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MITHRIL RESOURCES

ASX ANNOUNCEMENT

21 October 2020

SEPTEMBER 2020 QUARTERLY ACTIVITIES REPORT

Highlights

- **Maiden diamond core drill program (expanded to 7,000m) is progressing on track at Copalquin mining district, Mexico, for completion late November 2020 and with:**
  - **La Soledad (target 1) 2,100m of drilling completed intercepting high-grade gold and silver;**
  - **El Refugio (target 2) 2,300m drilling largely completed with assays pending;**
  - **El Cometa (target 3) drilling on track to be completed in October 2020**
- **Assay results received for the first target with early results confirming historic gold and silver grades, with highlights including:**
  - **3m @34.72 g/t gold and 3,129.0 g/t silver from 112 metres (CDH-001), (including 1m @ 88.4 g/t gold and 6,750.0 g/t silver from 114 metres);**
  - **4.55m @ 5.64 g/t gold and 325.0 g/t silver from 91.95 metres (CDH-002), (including 1.5m @ 9.82 g/t gold and 574.0 g/t silver from 95 metres); and**
  - **0.5m @ 9.27 g/t gold and 825.0 g/t silver from 141.2 metres (CDH-002)**
  - **CDH-014 7.5m @ 6.74 g/t gold and 158.1 g/t silver from 253.8m, (Including 3.45m @ 11.52 g/t gold and 244.1 g/t silver from 253.8m)**
- **Initial drill results at target 1 provide considerable understanding on the multiple high-grade vein system with two follow-up holes planned for later in the program**
- **Share Placement completed for A$3.5M**
- **A$3.1M cash at bank as at 30 September 2020**

Mithril Resources Ltd (ASX: MTH) (**Mithril** or the **Company**) is pleased to provide an update on activities at its Copalquin Gold Silver Project in Mexico for the period ending 30 September 2020.

CY2020 Maiden Drilling Program

Late July 2020, the Company advised that its maiden drilling program commenced at its flagship gold silver project in Mexico. This followed a capital raising in July which was strongly supported by a number of new domestic and international sophisticated and institutional investors. Drilling is being performed by a high-quality Mexican contractor and managed by Mithril's experienced Mexico team with Mithril Managing Director and CEO John Skeet and Chief Geologist Hall Stewart in Copalquin along with their senior exploration staff.

The Copalquin mining district is located in Durango State, Mexico and covers an entire mining district of 70km2 containing several dozen historic gold and silver mines and workings, ten of which had notable production. 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.

The expanded drilling and exploration program is fully funded and will run until the end of CY2020. Under the drilling program, work consists of 7,000 metres of diamond core drilling, and has a multi-stage plan, which includes:

- Targets 1 – 3 Cometa Project;
- Targets 4 – 5 Reyes Project;
- Target 6 - Constancia Project; and
- Target 7 – Apolonia Project

For the maiden drill program, the majority of the drilling is focused on targets 1 – 3 (Cometa Project). The majority of the holes in these targets were completed by the end of the quarter or within the first half of October 2020. Assay results turnaround time from the external laboratory in Canada has increased since the start of the program and is currently around 4-5 weeks.

