

# **Mantle Mining Corporation Limited**

**ABN 70 107 180 441**

## **Half-Year Financial Report**

**For the half-year ended**

**31 December 2016**

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## Corporate Directory

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### Directors

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Mr Robert Barraket    Non-Executive Chairman  
Mr Richard Valenta    Executive Director  
Mr Ian King            Non-Executive Director  
Mr Matthew Gill        Non-Executive Director

### Company Secretary

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Mr David Kinsman

### Principal Place of Business and Registered Office

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Level 6  
15 Astor Terrace  
Springhill QLD 4000

### Contact Details

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Website: [www.mantlemining.com](http://www.mantlemining.com)  
Email: [admin@mantlemining.com](mailto:admin@mantlemining.com)

Tel:            +61 7 3319 4120

### Solicitors to the Company

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Steinepreis Paganin  
Level 4  
16 Milligan St  
Perth WA 6000

### Share Registry

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Security Transfer Registrars  
Alexandria House  
Suite 1  
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Tel:            +61 8 9315 2333

Fax:            +61 8 9315 2233

### Auditors

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RSM Australia Partners  
8 St Georges Terrace  
Perth WA 6000

### Stock Exchange

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Australian Securities Exchange  
Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

ASX Code: MNM, MNMOB and  
MNMOC

## Directors' Report

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The Directors of Mantle Mining Corporation Limited (“Mantle” or “the Company”) submit herewith the financial report of Mantle Mining Corporation Limited and its subsidiaries (the “Group”) for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2011*, the directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

|                     |  |
|---------------------|--|
| Mr Robert Barraket  | Non-Executive Chairman                             |
| Mr Richard Valenta  | Executive Director (Appointed 26 July 2016)        |
| Mr Ian King         | Non-Executive Director                             |
| Mr Matthew Gill     | Non- Executive Director (Appointed 22 August 2016) |
| Mr Ian Kraemer      | Managing Director (Resigned 22 August 2016)        |
| Mr Stephen de Belle | Non-Executive Director (Resigned 22 July 2016)     |

### Results

The loss of the Group for the half-year ended 31 December 2016 after providing for income tax amounted to \$5,365,183 (31 December 2015: \$922,182).

No dividends were declared or paid during the half-year ended 31 December 2016.

### Principal activities

Mantle Mining Corporation Limited is an ASX listed minerals exploration and mine development company with projects located in eastern Australia. The Group’s principal activities are to acquire exploration tenements and locate economically developable deposits of gold and other minerals. It is Mantle’s intention to progress mineral deposits through feasibility and into mining operations, to the benefit of all stakeholders. Mantle’s existing project locations are shown in Figure 1.

The Group is progressing its gold projects with a priority given to the start-up of the Morning Star Gold Mine in Victoria. In parallel it is looking at various opportunities to extract maximum value from its remaining assets.



**Figure 1:** Mantle’s existing project locations.

## Directors' Report

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### Review of operations

During the period:

- Continuing its strategy of Board and Management renewal, the Company appointed two high calibre senior gold mining executives to the Board and transferred executive management to a new team;
- The decision was made to refocus the Company priority onto the development of the Morning Star Gold mine with additional exploration, data compilation and field activities undertaken;
- Remaining assets were assessed to identify options for value realisation;
- The Company relinquished its interests in the coal sector; and
- Capital raising activities were completed raising \$1.7 million.

### Morning Star Gold Mine:

The Company holds a 95% interest in Morning Star Gold NL, which in turn owns the Morning Star Gold Mine. The Morning Star project has a number of positive characteristics which demonstrate its potential to create value for Mantle shareholders:

- For information on the existing resource, please refer to the report entitled "910,000 Ounces Gold JORC Resource" created on 30 July 2008, which is available to view at [www.asx.com.au](http://www.asx.com.au) under ASX code MCO. The resource is currently being brought up to JORC 2012 standard;
- An 80,000 tonne per annum processing plant on site requiring minimal upgrade to recommence processing;
- Mains power at the site (500 KVA line);
- A refurbished shaft (down to 300 metres below surface) with new winder;
- An existing paste plant attached to the mill for environmentally-friendly in-mine disposal of tailings;
- Mantle is the dominant landholder in the district with 650 km<sup>2</sup> under tenement in a large region of historically-mined high grade reefs, supporting the expectation that new discoveries would be similarly high grade; and
- A local and corporate team with significant experience in the development, construction and mining of high grade underground gold deposits.

