



MANTLE SECURES MAJOR GOLD OPPORTUNITY WITH AGREEMENT TO ACQUIRE MORNING STAR GOLD NL

ASX ANNOUNCEMENT

14 AUGUST 2015

Mantle Mining Corporation Limited (ASX: MNM) is pleased to advise that it has reached agreement with the deed administrators and secured creditor of Morning Star Gold NL (MCO) to acquire the rights to a 95% interest in MCO via an acquisition of shares.

Highlights:

- The Morning Star underground gold mine is located in the heart of Australia’s 2nd most prolific historic gold field, the Walhalla to Woods Point field in Eastern VIC (with historic production of over 6 million oz).
- New processing plant and paste backfill facility on site, with the mine itself dewatered and refurbished to 9 level. Donaldson’s, the first potential production area, is within 100m of development away.
- MCO reported a Mineral Resource of 910,000 oz Au for the Morning Star mine in 2008, including 726,000 oz Au at 11.2 g/t Au (Table 1). Numerous historic mines and exploration targets exist on MCO’s tenements.

Table 1: Morning Star gold mine Mineral Resource

Deposit	Measured			Indicated			Inferred			Total		
	Tonnes (Kt)	Grade (g/t)	Au (Koz)	Tonnes (Kt)	Grade (g/t)	Au (Koz)	Tonnes (Kt)	Grade (g/t)	Au (Koz)	Tonnes (Kt)	Grade (g/t)	Au (Koz)
Morning Star Underground	22	20.9	15	259	15.6	130	1734	10.4	582	2015	11.2	726
Morning Star Surface	736	2.0	47	793	2.2	56	1079	2.3	80	2608	2.2	184

The information in this report is extracted from the report entitled “910,000 Ounces Gold JORC Resource” created on 30 July 2008 and is available to view at www.asx.com.au under ASX code MCO.

The Mineral Resource estimate is not Mantle’s estimate and Mantle has not done sufficient work to report the estimate in accordance with the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mantle is not aware of anything to suggest that the assumptions underpinning the estimate have materially changed and will commence work to validate the Mineral Resource and disclose it in accordance with the 2012 edition of the JORC Code. Investors should treat the estimate with caution until validated.

Morning Star Gold NL (ASX: MCO):

The Mine

- Largest historic producer on the Walhalla to Woods Point gold field with historic workings reaching over 900 m in depth,
- 910,000 oz gold Mineral Resource for the mine was reported by MCO in 2008 (Table 1),
- Vastly underexplored regional tenements with historically high grade mines,
- A modern gold treatment plant and tailings disposal facility,
- Refurbished shaft with access to 9 level, approximately 300 m below surface, in the Morning Star mine,

Corporate

- ASX listed corporate shell with good prospects of reinstatement should that be the strategy adopted (see below)
- Significant accumulated tax losses represent a potential future income tax benefit.

Ian Kraemer, Mantle's Managing Director, commented:

“Acquiring Morning Star is seen as a significant step in securing Mantle’s future as an emerging gold producer. Mantle’s Norton gold mine (positive scoping study released to ASX 8 July 2015) is considered to be of a scale to leverage Mantle into development of Morning Star. Morning Star is of a scale to potentially deliver significant value to shareholders. The acquisition brings a modern processing plant into Mantle’s fold in a location central to other historically and currently operating gold mines that suffer from a lack of infrastructure. The gold at Morning Star and surrounding mines is traditionally free milling allowing for production of a high grade concentrate from simple gravity processing (Pictures 1 and 2).”

Picture 1: Visible gold in Maxwell’s reef (240 m deep).



Picture 2: First gold pour from Morning Star (Maxwell’s 2011).



“The Company has commenced its work to review all site assets, operations and data. Priorities include the physical assets, Mineral Resource calculations, mine and environmental management plans, metallurgical testwork and process design parameters. A revised work programme will be developed to recommence operations and address any issues identified in the detailed review. A technical management team, including some key prior technical consultants along with a number of new members all expert in the relevant field, has been identified and was active throughout the due diligence phase.”

