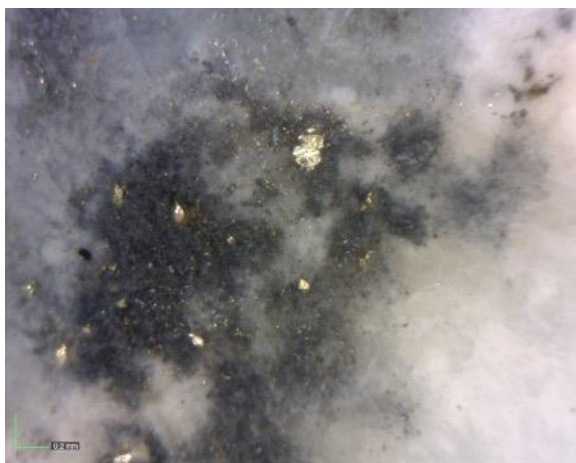


Figure 15: CDH-075 at 301.5m @ 150 X gold w/ginguro.



Figure 16: CDH-075 at 301.5m @ 100 X. gold w/ginguro



Figure 17: CDH-075 at 301.90m @ 100 X gold w/ginguro.



Figure 18: CDH-075 at 301.95m @ 150 X gold w/ginguro.

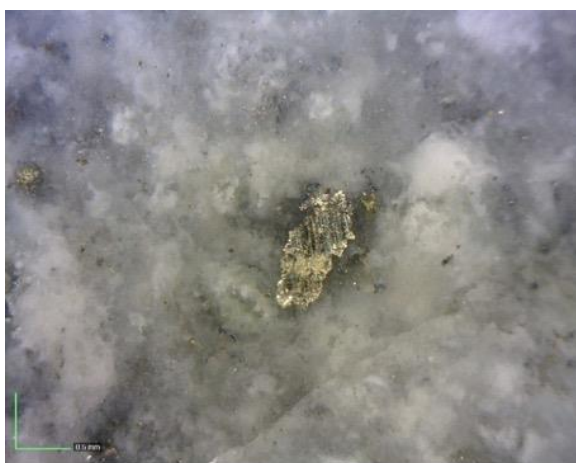


Figure 19: CDH-075 at 307.6m @ 100 X free gold.

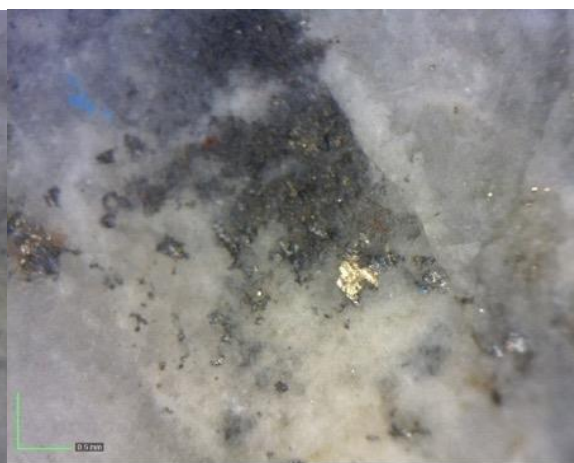


Figure 20: CDH-075 @ 310.15m @ 150 X gold w/ginguro.

Preliminary Concept for Mine Access - El Refugio

Deep high-grade intercepts such as in holes CDH-061, CDH-071 and CDH-077 bring mineralisation closer to potential access from a site with favourable logistics, taking advantage of the local topography. The CDH-077 'bonanza zone' can be reached by an exploration drift (adit) of approximately 750 metres long. Such a drift would allow access for the close-spaced sampling that will be necessary to bring the bonanza grade zone into higher confidence resource categories.

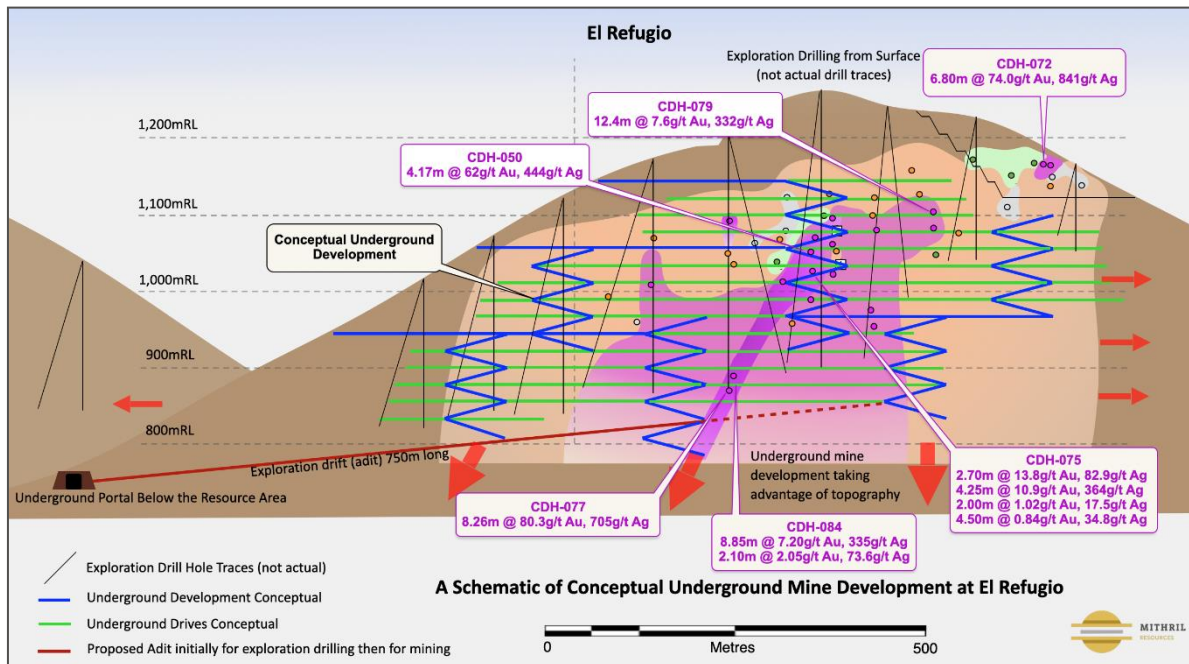


Figure 21: Schematic showing an underground mine access concept for the El Refugio gold-silver deposit, Copalquin District, Mexico.

Soils Sampling Program – El Refugio West

A sampling program over the Refugio West target was completed during the dry months of 2021 (Jan-May) with 240 samples collected from five sample grids of 48 samples each. This sampling program tests the hypothesis that the mapped structures to the west of Refugio are likely to be gold-bearing veins. Results from this program have extended the target zone for drilling a full 1,300 meters west from the currently westernmost drill holes.

Observations in the field include zones of quartz stockwork, large areas of clay alteration and the presence of rhyolite dikes and domes which are associated with mineralisation in the main Refugio target-area.