The Morning Star Gold Project was identified as the company's highest priority, with activities focused on data compilation, renewed field-based activities including sampling, mapping, and planning for future programs, building an updated geological model, planning for other high priority targets such as the Rose of Denmark, and improvement of the company's land position.

#### *Data Compilation*

- Resumption of data compilation, which had been suspended in June 2016;
- Over 1,150 previously unreported samples reinforced the existence of high grade gold mineralisation yet to be mined from Morning Star, Rose of Denmark and other sites within Mantle's significant tenement holding in the region.

#### *Field Activities*

- Site-based geological review of Morning Star, Rose of Denmark and other regional targets,
- Submission for chemical analysis of previously unsampled 2012 drill holes covering high priority reefs,
- Drill results confirmed attractive vein thickness and continuity of gold bearing structures, which are easily accessible, including:
  - a newly-recognised east-dipping high grade zone intersected close to existing underground development;
  - new intersections of Stacpoole (Donaldson's) reef showing relatively wide and well mineralised veining,
- Commencement of a program of underground sampling in the Morning Star adit,

### *Modelling/interpretation*

- Continuing comprehensive data collation and review of the Morning Star mine and surrounding tenements, with a view to developing high priority mining zones for an expedited return to production;
- 3D modelling was carried out focusing on the development and application of an improved structural model for the deposit which can guide development activities;
- Mantle released its newly developed Morning Star geological model (refer ASX Release "Morning Star Geological Model", 30 January 2017). This substantially updated geological model has been built for the Morning Star gold mine, and is the first model which faithfully reproduces the detailed geometry of the high grade gold-bearing targets on the margins of the Morning Star dyke, not previously undertaken by prior operators of the mine;
- The modelling results highlighted the potential of the Stacpoole reef, which shows geometry and drill results which are similar to Whitelaw's reef, which had historical production of more than 100,000oz at grades of 22 to 67 g/t gold.

### *Morning Star Gold Mine Development:*

- A near term priority work program is focused on the most accessible and highest grade gold zones at Morning Star and includes:
  - Stacpoole, Kenny's, and Burns reefs (where samples up to 1,341g/t gold have recently been reported). Analysis is underway on the patterns of high grade gold mineralisation in relation to existing adit and shaft development, combined with further underground sampling and planning for a targeted drill program to further define ore body geometry and grade distribution in each location. This is seen as a key step prior to committing to mine;
  - Assessing the potential for updated definition and de-risking of potential mining blocks, and also the potential for further underground sampling.
- The plan is for these activities to be followed by surface and underground drilling, a review for optimisation of the existing 80,000 tpa gold processing plant, and ultimately trial mining.

### *Rose of Denmark*

- New underground drill results from Rose of Denmark confirmed extensions of known mineralised shoots;
- Previously unreleased underground samples confirmed the presence of bonanza high grades from Rose of Denmark reefs;
- Discussions are currently under way with the 51% JV partner for early development, including formulation of a proposal for a targeted drill program and further underground sampling and mapping,

### *Morning Star Tenements*

- The Company announced that it had submitted an application for a major exploration licence over the remaining northern extent of the gold field. The application has been accepted by the relevant authority with no competing applicants.

## **Norton Gold Mine:**

Norton Gold Project – the Company holds a 90% interest in Norton Gold Project which comprises one mining licence (ML 80035) located within the historic Norton gold field less than 100 km south of the port city of Gladstone, Queensland.

Norton Gold Mine development activities were confined to completion of gold processing studies and advancement of permitting.

The Company continued to assess options for realising value for the Norton project, and discussions commenced with a number of potential acquirers and/or partners for the project.

## **Directors' Report**

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### **Granite Castle Gold Exploration Project:**

The Company holds a 100% interest in the Granite Castle Gold Project which comprises two exploration licences (EPM 14179 & 15527) and an application for a mineral development licence (MDL 2005), located approximately 260km west of Townsville and 120km north of Hughenden in Queensland.

During the period, a field-based review was carried out over the project, in order to evaluate options for realisation of value from the project. In addition discussions commenced with a number of potential acquirers and/or partners for the project.

