

JUNE 2020 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Transformative acquisition of Sun Minerals Pty Ltd completed
- Experienced mining and exploration developers, John Skeet and Hall Stewart appointed
- Capital raising successfully completed for \$5.92M (before costs) to fully fund the maiden drilling program at the flagship Copalquin Gold Silver Project, through:
 - Non-Renounceable Rights Issue with shareholders which raised \$2.42M; and
 - Share Placement for \$3.5M post quarter, with the Board and Copalquin Concession holder participating
- Drilling equipment and supporting infrastructure delivered to site with final preparations underway ahead of the maiden drill program commencing July 2020
- Farm-in agreements secured for exploration activities on all Australian assets

Mithril Resources Ltd (ASX: MTH) (**Mithril** or the **Company**) is pleased to provide its June 2020 Quarterly Activities Report.

Copalquin Gold Silver Project

Preparations for the maiden drill program progressed primarily as planned with actual drilling commencing in July 2020. Mithril CEO John Skeet is currently in Copalquin with Hall Stewart and his team to execute the maiden drill programme.

Drill pads have been constructed and 3.5 km of access tracks established for the expanded drill program that is fully funded and expected to run until the end of 2020. The Company expects first drilling results to be reported by the end of August to early September 2020.



Photo 1: Hall Stewart next to the man-portable diamond core rig motors near the first drill pad at La Soledad, Copalquin.



Photo 2: Mithril's core storage facility near El Cometa at the Copalquin Project.

The previously drilled areas of La Soledad-Refugio-Cometa are first targets and with a high degree of confidence. Drilling will move across to Los Pinos and the multi-level mine of Los Reyes, extending the total strike length tested to 2 km. The expanded program will allow further drilling at the important multi-level mine areas of San Manuel and La Constanca as well as follow up holes at La Soledad-Refugio-Cometa.

The Copalquin Gold Silver Project is located in Durango State, Mexico and covers an entire mining district of 70km² containing over 32 historic gold and silver mines and workings. The district is within the Sierra Madre Gold Silver Trend which extends north-south along the western side of Mexico and hosts many world class gold and silver deposits.

Multiple mineralisation events, young intrusives thought to be system-driving heat sources, widespread alteration together with extensive surface vein exposures and dozens of historic mine workings, identify the Copalquin mining district as a major epithermal centre for gold and silver.

Copalquin Exploration Plan 2020

- Diamond core drill program
- Continue mapping and sampling of known mine areas
- Identify and firm up future drill targets
- Visit unexplored areas in the northern and western areas of the mining concession area
- Metallurgical test work
- Progress infrastructure studies.

Australian Projects Update

To ensure the Company maintains its focus on the Copalquin Gold Silver Project, Mithril has introduced exploration partners to sole fund and operate exploration activities on all of its Australian assets, namely 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.

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

Billy Hills Zinc ("Billy Hills") binding farm-in Heads of Agreement ("Agreement") with CBH Resources Limited ("CBH"), whereby CBH can earn up to an 80% interest in Mithril's Billy Hills Zinc Project by completing expenditure of A\$4M over 5 years announced on 21 February 2020). The Agreement is conditional upon Mithril obtaining a Heritage Clearance to drill the Firetail Prospect.

Billy Hills is located 25kms east of Fitzroy Crossing, WA and contains numerous high-grade zinc targets including the Firetail Prospect where rock chip samples previously collected by Mithril along a 300 metre subcropping zone of siliceous gossan and weathered colloform-banded sulphides, returned assay values up to 30.3% zinc, 127g/t silver and 3.0% lead (see Mithril's ASX Announcement dated 1 July 2019).

Mithril has been working with the Project's traditional owners to obtain the necessary clearance however due to the outbreak of COVID-19, all dealings with Aboriginal communities in the area have ceased for an indefinite period in order to protect the health of the local population. Mithril and CBH remain committed to the Project and have agreed to extend the period, to satisfy the Agreement's Condition Precedent, from May 2020 to November 2020 in recognition of the current circumstances.

Kurnalpi Project (Mithril 100% and Carnavale Resources earning an initial 80% interest by keeping the tenements in good standing over three years and paying Mithril \$250,000 cash). Carnavale carried out Fixed Loop Electromagnetic (FLEM) geophysical surveying over ultramafic/mafic sequences prospective for Kambalda style nickel sulphide, similar to the nearby Black Swan and Silver Swan Nickel Mines (see Carnavale’s ASX Announcement dated 3 June 2019).

