

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2019

Key Points

Overview

- Transformative acquisition of private mineral exploration company Sun Minerals Pty Ltd was announced during the December 2019 Quarter
- Sun Minerals holds an exclusive option to earn up to a 100% interest in the high-grade Copalquin Gold Silver Project located in the Sierra Madre Trend, Durango State, western Mexico.
- The Copalquin Project is prospective for high-grade gold and silver mineralisation with there are 32 known historic gold and silver underground mines and surface workings plus historic drill intercepts within the project boundaries
- Due diligence satisfactorily completed by both parties during the Quarter
- To ensure that Mithril remains focussed on the Copalquin Project, Mithril has introduced a number of exploration partners to advance each of its Australian exploration assets – namely Auteco Minerals (**AUT.ASX**) at Limestone Well, Great Boulder Resources (**GBR.ASX**) at Lignum Dam and most recently, Carnavale Resources (**CAV.ASX**) at Kurnalpi
- Mithril is also in discussions with a number of third parties who have expressed an interest in other projects within the Company's portfolio

Cash and Corporate

- During the Quarter, Mithril spent \$88K on exploration activities outlined in this report and at 31 December 2019 had cash reserves of \$0.36M.
- A General Meeting of the shareholders to approve the Sun Minerals transaction will be held at the Queensbridge Room at Nexia Australia, Level 12, 31 Queen Street, Melbourne Victoria 3000 on Wednesday, 12 February 2020 at 11:00am (Melbourne time).

Outlook for the next Quarter

- The Company's primary objective for the March 2020 Quarter is the successful completion of the Sun Transaction.

Overview

During the December 2019 Quarter (the “Quarter”), Mithril Resources’ (**MTH.ASX** - “Mithril” or the “Company”) announced the transformative acquisition of private mineral exploration company Sun Minerals Pty Ltd (**Sun Minerals**).

Sun Minerals holds an exclusive option to earn up to a 100% interest in the high-grade Copalquin Gold Silver Project located in the Sierra Madre Trend, Durango State, western Mexico (*Figure 1*).

Within the Copalquin Project boundaries there are 32 known historic gold and silver underground mines and surface workings plus historic drill intercepts.

Data compilation, geological mapping and rock chip sampling undertaken by Sun Minerals over the past two years indicates that gold-silver mineralisation previously mined at Copalquin was of very high-grade (refer to the “Cautionary Statement Regarding Historical Exploration Results” on the second last page of this Quarterly Report).

During the Quarter Mithril successfully completed its due diligence of the Copalquin Project and it is anticipated that the acquisition of Sun Minerals will be finalised during the March 2020 Quarter, with field work, including diamond drilling to be undertaken shortly thereafter.

To ensure that Mithril remains focussed on the Copalquin Project, Mithril has introduced a number of exploration partners to advance each of its Australian exploration assets – namely Auteco Minerals (**AUT.ASX**) at Limestone Well, Great Boulder Resources (**GBR.ASX**) at Lignum Dam and most recently, Carnavale Resources (**CAV.ASX**) at Kurnalpi.

Mithril is also in discussions with a number of third parties who have expressed an interest in other projects within the Company’s portfolio and Mithril will provide an update on these discussions if and when any material developments occur.

Cash and Corporate

During the Quarter, Mithril spent \$88K on exploration activities outlined in this report and at 31 December 2019 had cash reserves of \$0.36M.

The proposed acquisition by Mithril of all issued share capital of Sun Minerals remains subject to a number of conditions precedent including completion of due diligence, completion of formal documentation, shareholder approvals and the completion of the capital raising described below.

Due Diligence was satisfactorily completed on 20 December 2019 (*see Mithril’s ASX Announcement dated 20 December 2019*) and a General Meeting of shareholders to approve the Sun Minerals transaction (the Transaction) will be held at the Queensbridge Room at Nexia Australia, Level 12, 31 Queen Street, Melbourne Victoria 3000 on Wednesday, 12 February 2020 at 11:00am (Melbourne time).