### **The Charters Towers Gold Project:**

The Charters Towers Gold Project is located around the township of Charters Towers in north Queensland. Mantle's tenement (EPM 14388), in which the Company holds a 100% interest, contains two main project areas; Great Britain and Puzzler/Balfes Creek.

During the period, a field-based review was carried out over the project, in order to evaluate options for realisation of value from the project. Discussions commenced with a number of potential acquirers and/or partners for the project.

### **Bacchus Marsh & Latrobe Valley Coal to Renewables Projects:**

The Latrobe Valley Coal ELs were relinquished during the September quarter, and discussions were commenced for transfer of ownership of the Bacchus March project to the JV partner. All coal properties were relinquished by the end of the reporting period.

### **Corporate:**

Continuing its strategy of Board and Management renewal, the Company appointed two high calibre senior gold mining executives to the Board and transferred executive management to a new team

Mantle's long-term Managing Director, Mr. Ian Kraemer, stepped down from the Board and ceased association with the company at the end of August 2016. The Company appointed Dr. Rick Valenta to take overall executive leadership of the Company.

The Company also announced the appointment of experienced underground gold miner and senior executive, Mr. Matthew Gill, as Non-Executive Director and consultant to the Board. Mr. Gill joins Executive Director Rick Valenta to create a gold mining team with a solid track record of development and operational mining experience and value delivery to shareholders.

The Board completed a review of key people, functions, tasks and processes to improve efficiency and generate cost savings from non-essential projects and functions. Changes arising from this review included:

- Transfer of the Brisbane office to smaller shared premises;
- Future administrative support to be sourced on a contractual/as needs basis,
- Closure of the Townsville office, with future exploration tasks to be completed on a contractual/as needs basis;
- Appointment of a new Brisbane-based Company Secretary.

These changes will reduce the corporate overheads of the company and ensure maximum expenditure on project-based activities.

### **Capital raising activities during the reporting period included:**

- Completion of a placement to an s708 Investor on 7 July 2016 for a further 20 million shares at a placement price of 1 cent per share to raise a total of \$200,000;
- Announcement of an additional placement on 26 July 2016 under which the Company received firm commitments from s708 investors to raise a further \$1.5 million upon the issue of 100 million shares at an issue price of 1.5 cents per share.

## Directors' Report

### Mantle Mining Corporation Limited - Tenement Schedule as at 31 December 2016

| Tenement              | Project         | Name            | Grant Date  | Expiry Date | Area                | Interest (%) |
|-----------------------|-----------------|-----------------|-------------|-------------|---------------------|--------------|
| MIN 5009 <sup>2</sup> | Morning Star    | Morning Star    | 21/09/1990  | Renewal     | 657 Ha              | 95           |
| EL 4320 <sup>2</sup>  | Morning Star    | Morning Star    | 16/11/2008  | Renewal     | 101 km <sup>2</sup> | 95           |
| MIN 5299 <sup>2</sup> | Morning Star    | Rose of Denmark | 10/11/1981  | Renewal     | 211 Ha              | 47           |
| MIN 5560 <sup>2</sup> | Morning Star    | Wallaby         | 17/12/2013  | 16/12/2018  | 10 Ha               | 95           |
| EL 6321               | Morning Star    | Morning Star    | Application |             | 547 km <sup>2</sup> | 95           |
| ML 80035 <sup>1</sup> | Norton          | Norton          | 04/04/1996  | 30/04/2017  | 22 Ha               | 90           |
| EPM 14388             | Charters Towers | Charters Towers | 24/02/2005  | 23/02/2020  | 7 sub blocks        | 100          |
| EPM 14179             | Granite Castle  | Range Creek     | 25/11/2004  | 24/11/2017  | 6 sub blocks        | 100          |
| EPM 15527             | Granite Castle  | Oaky Creek      | 30/11/2007  | 29/11/2019  | 25 sub blocks       | 100          |
| MDL 2005              | Granite Castle  | Range Creek     | application |             | 1,935 Ha            | 100          |
| EL 6074               | Lionsville      | Lionsville      | 06/05/2003  | Renewal     | 4 units             | 100          |
| EL 5878               | Black Range     | Overflow        | 24/07/2001  | Renewal     | 3 units             | 13           |

**Table 1: Mantle's Tenement Schedule**

1. Norton is 10% held by Avanti Mining and Contracting Pty Ltd.
2. Morning Star is 100% held by Morning Star Gold NL, in turn held 95% by Mantle. MIN 5299 is a Joint Venture wherein Morning Star Gold NL holds 49%.