A map of the soil grids is shown below in Figure 22 with quartz-bearing structures shown in red.

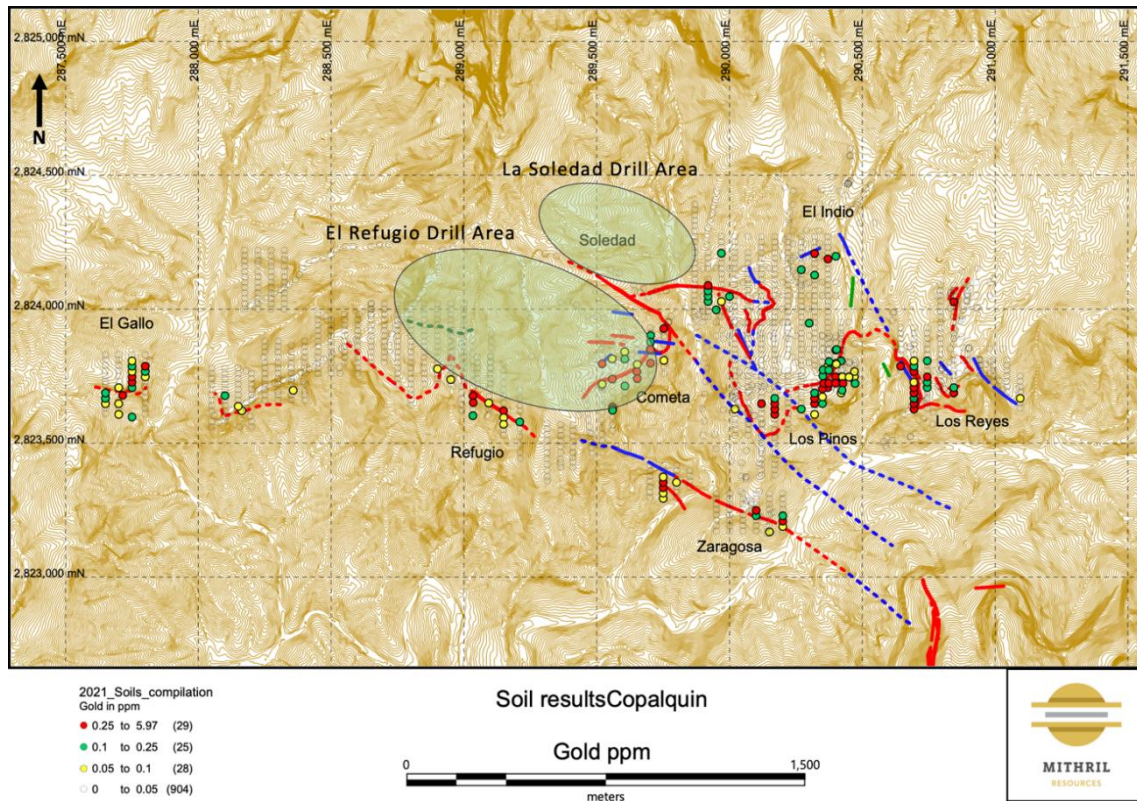


Figure 22: Soil sampling program results and planned sampling grids. Geochemical gold levels in soils determined by fire assay.

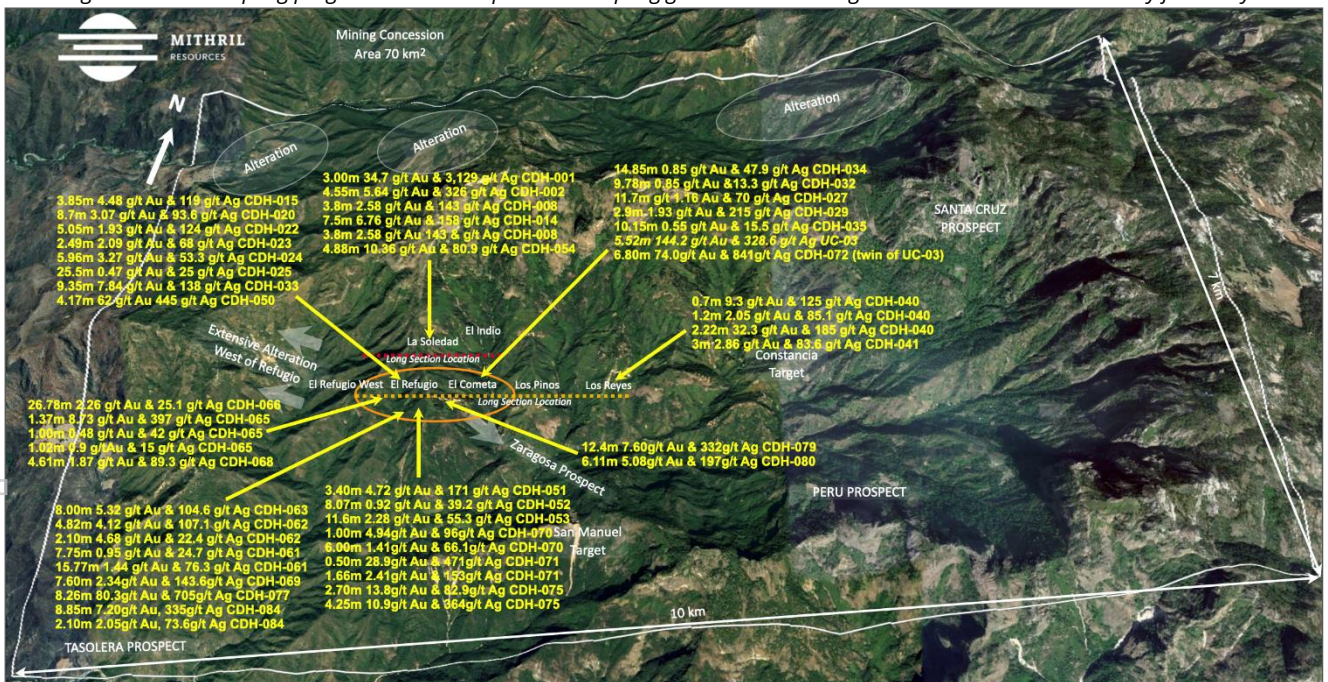


Figure 23: Western part of the Copalquin District with the schematic long section in Figure 24 below, shown by the orange dashed line and the schematic long section in Figure 25 by the red dashed line.