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

Lignum Dam Project (Mithril 100% and Great Boulder Resources earning up to 80% by completing expenditure of \$1M over four years). Great Boulder Resources continued a program of bottom-of-hole sampling on historic drill holes. The purpose of this program is to obtain chips of fresh or transitional material for multi-element sampling, which will be used for lithogeochemical mapping.

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

Limestone Well (Auteco Minerals can earn up to an 80% interest in the project by completing exploration expenditure of \$2.5 million over five years). An asset review of the Limestone Well project is continuing with more background on the regional targets available in Auteco’s ASX announcement dated 14 October 2019.

Outlook for the next Quarter

The Company’s primary objective for the September 2020 Quarter is commencement of an expanded diamond core drilling program of 5,000m at Copalquin with activity continuing until end of CY2020.

Cash

The Company has cash reserves of \$1.2M as at 30 June 2020.

In addition, subsequent to the end of the quarter, The Company raised \$2.69 million from the Placement of 149,444,444 shares @ 1.8 cents from unrelated parties which settled on 14 July 2020. Directors of the Company have also committed A\$414k in the placement and the holder of the concessions forming the Copalquin Gold Silver Project has committed A\$396k. Related party participation in the Placement (45,000,000 shares) will be subject to shareholder approval at the General Meeting on 14 August 2020.

Corporate

A General Meeting of shareholders was held to approve the Sun Minerals transaction 13 May 2020. All resolutions considered at the General Meeting were passed by proxy with an exceptionally strong vote in favour (>94% in favour) of all resolutions, whereby over 28% of the entire share register voted on the meeting’s resolutions.

The Company was pleased to announce the appointment of its new Chief Executive Officer (“CEO”) and Chief Geologist to drive the exploration of the high-grade Copalquin Gold Silver Project in Durango, Mexico.

The appointment of the founders of Sun Minerals Pty Ltd very experienced project exploration and development team, John Skeet (CEO) and Hall Stewart (Chief Geologist) – marks the final stage of the Company’s transformational acquisition of Sun Minerals.

Both Mr Skeet and Mr Stewart are highly regarded and regionally experienced mining executives with strong track records of exploration and project development success in Mexico. As directors of Sun Minerals, both have worked to complete the Mithril-Sun Minerals transaction and will continue to drive the exploration of the Copalquin Gold Silver Project.

John Skeet – CEO (metallurgist, F. AusIMM)

John 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 has 16 years' experience in Mexico including managing the development of the Palmarejo gold-silver project prior to its acquisition by US based Coeur Mining and COO of Cerro Resources prior to its takeover by TSX listed Primero Mining. John founded Sun Minerals in 2017 and acquired the option to purchase the Copalquin Project.

Hall Stewart – Chief Geologist (geologist, CPG, PG)

Hall is a professional geologist with significant experience and success in managing, developing, and exploring mining projects in USA and Mexico. Hall has considerable experience in the gold-silver trend in Mexico and located and recommended the multimillion-ounce Palmarejo project to Bolnisi Gold and managed its regional exploration. Hall co-founded Puno Gold Corp. and Commonwealth Silver & Gold which were both acquired by Canadian companies.

In addition to the above appointments, Mithril would like to confirm that Mr Dudley Leitch who was nominated by Sun Minerals to join the Board of the Company and which was approved by shareholders at the meeting on 12 February 2020, will join as a Non-Executive Director.

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 was director and major shareholder – Perseverance Corp, Mogul Mining, Valdora Minerals, Bolnisi Gold, Kings Minerals. Mr Leitch has appointed Mr Garry Thomas as his alternate director. Mr Thomas is a civil engineer and was a director of Sun Minerals Pty Ltd. He was the owner of Internet Engineering in Perth, before it was acquired by Sedgman Metals.

The Company also advises that Mr David Hutton has resigned as a Director of the Company and its subsidiaries effective Friday 29th May 2020. Mithril wishes to thank Mr Hutton for his 8 years of service and his continued support of Mithril in respect of its existing exploration projects and pursuit of the Sun Minerals acquisition.