## Directors' Report

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### Mantle Mining Corporation Limited - Mineral Resources as at 31 December 2016:

#### Morning Star Mineral Resource (95% held by Mantle).

For information on the existing resource, please refer to the report entitled "910,000 Ounces Gold JORC Resource" created on 30 July 2008, which is available to view at [www.asx.com.au](http://www.asx.com.au) under ASX code MCO.

#### Norton Mineral Resource

| Class        | Tonnes         | Au (g/t)   | Au (oz)       | Ag (g/t)  | Ag (oz)        |
|--------------|----------------|------------|---------------|-----------|----------------|
| Indicated    | 107,000        | 6.2        | 21,100        | 15        | 50,300         |
| Inferred     | 141,000        | 3.9        | 17,700        | 12        | 52,600         |
| <b>Total</b> | <b>248,000</b> | <b>4.9</b> | <b>38,800</b> | <b>13</b> | <b>103,000</b> |

**Table 2:** Norton Mineral Resource (90% held by Mantle).

The information in Table 2 is extracted from the report entitled "Norton Gold Mine Resource Estimate" created on 15 May 2015 and is available to view on [www.mantlemining.com](http://www.mantlemining.com)

#### Granite Castle Mineral Resource

| Class        | Tonnes         | Au (g/t)   | Au (oz)       | Ag (g/t)  | Ag (oz)          |
|--------------|----------------|------------|---------------|-----------|------------------|
| Measured     | 111,000        | 4.3        | 15,500        | 58        | 205,800          |
| Indicated    | 250,000        | 3.6        | 28,800        | 71        | 567,900          |
| Inferred     | 403,000        | 2.5        | 32,900        | 56        | 727,200          |
| <b>Total</b> | <b>765,000</b> | <b>3.1</b> | <b>77,200</b> | <b>61</b> | <b>1,500,900</b> |

**Table 3:** Granite Castle Mineral Resource.

The information in Table 3 is extracted from the report entitled "Improved Confidence Levels for Granite Castle Resource" created on 28 May 2008 and is available to view on [www.mantlemining.com](http://www.mantlemining.com)

#### Charters Towers Mineral Resource

| Class        | Tonnes           | Au (g/t)   | Au (oz)        |
|--------------|------------------|------------|----------------|
| Inferred     | 1,535,000        | 2.2        | 109,000        |
| <b>Total</b> | <b>1,535,000</b> | <b>2.2</b> | <b>109,000</b> |

**Table 4:** Charters Towers Mineral Resource.

The information in Table 4 is extracted from the report entitled "Disclosure Document" created on 2 October 2006 and is available to view on [www.mantlemining.com](http://www.mantlemining.com)

In relation to Tables 2 through 4, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

#### *Competent Person Statement:*

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr. Richard Valenta, Executive Director of Mantle Mining Corporation Ltd. Dr. Valenta is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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". Dr. Valenta consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Directors' Report

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### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

### Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within this half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors



**Robert Barraket**  
Chairman

Dated at Perth this 15<sup>th</sup> day of March 2017



**RSM Australia Partners**

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### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Mantle Mining Corporation Limited for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM**  
RSM AUSTRALIA PARTNERS