Formal documentation by way of a Share Sale Agreement for the acquisition by Mithril of all issued share capital of Sun Minerals was executed on 24 January 2020.

As a condition of the Transaction, Mithril also proposes conducting a capital raising by way of an entitlement issue to shareholders on a record date to be determined to raise approximately A\$4.9 million (before costs). Funds raised from the capital raising will be used by Mithril primarily to complete a drill programme at Copalquin and to continue work on the Company’s existing projects. Further details are set out in Mithril’s ASX Announcement dated 25 November 2019.

The Transaction will also be the catalyst for several Board and Management changes at Mithril.

Subject to and upon completion of the transaction, Sun Minerals has the right to nominate an individual to be appointed as a Director (Executive Chairman) of Mithril and to nominate an individual to be appointed to a lead management role in Mithril in respect of the exploration of the Copalquin Project.

Sun Minerals has indicated that it intends to nominate Mr Dudley Leitch as the Executive Chairman of the Company upon completion of the transaction. Mr Dudley Leitch has over 40 years (10 years in Mexico) developing projects and running ASX mining/exploration companies with projects in Australia, Mexico and the USA. Mr Leitch has previously been a director or managing director of Perseverance Corporation, Mogul Mining, Valdora Minerals, Kings Minerals and Bolnisi Gold.

Mithril's current Managing Director - Mr David Hutton has served his notice of resignation with termination of his employment as Managing Director of Mithril to occur at the earlier of: 22 May 2020, being the end of the six- month notice period under Mr Hutton's employment agreement, or upon successful completion to the transaction.

Mr Hutton and Mithril have agreed that he will continue to serve as Managing Director during the notice period until the occurrence of the earliest of the above events. Mithril wishes to thank Mr Hutton for his years of service and his continued support of Mithril in respect of the exploration of its existing exploration projects and pursuit of the transaction.



Copalquin Gold Silver Project Details

The Copalquin Gold Silver Project (6 mineral concessions – 7,005 Ha) covers the entire Copalquin Mining District within the gold-silver trend of the Sierra Madre Occidental mountain range in Durango State, western Mexico. The gold silver trend is host to numerous gold and silver deposits, with multiple producing

mineralisation including; Coeur Mining's Palmarejo, Agnico Eagles' Pinos Altos, Goldcorp's El Suazal Mine (now depleted), First Majestic Silver's San Dimas mine, Fresnillo's San Julian and La Cienega mines and the now closed Ocampo mine.

Within the Copalquin Project boundaries there are 32 known historic gold and silver underground mines and surface workings plus historic drill intercepts. Mineralisation is typically associated with low-sulfidation epithermal veining and stockworks developed within an andesitic host rock sequence.

Data compilation, geological mapping and rock chip sampling undertaken by Sun Minerals over the past two years indicates that gold-silver mineralisation previously mined at Copalquin was of very high-grade.

Readers are referred to Mithril's ASX Announcement entitled "Transformative high-grade gold silver project acquisition" dated 25 November 2019 for further details on the historic exploration results for the project.

Sun Minerals has advised the Company that it believes that the historic drilling at Copalquin was not carried out in a systematic manner with previous campaigns hindered by logistical difficulties and overly concentrated in areas where the first favourable intercepts were encountered.

Sun Minerals has obtained all statutory permits required to undertake a systematic drilling program at Copalquin and, upon satisfactory completion of the Transaction, a 4,500-metre diamond drilling program is planned to be undertaken.

The aim of the proposed drilling is to better understand the geological controls on mineralisation and demonstrate the potential for mineralisation beyond the limits of existing mined areas.

Importantly, Sun Minerals has strong "in-country" operating experience and has developed strong working relationships with local landowners, stakeholders, and contractors.

About Mexico

Mexico has a mining history extending almost 500 years and is among the world's largest metal producers. Mexico is the largest producer of silver in the world and a top global producer of gold, copper, zinc, amongst other minerals.