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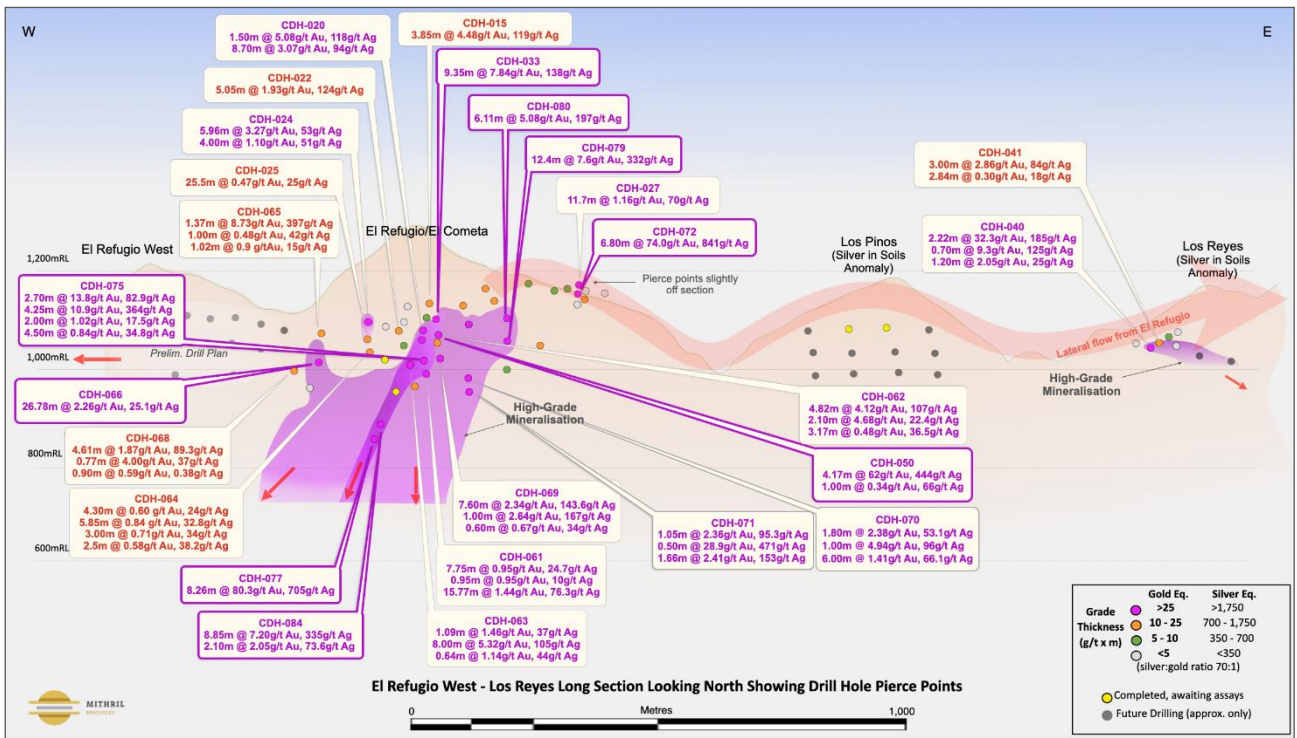


Figure 24: Schematic Long section Refugio West-Los Reyes with drill hole pierce point for holes completed to date plus conceptual planned resource development holes in turquoise and exploration holes shown in grey. Metal equivalent grades calculated using 70 g/t Ag = 1 g/t Au, based on gold price of USD1,610 per ounce and silver price of USD23 per ounce.

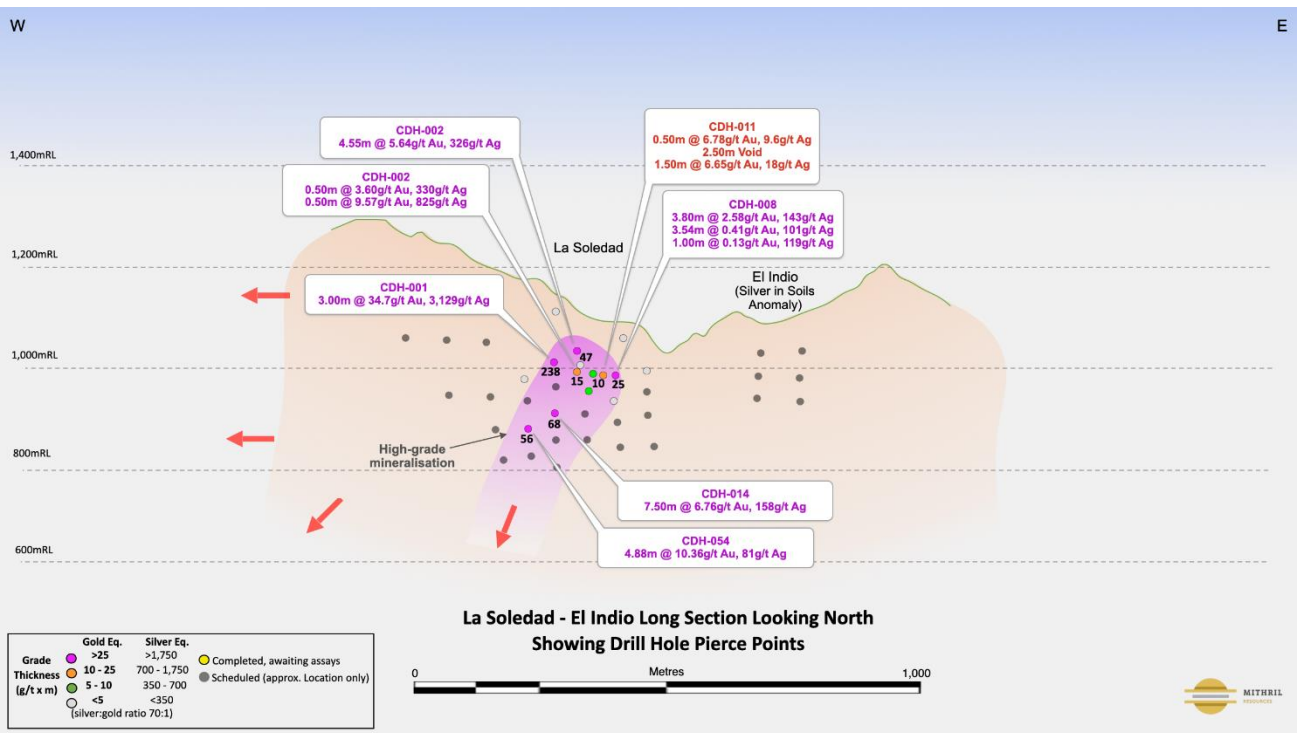


Figure 25: Schematic Long section La Soledad-El Indio with drill hole pierce point for holes completed to date plus conceptual planned resource development holes in turquoise and exploration holes shown in grey. CDH-011 shown in red as a reminder that the void (historic mine workings) Metal equivalent grades calculated using 70 g/t Ag = 1 g/t Au, based on gold price of USD1,610 per ounce and silver price of USD23 per ounce.