  
ALASDAIR WHYTE  
Partner

Perth, WA  
Dated: 15 March 2017

**Consolidated Statement of Comprehensive Income**  
for the half-year ended 31 December 2016

|  | Note | 31 December<br>2016<br>\$ | 31 December<br>2015<br>\$ |
|--|------|---------------------------|---------------------------|
| Interest income  |      | 2,600                     | 2,041                     |
| Other Income   |      | 19,182                    | -                         |
| Administrative expenses  |      | (172,571)                 | (123,982)                 |
| Consultancy and legal expenses   | 2    | (387,937)                 | (261,901)                 |
| Compliance and regulatory expenses                                     |      | (58,960)                  | (46,472)                  |
| Depreciation expense   |      | (25,506)                  | (24,881)                  |
| Director and employee related expenses                                 | 2    | (439,393)                 | (353,376)                 |
| Other exploration expenses   |      | (16,195)                  | (88,594)                  |
| Interest expense   |      | (100,456)                 | (25,017)                  |
| Share based payment  |      | (15,851)                  | -                         |
| Write-down of exploration expenditure                                  |      | (4,170,096)               | -                         |
| <b>Loss before income tax expense</b>                                  |      | (5,365,183)               | (922,182)                 |
| Other comprehensive income   |      | -                         | -                         |
| <b>Total comprehensive loss for the period</b>                         |      | (5,365,183)               | (922,182)                 |
| <b>Total comprehensive loss attributable to members of the Company</b> |      | (5,365,183)               | (922,182)                 |
| Total comprehensive loss for the period attributable to:               |      |                           |                           |
| Non-controlling interest   |      | (80)                      | -                         |
| Owners of Mantle Mining Corporation Limited                            |      | (5,365,103)               | (922,182)                 |
|  |      | (5,365,183)               | (922,182)                 |
| <b>Basic and diluted loss per share (cents)</b>                        |      | (0.41)                    | (0.15)                    |

*The accompanying notes form part of these financial statements.*

## Consolidated Statement of Financial Position

as at 31 December 2016

|  | Note | 31 December<br>2016<br>\$ | 30 June<br>2016<br>\$ |
|--|------|---------------------------|-----------------------|
| <b>Current assets</b>  |      |                           |                       |
| Cash and cash equivalents  | 3    | 282,848                   | 1,292,414             |
| Trade and other receivables  |      | 344,250                   | 959,483               |
| Other current assets   |      | 61,272                    | 123,600               |
| <b>Total current assets</b>  |      | <b>688,370</b>            | <b>2,375,497</b>      |
| <b>Non-current assets</b>  |      |                           |                       |
| Receivables  |      | 33,319                    | 37,018                |
| Plant and equipment  |      | 691,963                   | 701,150               |
| Exploration and evaluation expenditure                               | 4    | 6,220,395                 | 9,516,136             |
| <b>Total non-current assets</b>                                      |      | <b>6,945,677</b>          | <b>10,254,304</b>     |
| <b>Total assets</b>  |      | <b>7,634,047</b>          | <b>12,629,801</b>     |
| <b>Current liabilities</b>   |      |                           |                       |
| Trade and other payables   |      | 2,459,335                 | 3,640,353             |
| Provisions   |      | 11,248                    | 29,878                |
| Borrowings   |      | 71,036                    | 268,275               |
| <b>Total current liabilities</b>                                     |      | <b>2,541,619</b>          | <b>3,938,506</b>      |
| <b>Non-current liabilities</b>                                       |      |                           |                       |
| Provisions   |      | -                         | 56,782                |
| <b>Total non-current liabilities</b>                                 |      | <b>-</b>                  | <b>56,782</b>         |
| <b>Total liabilities</b>   |      | <b>2,541,619</b>          | <b>3,995,288</b>      |
| <b>Net assets</b>  |      | <b>5,092,428</b>          | <b>8,634,513</b>      |
| <b>Equity</b>  |      |                           |                       |
| Contributed equity   | 6    | 29,609,182                | 27,801,935            |
| Reserves   | 6    | 1,624,831                 | 1,608,980             |
| Accumulated losses   |      | (26,338,738)              | (20,973,635)          |
| <b>Equity attributable to the members of the consolidated entity</b> |      | <b>4,895,275</b>          | <b>8,437,280</b>      |
| Non-controlling interest   |      | 197,153                   | 197,233               |
| <b>Total equity</b>  |      | <b>5,092,428</b>          | <b>8,634,513</b>      |