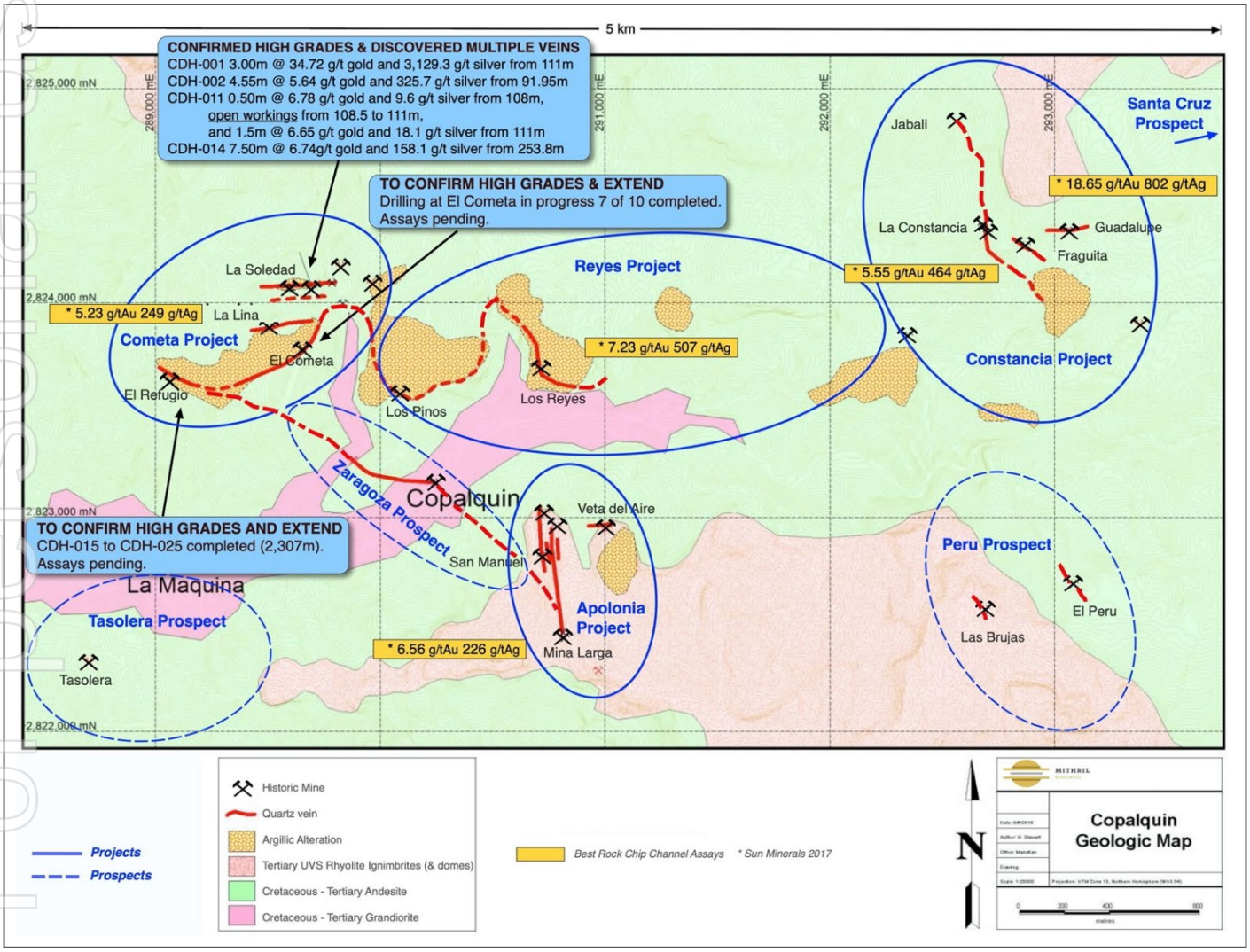


Figure 1 - Geologic map of the central 1,600 Ha of the 7,005 Ha concession area of the Copalquin Mining District. Progress of maiden drill program at the Cometa Project. Drilling progressing from the Cometa Project to the Reyes, Constancia and Apolonia Projects next quarter.

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

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

The first stage of drilling at target 1, La Soledad has been completed and all assays for La Soledad were received before the end of September 2020. The drilling successfully confirmed the bonanza grades of the La Soledad vein and intercepted additional high-grade gold and silver deeper and along strike in multiple veins.

Further excellent maiden drill results for La Soledad included:

- CDH-008 3.8m @ 2.58 g/t gold and 142.6 g/t silver from 111.7m;
- CDH-011 0.5m @ 6.78 g/t gold and 9.6 g/t silver from 108m, open workings from 108.5 to 111m, and 1.5m @ 6.65 g/t gold and 18.1 g/t silver from 111m;
- CDH-012 2.82m @ 2.37 g/t gold and 22.0 g/t silver from 206.9m; and
- CDH-014 7.5m @ 6.74 g/t gold and 158.1 g/t silver from 253.8m
  (Including 3.45m @ 11.52 g/t gold and 244.1 g/t silver from 253.8m)



Figure 3 – Drilling hole CDH-032 at target 3, Cometa Project, 14th October 2020

The maiden 2,100m of drilling at La Soledad successfully confirmed the high gold and silver grades, located the La Soledad vein and also the Leon vein as well as other parallel veins. The location of historic working has also been better established with hole CDH-011 intercepting workings and importantly reporting high grades either side of the 3.5m mined void. Hole CDH-014 intercepted 7.5m of high grade gold and silver in the Leon vein significantly adding to the resource prospects for the La Soledad target (target 1). Follow up holes at target 1 are scheduled for late October 2020.

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Drilling Progress – Cometa Project

At El Refugio (target 2) the maiden drill program was largely completed by the end of the quarter with all assay results due in the first half of the next quarter. Visually, the holes have intercepted the El Refugio vein along strike. El Refugio is shaping up to be a significant sized target. Up to two further holes will be drilled at El Refugio in the second half of October 2020, close to where this vein appears to intercept the western extent of the El Cometa vein. This will complete the drilling for El Refugio for the maiden drill program.

Drilling of the near surface El Cometa (target 3) is progressing well and will be completed in late October 2020. The holes are mostly shallow (50-70m) and have intercepted the targeted vein along strike.

Next Quarter – Drilling Activity at Reyes, Constancia and Apolonia Projects, Copalquin Mining District

The drill rig will be moved 800m east to target 4, Los Pinos for the first ever drill holes, then a further 500m east to target 5, the multi-level mine of Los Reyes, both within the Reyes Project.