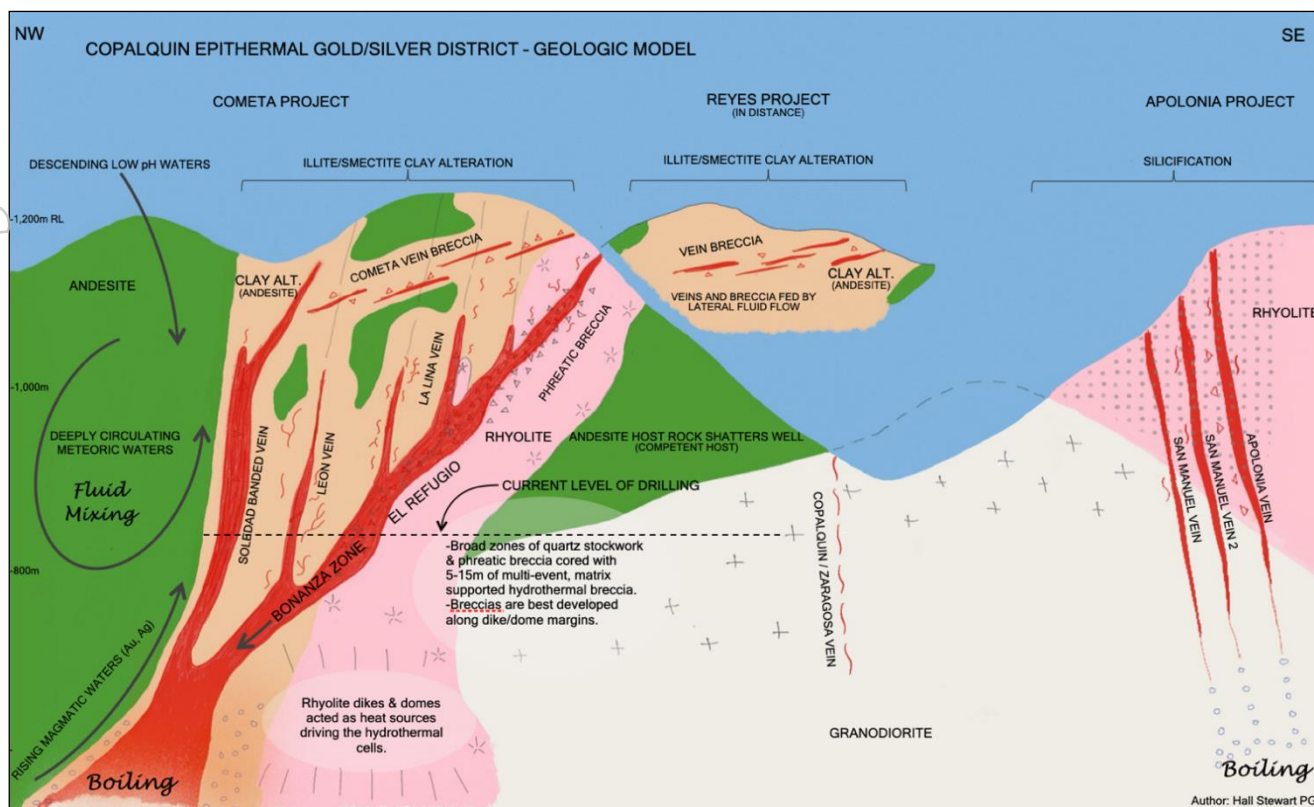


Figure 26 - Copalquin District Geologic Model for epithermal gold/silver - geologic model (author: Hall Stewart PG, Chief Geologist)

Corporate Activities

With the Company's focus set on the Copalquin Mining District since its acquisition of Sun Minerals Pty Ltd in 2020, funding activities have centred on progressing exploration in Mexico to define high-grade gold and silver resources for future exploitation. Capital raisings during the reporting year consisted of:

- July 2020 - \$3 million via issue of 194,444,444 share at \$0.018 (1.8c) per share
- January 2021 - \$5 million via issue of 263,157,895 shares at \$0.019 (1.9c) per share

And subsequent to the year-end of 30 June 2021, \$3.3 million raised in September 2021 via issue of 220,000,000 shares at \$0.015 (1.5c) per share keeping Mithril well-funded to continue drilling the El Refugio deposit in the Copalquin District whilst completing the maiden JORC resource estimate.

The Mithril Board make-up and has changed over the year as the company has evolved into an active explorer of gold and silver in Mexico to maintain an appropriate skill and experience mix and will continue to evolve throughout the company's growth.

During 2020, Garry Thomas joined the Board as a non-executive director and John Skeet, after his initial appointment as CEO, was appointed to the Board as Managing Director. Both Garry and John were directors of Sun Minerals Pty Ltd and between them have considerable global mining project development experience including successful developments in Mexico.

Following the successful acquisition, funding and transformation of Mithril, Adrien Wing resigned from the Board as a non-executive director early 2021 and Dudley Leitch retired from the Board as a non-executive director in July 2021. Adrien remains as Mithril's Company Secretary.

Competent Person Statement – Exploration Results, Copalquin District

The information in this report that relates to sampling techniques and data, exploration results and geological interpretation 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. This 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.

Further details and JORC tables for exploration results in this Annual Report are in ASX Releases listed below.

08/09/2021	DRILLING INTERCEPTS 18.2 g/t GOLD & 583 g/t SILVER
11/08/2021	Mithril Extends High-Grade Gold Silver
28/07/2021	Quarterly activities and cashflow report
12/07/2021	MITHRIL DRILLS 80.3 G/T GOLD, 705 G/T SILVER OVER 8.26Mv
15/06/2021	MITHRIL DRILLS 74 G/T GOLD, 841 G/T SILVER OVER 6.8 METRES
24/05/2021	Drilling Plan Progress - Copalquin District Mexico
19/05/2021	Extensive Gold-Silver Confirmed El Refugio West
04/05/2021	High-Grades continue at El Refugio - Copalquin District
22/04/2021	March 2021 Quarterly Activities and Cash Flow Report
08/04/2021	Investor Update - April 2021
24/03/2021	High Grade at La Soledad
18/03/2021	Exceptional Gold Silver Intercept – Copalquin
29/01/2021	December 2020 Quarterly Activities and Cash Flow Report
21/12/2020	High-Grade Gold and Silver at Los Reyes Target
07/12/2020	MTH Expands Large Epithermal Gold-Silver System
30/11/2020	Large Hydrothermal Gold Silver System at El Refugio Target
03/11/2020	High-Grade Gold Silver - El Refugio Target, Copalquin Mexico
21/10/2020	September 2020 Quarterly Activities and Cash Flow Report
29/09/2020	Mithril Extends Gold & Silver Vein System at La Soledad
26/08/2020	MTH Hits Bonanza Gold & Silver Grades at Copalquin Project

Australian Projects

To ensure the Company maintains its focus on the Copalquin Gold Silver Project, Mithril has exploration partners to farm-in, sole fund and operate exploration activities on its Australian assets. These include:

- 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 farm-in 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.