*The accompanying notes form part of these financial statements.*

**Consolidated Statement of Cash Flows**  
for the half-year ended 31 December 2016

|   | 31 December<br>2016<br>\$ | 31 December<br>2015<br>\$ |
|---|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>               |                           |                           |
| Cash payments in the course of operations                 | (433,677)                 | (710,339)                 |
| Cash payments for exploration expenditure                 | (874,356)                 | (598,759)                 |
| Interest received   | 2,600                     | 2,041                     |
| Interest paid   | (100,456)                 | (17)                      |
| <b>Net cash used in operating activities</b>              | <u>(1,405,889)</u>        | <u>(1,307,074)</u>        |
| <b>Cash flows from investing activities</b>               |                           |                           |
| Payments for plant and equipment                          | (16,535)                  | (26,500)                  |
| Payments for investment                                   | (1,100,000)               | (100,000)                 |
| Proceeds from sale of exploration interests               | -                         | 27,000                    |
| <b>Net cash used in investing activities</b>              | <u>(1,116,535)</u>        | <u>(99,500)</u>           |
| <b>Cash flows from financing activities</b>               |                           |                           |
| Proceeds from issue of shares                             | 1,550,000                 | 1,049,758                 |
| Proceeds from issue of options                            | -                         | 157,947                   |
| Share issue costs   | (24,903)                  | (42,744)                  |
| Payment of Borrowings                                     | (12,239)                  | -                         |
| Proceeds from Borrowings                                  | -                         | 499,059                   |
| <b>Net cash provided by financing activities</b>          | <u>1,512,858</u>          | <u>1,664,020</u>          |
| <b>Net change in cash and cash equivalents</b>            | (1,009,566)               | 257,446                   |
| Cash and cash equivalents at the beginning of the period  | 1,292,414                 | 541,373                   |
| <b>Cash and cash equivalents at the end of the period</b> | <u>282,848</u>            | <u>798,819</u>            |

*The accompanying notes form part of these financial statements.*

## Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2016

|   | Contributed equity | Reserves         | Accumulated losses  | Non-Controlling interest | Total            |
|---|--------------------|------------------|---------------------|--------------------------|------------------|
|   | \$                 | \$               | \$                  | \$                       | \$               |
| <b>Balance at 1 July 2015</b>           | 22,770,676         | 1,439,433        | (17,816,873)        | -                        | 6,393,236        |
| Total comprehensive loss for the period | -                  | -                | (922,182)           | -                        | (922,182)        |
| Shares issued                           | 1,399,305          | -                | -                   | -                        | 1,399,305        |
| Share issue costs                       | (97,944)           | -                | -                   | -                        | (97,944)         |
| Share options issued                    | -                  | 167,547          | -                   | -                        | 167,547          |
| <b>Balance at 31 December 2015</b>      | <u>24,072,037</u>  | <u>1,606,980</u> | <u>(18,739,055)</u> | -                        | <u>6,939,962</u> |
| <br>                                    |                    |                  |                     |                          |                  |
| <b>Balance at 1 July 2016</b>           | 27,801,935         | 1,608,980        | (20,973,635)        | 197,233                  | 8,634,513        |
| Total comprehensive loss for the period | -                  | -                | (5,365,103)         | (80)                     | (5,365,183)      |
| Shares issued                           | 1,832,150          | -                | -                   | -                        | 1,832,150        |
| Share issue costs                       | (24,903)           | -                | -                   | -                        | (24,903)         |
| Share options issued                    | -                  | -                | -                   | -                        | -                |
| Share based payment                     | -                  | 15,851           | -                   | -                        | 15,851           |
| <b>Balance at 31 December 2016</b>      | <u>29,609,182</u>  | <u>1,624,831</u> | <u>(26,338,738)</u> | <u>197,153</u>           | <u>5,092,428</u> |

*The accompanying notes form part of these financial statements.*

# Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2016

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## 1. Significant accounting policies

### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's annual financial report for the year ended 30 June 2016, except in relation to the matters disclosed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### New and revised Accounting Standards and Interpretations

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

### Going concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a net loss of \$5,365,183, had net cash outflows from operating activities of \$1,405,889 and investing activities of \$1,116,535, for the half year ended 31 December 2016. As at that date, the consolidated entity had net current liabilities of \$1,853,249. The consolidated entity's ability to continue as a going concern is dependent on raising further capital, divesting assets and / or reducing costs.

