

Quarterly Report

For the Period Ending 31 December 2016

MTH

MITHRIL
RESOURCES LTD

Key Points

Lignum Dam Project (Gold / Nickel)

- Assay results awaited for an 80-hole (2,524 metres) Aircore drilling program undertaken during the Quarter.
- Project lies along strike from the Lindsay's Gold Mining Centre and the high-grade Silver Swan Nickel Deposit.

Coompana (Nickel - Copper)

- Mithril and OZ Minerals Limited (**ASX: OZL**) exploring South Australia's far western Coompana Province for magmatic nickel – copper - PGE deposits.
- Target generation continued with re-logging of historic drill core, and interpretation of existing geological and geophysical datasets.
- Target generation aims to identify priority targets for geophysical and drill follow-up in 2017

Duffy Well (Gold)

- Assay results awaited for a 53-hole (2,807 metres) Aircore drilling program undertaken by Doray Minerals' (**ASX: DRM**) during the Quarter.

Exploration Outlook

- Ongoing evaluation of the Lignum Dam Project, as well as continuation of Coompana target generation activities will be the primary focus for the March 2017 Quarter.

Corporate and Cash

- Cash reserves of \$0.53M at 31 December 2016.

Exploration Overview

Mithril Resources (“Mithril”) and its joint venture partners are exploring for gold, nickel and copper throughout the Kalgoorlie and Meekatharra Districts of Western Australia, and nickel-copper-PGE’s throughout the Coompana Province of South Australia (*Figure 1*).

During the December 2016 Quarter (the “Quarter”) Mithril carried out an 80-hole (2,524 metres) Aircore drilling program at Lignum Dam (*Kalgoorlie*) and continued target generation activities at Coompana.

Doray Minerals (**ASX: DRM**), Mithril’s gold exploration partner at Duffy Well (*Meekatharra*) carried out a 53-hole (2,807 metres) Aircore drilling program, and Chesser Resources (**ASX: CHZ**) carried out gold exploration activities at Kurnalpi (*Kalgoorlie*).

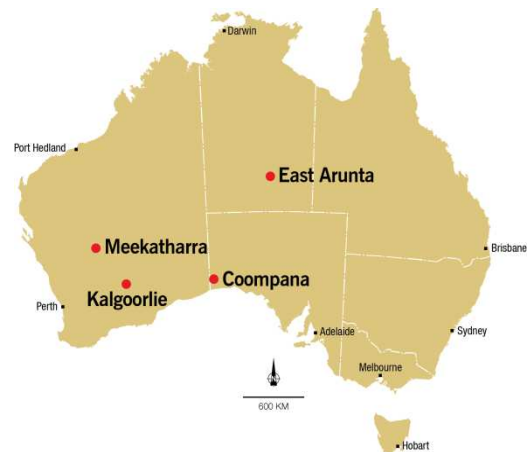


Figure 1: Project Location Plan

Corporate

During the Quarter, the Company spent \$0.24M on its exploration activities outlined in this report and at 31 December 2016, the Company had cash reserves of \$0.53M.

During the Quarter, the Company raised an additional \$545,400 via a Share Purchase Plan (SPP) under which, new shares were issued at a price of \$0.005 (0.5 cents) and the Company’s Directors took up their full entitlement.

Funds raised will be used to advance targets at the Lignum Dam Project, fund ongoing target generation activities and for working capital purposes.

Following the SPP, Mithril has 686,483,065 fully paid ordinary shares on issue

Lignum Dam Project (Gold / Nickel)

(Mithril 100%)

During the Quarter, the Company completed an 80-hole (2,524 metres) Aircore drilling program over gold and nickel sulphide targets at Lignum Dam (*located 50 kilometres north-northeast of Kalgoorlie, WA – Figures 1 and 2*).

With an area of approximately 270km², Lignum Dam covers a package of gold and nickel prospective Archaean mafic, ultramafic, and felsic rocktypes directly along strike from the Lindsay’s Gold Mining Centre and the high grade Silver Swan nickel deposit.

At the time of writing, assay results were awaited for the drilling.

Coompana Project (Nickel-Copper-PGE’s)

(Mithril can earn 20% / OZ Minerals 100%)

Mithril and OZ Minerals (“OZ Minerals” - **ASX: OZL**) are exploring seven exploration licences (EL’s 5837 to 5843 - 6,435km² *Figure 4*) in South Australia’s far western Coompana Province for magmatic nickel – copper sulphide deposits. Exploration is carried out under the terms of a Heads of Agreement whereby Mithril will undertake a

target generation exercise at Coompana in the first instance, with a view to identifying potential drill targets on the tenements. OZ Minerals will invest \$250,000 as part of the stage one targeting.