Mithril Resources Limited
Directors' report
30 June 2021

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.
- A desktop study of the local groundwater was completed as a step to securing native title clearance for drilling.

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.
- No work was undertaken during the 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 carried out a program of auger geochemical sampling over nickel and gold prospective rock types and assays are awaited.

Limestone Well Project (Limestone)

- Mithril 100%;
- Auteco Minerals can earn up to an 80% interest in the project by completing exploration expenditure of A\$2.5 million over five years; and
- Following drilling (see Auteco's ASX Announcement 14th October 2019), Auteco 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.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 7 July 2021, Mr Dudley Leitch retired as a Director.

On 1 September 2021, the company announced a capital raising of \$3.3m before costs from a share placement of 220,000,000 new fully paid ordinary shares at a price of \$0.015 per share. The capital raising completed and fully paid ordinary shares issued on 8 September 2021.

No other matters or circumstances have arisen since 30 June 2021 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.

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

Mithril Resources Limited
Directors' report
30 June 2021

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
22/06/2017	22/06/2022	\$0.100	300,000
10/10/2018	10/10/2021	\$0.010	<u>4,000,000</u>
			<u><u>4,300,000</u></u>

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 issued on the exercise of options

The following ordinary shares of Mithril Resources Limited were issued during the year ended 30 June 2021 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	\$0.01	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 2021 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 (Resigned 7 July 2021)
Stephen Layton	Non-Executive Director
Adrien Wing	Non-Executive Director (Resigned 15 February 2021) and Company Secretary
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 Managing Director 8 September 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.

Mithril Resources Limited
Directors' report
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The Non-Executive Directors and other executives receive a superannuation guarantee contribution required by the government, which was 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 Entity's performance.

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, more than 95% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. 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	
	Cash salary and fees	Super-annuation	Performance Rights	Total
	\$	\$	\$	\$
2021				
<i>Non-Executive Directors:</i>				
Stephen Layton	48,000	-	-	48,000
Adrien Wing*	80,000	-	-	80,000
Dudley Leitch	43,836	4,164	-	48,000
Garry Thomas**	38,297	3,639	643,333	685,269
<i>Executive Director:</i>				
John Skeet***	180,000	-	-	180,000
	<u>390,133</u>	<u>7,803</u>	<u>643,333</u>	<u>1,041,269</u>
2020				
<i>Non-Executive Directors:</i>				
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**	-	-	-	-
<i>Executive Directors:</i>				
David Hutton (Resigned 29 May 2020)	260,996	24,795	-	285,791
John Skeet***	15,000	-	236,667	251,667
	<u>423,996</u>	<u>24,795</u>	<u>1,183,334</u>	<u>1,632,125</u>

* Mr Wing resigned as a Director on 15 February 2021.

** 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.

Mithril Resources Limited
Directors' report
30 June 2021

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

Name	Fixed remuneration		At risk - STI	
	2021	2020	2021	2020
<i>Non-Executive Directors:</i>				
Stephen Layton	100%	12%	-	88%
Adrien Wing	100%	21%	-	79%
Dudley Leitch	100%	2%	-	98%
Garry Thomas	6.1%	-	93.9%	-
<i>Executive Directors:</i>				
David Hutton	n/a	100%	n/a	-
John Skeet	100%	6%	-	94%

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:	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 2021.

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.

Mithril Resources Limited
Directors' report
30 June 2021

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	24 November 2020	23 November 2024	\$0.019

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 years ended 30 June 2020 and 2021 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	-	-
Garry Thomas	24 Nov 2020	33,333,333	-	643,333	643,333	-	-

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
<i>Ordinary shares</i>					
Stephen Layton	52,500,000	50,000,000	13,000,000	-	115,500,000
Adrien Wing	52,500,000	50,000,000	8,000,000	-	110,500,000
Dudley Leitch	90,717,862	33,333,333	-	-	124,051,195
Garry Thomas	278,685,273	-	14,000,000	-	292,685,273
John Skeet	188,330,282	33,333,333	-	-	221,663,615
	<u>662,733,417</u>	<u>166,666,666</u>	<u>35,000,000</u>	<u>-</u>	<u>864,400,083</u>

Mithril Resources Limited
Directors' report
30 June 2021

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 during the year	Vested during the year	Balance at the end of the year
<i>Performance rights over ordinary shares</i>				
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)	-
Garry Thomas	-	33,333,333	-	33,333,333
	<u>166,666,666</u>	<u>33,333,333</u>	<u>(166,666,666)</u>	<u>33,333,333</u>

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 \$45,360 (2020: \$3,960) relating to consultancy services provided by Trimin.

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 2021, and the number of meetings attended by each Director were:

	Directors Meetings	
	Attended	Held
John Skeet*	6	6
Adrien Wing**	10	10
Stephen Layton	12	12
Dudley Leitch	9	12
Garry Thomas	11	12

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

* Appointed 8 September 2020

** Resigned 15 February 2021

Indemnity and insurance of officers

The Group has made an 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 \$5,954 (2020: \$11,850).

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.

Mithril Resources Limited
Directors' report
30 June 2021

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

Nexia Melbourne 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



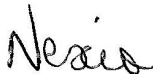
John Skeet
Managing Director

29 September 2021

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mithril Resources Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia Melbourne Audit Pty Ltd
Melbourne



Geoff S. Parker
Director

Dated this 29th day of September 2021

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Mithril Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Income			
Other income	5	53,166	72,311
Interest received		4,285	566
Profit on sale of tenement		-	20,137
Expenses			
Administration expenses		(472,506)	(376,600)
ASIC and ASX listing fees		(127,112)	(29,634)
Share-based payments	27	(643,333)	(1,597,500)
Employee benefits expense	6	(396,566)	(164,552)
Occupancy expense		(7,440)	(64,896)
Travel expenses		(65,293)	(967)
Depreciation and amortisation expense		(21,238)	(3,162)
Impairment of exploration assets	11	(12,581)	(1,155,948)
Finance costs		-	(351)
Loss before income tax expense		(1,688,618)	(3,300,596)
Income tax expense	7	-	-
Loss after income tax expense for the year		(1,688,618)	(3,300,596)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		265,480	(65,233)
Other comprehensive income for the year, net of tax		265,480	(65,233)
Total comprehensive income for the year		<u>(1,423,138)</u>	<u>(3,365,829)</u>
		Cents	Cents
Basic earnings per share	25	(0.08)	(0.55)
Diluted earnings per share	25	(0.08)	(0.55)

