

Mantle Mining Corporation Ltd

ABN 70 107 180 441

Half-Year Financial Report

For the half-year ended

31 December 2010

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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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2 Ross Place
South Melbourne VIC 3205

Contact Details

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Melbourne VIC 3001

Solicitors to the Company

Steinepreis Paganin
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

Directors' Report

Your Directors present their report on the Company and its controlled entities ("consolidated entity") for the half-year ended 31 December 2010.

Directors

The names of the Directors in office at any time during or since the end of the half-year are as follows. All Directors have been in office for this entire period unless otherwise stated.

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*

Results

The loss of the consolidated entity for the half-year ended 31 December 2010 after providing for income tax amounted to \$846,112 (31 December 2009: \$329,393).

No dividends were declared or paid during the half-year ended 31 December 2010.

Review of Operations

Mantle's activities for the half-year ended December 2010 were dominated by drilling programs at the Barkly Phosphate and the Haunted Stream Gold Projects.

The Company continued to focus on growing its coal project portfolio. Certain activities were fast-tracked for the Bacchus Marsh Coal Project, the Trafford Coal Project Supreme Court action was further progressed and the Texas Coal Project tenements were applied for.

Lower priority project rationalisation continued with the Burke Uranium Project tenement applications withdrawn, the Granny's Swamp Gold Project tenement relinquished and a number of the Barkly Phosphate Project tenements relinquished. The Mt Brown Poly-metallic Project Joint Venture partner withdrew, returning the project to 100% Mantle control.

Mantle also entered into a new Executive Services Agreement with its Managing Director, received a Research and Development (R&D) Tax Credit of \$297,299, completed a placement for \$600,000 and received approximately \$735,000 from the conversion of share options.

Barkly Phosphate Project

At Barkly, Mantle undertook broad spaced scout drill testing in those areas not covered in the 2009 drill program. All sample analysis results were received and additional tenement reductions were undertaken in areas where prospectivity has been downgraded

Haunted Stream Gold Project

At Haunted Stream, Mantle completed a deep drilling program at Anomaly 4, intersecting multiple shear zones with visible base metals in drill hole HSD12. All sample analysis results were received and a Down Hole Electromagnetic survey planned.

Bacchus Marsh Coal Project

Mantle executed a non-binding Memorandum of Understanding (MOU) followed by a binding Pre Joint Venture Agreement (Pre JVA) with Exergen Pty Ltd for the development of Bacchus Marsh. All historical drill hole data was entered into a database and the original Exploration Target confirmed to a higher level of confidence. A laboratory sample of coal was successfully dried and three small in-fill tenements were applied for.

Texas Coal Project

Mantle applied, and subsequently accepted the offer of grant, for two coal exploration tenements at Texas in southern Queensland. The tenements are prospective for extensions of thermal and metallurgical coal deposits to the north and the south.

Directors' Report

Trafford Coal Project

Mantle's Supreme Court action to enforce the agreement for transfer of the Mt Mulligan tenements was progressed. The Company's list of documents was provided and a request made for further particulars. Both the defendant and the plaintiff made solicitor changes.

Auditor's independence declaration

The lead auditor's independence declaration for the half-year ended 31 December 2010 is included within this half-year financial report.

Signed in accordance with a resolution of the Board of Directors.



MARTIN BLAKEMAN
Chairman

Dated at Perth this 1st day of March 2011

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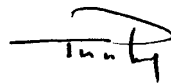
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Mantle Mining Corporation Limited for the half-year ended 31 December 2010, 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: 1 March 2011

Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2010

	Note	31 December 2010 \$	31 December 2009 \$
Interest income		17,093	22,234
Other revenue		310	25,000
Administrative expenses		(80,372)	(58,053)
Consultancy and legal expenses		(51,911)	(37,670)
Compliance and regulatory expenses		(45,785)	(44,707)
Depreciation expense		(17,461)	(23,471)
Director and employee related expenses		(192,782)	(166,382)
Promotion and communication costs		(37,487)	(46,150)
Write-down of exploration expenditure		(437,717)	-
Interest expense		-	(194)
Loss before income tax expense		(846,112)	(329,393)
Income tax expense		-	-
Other comprehensive income		-	-
Total comprehensive income for the period		(846,112)	(329,393)
Total comprehensive income attributable to members of the Company		(846,112)	(329,393)
Basic and diluted loss per share (cents)		(0.55)	(0.29)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2010

	Note	31 December 2010 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents	2	1,161,674	843,208
Trade and other receivables		81,318	359,231
Other current assets		6,794	5,380
Total current assets		<u>1,249,786</u>	<u>1,207,819</u>
Non-current assets			
Receivables		42,031	45,482
Plant and equipment		111,832	129,292
Exploration and evaluation expenditure		8,346,909	7,931,108
Total non-current assets		<u>8,500,772</u>	<u>8,105,882</u>
Total assets		<u>9,750,558</u>	<u>9,313,701</u>
Current liabilities			
Trade and other payables		188,014	253,732
Provisions		50,263	46,483
Total current liabilities		<u>238,277</u>	<u>300,215</u>
Total liabilities		<u>238,277</u>	<u>300,215</u>
Net assets		<u>9,512,281</u>	<u>9,013,486</u>
Equity			
Contributed equity	4	13,466,073	12,162,666
Reserves		376,375	334,875
Accumulated losses		(4,330,167)	(3,484,055)
Total equity		<u>9,512,281</u>	<u>9,013,486</u>