These factors indicate material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The consolidated entity may be required to issue additional equity securities under the *Corporations Act 2001*, to raise further working capital. Other sources of funding could also be contemplated, including restructure existing funding facilities, consider alternate



## Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2016

funding options, or a combination of the foregoing. The consolidated entity has been successful in doing this previously, as evidenced by the successful placements undertaken by the consolidated entity over the course of the financial half year, and in preceding years. The Directors are confident the consolidated entity will be successful in sourcing further capital to fund the ongoing operations of the consolidated entity;

- The consolidated entity is currently pursuing a negotiated outcome with Chillee Limited for an extension of the terms of settlement for amounts currently payable for its Morningstar investment. Irrespective of the consolidated entity's success in this matter, recourse against the consolidated entity is limited to the assets of Morning Star Gold NL. The consolidated entity has unpaid liabilities associated with the acquisition of Morning Star Gold NL as disclosed in Note 9;
- The consolidated entity has received additional cash injections since the end of the reporting period, including \$458,879 as an R&D refund from the ATO received on 23 January 2017 as disclosed in Note 10; and
- The consolidated entity expects to divest non-core assets and is currently considering a number of proposals that may deliver cash injections and reduce committed expenditure.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

## 2. Expenses

### Director and employee related expenses

|                             | Consolidated        |                     |
|-----------------------------|---------------------|---------------------|
|                             | 31 December<br>2016 | 31 December<br>2015 |
|                             | \$                  | \$                  |
| Director and employee wages | (242,515)           | (353,376)           |
| Redundancy payments         | (196,878)           | -                   |
|                             | <u>(439,393)</u>    | <u>(353,376)</u>    |

### Consultancy and legal expenses

|  | Consolidated        |                     |
|--|---------------------|---------------------|
|  | 31 December<br>2016 | 31 December<br>2015 |
|  | \$                  | \$                  |
| Consultants and legal costs                | (206,437)           | (261,901)           |
| Termination of Company Secretarial service | (181,500)           | -                   |
|  | <u>(387,937)</u>    | <u>(261,901)</u>    |

## Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2016

### 3. Cash and cash equivalents

For the purposes of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:

|                          | Consolidated        |                 |
|--------------------------|---------------------|-----------------|
|                          | 31 December<br>2016 | 30 June<br>2016 |
|                          | \$                  | \$              |
| Cash at bank and in hand | 167,548             | 1,177,114       |
| Cash on deposit          | 115,300             | 115,300         |
|                          | 282,848             | 1,292,414       |

### 4. Exploration and evaluation expenditure

|                                       | Consolidated        |                 |
|---------------------------------------|---------------------|-----------------|
|                                       | 31 December<br>2016 | 30 June<br>2016 |
|                                       | \$                  | \$              |
| Opening balance                       | 9,516,136           | 5,969,483       |
| Acquisition Morning Star Gold NL      | -                   | 3,400,000       |
| Exploration incurred during the year  | 874,355             | 1,494,531       |
| Impairment of exploration expenditure | (4,170,096)         | (1,066,606)     |
| Research and development tax offset   | -                   | (281,272)       |
| Exploration expenditure               | 6,220,395           | 9,516,136       |

### 5. Dividends

No dividend has been declared or paid during the half-year or the previous corresponding period. The Consolidated entity does not have any franking credits available for current or future years as it is not in a tax paying position.

### 6. Contributed equity & Reserves

#### Contributed equity

|   | Consolidated        |                 |
|---|---------------------|-----------------|
|   | 31 December<br>2016 | 30 June<br>2016 |
|   | \$                  | \$              |
| Fully paid ordinary shares                          | 29,609,182          | 27,801,935      |
| Movement in ordinary shares on issue                | <b>Number</b>       | <b>\$</b>       |
| <b>Balance at beginning of period (1 July 2016)</b> | 1,007,988,394       | 27,801,935      |
| Share placements                                    | 110,000,000         | 1,550,000       |
| Shares issued in lieu of services performed         | 8,897,373           | 96,750          |
| Conversion of Convertible Bonds                     | 18,500,000          | 185,000         |
| Exercise of options                                 | 22,215              | 400             |
| Share issue costs                                   | -                   | (24,903)        |
| <b>Balance at end of period (31 December 2016)</b>  | 1,145,407,982       | 29,609,182      |

## Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2016

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### Reserves

|   |                  |                  |
|---|------------------|------------------|
| <b>Balance at beginning of period</b>   | 1,608,980        | 1,606,980        |
| Issue of options - share based payments | 15,851           | 2,000            |
| <b>Balance at end of period</b>         | <b>1,624,831</b> | <b>1,608,980</b> |

### 7. Segment reporting

As the consolidated entity operates wholly in one business segment, being mineral exploration and in one geographical segment, being Australia, the consolidated entity has not identified and therefore, not disclosed, any segment information on the basis of the internal reports being provided to the chief decision maker, which is the Board of Directors as a whole.