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 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	8	2,920,481	1,187,589
Trade and other receivables	9	767,371	84,604
Other assets	10	21,065	-
Total current assets		<u>3,708,917</u>	<u>1,272,193</u>
Non-current assets			
Trade and other receivables		1,005	-
Exploration and evaluation	11	18,074,143	12,675,125
Total non-current assets		<u>18,075,148</u>	<u>12,675,125</u>
Total assets		<u>21,784,065</u>	<u>13,947,318</u>
Liabilities			
Current liabilities			
Trade and other payables	12	804,474	170,450
Employee benefits	13	17,562	58,306
Total current liabilities		<u>822,036</u>	<u>228,756</u>
Total liabilities		<u>822,036</u>	<u>228,756</u>
Net assets		<u>20,962,029</u>	<u>13,718,562</u>
Equity			
Issued capital	14	58,287,739	50,264,467
Reserves	15	2,565,576	1,656,763
Accumulated losses		<u>(39,891,286)</u>	<u>(38,202,668)</u>
Total equity		<u>20,962,029</u>	<u>13,718,562</u>

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 2021

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	50,264,467	1,656,763	(38,202,668)	13,718,562
Loss after income tax expense for the year	-	-	(1,688,618)	(1,688,618)
Other comprehensive income for the year, net of tax	-	265,480	-	265,480
Total comprehensive income for the year	-	265,480	(1,688,618)	(1,423,138)
<i>Transactions with Owners in their capacity as Owners:</i>				
Share-based payments (note 27)	-	643,333	-	643,333
Shares issued during the period (note 14)	8,530,000	-	-	8,530,000
Transactions costs	(506,728)	-	-	(506,728)
Balance at 30 June 2021	<u>58,287,739</u>	<u>2,565,576</u>	<u>(39,891,286)</u>	<u>20,962,029</u>
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)
<i>Transactions with Owners in their capacity as Owners:</i>				
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	<u>50,264,467</u>	<u>1,656,763</u>	<u>(38,202,668)</u>	<u>13,718,562</u>

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 2021

	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,440	580
Payments to suppliers and employees (inclusive of GST)		(1,515,495)	(628,245)
		(1,514,055)	(627,665)
Interest received		3,982	566
Government grants received		63,542	27,496
Interest and other finance costs paid		-	(286)
Net cash (used in) operating activities	24	(1,446,531)	(599,889)
Cash flows from investing activities			
Payments to acquire exploration assets		-	(763,720)
Payments for exploration activities		(4,854,757)	(730,028)
Payments for security deposits		(1,005)	-
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		(4,855,762)	(1,421,312)
Cash flows from financing activities			
Proceeds from issue of shares	14	8,530,000	2,791,946
Proceeds from borrowings		-	50,000
Share issue transaction costs		(499,228)	(88,365)
Repayment of borrowings		-	(176,006)
Net cash provided by financing activities		8,030,772	2,577,575
Net increase/(decrease) in cash and cash equivalents		1,728,479	556,374
Cash and cash equivalents at the beginning of the financial year		1,187,589	631,215
Foreign exchange movements		4,413	-
Cash and cash equivalents at the end of the financial year	8	2,920,481	1,187,589

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 29 September 2021.

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.

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 \$1,688,618 (2020: \$3,300,596) and a net cash outflow from operating and investing activities of \$6,302,293 (2020: \$2,021,201) during the year ended 30 June 2021.

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.

Notwithstanding this, the Directors are satisfied that the Group will have sufficient cash resources to meet its working capital requirements in the future. The Directors have reviewed the cashflow forecasts and believe that for a period in excess of 12 months from the date of signature of the financial report, the Group has the ability to meet its debts as and when they fall due. On 8 September 2021, a capital raising of \$3.3m before costs from a share placement of 220,000,000 new fully paid ordinary shares at a price of \$0.015 per share was completed.

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.

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

Note 2. Significant accounting policies (continued)

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 21.

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 2021 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.

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.

Note 2. Significant accounting policies (continued)

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.

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 2021. 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 11. 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.

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 prior 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.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Mithril Resources Limited
Notes to the financial statements
30 June 2021

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2021	Mexican operations \$	Australian operations \$	Total \$
Revenue			
Other revenue	1,108	52,058	53,166
Interest revenue	-	4,285	4,285
Total revenue	<u>1,108</u>	<u>56,343</u>	<u>57,451</u>
Operating expenses	(39,388)	(632,963)	(672,351)
Share-based payments	-	(643,333)	(643,333)
Employee benefits expense	-	(396,566)	(396,566)
Depreciation and amortisation	(21,238)	-	(21,238)
Impairment of assets	-	(12,581)	(12,581)
Loss before income tax expense	<u>(59,518)</u>	<u>(1,629,100)</u>	<u>(1,688,618)</u>
Income tax expense			-
Loss after income tax expense			<u>(1,688,618)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	265,480	-	265,480
Other comprehensive income for the year, net of tax	<u>265,480</u>	<u>-</u>	<u>265,480</u>
Total comprehensive income for the year	<u>205,962</u>	<u>(1,629,100)</u>	<u>(1,423,138)</u>
Assets			
Cash and cash equivalents	79,803	2,840,678	2,920,481
Trade and other receivables	751,736	16,640	768,376
Other assets	3	21,062	21,065
Exploration and evaluation	16,841,879	1,232,264	18,074,143
Total assets	<u>17,673,421</u>	<u>4,110,644</u>	<u>21,784,065</u>
Liabilities			
Trade and other payables	727,926	76,548	804,474
Employee benefits	17,562	-	17,562
Total liabilities	<u>745,488</u>	<u>76,548</u>	<u>822,036</u>

Note 4. Operating segments (continued)

Consolidated - 2020	Mexican operations \$	Australian operations \$	Total \$
Revenue			
Profit on sale of tenement	-	20,137	20,137
Other income	-	72,311	72,311
Interest revenue	-	566	566
Total revenue		<u>93,014</u>	<u>93,014</u>
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		(3,162)	(3,162)
Impairment of assets		(1,155,948)	(1,155,948)
Finance costs	(65)	(286)	(351)
Loss before income tax expense	<u>(35,200)</u>	<u>(3,265,396)</u>	<u>(3,300,596)</u>
Income tax expense			-
Loss after income tax expense			<u>(3,300,596)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
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	<u>(100,433)</u>	<u>(3,265,396)</u>	<u>(3,365,829)</u>
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	<u>11,627,656</u>	<u>2,319,662</u>	<u>13,947,318</u>
Liabilities			
Trade and other payables	64,906	105,544	170,450
Employee benefits	-	58,306	58,306
Total liabilities	<u>64,906</u>	<u>163,850</u>	<u>228,756</u>

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	Consolidated
	2021	2020
	\$	\$
Government Boosting Cashflow Payment	49,817	41,220
Other income	3,349	31,091
	<u>53,166</u>	<u>72,311</u>

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. Employee benefits expense

	Consolidated	Consolidated
	2021	2020
	\$	\$
Salaries and wages	388,763	367,392
Superannuation	7,803	28,537
Transfer (to) exploration assets	-	(231,377)
	<u>396,566</u>	<u>164,552</u>

Note 7. Income tax

	Consolidated	Consolidated
	2021	2020
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,688,618)	(3,300,596)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(439,041)	(907,664)
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	255,264	766,023
Other deductible items	-	(417,549)
	<u>(183,777)</u>	<u>(558,133)</u>
Current year tax losses not recognised	183,777	558,133
Income tax expense	<u>-</u>	<u>-</u>

The Group has tax losses arising in Australia of \$38,720,887 (2020: \$38,711,565) 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.