With its long mining tradition, Mexico has a largely favourable environment for the industry. The geological potential remains strong. The country's terrain is one of the most tectonically active and complex in the world. Orogenesis has pushed up mountain chains all across Mexico, including the Sierra Madre Oriental, Sierra Madre Occidental and Sierra Madre del Sur. These three regions have formed some of the key metallogenic areas. Gold and silver mineralisation is commonly linked to the two belts of hydrothermal veins and gaps that stretch out underneath both sides of the Sierra Madre Occidental.

Mexico contains outstanding geological potential for mining, which contributes to making Mexico the world's fourth-largest recipient of foreign direct investment (**FDI**) for mining and the second destination of such FDI in Latin America. The majority of this FDI is directed to mining gold, copper, zinc, and uranium. According to the Mexican Mining Chamber (Cámara Minera de México or CAMIMEX), Mexico leads the world's production of silver. Mexico was the ninth-largest producer of gold and seventh-largest producer of copper in 2018.

Australian Project Update

Over the past months, Mithril has extensively restructured its exploration portfolio with new exploration partners introduced to sole fund exploration activities on the Lignum Dam Project (Great Boulder Resources – GBR.ASX), Limestone Well Project (Auteco Minerals – AUT.ASX), and most recently the Kurnalpi Project (Carnavale Resources – CAV.ASX). In addition, the Company has also relinquished tenements at Bangemall and Duffy Well and withdrawn from the Nanadie Well JV.

Mithril is also in discussions with a number of third parties who have expressed an interest in other projects within the Company's portfolio and Mithril will provide an update on these discussions if and when any material developments occur.

At the Billy Hills Zinc Project (Mithril 100%), a Heritage Clearance Survey to facilitate drill testing of the Firetail Prospect was conducted during the Quarter. Subsequent to the Quarter, Mithril received Preliminary Advice from the Gooniyandi Aboriginal Corporation (GAC) on behalf of the project's Traditional Owners that while no archaeological material was found at the proposed drill sites, the Traditional Owners hold concerns regarding groundwater management throughout broader area and as such the proposed drill sites have not been cleared at this time.

Both Mithril and the GAC are committed to working together to satisfactorily resolve this matter and a follow up meeting is planned during the March 2020 Quarter.

At the Lignum Dam Project (Mithril 100% and Great Boulder Resources earning up to 80%), Great Boulder Resources has been continuing data review and targeting prior to field work commencing in 2020. This has involved reviewing previous work completed at the Mexi, Wishbone East and West, and Drumstick prospects with a particular focus on geophysical data and further work required to test the nickel sulphide potential of these areas.

Great Boulder Resources is also examining the potential for gold mineralisation within northwest-striking structural controls along strike from the Lindsay's gold deposit at the Forty Flats prospect, as well as other areas along the eastern side of E27/538 adjacent to the Lindsay's deposit. Field work is expected to commence at Lignum Dam early in the March quarter of 2020.

Outlook for the next Quarter

The Company's primary objective for the March 2020 Quarter is the successful completion of the Sun Transaction.

A General Meeting of shareholders to approve the Sun Minerals transaction will be held at the Queensbridge Room at Nexia Australia, Level 12, 31 Queen Street, Melbourne Victoria 3000 on Wednesday, 12 February 2020 at 11:00am (Melbourne time).

Released with the authority of the Board.

Regards,



Adrien Wing

Non-Executive Director and Company Secretary
Mithril Resources Limited

December 2019 Quarter ASX Announcements

The following announcements were lodged with the ASX during and subsequent to the Quarter. Further details (**including JORC 2012 Code Reporting Tables, where applicable**) for each of the sections outlined above can be found in the announcements listed below.

- Sun Minerals Acquisition Update – 24 January 2020
- Notice of General Meeting / Proxy Form - 10 January 2020
- Completion of Due Diligence - 20 December 2019
- Copalquin Mexico Gold Silver Project Update - 11 December 2019
- Transformative high-grade gold silver project acquisition - 25 November 2019
- Mithril Resources 2019 AGM - Results Notification - 14 November 2019
- New exploration partner for the Kurnalpi Project - 11 November 2019
- Addendum to Notice of Annual General Meeting - 23 October 2019

For Further Information Contact:

Mithril Resources Ltd

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Non-Executive Director and
Company Secretary

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Competent Persons Statement:

Copalquin Gold Silver Project

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 a director of Sun Minerals Pty Ltd. Mr Stewart is a member 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.

