

Mantle Mining Corporation Ltd

ABN 70 107 180 441

Half-Year Financial Report

For the half-year ended

31 December 2011

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Corporate Directory

Directors

Mr Martin Blakeman Non-Executive
Chairman
Mr Ian Kraemer Managing Director
Mr Stephen de Belle Non-Executive Director
Mr Peter Anderton Non-Executive Director

Company Secretary

Mr Winton Willesee

Principal Place of Business and Registered Office

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Contact Details

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Solicitors to the Company

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16 Milligan Street
Perth WA 6000

Share Registry

Security Transfer Registrars
Alexandria House
Suite 1
770 Canning Highway
Applecross WA 6153

Tel: +61 8 9315 2333
Fax: +61 8 9315 2233

Auditors

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

Stock Exchange

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

ASX Code: MNM and MNMOA

Directors' Report

The directors of Mantle Mining Corporation Limited submit herewith the financial report of Mantle Mining Corporation Limited and its subsidiaries (the "Group") for the half-year ended 31 December 2011. 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 Martin Blakeman – *Non-Executive Chairman*
Mr Ian Kraemer – *Managing Director*
Mr Stephen de Belle – *Non-Executive Director*
Mr Peter R Anderton – *Non-Executive Director*

All directors were in office for the entire period.

Results

The loss of the Group for the half-year ended 31 December 2011 after providing for income tax amounted to \$956,212 (31 December 2010: \$846,112).

No dividends were declared or paid during the half-year ended 31 December 2011.

Review of Operations

Mantle's activities for the half year ended December 2011 were dominated by work at its two most advanced projects. A major drilling program was instigated at the Bacchus Marsh Coal Project and field work, design and logistics preparation was undertaken ahead of the next drilling program at the Granite Castle Gold Project.

In addition, the Company progressed work at a number of other highly prospective projects. The Trafford (Mt Mulligan) Coal Project Supreme Court action had a trial date set down for early March 2012 whilst desktop studies were initiated for the Texas and Latrobe Valley Coal Projects. Fieldwork and design for next step exploration works were undertaken for the Charters Towers and Haunted Stream Gold Projects. A drilling program was designed for the Barkly Phosphate Project however was deferred until after the northern wet season.

The orderly disposal of Mantle's uranium and phosphate tenements continued with a reduction in exposure to uranium by exiting the Julia Creek, Burke and Clarke River uranium projects.

Mantle received a Research and Development (R&D) Tax Offset cash refund of \$325,059 and successfully completed a fully underwritten Rights Issue to raise \$1,958,807 of new capital.

Bacchus Marsh Coal Project

At the Bacchus Marsh Coal Project, drilling began on a 15 hole program designed to report an Inferred Resource in accordance with the principles and guidelines of the JORC Code. By year's end 5 holes had been completed with the total cumulative coal intersection exceeding expectation by >25% (193m Vs 151m). Work also continued on development of Joint Venture documentation with Exergen Pty Ltd in relation to the development of the deposit by upgrading the coal through dewatering for sale into the export market.

Granite Castle Gold Project

At the Granite Castle Gold Project, fieldwork continued on mapping and sampling a number of additional mineralised shears in the region immediately surrounding the main Granite Castle shear (hosts a JORC MI&I Gold/Silver Resource). Over 14km of additional shears have now been located. Based on this elevated level of prospectivity, an additional 330km² of immediately adjacent ground has been applied for and a major drilling program deferred until after the northern wet season in order to allow for redesign to include the new data.

Directors' Report

Trafford (Mt Mulligan) Coal Project

Mantle's Supreme Court action to enforce an agreement for transfer of the Mt Mulligan tenements was further progressed. Exchange of Amended Defence and Amended Reply were completed, and service of evidence and witness summaries undertaken. In December, the Supreme Court set the matter down for trial for 4 days commencing on 5 March 2012.