Note 7. Income tax (continued)

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.

Mithril Resources Ltd and its wholly owned Australian resident entities are part of a tax consolidated group.

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	
	2021	2020
	\$	\$
Cash at bank	1,919,164	1,187,589
Short-term deposits	1,001,317	-
	<u>2,920,481</u>	<u>1,187,589</u>

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

Short-term deposits are made for varying periods of between one day and three 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	
	2021	2020
	\$	\$
Other receivables	2,219	13,733
GST and overseas taxes receivable	765,152	70,871
	<u>767,371</u>	<u>84,604</u>

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.

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	
	2021	2020
	\$	\$
Prepayments	21,065	-

Note 11. Exploration and evaluation

	Consolidated	
	2021	2020
	\$	\$
Tangible exploration assets		
Exploration and evaluation - Copalquin Gold Silver Project (Mexico)	208,952	64,315
Intangible exploration assets		
Exploration and evaluation - Australia	1,232,261	1,169,117
Exploration and evaluation - Copalquin Gold Silver Project (Mexico)	16,632,930	11,441,693
	<u>17,865,191</u>	<u>12,610,810</u>
	<u>18,074,143</u>	<u>12,675,125</u>

Note 11. Exploration and evaluation (continued)

Movements

Consolidated	Australian Projects \$	Copalquin Gold Silver Project \$	Total \$
Balance at 1 July 2019	1,910,014	-	1,910,014
Copalquin Gold Silver Project (Mexico)	-	10,953,771	10,953,771
Additions through expenditures capitalised	415,051	552,237	967,288
Relinquished tenements*	(1,155,948)	-	(1,155,948)
Balance at 30 June 2020	1,169,117	11,506,008	12,675,125
Additions through expenditures capitalised	75,725	5,074,807	5,150,532
Foreign exchange translation	-	261,067	261,067
Relinquished tenements*	(12,581)	-	(12,581)
Balance at 30 June 2021	1,232,261	16,841,882	18,074,143

* 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.

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	
	2021	2020
	\$	\$
Trade payables	687,041	88,815
Other payables	117,433	81,635
	<u>804,474</u>	<u>170,450</u>

Refer to note 16 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	
	2021	2020
	\$	\$
Annual leave	17,562	2,415
Long service leave	-	55,891
	<u>17,562</u>	<u>58,306</u>

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.

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Note 14. Issued capital

	2021	Consolidated		
	Shares	2020	2021	2020
		Shares	\$	\$
Ordinary shares - fully paid	<u>2,350,233,041</u>	<u>1,664,630,703</u>	<u>58,287,739</u>	<u>50,264,467</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 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	<u>1,664,630,703</u>		<u>50,264,467</u>
Shares issued via private placement	16 July 2020	194,444,444	\$0.018	3,500,000
Exercise of Options	10 July 2020	3,000,000	\$0.01	30,000
Conversion of performance rights	14 August 2020	224,999,999	-	-
Shares issued via private placement	5 February 2021	263,157,895	\$0.019	5,000,000
Transaction costs (net of tax)		-		(506,728)
Balance	30 June 2021	<u><u>2,350,233,041</u></u>		<u><u>58,287,739</u></u>

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.

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Note 15. Reserves

	Consolidated	
	2021	2020
	\$	\$
Foreign exchange reserve	200,247	(65,233)
Share options reserve	124,496	124,496
Performance rights reserve	2,240,833	1,597,500
	<u>2,565,576</u>	<u>1,656,763</u>

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 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	<u>124,496</u>	<u>1,597,500</u>	<u>(65,233)</u>	<u>1,656,763</u>
issue of performance rights	-	643,333	-	643,333
Movement in foreign exchange reserve	-	-	265,480	265,480
Balance at 30 June 2021	<u>124,496</u>	<u>2,240,833</u>	<u>200,247</u>	<u>2,565,576</u>

Note 16. 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.

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.

Note 16. Financial instruments (continued)

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 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.

Consolidated - 2020	Basis points increase			Basis points decrease		
	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	<u>5,734</u>	<u>5,734</u>	50	<u>(5,734)</u>	<u>(5,734)</u>

Consolidated - 2021	Basis points increase			Basis points decrease		
	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	<u>14,602</u>	<u>14,602</u>	50	<u>(14,602)</u>	<u>(14,602)</u>

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 2021.

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.

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Note 17. 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	
	2021	2020
	\$	\$
Short-term employee benefits	390,133	423,996
Post-employment benefits	7,803	24,795
Share-based payments	643,333	1,183,334
	<u>1,041,269</u>	<u>1,632,125</u>

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 prior 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 19/20 year	Total loans payable as at 30 June 2021	Total loans payable as at 30 June 2020
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	-	-
			<u>176,006</u>	<u>-</u>	<u>-</u>

* 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 \$45,360 (2020: \$3,960) relating to consultancy services provided by Trimin.

Note 18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided:

	Consolidated	
	2021	2020
	\$	\$
Audit or review of the financial statements	47,164	38,124

Note 19. Capital and leasing commitments

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. There are also Mexican government mining concession rents and purchase option payments to the concession owner each six month period.

These are not considered commitments as the Company can walk away from the projects and not continue payments at any time.

Note 20. Related party transactions

Parent entity

Mithril Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

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 17 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 17.

Payable to related parties

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

	Consolidated	
	2021	2020
	\$	\$
Current payables:		
Director's fees payable	16,500	4,000
Consulting fees payable	3,960	-

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 17.

Terms and conditions

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

Note 21. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$	\$
Loss after income tax	<u>(1,488,371)</u>	<u>(3,264,905)</u>
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(1,488,371)</u>	<u>(3,264,905)</u>

Statement of financial position

	Parent	
	2021	2020
	\$	\$
Total current assets	<u>2,874,901</u>	<u>1,150,536</u>
Total non-current assets	<u>18,163,677</u>	<u>12,797,108</u>
Total assets	<u>21,038,578</u>	<u>13,947,644</u>
Total current liabilities	<u>76,549</u>	<u>163,849</u>
Total liabilities	<u>76,549</u>	<u>163,849</u>
Net assets	<u><u>20,962,029</u></u>	<u><u>13,783,795</u></u>
Equity		
Issued capital	58,287,739	50,264,467
Share options reserve	124,496	124,496
Performance rights reserve	2,240,833	1,597,500
Accumulated losses	<u>(39,691,039)</u>	<u>(38,202,668)</u>
Total equity	<u><u>20,962,029</u></u>	<u><u>13,783,795</u></u>

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 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

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.