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2010

	31 December 2010 \$	31 December 2009 \$
Cash flows from operating activities		
Cash payments in the course of operations	(376,245)	(339,500)
Cash payments for exploration expenditure	(905,450)	(701,514)
Interest received	15,984	22,234
Interest paid	-	(194)
R&D tax refund	297,299	-
Net cash (used in) operating activities	<u>(968,412)</u>	<u>(1,018,974)</u>
Cash flows from investing activities		
Payments for plant and equipment	(4,529)	(4,798)
Net cash (used in) investing activities	<u>(4,529)</u>	<u>(4,798)</u>
Cash flows from financing activities		
Proceeds from issue of shares	1,335,399	1,663,785
Share issue costs	(43,992)	(48,612)
Net cash provided by financing activities	<u>1,291,407</u>	<u>1,615,173</u>
Net increase / (decrease) in cash and cash equivalents held	318,466	591,401
Cash and cash equivalents at the beginning of the financial year	843,208	1,116,320
Cash and cash equivalents at the end of the financial year	<u>1,161,674</u>	<u>1,707,721</u>

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2010

	Contributed equity	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
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 options issued	-	41,500	-	41,500
Share issue costs	(153,992)	-	-	(153,992)
Balance at 31 December 2010	<u>13,466,073</u>	<u>376,375</u>	<u>(4,330,167)</u>	<u>9,512,281</u>
Balance at 1 July 2009	10,798,397	163,455	(2,823,552)	8,138,300
Total comprehensive loss for the period	-	-	(329,393)	(329,393)
Shares issued	1,696,218	-	-	1,696,218
Share issue costs	(348,450)	-	-	(348,450)
Share options issued	-	200,000	-	200,000
Balance at 31 December 2009	<u>12,146,165</u>	<u>363,455</u>	<u>(3,152,945)</u>	<u>9,356,675</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the half-year ended 31 December 2010

1. Basis of preparation

This general purpose financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures the financial report compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Mantle Mining Corporation Ltd and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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 2010	30 June 2010
	\$	\$
Cash at bank and in hand	758,750	45,293
Cash on deposit	402,924	797,915
	<u>1,161,674</u>	<u>843,208</u>

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 Financial Statements
for the half-year ended 31 December 2010

4. Contributed equity

	Consolidated	
	31 December 2010	30 June 2010
	\$	\$
Fully paid ordinary shares	13,466,073	12,162,666
Movement in ordinary shares on issue	Number	\$
Balance at beginning of period	148,974,939	12,162,666
Shares issued in lieu of services performed	398,524	12,000
Share placement	20,000,000	600,000
Shares issued in lieu of directors' fees	2,505,695	110,000
Shares issued on exercise of options	10,505,705	735,399
Share issue costs	-	(153,992)
Balance at end of period	182,384,863	13,466,073

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

Whilst the Company is confident it will be successful in its action against Calcifer Industrial Minerals Pty Ltd there can be no assurances of success. 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. At 31 December 2010 this matter was progressing. The Company's list of documents has been provided and a request made for further particulars from Calcifer. Both parties made solicitor changes.

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

7. Events subsequent to balance date

On 7 January, 2011, the Company announced the issue of 11,021,005 ordinary shares as a result of option exercises. Of this total, 8,939,641 shares had been issued by 31 December 2010 and the balance of 2,081,364 shares was issued after 31 December 2010.

On 7 January 2011, the Company announced the test results of the bulk sampling in the Bacchus March brown coal at Exergen's Pilot Plant in Tasmania.

On 14 January 2011, the Company announced the issue of 128,813 ordinary shares and 5,000,000 options with an exercise price of 5 cents and expiry date of 30 November 2012 in lieu of consulting services. The options were subsequently exercised on 18 January 2011.

On 19 January 2011, the Company announced priority status over 3 additional tenements for the Latrobe Valley Coal Project.

On 1 February 2011, the Company announced an update to the Bacchus Marsh Bulk Sample at Exergen's Pilot Plant in Tasmania.

On 2 February 2011, the Company announced the granting of the Texas Coal tenements in Queensland.

Except for the above item, since the balance date there are no 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

In the opinion of the Directors:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance for the half-year ended on that date.
2. 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 made in accordance with a resolution of the Board of Directors.



MARTIN BLAKEMAN
Chairman

Dated at Perth this 1st day of March 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mantle Mining Corporation Limited which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 2010 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.

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Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
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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 Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

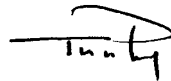
Conclusion

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 2010 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: 1 March 2011