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Callum Lamont and Mr Stuart Moore, both Executives of Mantle Mining Corporation Ltd. Mr Lamont and Mr Moore are both Members of the Australasian Institute of Mining and Metallurgy and both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Lamont (for Coal) and Mr Moore (for Minerals) consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Auditor's independence declaration

The auditor's independence declaration 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



MARTIN BLAKEMAN
Chairman

Dated at Perth this 22nd day of February 2012

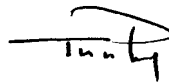
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Mantle Mining Corporation Ltd for the half-year ended 31 December 2011, 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 Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 22 February 2012

Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2011

	Note	31 December 2011 \$	31 December 2010 \$
Interest income		34,075	17,093
Other revenue		-	310
Administrative expenses		(67,040)	(80,372)
Consultancy and legal expenses		(182,978)	(51,911)
Compliance and regulatory expenses		(89,198)	(45,785)
Depreciation expense		(20,418)	(17,461)
Director and employee related expenses		(310,687)	(192,782)
Promotion and communication costs		(76,346)	(37,487)
Write-down of exploration expenditure		(245,331)	(437,717)
		<hr/>	<hr/>
Loss before income tax expense		(957,923)	(846,112)
Income tax benefit		1,711	-
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the period		(956,212)	(846,112)
		<hr/>	<hr/>
Total comprehensive income attributable to members of the Company		(956,212)	(846,112)
		<hr/>	<hr/>
Basic and diluted loss per share (cents)		(0.46)	(0.55)
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents	2	2,037,376	1,465,522
Trade and other receivables		87,128	372,360
Other current assets		24,835	3,697
Total current assets		<u>2,149,339</u>	<u>1,841,579</u>
Non-current assets			
Receivables		38,092	37,031
Plant and equipment		131,952	107,800
Exploration and evaluation expenditure		9,380,098	8,775,185
Total non-current assets		<u>9,550,142</u>	<u>8,920,016</u>
Total assets		<u>11,699,481</u>	<u>10,761,595</u>
Current liabilities			
Trade and other payables		145,655	239,587
Provisions		57,053	58,721
Total current liabilities		<u>202,708</u>	<u>298,308</u>
Total liabilities		<u>202,708</u>	<u>298,308</u>
Net assets		<u>11,496,773</u>	<u>10,463,287</u>
Equity			
Contributed equity	4	16,044,734	14,394,307
Reserves		825,646	486,375
Accumulated losses		(5,373,607)	(4,417,395)
Total equity		<u>11,496,773</u>	<u>10,463,287</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
Cash flows from operating activities		
Cash payments in the course of operations	(710,388)	(376,245)
Cash payments for exploration expenditure	(919,225)	(905,450)
Interest received	34,845	15,984
R&D tax refund	325,059	297,299
Net cash (used in) operating activities	<u>(1,269,709)</u>	<u>(968,412)</u>
Cash flows from investing activities		
Payments for plant and equipment	(55,763)	(4,529)
Net cash (used in) investing activities	<u>(55,763)</u>	<u>(4,529)</u>
Cash flows from financing activities		
Proceeds from issue of shares	2,090,807	1,335,399
Share issue costs	(193,481)	(43,992)
Net cash provided by financing activities	<u>1,897,326</u>	<u>1,291,407</u>
Net increase in cash and cash equivalents	571,854	318,466
Cash and cash equivalents at the beginning of the period	<u>1,465,522</u>	<u>843,208</u>
Cash and cash equivalents at the end of the period	<u><u>2,037,376</u></u>	<u><u>1,161,674</u></u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2011