Cautionary Statement Regarding Historic Exploration Results

- **The Exploration Results reported in this release have not been reported in accordance with the JORC Code 2012;**
- **a Competent Person has not done sufficient work to disclose the Exploration Results in accordance with the JORC Code 2012;**
- **it is possible that following further evaluation and/or exploration work that the confidence in the prior reported Exploration Results may be reduced when reported under the JORC Code 2012;**
- **nothing has come to the attention of Mithril Resources or the Competent Person that causes it to question the accuracy or reliability of the historic Exploration Results; but**
- **Mithril Resources has not independently validated the historic Exploration Results and therefore is not to be regarded as reporting, adopting or endorsing those results.**

Mr Stewart consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Australian Projects

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

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

Mr Hutton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

MITHRIL RESOURCES LIMITED

ABN

30 099 883 922

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(88)	(165)
	(b) development		
	(c) production		
	(d) staff costs		
	(e) administration and corporate costs	(150)	(277)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(238)	(442)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements	(150)	
	(c) property, plant and equipment		
	(d) exploration & evaluation (if capitalised)		
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(150)	

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		340
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(24)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities		316

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	743	631
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(238)	(442)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(150)	(150)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		316

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	355	355

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	350	738
5.2	Call deposits	5	5
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	355	743

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
106

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(238)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(238)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	355
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	355
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.5

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. Mithril has recently entered into a transaction to acquire private mineral explorer Sun Minerals which holds an which holds an exclusive option to earn up to a 100% interest over the Copalquin Gold Silver Project in western Mexico. As part of the transaction, Mithril proposes to conduct a capital raising by way of an entitlement issue to shareholders on a record date to be determined to raise approximately A\$4.9 million (before costs). Funds raised from the capital raising will be primarily used to complete a drill programme at Copalquin and to continue work on the Company's existing projects. Refer to Mithril's ASX Announcement dated 24th January 2020.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes – on the basis that the proposed capital raising discussed in Question 2 above will be successful.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2020

Authorised by:



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(David Hutton - Director)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Changes in Interests in Mining Tenements
For Quarter Ended 31 December 2019**

		Tenement Reference	Nature of Interest	Interest at the beginning of Quarter	Interest at the end of Quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	E09/2315	Exploration licence surrendered effective 3 October 2019 (Bangemall, Genoa Bore, WA)	100%	0%
		E52/3644	Exploration licence application withdrawn effective 3 October 2019 (Bangemall, Coffee Bore, WA)	0%	0%
6.2	Interests in mining tenements acquired or increased			0%	0%
				0%	0%
				0%	0%

During the quarter \$150,000 was paid to Sun Minerals Pty Ltd (Sun Minerals) in accordance with the terms sheet to acquire all the issued share capital of Sun Minerals.

For more information on the terms agreement refer to ASX release dated 25 November 2019 – “Transformative high-grade gold silver project acquisition”.

ASX Additional Information

List of mining tenements

Tenement No	Project Area	Area (km2)	Company Interest
Northern Territory			
EL26942	Arunta Area	214.29	100%
EL24253	Arunta Area	130.59	33.3%
Western Australia			
E28/2506	Kurnalpi Area	54.47	100%
E28/2567	Kurnalpi Area	13.6	100%
E28/2682	Kurnalpi Area	2.95	100%
E28/2760	Kurnalpi Area	2.95	100%
E27/538	Lignum Dam Area	171.66	100%
E27/582	Lignum Dam Area	35.58	100%
E27/584	Lignum Dam Area	8.69	100%
E20/846	Murchison Area	94.51	100%
E57/1069	Murchison Area	6.09	100%
E04/2497	West Kimberley Area	94.35	100%
E04/2503	West Kimberley Area	87.84	100%
E80/5191	West Kimberley Area	195.46	100%