MCO’s tenements contain numerous historic mines and other exploration and redevelopment targets. The Rose of Denmark, All Nations, and Wallaby mines in particular hold substantial potential as additional production sources (Pictures 3, 4, and 5).

Pictures 3, 4, and 5: Coarse gold from Rose of Denmark mine, which is only 10 km north of the Morning Star mine.



The Acquisition Transaction:

Mantle has conditionally agreed terms to be issued a convertible note in Morning Star Gold NL (MCO) that upon the full conversion of which Mantle will be issued such number of shares in MCO which equals a 95% shareholding interest in the expanded issued share capital of MCO. The consideration for the convertible note is a cash payment of \$750,000. Under the transaction, Mantle will also have obligations to pay or procure MCO to pay a further \$3.0 million in staged payments over the next 1 ½ years to the secured creditor of MCO.

Mantle has paid a non-refundable deposit of \$100,000 to the secured creditor, and will now prepare a notice of meeting of shareholders of MCO to seek approval for the issue of the convertible note in MCO along with the appointment of directors to MCO nominated by Mantle. Should MCO shareholders approve the issue Mantle will make a further payment of \$650,000 in consideration for the convertible note which funds shall be paid by MCO to the deed administrator and the secured creditor. Should shareholders not approve the issue Mantle will have the right to acquire the assets of MCO via an asset sale transaction.

Assuming MCO shareholders approve the issue, Mantle will then pay or procure MCO to pay the following amounts to the secured creditor;

- (i) \$1 million Tranche 2 payment on or before 28 February 2016 (this payment is guaranteed by Mantle from the time of the passing of the shareholder resolutions referred to above);
- (ii) \$1 million Tranche 3 payment on or before 31 August 2016; and
- (iii) \$1 million Tranche 4 payment on or before 28 February 2017.

The secured creditor will also be granted a 1% gross sales royalty for the first 5 years of production from the assets of MCO in consideration for Mantle acquiring MCO shares from the secured creditor.

Should any payment not be made there are default remedy mechanisms agreed that allow Mantle a period of time to remedy the default or discontinue the transaction without further obligation (other than in respect of the Tranche 2 payment as noted above).

Mantle are currently reviewing the merits of recapitalising MCO and seeking reinstatement of MCO shares to trading on ASX or carrying MCO as a 95% held subsidiary of the Company or a combination of the two strategies in order to bring the Morning Star mine back into production and are in discussion with ASX on the issue.

For further information please contact:

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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 Stuart Moore, a full time employee of Mantle Mining Corporation Ltd. Mr Moore is a Member 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". Mr Moore consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Background to Morning Star Gold Mine:

Morning Star mine is located near the town of Woods Point approximately 120 km northeast of Melbourne. The mine is centrally located to a large regional tenement holding which contains a number of historically high grade gold mining operations analogous to Morning Star and within easy transport distance to the treatment plant (Figures 1 and 2).

Figure 1: Morning Star gold mine project location.