	Contributed equity	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2011	14,394,307	486,375	(4,417,395)	10,463,287
Total comprehensive loss for the period	-	-	(956,212)	(956,212)
Shares issued	2,164,182	-	-	2,164,182
Share issue costs	(513,755)	-	-	(513,755)
Share options issued	-	339,271	-	339,271
Balance at 31 December 2011	<u>16,044,734</u>	<u>825,646</u>	<u>(5,373,607)</u>	<u>11,496,773</u>
Balance at 1 July 2010	12,162,666	334,875	(3,484,055)	9,013,486
Total comprehensive loss for the period	-	-	(846,112)	(846,112)
Shares issued	1,457,399	-	-	1,457,399
Share issue costs	(153,992)	-	-	(153,992)
Share options issued	-	41,500	-	41,500
Balance at 31 December 2010	<u>13,466,073</u>	<u>376,375</u>	<u>(4,330,167)</u>	<u>9,512,281</u>

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2011

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 Company's annual financial report for the year ended 30 June 2011, 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

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

2. 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 2011	30 June 2011
	\$	\$
Cash at bank and in hand	1,957,376	1,415,522
Cash on deposit	80,000	50,000
	<hr/>	<hr/>
	2,037,376	1,465,522

3. Dividends

No dividend has been declared or paid during the half-year or the previous corresponding period.

The Company does not have any franking credits available for current or future years as it is not in a tax paying position.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2011

4. Contributed equity

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$
Fully paid ordinary shares	16,044,734	14,394,307
Movement in ordinary shares on issue	Number	\$
Balance at beginning of period	195,798,896	14,394,307
Shares issued in lieu of services performed	151,810	24,000
Share placement	34,846,783	2,090,807
Shares issued in lieu of directors' fees	777,558	49,375
Share issue costs	-	(513,755)
Balance at end of period	231,575,047	16,044,734

5. Segment reporting

The Company has considered the operating segments standard but does not currently have operating segments at this time. As the Company operates wholly in one business segment, being mineral exploration and in one geographical segment, being Australia, the Company 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.

6. Contingent assets and liabilities

Mantle subsidiaries Trafford Coal Pty Ltd and Mt. Mulligan Coal Pty Ltd are progressing proceedings against Calcifer Industrial Minerals Pty Ltd (Calcifer) in the Supreme Court of Queensland to enforce agreements for the assignment of the Mt. Mulligan tenements.

On 9 December 2011, the Supreme Court set the matter down for trial for 4 days commencing on 5 March 2012.

Whilst the Company remains confident it will be successful in its action there can be no assurances. Should the Company not be successful in its action it may lose its interest in the Mt Mulligan tenements and may face the prospect of being required to pay a portion of Calcifer's relevant costs.

The Company does not have any other material contingent assets or liabilities other than as disclosed in above.

7. Events subsequent to balance date

On 8 February, 2012, the Company announced that it had entered into an agreement with Cygnet Capital Pty Ltd to raise \$1,350,000 by way of a placement of 10,000,000 shares at 13.5 cents per share along with one free attaching listed option (7.5c, 1 December 2013) for every two shares allotted under the placement. This placement was completed on 21 February 2012.

On 14 February, 2012, the Company announced that it had entered into an Option and Sale Agreement with Mineore Pty Ltd in relation to its Barkly Phosphate Project tenements in the Northern Territory. The main terms of the agreement include a 1 month Option period, extendible by an additional month, payment of an initial amount of \$225,000 (escrowed until tenement title transfer) if Mineore determines to proceed with the acquisition, and a deferred payment of either \$200,000 value in shares post successful listing by Mineore, or \$400,000 in cash should Mineore not list within 24 months.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2011

7. Events subsequent to balance date (cont)

Since the balance date there are no other items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to affect significantly, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration

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 2011 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.

The declaration is made in accordance with a resolution of the Board of Directors.



MARTIN BLAKEMAN
Chairman

Dated at Perth this 22nd day of February 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mantle Mining Corporation Ltd which comprises the statement of financial position as at 31 December 2011, 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 or from time to time during the half-year.

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 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 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 2011 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 Ltd, 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.

Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

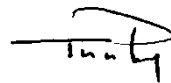
Conclusion

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 Ltd 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 2011 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*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 22 February 2012