During the quarter the Company advised that its Rights Issue closed with strong support for both shareholder entitlements and additional shortfall shares. As announced in the Offer Document released to the ASX on 01 April 2020, Mithril conducted a capital raising by way of a Non-Renounceable Rights Issue to shareholders, on the basis of one (1) new fully paid ordinary Mithril share for every one (1) existing fully paid ordinary Mithril share held at an issue price of A\$0.005 (0.5 cent) per share to raise up to a maximum A\$2.42m.

The Company was required to raise a minimum of \$1.5M under the Rights Issue as a condition precedent of the transaction with Sun Minerals Pty Ltd. The funds raised from the capital raising will be used as set out in the Offer Document, including to advance exploration at the Copalquin Gold Silver Project located in the Sierra Madre Trend, Durango State, Western Mexico following completion of the acquisition of Sun Minerals.

Post the end of the quarter Mithril received binding commitments for a placement to sophisticated and professional investors, comprising 194,444,444 fully paid ordinary shares in the Company (New Shares) at an issue price of 1.8 cents to raise approximately \$3.5m (before costs).

As part of this Placement, Directors of the Company have committed A\$414k in the offer prior to launch and the holder of the concessions forming the Copalquin Gold Silver Project has committed A\$396k. Related party participation in the Placement (45,000,000 shares) will be subject to shareholder approval, to be obtained at a General Meeting scheduled to be held in August 2020.

A General Meeting of shareholders to approve the issue of shares will be held on 14 August 2020 at 11:00am (Melbourne time). Due to restrictions applicable in Victoria as a result of COVID-19, it is not possible to convene the meeting physically and the Company intends to conduct a virtual meeting.

Related Party Payments

In line with its obligations under ASX Listing Rule 5.3.5, Mithril Resources Limited notes that the only payments to related parties of the Company, as advised in the Appendix 5B for the period ended 30 June 2020, pertain to payments to directors for fees, salary and superannuation.

-ENDS-

Released with the authority of the Board.

For further information on the Company and our projects, visit: www.mithrilresources.com.au

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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")

30 June 2020

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		9	21
1.2 Payments for			
(a) exploration & evaluation (if expensed)			
(b) development			
(c) production			
(d) staff costs			
(e) administration and corporate costs		(281)	(698)
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		27	27
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		(245)	(650)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities (cash on hand arising from Sun Minerals acquisition)		3	3
(b) tenements		(521)	(671)
(c) property, plant and equipment			
(d) exploration & evaluation (if capitalised)		(421)	(705)
(e) investments			
(f) other non-current assets			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(939)	(1,373)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,452	2,792
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	(60)	(86)
3.5	Proceeds from borrowings	50	50
3.6	Repayment of borrowings	(176)	(176)
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	2,266	2,580

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	106	631
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(245)	(650)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(939)	(1,373)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,266	2,580

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,188	1,188

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	1,188	101
5.2	Call deposits		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)	1,188	106

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. (Directors Fees / Co. Sec Fees)
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2. (Managing Director salary / SGL)

**Current quarter
\$A'000**

45

41

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

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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	
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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)	(245)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(421)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(666)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,187
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,187
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.78

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

- 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

- 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 an exclusive option to earn up to a 100% interest over the Copalquin Gold Silver Project in western Mexico.

Post 30 June 2020 Mithril completed a placement to raise A\$3.5 million (before costs). The placement funds raised 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 Announcements dated 8 July 2020 for further information.

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 of the successful capital raising discussed in Question 2.

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.



Adrien Wing - Director

Date: 24 July 2020

Authorised for release by the Board of Mithril Resources Ltd

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.

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 a Consultant to 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 1**Changes in Interests in Mining Tenements****For Quarter Ended 30 June 2020**

	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	100%	0%
6.2		Interests in mining tenements acquired or increased	0%	0%
			0%	0%
			0%	0%

Australian Tenement Schedule at 23 July 2020

Tenement No	Project Area	Area (km2)	Company Interest
Northern Territory			
EL26942	East Arunta Area	214.29	100%
EL24253	East Arunta Area	213.62	33.3%
Western Australia			
E28/2567	Kurnalpi Area	14.77	100%
E28/2682	Kurnalpi Area	2.95	100%
E28/2506	Kurnalpi Area	51.85	100%
E28/2760	Kurnalpi Area	2.95	100%
E27/538	Lignum Dam Area	171.66	100%
E27/582	Lignum Dam Area	59.31	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%