



UPDATE ON ACQUISITION OF MORNING STAR

ASX ANNOUNCEMENT

23 December 2015

Mantle Mining Corporation Limited (ASX: MNM, MNMOB, MNMOC) (Mantle or the Company) is pleased to confirm that all parties have now executed the full form documents for the subscription by the Company of a convertible note in Morning Star Gold NL (Subject to Deed of Company Arrangement) (Controllers Appointed) (**MCO**) (convertible into an approximate 95% shareholding interest in MCO) and related transactions.

Further to the ASX announcements of 14 August 2015 and 30 November 2015, the Company is now proceeding to assist MCO in convening the relevant MCO shareholders meeting for the approvals required for the recapitalisation transaction. The Company will provide further details in due course.

The material terms of the final agreements are summarised in the attached appendix.

For further information please contact:

Ian Kraemer
Managing Director

Mantle Mining Corporation Limited
ikraemer@mantlemining.com
P: +61 7 3310 8932

Appendix – Material Terms of Transaction Agreements

Mantle has entered into a recapitalisation deed with Morning Star Gold NL (Subject to Deed of Company Arrangement) (Controllers appointed) (**MCO**), the secured creditor of MCO (**Secured Creditor**), the Deed Administrators of MCO and the Controllers of MCO's assets (appointed by the Secured Creditor) (**Recapitalisation Deed**) pursuant to which Mantle has conditionally agreed to recapitalise MCO.

Under the Recapitalisation Deed, Mantle will subscribe for an interest free convertible note fully convertible into 5,402,050,778 fully paid ordinary shares in MCO (being an approximate 95% shareholding interest in MCO) (**Convertible Note**). The Convertible Note will be secured by a third ranking general security over the assets of MCO in favour of Mantle. The consideration for the Convertible Note is a cash payment by Mantle of \$750,000 to MCO, \$100,000 of which has already been paid to the Deed Administrators by Mantle, on behalf of MCO, as a deposit. The outstanding amount of \$650,000 (**Initial Payment**) will be paid by Mantle on settlement under the Recapitalisation Deed occurring and will be apportioned between the Deed Administrators (to satisfy the claims of the unsecured creditors of MCO) and the Secured Creditor (to satisfy part of the debt owed to it by MCO).

Following settlement occurring under the Recapitalisation Deed, MCO has agreed to pay the following further amounts to the Secured Creditor in satisfaction of the remainder of the entire debt owed to it by MCO);

- (i) \$1,000,000 on or before 31 March 2016 (**First Secured Creditor Payment**);
- (ii) \$1,000,000 on or before 31 August 2016; and
- (iii) \$1,000,000 on or before 28 February 2017.

Mantle will guarantee the payment by MCO of the Initial Payment and the First Secured Creditor Payment (totalling \$1,650,000) upon satisfaction of the conditions precedent to the Recapitalisation Deed. Should the guaranteed First Secured Creditor Payment not be made by Mantle, an agreed default remedy mechanism allows Mantle a period of time to remedy the default. The Recapitalisation Deed contains warranties, indemnities and other clauses considered customary for an agreement of this nature.

As part of the transaction:

- (i) Mantle has agreed to purchase Mining Licence MIN5560 (known as the 'Wallaby Mine') from MCO pursuant to a tenement sale agreement;
- (ii) MCO has agreed to grant the Secured Creditor a 1% gross sales royalty for the first 5 years of production from the assets of MCO pursuant to a royalty deed; and
- (iii) MCO has agreed to grant the Secured Creditor a second ranking general security over the assets of MCO (the Secured Creditor having already been granted a first ranking general security).

Settlement of the Recapitalisation Deed (and the various other transactions noted above) is conditional upon the receipt of MCO shareholder and creditor approval, Mantle not electing to terminate the Recapitalisation Deed within 7 days of execution and other conditions precedent considered customary for a transaction of this nature.

Mantle will now prepare a notice of meeting of shareholders of MCO to seek approval for the transaction including the issue of the Convertible Note along with the appointment of directors to MCO nominated by Mantle. Should MCO shareholders vote against the transaction, Mantle will have the exclusive right to acquire all of the assets of MCO via an asset sale transaction for total consideration of \$3,750,000.