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Note 22. 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	
		2021 %	2020 %
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%	100%
Drummond Gold S.A. de C.V.	Mexico	100%	100%
Carlton Gold S.A. de C.V.	Mexico	100%	100%

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

Note 23. Events after the reporting period

On 7 July 2021, Mr Dudley Leitch retired as a Director.

On 1 September 2021, the company announced a capital raising of \$3.3m before costs from a share placement of 220,000,000 new fully paid ordinary shares at a price of \$0.015 per share. The capital raising completed and fully paid ordinary shares issued on 8 September 2021.

No other matters or circumstances have arisen since 30 June 2021 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 24. Cash flow information

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

	Consolidated	
	2021 \$	2020 \$
Loss after income tax expense for the year	(1,688,618)	(3,300,596)
Adjustments for:		
Depreciation and amortisation	21,238	3,162
Impairment of non-current assets	12,581	1,155,948
Net gain on disposal of non-current assets	-	(20,137)
Net loss on disposal of property, plant and equipment	-	11,179
Share-based payments	643,333	1,597,500
Foreign exchange differences	-	3,844
Transfers to exploration assets	-	(43,060)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(690,267)	(83,955)
Decrease in accrued revenue	-	32
Decrease/(increase) in prepayments	(21,065)	27,114
Increase/(decrease) in trade and other payables	317,011	64,551
Increase/(decrease) in employee benefits	(40,744)	(15,471)
Net cash used in operating activities	<u>(1,446,531)</u>	<u>(599,889)</u>

Note 25. Earnings per share

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax	<u>(1,688,618)</u>	<u>(3,300,596)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,152,958,395</u>	<u>596,041,636</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,152,958,395</u>	<u>596,041,636</u>
	Cents	Cents
Basic earnings per share	(0.08)	(0.55)
Diluted earnings per share	(0.08)	(0.55)

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 26. Contingent liabilities

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2021 and 30 June 2020.

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.

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

2021

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	-	(3,000,000)	-	4,000,000
			<u>10,100,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(2,800,000)</u>	<u>4,300,000</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.33 years (2020: 1.80 years).

Note 27. Share-based payments (continued)

Performance rights granted to directors and key management personnel

At the Annual General Meeting held on 24 November 2020 the shareholders of the Company granted approval for the issue of 33,333,333 performance rights to Mr Garry Thomas. Details of the performance rights issued can be found in the Notice of General Meeting announcement dated 19 October 2020.

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\$150,000,000 for a period of 20 consecutive trading days on which the securities of the Company traded.

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, 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
24/11/2020	24/11/2024	\$0.026	\$0.000	95.000%	-	0.37%	\$0.0193
13/05/2020	13/05/2024	\$0.010	\$0.000	95.000%	-	0.24%	\$0.007

Share-based payments during the year are:

	Consolidated	
	2021	2020
	\$	\$
Performance rights issued to Directors and key management personnel	643,333	1,420,000
Performance rights issued to consultants	-	177,500
	<u>643,333</u>	<u>1,597,500</u>

Note 27. Share-based payments (continued)

Exploration and evaluation share based payments

During the 2020 financial year 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 was \$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.

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 2021

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 2021 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

29 September 2021

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 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year then ended; and
- (ii) 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of the Company, as at the date of this auditor's report.

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

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.

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Independent Auditor's Report to the Members of Mithril Resources Limited

Key audit matter

How our audit addressed the key audit matter

Exploration and evaluation assets

Refer to Notes 3 and 11

At 30 June 2021, the carrying value of exploration and evaluation assets was \$18,074,143.

In accordance with *AASB 6 Exploration 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.

The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.

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:

- Obtaining schedules of the areas of interest held by the Group and assessing whether the rights to tenure remain current at balance date;
- Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;
- Reviewing the Group's capitalisation of exploration expenditure in the current year, ensuring that it is consistent with the criteria as stated under AASB 6. This included discussion with management, reviewing Group exploration budgets, ASX announcements and directors' minutes;
- Reviewing and considering whether any facts or circumstances existed that suggested impairment was required;
- Assessing the adequacy of the related disclosures in Note 11 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and the 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 the 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.

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Independent Auditor's Report to the Members of Mithril Resources Limited

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 Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on the Remuneration Report

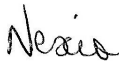
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 31 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Mithril Resources Limited for the year ended 30 June 2021 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.



Nexia Melbourne Audit Pty Ltd
Melbourne



Geoff S. Parker
Director

Dated this 29th day of September 2021

Mithril Resources Limited
Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 15 September 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	% of total shares issued
1 to 1,000	316	0.01
1,001 to 5,000	305	0.03
5,001 to 10,000	166	0.05
10,001 to 100,000	1,692	3.06
100,001 and over	1,607	96.85
	<u>4,086</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>1,441</u>	

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
TRIMIN PTY LTD	221,663,615	8.62
GARRY THOMAS & NANCY-LEE THOMAS	181,081,267	7.05
NORTHERN STAR NOMINEES PTY LTD	110,500,000	4.30
BODIE INVESTMENTS PTY LTD	107,500,000	4.18
THOMAS FAMILY SUPERANNUATION FUND PTY LTD	104,604,006	4.07
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	100,352,918	3.90
MR DUDLEY ROY LEITCH	90,717,862	3.53
MR HALL HERBERT STEWART	81,646,076	3.18
COVENANT HOLDINGS (WA) PTY LTD	60,000,000	2.33
EQUITY TRUSTEES LIMITED	40,385,965	1.57
MR DUDLEY ROY LEITCH	33,333,333	1.30
MIGUEL ANGEL MATAS MARTINEZ	32,000,000	1.25
ALTOR CAPITAL MANAGEMENT PTY LTD	22,000,000	0.86
MR HALL HERBERT STEWART	18,333,333	0.73
PENAUSE PTY LTD	18,143,573	0.71
MR ARTHUR CHARLAFTIS	14,820,228	0.58
MR DOMINIC VIRGARA	14,063,158	0.55
PIERCE ASIA PTY LTD	13,333,333	0.52
MR BILLY-JOE THOMAS	12,565,280	0.49
LOCKWOOD SUPERANNUATION FUND PTY LTD	12,500,000	0.49
	<u>1,290,043,947</u>	<u>50.19</u>

Share buy-back

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

Unquoted equity securities

There are no unquoted equity securities.

Mithril Resources Limited
Shareholder information
30 June 2021

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
TRIMIN PTY LTD	221,663,615	8.62
GARRY THOMAS & NANCY-LEE THOMAS	181,081,267	7.05

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.

Mithril Resources Limited
Shareholder information
30 June 2021

Tenement information

Australian Interests:

Project	Tenement number	Interest owned %
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
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 above concessions forming the Copalquin Gold Silver Project in Durango, Mexico. Further details are disclosed in note 11.