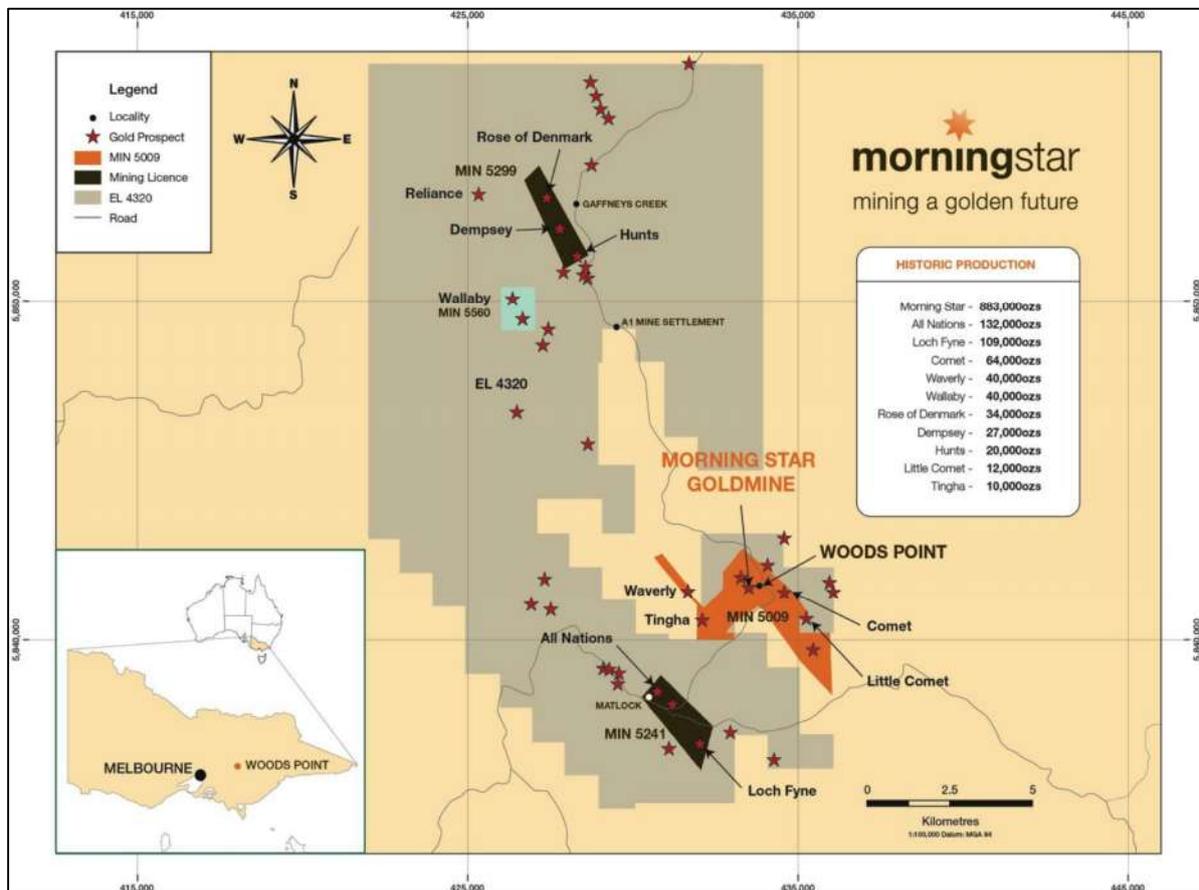
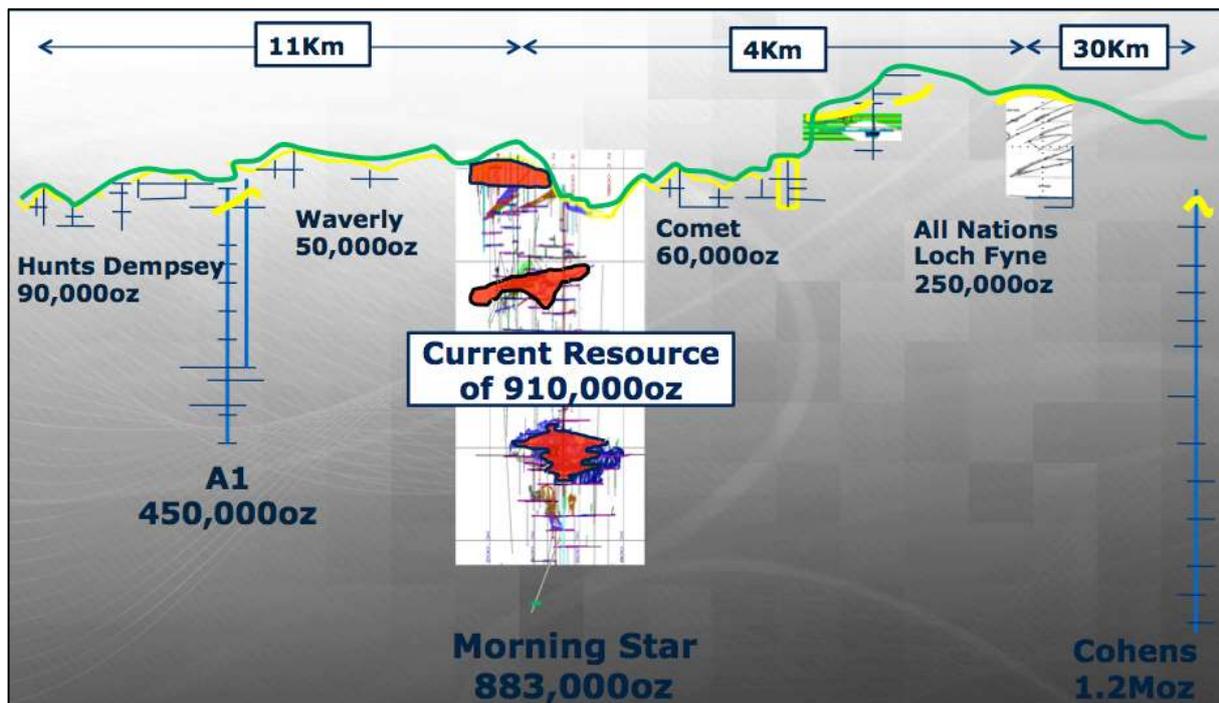