### 8. Contingent assets and liabilities

The Directors of the consolidated entity are unaware of any existing contingent assets and liabilities.

### 9. Commitments

#### **Contractual Commitments**

#### **Acquisition of Morning Star Gold NL**

On 10 May 2016 the consolidated entity acquired 95% of Morning Star Gold NL (MCO), the owner of the Morning Star Gold mine project and associated plant and equipment, for a consideration of \$3,750,000 via a recapitalisation deed from the secured creditor of Morning Star Gold NL (Secured Creditor or Chillie Limited).

Following settlement which occurred under the recapitalisation deed, and subsequent deed amendments, Morning Star Gold NL agreed to pay the following amounts to the Secured Creditor in satisfaction of the remainder of the entire debt owed to it;

- (i) \$1,000,000 on or before 30 June 2016; (paid on 01 July 2016);
- (ii) \$1,000,000 on or before 31 October 2016; and
- (iii) \$1,000,000 on or before 28 February 2017.

On 1 November 2016, the consolidated entity notified Chillie Limited via the lodgement of a 'Continuation Notice', that it would not be making the payment of \$1,000,000 due on 31 October 2016. In accordance with the deed terms, the consolidated entity paid a \$100,000 'Default Payment', on 23 December 2016. Upon lodgement of the Continuation Notice, the consolidated entity and Chillie Limited have 120 days to agree upon the continuing terms of the proposal in order to satisfy the outstanding amounts. This effectively provided an extension of amounts payable by Morning Star Gold NL of \$2,000,000 to 28 February 2017.

Subsequent to the half year reporting date, on 28 February 2017, the consolidated entity did not complete and settle the outstanding balance of \$2,000,000. In accordance with the deed terms, the consolidated entity is liable for a second \$100,000 'Default Payment'.

The consolidated entity via its subsidiary, Morning Star Gold NL, is currently pursuing a negotiated outcome with Chillie Limited, in order to agree alternative payment terms for the outstanding amounts. In the event that negotiations are not successful Chillie Limited may act

**Notes to the Consolidated Financial Statements**  
for the half-year ended 31 December 2016

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on its security by seeking recovery against the assets of Morning Star Gold NL being the Morning Star Gold NL project and associated plant, in settlement of any outstanding liability.

***Exploration expenditure commitments***

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>31 Dec 2016</b>  | <b>30 June 2016</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| Within one year                             | 556,000             | 650,000             |
| After one year but not more than five years | 1,085,000           | 1,440,000           |
|   | <u>1,641,000</u>    | <u>2,090,000</u>    |

The above exploration expenditure commitments assume no relinquishments or reductions during the period.

**10. Events subsequent to balance date**

With the exception of those matters disclosed in Note 9 above and the receipt on 23 January 2017 of \$458,879 in R&D refund from the ATO, there are no other matters or circumstances that have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

## Directors' Declaration

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The directors of the company declare that:

1. The financial statements and notes, as set out in this half-year financial report, are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



**Robert Barraket**  
**Chairman**

Dated at Perth this 15<sup>th</sup> day of March 2017



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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
MANTLE MINING CORPORATION LIMITED**

We have reviewed the accompanying half-year financial report of Mantle Mining Corporation Limited which comprises the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mantle Mining Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mantle Mining Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mantle Mining Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### *Emphasis of Matter – Morning Star Gold NL Transaction*

We draw attention to Note 9 to the half-year financial report, which describes the uncertainty surrounding the outstanding balance of \$2,000,000 as at 28 February 2017 payable to Chillee Limited, pertaining to the consolidated entity's acquisition of Morning Star Gold NL. Our opinion is not modified in respect of this matter.

### *Material uncertainty related to going concern*

Without qualifying our conclusion, we draw attention to Note 1 to the half-year financial report, which indicates that the consolidated entity incurred a net loss of \$5,365,183 and had net cash outflows from operating activities of \$1,405,889 and investing activities of \$1,116,535 during the half-year ended 31 December 2016. As at that date, the consolidated entity had net current liabilities of \$1,853,249. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect to this matter.

RSM  
RSM AUSTRALIA PARTNERS

Handwritten signature of Alasdair Whyte in black ink.  
ALASDAIR WHYTE  
Partner

Perth, WA  
Dated: 15 March 2017