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

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

During the Quarter, Mithril continued target generation activities (comprising re-logging of historic drill core, and interpretation of existing geological and geophysical datasets) with the aim of identifying priority targets for geophysical and drill follow-up during 2017.

Duffy Well Project (Gold)

(Mithril 100%, Doray Minerals earning an initial 51% and operating)

At Duffy Well, Doray Minerals Limited (“Doray” – **ASX: DRM**) is earning an initial 51% interest in Mithril’s Duffy Well Project by completing expenditure of \$300,000 within two years (by 3 November 2017) and can elect to earn an additional 34% interest by completing further expenditure of \$200,000 within another one year (in total 85% by spending \$500,000 over three years).

Duffy Well (EL51/1649) is located 30 kilometres east of Meekatharra WA (*Figures 1 and 3*) and covers the interpreted southern extension of the Gnaweeda Greenstone Belt where Doray has intersected high-grade gold mineralisation in RC drilling at the Turnberry Prospect including **3m @ 10.1g/t gold** from 149 metres, **5m @ 17.4g/t gold** from 71 metres, and **4m @ 17.9g/t gold** from 45 metres (*Doray ASX Announcement dated 11 June 2015*).

During the Quarter, Doray carried out a 53-hole (2,807 metres) Aircore drilling program to test multiple gold targets identified from aeromagnetic data interpretation and a review of previous exploration at Duffy Well (which comprises reconnaissance RAB and aircore drill traverses with little or no follow-up).

The targets are typically characterised by zones of structural complexity with coincident bedrock gold (+50ppb) and arsenic (+100ppm) anomalism within wide-spaced drillholes.

At the time of writing, assay results were awaited for the drilling. Due to high workloads at the laboratory, Doray are experiencing delays in the receipt of assay results for a number of their recent drilling programs.

Kurnalpi Project (Gold / Nickel)

(Mithril 100%, Chesser Resources earning an initial 51% and operating)

At Kurnalpi, Chesser Resources Limited (“Chesser” – **ASX: CHZ**) is earning an initial 51% interest in Mithril’s Kurnalpi Project by completing expenditure of \$150,000 within two years (by 5 November 2017) and can elect to earn an additional 29% interest by completing further expenditure of \$100,000 within another two years (in total 80% by spending \$250,000 over four years).

The Kurnalpi Project tenements (EL28/2506 and PL28/1271 - *located 60 kilometres north east of Kalgoorlie, WA - Figures 1 and 2*) cover Archaen ultramafic / mafic sequences prospective for both lode gold and nickel sulphide mineralisation.

During the Quarter, Chesser conducted a small program of auger geochemical sampling over a gold target that had been identified from a review of historical exploration data.

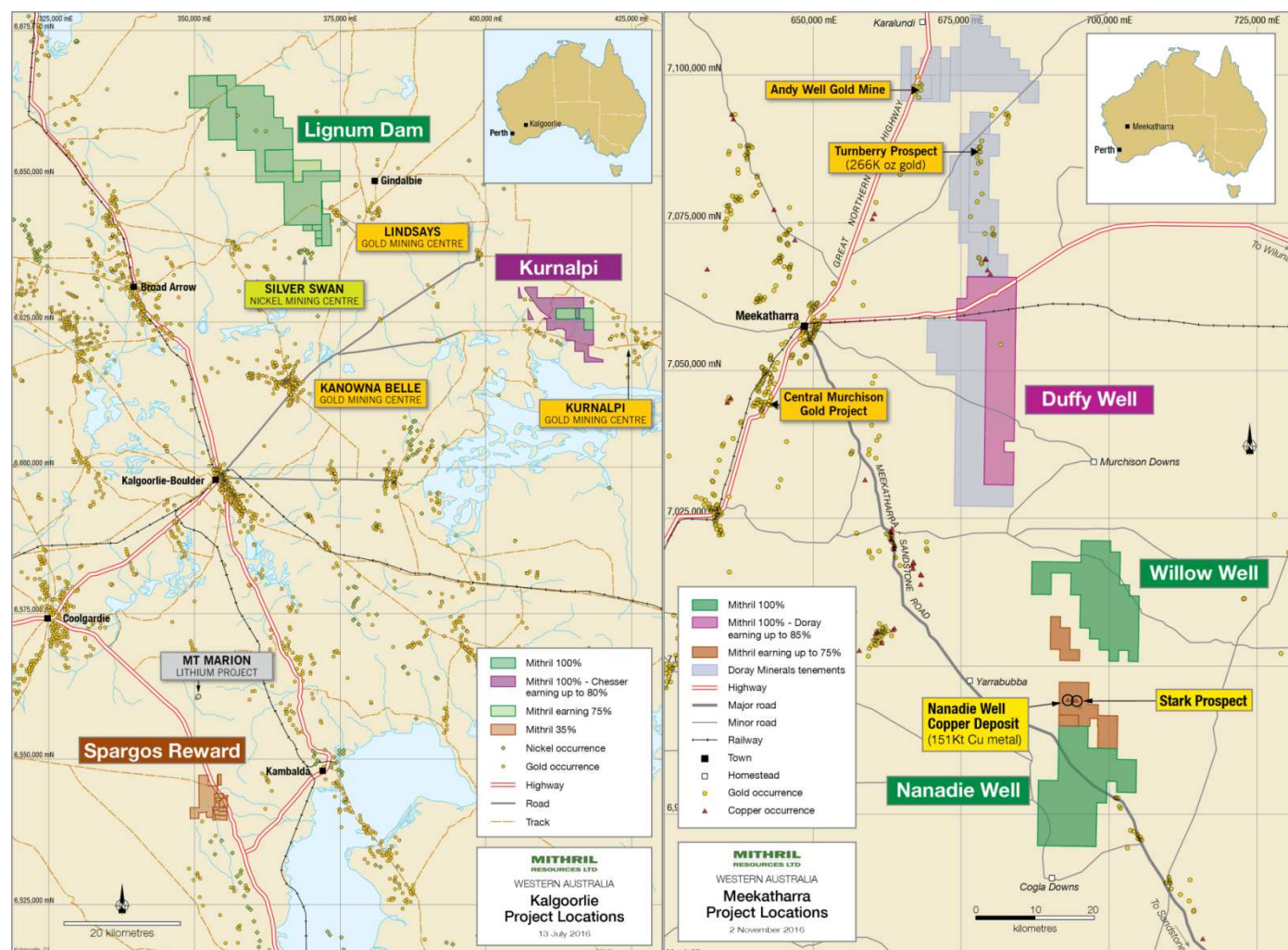
At the time of writing, the results of the work were awaited.