Figure 2: Regional gold mines with historic production.



Gold Mines of Australia (WMC Ltd) owned the mine between 1934 and 1959. The mine was also operated historically prior to WMC and is reported to have produced 883,000 oz Au at an average grade of 26.6 g/t Au over its lifetime. It closed in 1960 due to the low gold prices of the time and was allowed to flood (Picture 6).

Picture 6: Historic miners outside the Billiard Hotel.



The mine exploits narrow quartz vein deposits hosted in a diorite dyke that is 700m long by 120m wide. The quartz veins are stacked and range up to 2m thick. Historic workings continue underground for 815m below the surface, to 25 level, and the dyke remains open at depth (Figures 3 and 4).

Figure 3: Morning Star dyke cross section.

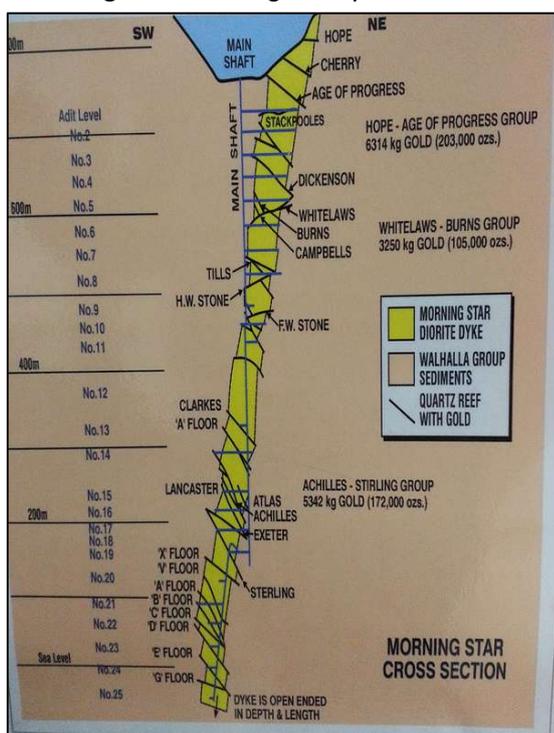
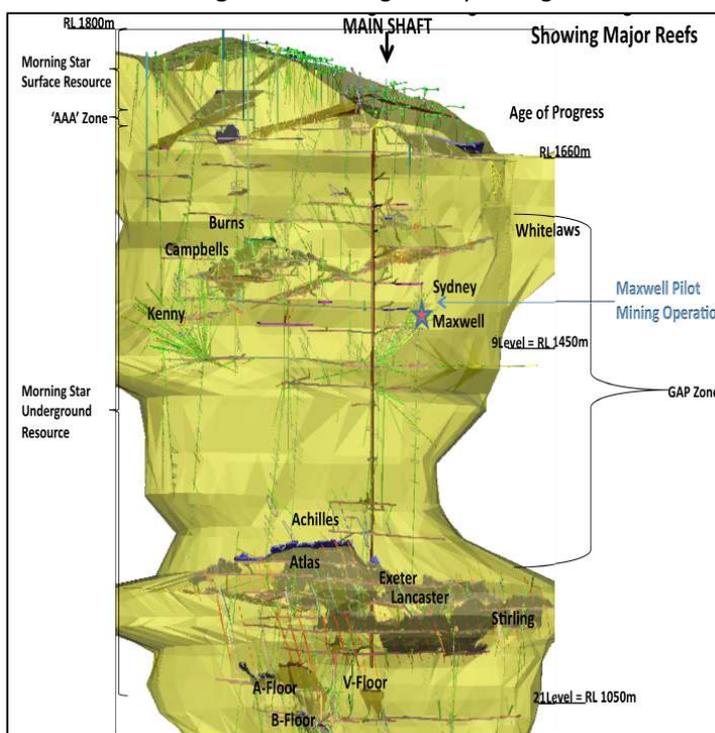
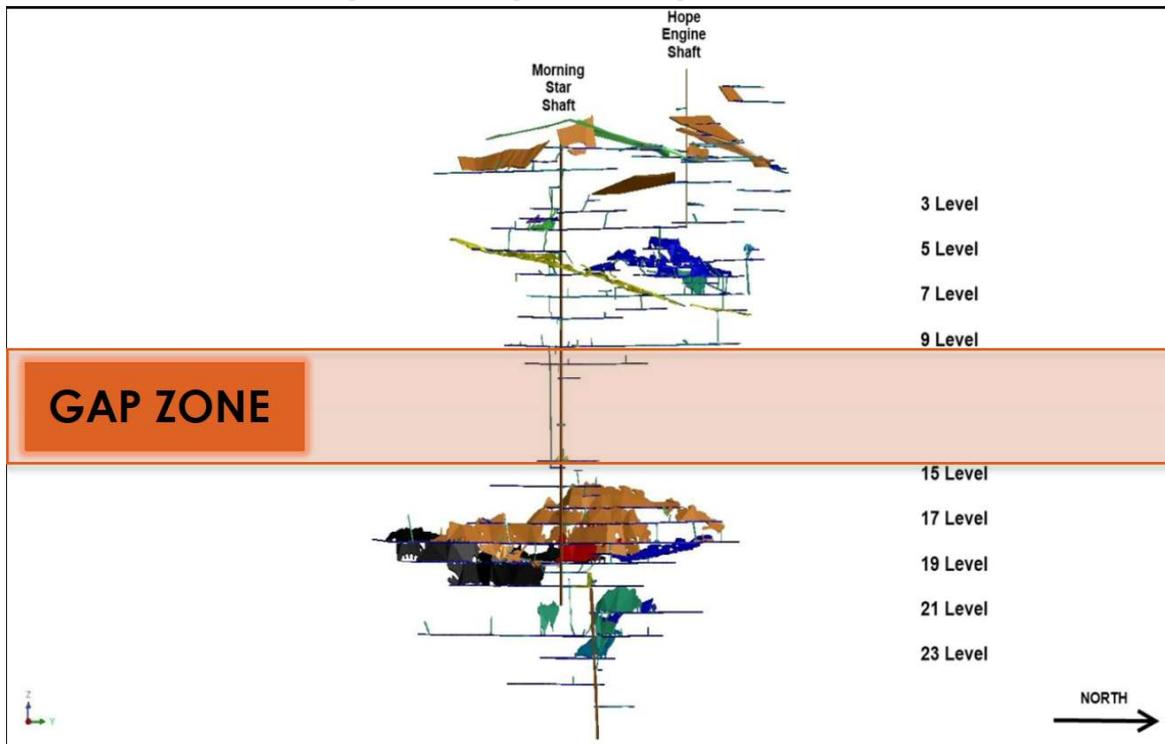


Figure 4: Morning Star dyke long section.



