



Mantle Mining Corporation Limited

ABN 70 107 180 441

Half-Year Financial Report

For the half-year ended

31 December 2012

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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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145 Stirling Highway
Nedlands WA 6009

Contact Details

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Fax: +61 8 9389 3199

Solicitors to the Company

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Level 4, Next Building
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 2012. 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 2012 after providing for income tax amounted to \$1,288,843 (31 December 2011: \$956,212).

No dividends were declared or paid during the half-year ended 31 December 2012.

Review of Operations

Mantle's activities for the half-year ended December 2012 were dominated by work at its three highest priority projects: Substantial positive progress was achieved on a number of fronts at the Bacchus Marsh Coal Project, a successful major drilling program was undertaken at the Granite Castle Gold Project and key access agreements were executed with the Traditional Custodians at the Mt Mulligan Coal and Gas Project.

In addition, the Company progressed work at its three key feeder projects: Detailed desktop studies and new tenement applications were progressed at the Latrobe Valley Coal and the Haunted Stream Gold Projects whilst field and design work for next step exploration continued for the Charters Towers and Haunted Stream Gold Projects.

The orderly disposal of non-core and low prospectivity projects continued: The Texas Coal Project was relinquished in its entirety and value and prospectivity reviews of the Barkly Phosphate and Ashford Gold Projects are nearing completion.

The Company put in place a \$10 million, 3 year at call, Standby Subscription Agreement (SSA) with Fortrend Securities Pty Ltd. A total of \$952,445 was drawn down under the SSA at an average price of \$0.08 per share. \$500,000 was placed to Sophisticated Investors at \$0.06 per share and a Research and Development (R&D) Tax Offset cash refund of \$183,680 (including interest) was received. A \$500,000 plus GST payment was received from Exergen Pty Ltd in relation to the Bacchus Marsh Coal Project Joint Venture terms.

Bacchus Marsh Coal Project

At the Bacchus Marsh Brown Coal Upgrade and Export Project, a major 50/50% Exploration Joint Venture was executed with technology company Exergen Pty Ltd. A maiden 1.6 billion tonne Inferred Resource was reported in compliance with the JORC Code and Exergen took over as Project Manager. A scoping study was undertaken by Exergen Consortia members Thiess Pty Ltd and Sedgman Limited with the key results being a positive \$1.4 billion NPV and a +25yr mine life with substantial job creation. Exergen is currently undertaking a capital raising to underscore construction of their +\$50 million demonstration project which is intended to confirm success of their Continuous Hydrothermal Dewatering (CHTD) technology at commercial scale.

Granite Castle Gold Project

At the Granite Castle Gold Project, a major drilling program was undertaken targeting a number of prospective mineralised shears in the region immediately surrounding the main Granite Castle shear

Directors' Report

(which hosts a JORC Compliant MI&I Gold/Silver Resource). Very exciting, high grade gold, silver and zinc with copper and lead intercepts were intersected at depth beneath the Coronation Shear which also carries good intercept grades from historic drilling near surface. The shear remains open in all directions and detailed planning for infill drilling designed in accordance with JORC compliant Inferred Resource drill- hole spacings is ongoing. A Mineral Development Licence Application (MDLA) is under development as the next logical step at Granite Castle.

Trafford (Mt Mulligan) Coal & Gas Project

Following on from Mantle's successful Supreme Court action to enforce an agreement for transfer of the Mt Mulligan tenements, an Indigenous Land Use Agreement (ILUA) was agreed and executed with the Traditional Custodians of Mt Mulligan. Excellent progress was also made in setting up initial project facilities and working toward final exploration access approvals. The company is focusing on initial low impact ground exploration for coal within the Mt Mulligan coal measures that may fall outside a buffer zone agreed with the Traditional Custodians. Positive discussions have also been progressed with all relevant government departments in relation to maintaining the tenements in good standing.

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 Mark Maxwell and Mr Stuart Moore, both Executives of Mantle Mining Corporation Ltd. Mr Maxwell 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 a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Maxwell (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 20th day of February 2013

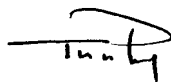
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Mantle Mining Corporation Limited for the half-year ended 31 December 2012, 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



TUTU PHONG
Partner

Perth, WA
Dated: 20 February 2013

Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2012

	Note	31 December 2012 \$	31 December 2011 \$
Interest income		16,890	34,075
Gain on disposal of plant and equipment		5,572	-
Administrative expenses		(49,873)	(67,040)
Consultancy and legal expenses		(95,632)	(182,978)
Compliance and regulatory expenses		(59,125)	(89,198)
Depreciation expense		(31,044)	(20,418)
Director and employee related expenses		(348,827)	(310,687)
Promotion and communication costs		(39,230)	(76,346)
Other exploration expenses		(109,323)	-
Diminution of investment		(2,023)	-
Write-down of exploration expenditure		(577,867)	(245,331)
Loss before income tax expense		(1,290,482)	(957,923)
Income tax benefit		1,639	1,711
Other comprehensive income		-	-
Total comprehensive income for the period		(1,288,843)	(956,212)
Total comprehensive income attributable to members of the Company		(1,288,843)	(956,212)
Basic loss per share (cents)		(0.52)	(0.46)
Diluted loss per share (cents)		(0.39)	(0.46)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2012