Late November three holes will be drilled at target 6, the past-producing multi-level mine of La Constancia within the Constancia Project. Extensive historic sampling identifies this as a significant target. Further mapping at this important area, located 1,900m east of target 5 is currently in progress. The Constancia Project also includes the Fraguita, Guadalupe and Jabali mines. (see Figure 1).

At the Apolonia Project, one kilometre south of the Reyes Project, two holes are planned beneath four parallel veins of the historic San Manuel mine workings. The veins, stopes and exstensive historic sampling in these workings (Figure 3) indicate significant past production from San Manuel mine. There is historic infrastructure in the area consisting of an aerial tramway and the ruins of a flotation mill below the San Manuel mine, part of the Apolonia Project. The historic workings cover approximately 75 metres vertically and 200 metres of strike.

Australian Projects

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

- 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.

<u>Billy Hills Zinc (Billy Hills)</u>

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

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

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.

In September 2020, Carnavale commenced drilling at its Grey Dam Nickel Project following a 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.

Carnavale's Grey Dam Nickel Project includes Mithril's Kurnalpi Project Tenements in which it is earning an initial 80% interest. Carnavale's September 2020 drill program includes drilling on the Mithril tenements (see Carnavale's ASX Announcement 11th September 2020).

Lignum Dam Project (Lignum)

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

Great Boulder Resources did not announce any work progress within the Mithril tenements during the quarter.

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.

Outlook for the Next Quarter

The Company's primary objective for the December 2020 Quarter is completion of the CY2020 exploration program at Copalquin, Mexico which will include about 7,000m of drilling.

Cash

The Company has cash reserves of A$3.1M as at 30 September 2020.

Corporate

The Company raised A$3.5M before costs which consisted of:

- A$2.69 million from the Placement of 149,444,444 shares @ 1.8 cents from unrelated parties which settled on 14 July 2020;
- A$414k from directors of the Company; and
- A$396k from the holder of the concessions forming the Copalquin Gold Silver Project.

The related party participation in the Placement (45,000,000 shares) was approved at the General Meeting on 14 August 2020.

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Key Appointments

- Mr Garry Thomas appointed as Non-Executive Director, a civil engineer with significant international mining experience, effective 17th August 2020. Garry 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 design, 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 the construction of the plant at Palmarejo, Mexico prior to the Coeur Mining take over. Garry founded Intermet Engineering an Australian design and construct consultancy focusing on non-ferrous mine development which he sold to Sedgman Metals. Garry has been a non-executive director of several mining companies in the past and is currently a director of ASX listed Oakagee Corporation (ASX: OKJ).

- Mr John Skeet, Mithril CEO, appointed as Managing Director on 8 September 2020. 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 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.

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.

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Competent Persons Statement

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.

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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	Quarter ended ("current quarter")
30 099 883 922	30 SEPTEMBER 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(94)	(94)
	(b) development		
	(c) production		
	(d) staff costs (not included above)	(125)	(125)
	(e) administration and corporate costs	(463)	(463)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	1
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**	**(681)**	**(681)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(50)	(50)
	(d) exploration & evaluation	(733)	(733)
	(e) investments		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**(783)**	**(783)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,500	3,500
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	30	30
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(192)	(192)
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**	**3,338**	**3,338**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,188	1,188
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(681)	(681)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(783)	(783)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,338	3,338
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**3,062**	**3,062**

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	2,562	1,188
5.2	Call deposits	500	
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)**	**3,062**	**1,188**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	52
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Amounts in 6.1 relate to Director fees and company secretarial services.

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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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**	
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)	(681)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(733)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,414)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,062
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,062
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	2.17

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

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

8.8.1 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: N/A

8.8.2 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: N/A

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8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

21 October 2020



Adrien Wing - Director

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.

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Appendix 1

Tenement Schedule at 19 October 2020

Project Tenements	Location	Held at the start of the quarter	Acquired during the quarter	Disposed during the quarter	Held at the end of the quarter
Australia					
East Arunta Area					
EL26942	NT	100%		100%	0%
EL24253	NT	33.3% and diluting		~20%	0%
Kurnalpi Area					
E28/2567	WA	100%			100%
E28/2682	WA	100%			100%
E28/2506	WA	100%			100%
E28/2760	WA	100%			100%
Lignum Dam Area					
E27/538	WA	100%			100%
E27/582	WA	100%			100%
E27/584	WA	100%			100%
Murchison Area					
E20/846	WA	100%			100%
E57/1069	WA	100%			100%
West Kimberley Area					
E04/2497	WA	100%			100%
E04/2503	WA	100%			100%
E80/5191	WA	100%			100%
Mexico					
Copalquin					
52033	Durango	0%	10%		10%
164869	Durango	0%	10%		10%
165451	Durango	0%	10%		10%
178014	Durango	0%	10%		10%
236130	Durango	0%	10%		10%
236131	Durango	0%	10%		10%