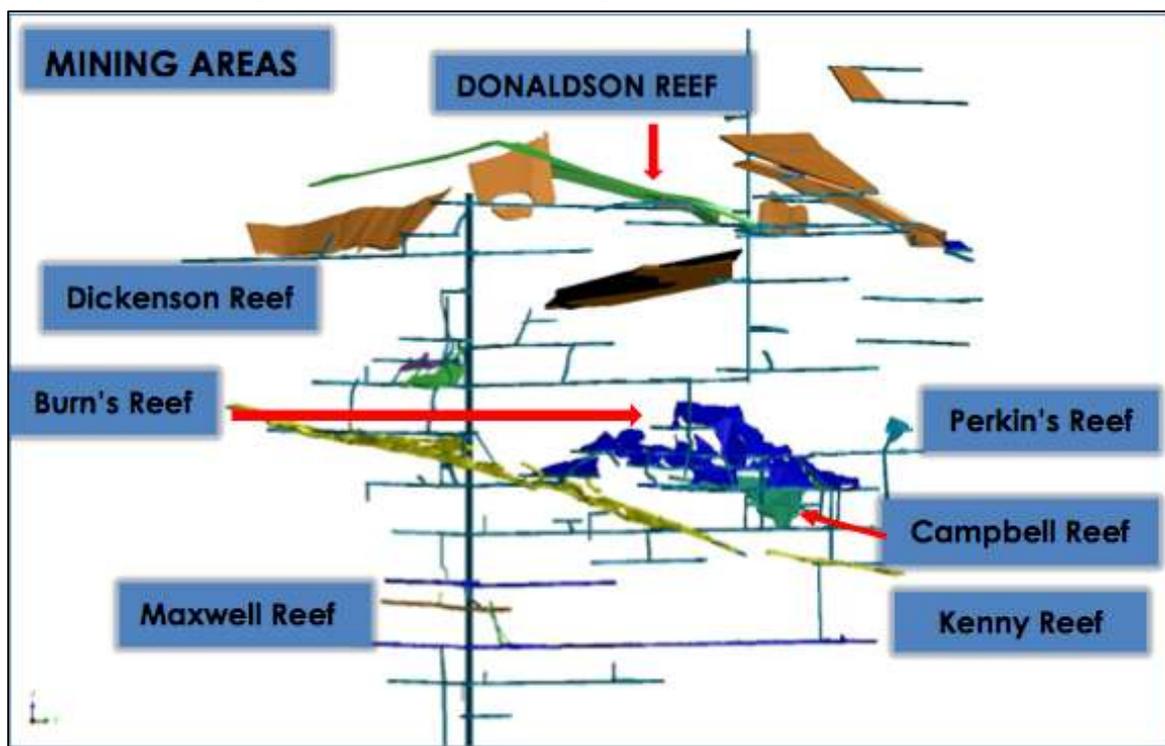
Morning Star Gold acquired the assets in 1992 and spent over \$40 million since, including substantial amounts exploring and developing the tenements. The mine has been pumped out and refurbished to 10 level and development driven in the upper levels to access new production areas. A large gap zone remains between the upper levels that were historically mined, and the lower levels that were mined by WMC (Figure 5)

Figure 5: Morning Star mine long section model.



Morning Star initially targeted production from remnant stopes above 10 level. Generally, development targets are located only short distances from the refurbished shaft. Donaldson’s Reef, on 2 level, is only 100 m from the shaft, and Kenny’s Reef, on 9 level, has already been accessed to enable bulk sampling for metallurgical purposes (Figure 6).

Figure 6: Potential production targets in upper areas of the mine.



A new beneficiation plant has been installed and a paste backfill plant built. Supporting infrastructure includes a high-speed winder, a water treatment plant, surface and underground power supplies and various site offices, workshops and a miner's camp. Expenditure on these projects since 2009 is reported to have been close to \$20 million (Picture 7 and Figure 7).

Picture 7: Morning Star process plant and mine offices.



Figure 7: Morning Star process flowchart.