Other Projects

No field work was undertaken during the Quarter on the following projects: Grey Dam South (Mithril 100%), Nanadie Well (Mithril 100% and earning up to 75%), Leaky Bore (Mithril 100%), and Spargos Reward (Mithril 35%).

Exploration Outlook

Ongoing evaluation of the Lignum Dam Project, as well as continuation of Coompana target generation activities will be primary focus for the March 2017 Quarter.



Figures 2 (left) and 3 (right): Kalgoorlie and Meekatharra Project Locations

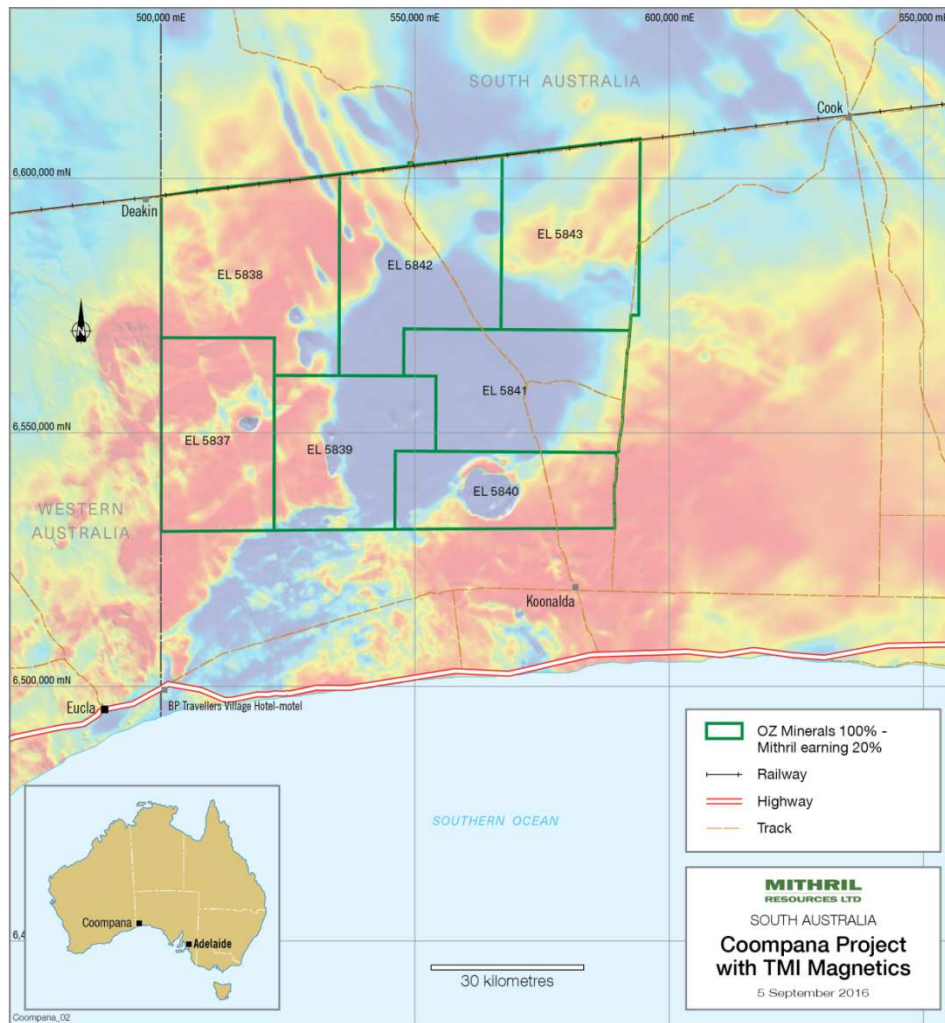


Figure 4: Coompana Project Location on aeromagnetics background

Notes Specific – December 2016 Quarter ASX Announcements

The following announcements were lodged with the ASX during, and immediately 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.

- Coompana - MD's Presentation to SAEMC 2016 - 02.12.2016
- Drilling underway at Lignum Dam - 28.11.2016
- Mithril to drill priority targets at Lignum Dam - 27.10.2016
- Doray gold drilling underway at Duffy Well - 13.10.2016

ENDS

For Further Information Contact:

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Competent Persons Statement:

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.

About Mithril Resources Ltd:

Mithril Resources is an Australian resources company whose objective is the creation of shareholder wealth through the discovery and development of mineral deposits.

The Company is actively exploring throughout two highly prospective areas of the Western Australian Goldfields, namely the Kalgoorlie District for gold and nickel deposits and the Meekatharra District for copper-nickel deposits.

The Company is also exploring South Australia's far western Coompana Province for magmatic nickel – copper deposits with OZ Minerals Limited.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MITHRIL RESOURCES LIMITED

ABN

30 099 883 922

Quarter ended ("current quarter")

31 December 2016

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	(240)	(389)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(105)	(222)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(343)	(609)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(3)
(b) tenements (see item 10)		
(c) investments		
(d) 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) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) 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	(3)	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	545	545
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(30)	(30)
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	515	515

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	362	628