	Note	31 December 2012 \$	30 June 2012 \$
Current assets			
Cash and cash equivalents	2	858,177	1,580,899
Trade and other receivables		133,086	272,340
Other current assets		37,426	9,223
Total current assets		<u>1,028,689</u>	<u>1,862,462</u>
Non-current assets			
Receivables		74,331	73,131
Plant and equipment		244,838	155,958
Exploration and evaluation expenditure	3	11,180,199	10,497,620
Total non-current assets		<u>11,499,368</u>	<u>10,726,709</u>
Total assets		<u>12,528,057</u>	<u>12,589,171</u>
Current liabilities			
Trade and other payables		243,387	341,382
Provisions		82,192	87,617
Total current liabilities		<u>325,579</u>	<u>428,999</u>
Total liabilities		<u>325,579</u>	<u>428,999</u>
Net assets		<u>12,202,478</u>	<u>12,160,172</u>
Equity			
Contributed equity	5	18,703,570	17,374,890
Reserves		894,881	894,881
Accumulated losses		(7,395,973)	(6,109,599)
Total equity		<u>12,202,478</u>	<u>12,160,172</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2012

	31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities		
Cash payments in the course of operations	(751,035)	(710,388)
Cash payments for exploration expenditure	(1,411,573)	(919,225)
Interest received	19,725	34,845
R&D tax refund	183,680	325,059
Net cash (used in) operating activities	<u>(1,959,203)</u>	<u>(1,269,709)</u>
Cash flows from investing activities		
Payments for plant and equipment	(138,792)	(55,763)
Proceeds from disposal of plant and equipment	24,440	-
Net cash (used in) investing activities	<u>(114,352)</u>	<u>(55,763)</u>
Cash flows from financing activities		
Proceeds from issue of shares	1,498,951	2,090,807
Share issue costs	(148,118)	(193,481)
Net cash provided by financing activities	<u>1,350,833</u>	<u>1,897,326</u>
Net change in cash and cash equivalents	(722,722)	571,854
Cash and cash equivalents at the beginning of the period	<u>1,580,899</u>	<u>1,465,522</u>
Cash and cash equivalents at the end of the period	<u>858,177</u>	<u>2,037,376</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2012

	Contributed equity	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2012	17,374,890	894,881	(6,107,130)	12,162,641
Total comprehensive loss for the period	-	-	(1,288,843)	(1,288,843)
Shares issued	1,498,951	-	-	1,498,951
Share issue costs	(170,271)	-	-	(170,271)
Balance at 31 December 2012	<u>18,703,570</u>	<u>894,881</u>	<u>(7,395,973)</u>	<u>12,202,478</u>
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>

The accompanying notes form part of these financial statements.

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 2012, 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.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2012

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 2012	30 June 2012
	\$	\$
Cash at bank and in hand	778,177	1,500,899
Cash on deposit	80,000	80,000
	<u>858,177</u>	<u>1,580,899</u>

3. Exploration and evaluation expenditure

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Exploration and evaluation expenditure	10,412,857	10,497,620
Exploration expenditure – JV Exergen	767,342	-
	<u>11,180,199</u>	<u>10,497,620</u>

4. 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.

5. Contributed equity

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Fully paid ordinary shares	<u>18,703,570</u>	<u>17,374,890</u>
Movement in ordinary shares on issue	Number	\$
Balance at beginning of period	242,357,358	17,374,890
Options exercise	9,527	715
Shares issued in lieu of services performed	115,661	6,000
Fortrend Standing Drawdown	11,898,020	952,444
Shares issued in lieu of directors' fees	432,522	39,792
Placement	8,333,332	500,000
Share issue costs	-	(170,271)
Balance at end of period	<u>263,146,420</u>	<u>18,703,570</u>

During the period, Mantle entered into a Standby Subscription Agreement (SSA) with Fortrend Securities Pty Ltd which makes available up to \$10 million over a 3 year period. A total of \$952,444 had been drawn down resulting in a balance of \$9,047,556 available for future draws.

6. 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.

7. Contingent assets and liabilities

In prior periods, a dispute arose between the Company and the vendor of the Mt Mulligan Project tenements, Calcifer Industrial Minerals Pty Ltd. The Company, via its 100% owned subsidiaries Trafford Coal Pty Ltd and Mt Mulligan Coal Pty Ltd, launched a Supreme Court action to resolve the dispute. A pre-trial settlement was reached with Calcifer whereby the parties agreed to the Supreme Court making a number of orders in resolution of the dispute. The orders reflected complete success for Mantle with detailed costs assessment at approximately \$345,000. The Company continues to progress its claim on the costs awarded against Calcifer.

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

8. Events subsequent to balance date

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 2012 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.



MARTIN BLAKEMAN
Chairman

Dated at Perth this 20th day of February 2013

**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 2012, 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 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 2012 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 review report.

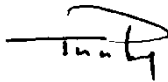
Conclusion

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 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 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 20 February 2013