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(343)	(609)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	515	515
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	531	531

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	413	244
5.2 Call deposits	118	118
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)	531	362

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
71
-

Managing Director's remuneration

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

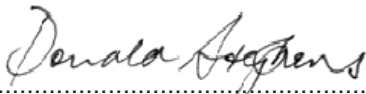
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	150
9.2 Development	-
9.3 Production	-
9.4 Staff costs	80
9.5 Administration and corporate costs	35
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	265

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Refer Appendix 1		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		Refer Appendix 1		

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.

Sign here: 
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(Company secretary)

Date: 19 January 2017

Print name: Donald Stephens

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

**Changes in Interests in Mining Tenements
For Quarter Ended 31 December 2016**

		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	P27/2283	Exploration licence application effective 31 October 2016 (Lignum Dam, WA).	0%	0%
		P27/2284	Exploration licence application effective 31 October 2016 (Lignum Dam, WA).	0%	0%
		P27/2285	Exploration licence application effective 31 October 2016 (Lignum Dam, WA).	0%	0%
		P27/2286	Exploration licence application effective 31 October 2016 (Lignum Dam, WA).	0%	0%
		M15/1828	Exploration licence application granted effective 15 December 2016 (West Kambalda, Spargos Reward JV).	0%	35%
		*			
* P15/4876-P15/4883 & P15/5763 were converted to M15/1828					

ASX Additional Information

List of mining tenements

Tenement No	Project	Area (km2)	Company Interest
EL26942	East Arunta Area	214.29	100%
EL24253	East Arunta Area	213.62	33.3%
E28/2567	Kurnalpi Area	14.77	100%
E28/2506	Kurnalpi Area	51.85	100%
P28/1271	Kurnalpi Area	1.17	100%
E27/538	Lignum Dam Area	171.86	100%
E27/576 *	Lignum Dam Area	17.78	0%
E27/582 *	Lignum Dam Area	59.31	0%
E27/584 *	Lignum Dam Area	14.8	0%
P27/2283 *	Lignum Dam Area	1.42	0%
P27/2284 *	Lignum Dam Area	1.62	0%
P27/2285 *	Lignum Dam Area	1.62	0%
P27/2286 *	Lignum Dam Area	1.47	0%
E20/846	Murchison Area	207.22	100%
E51/1649	Murchison Area	202.23	100%
E51/1615	Murchison Area	183.32	100%
E15/1423	West Kambalda Area	23.47	35%
M15/1828	West Kambalda Area	10.13	35%
P15/5791	West Kambalda Area	0.24	35%

* In application stage