



MIDWINTER RESOURCES NL

ASX Announcement

27 May 2013

Mantos Grandes Project – Chile Farm-in with Southern Hemisphere Mining

The Board of Midwinter Resources NL (**Midwinter** or **Company**) (ASX: MWN) is pleased to announce that Midwinter has entered into a binding term sheet with Southern Hemisphere Mining Limited (**Southern Hemisphere**) (ASX: SUH; TSX-V: SH) to farm-in to a 65% interest in the Mantos Grandes Project located in the Province of Limari, in Chile.

Highlights

- **Midwinter may earn a 65% interest in the Mantos Grandes Project (Project), which features:**
 - **Copper gold and silver mineralisation**
 - **Mineralisation in outcrops and which extends to depths of at least 130m below topographic surface exposure**
 - **Production history, and underground access to mineralisation through an extensive network of recently developed mine workings,**
 - **Extensive data-base including records of diamond drilling, rock chip sampling, underground adit sampling and production**
 - **Established infrastructure including road access, power, water, basic camp and office facilities**
 - **A small scale (200tpd) conventional copper flotation plant**

- **The Company believes the Project has strong potential for definition of high-grade copper mineralisation with significant gold and silver credits within the immediate area of the previous mining activity and within satellite targets identified from geological indicators.**

Mantos Grandes Project

Mantos Grandes is a hypogene, skarn related copper/gold/silver deposit which has previously been mined using small scale underground methods. Geological data suggests that, in addition to the main skarn deposit, there is potential to discover secondary skarn mineralisation as well as porphyry style mineralisation within the lease areas.

The Mantos Grandes project is located some 80km east-southeast from the town of Ovalle (population ~70,000) the capital of Limari Province and approximately 400km northeast of the Chilean capital, Santiago, Figure 1.



Figure 1: Mantos Grandes location plan

Basic infrastructure is in place to support a small scale mining operation and includes:

- Access roads –the final 25km of gravel road will require some upgrading;
- Ports – the closest port is approximately 160km from the mine;
- Power supply and distribution;
- Water supply;
- Basic camp and office facilities and;
- A small scale (200tpd) conventional copper flotation plant; currently under care and maintenance.

Mantos Grandes is located in the Central Andes at elevations that range from 1500 to 3000m. Locally the stratigraphy is dominated by sequences of Cretaceous marine sediments comprising various carbonate units. The sequence is intruded by Tertiary intrusives comprising diorites, syenites, monzodiorites and granodiorites. Skarn alteration and the copper and gold/silver mineralisation are related to the late phases of the granodiorite. Thrust faults have enabled dilational emplacement of the granodiorite and a system of normal faults act as “feeder” structures for both prograde and retrograde alteration and mineralisation.

Previous mining history dates back to the 1940’s with intermittent small scale production since 1976. Historical production is estimated to be 500,000t. Production records for the 1998-1999 period indicate that a total of 35,855 wet tonnes of ore averaging 2.97g/t gold and 0.63% copper (non-soluble component) were mined and processed during the period. This produced some 1190 tonnes of concentrate containing 41.96 g/t gold, 20.36% copper and 101.84 g/t silver.

Most of the mining activity focussed on high grade veins and ore shoots with some less selective room and pillar mining taking place in later years. The latter provides an indication of the bulk mining potential of some of the mineralised skarns. Existing underground workings include some 2,000m of development through 11 levels linked by a 4m by 3m decline which is also used as a transport level.

A large amount of geological information is available on the project and will form the basis for ongoing exploration and development. The database includes:

- Surface and underground geological mapping at a variety of scales;
- Results from regional geophysical surveys including a helicopter supported aeromagnetic survey and induced polarisation surveys across target areas (2000);
- Rock chip geochemical sampling (1996-2000) which includes assays from 738 channel and chip samples;
- Drill hole logs and results from a 1,660m step out drilling campaign (2000);
- Approximately 2000m of underground mine development on 11 levels.

In 1998-1999 ninety six surface rock chip and channel samples (each of approximately 5kg) were collected from an area around the Mantos Grandes surface workings. All were within 400m (north-south) by 200m (east-west of the workings) and dominantly from outcropping skarn mineralisation. Twenty nine samples returned anomalous copper greater than 0.1% copper with a maximum value of 4.27%. Result highs of 10.8 g/t gold and 30 g/t silver are associated with anomalous (>0.1%) copper.

Also in 1998-1999 a total of 191, 5-10kg samples were collected from the underground workings during various mapping campaigns. The average from the underground sampling programs was 0.91% copper (max 6.8%), 2.3g/t gold (max 23.4 g/t) and 2.1g/t silver (max 30 g/t).

In 2000 a 1,660m core drilling campaign was undertaken to test geological and geophysical targets within the mine sequence and east of the underground workings.

Table 1: Significant assay results from core drilling at Mantos Grandes

Hole Number	Collar Coordinates ¹			Depth (m)	Azim (Deg)	Dip (Deg)	From (m)	To (m)	Interval (m)	Cu %	Au g/t
	East	North	RL								
WFDH002	351405	6584765	2505	72.95	20	-2	0	28	28	0.62	1.79
WFDH003	351405	6584765	2505	49.35	30	-26	0	22	22	0.57	1.59
WFDH003	351405	6584765	2505	49.35	30	-26	32	34	2	0.64	1.50
MGDH009	351407	6584662	2607	217.75	135	-85	133.95	135.75	1.8	1.38	4.09
MGDH007	351407	6584662	2607	198	135	-60	4	6	2		6.00
MGDH007	351407	6584662	2607	198	135	-60	24	26	2		3.10

1: Coordinates are Universal Transverse Mercator Zone 19, Datum: Provisional South AmericanLa Conoa 1956

2: All significant assays reported above a 1% copper equivalent. There is no record of the calculations used to determine the copper equivalent cut-off grade.

3: No information is available that would permit comment on the relation between the width of downhole intercepts and true widths of the mineralisation.

Exploration Strategy

The Mantos Grandes copper gold project represents a target for high grade, hypogene, skarn related copper mineralisation with significant gold and silver credits. The former mine exploited a number of moderately sized zones of mineralisation. Initial drilling would make use of the existing geological and mining database to target known mineralisation and potential extensions in and around the mine area. Surface and underground drilling would be used with the aim of establishing a JORC compliant Mineral Resource.

There is potential for both porphyry and skarn mineralisation within the greater project area. Midwinter intends to carry out geophysical and geochemical surveys to further evaluate existing prospects and bring new prospects to a drill ready stage.

Commercial Terms

The Company has entered into a binding term sheet with Southern Hemisphere to farm-in to a 65% interest in the Mantos Grandes Project.

Below is a summary of the key terms of the term sheet:

Key terms of transaction

- Sociedad Servicios E Inversiones Futuro Limited is the current owner of the 30 concessions in connection with the Project, comprising 8 exploration concessions, 7 mining claims and 15 exploitation concessions.
- The executed terms sheet sets out the general terms and conditions upon which Midwinter may acquire a 65% shareholding in Minera Mantos Grandes, to be incorporated in Chile and which will hold the Property (**MG Chile**).
- Midwinter will have a period of 60 days (or a longer period if agreed between the parties) to conduct due diligence investigations on the Project. Midwinter may, in its absolute discretion, terminate the terms sheet at any time prior to the expiry of the 60 days by notice to Southern Hemisphere.
- 100% of the shares in MG Chile will be held by wholly owned Southern Hemisphere subsidiaries prior to any acquisition of shares by or on behalf of Midwinter by its subsidiary (**MWN Chile**) to be incorporated in Chile.
- Upon Midwinter satisfying its payment obligations (set out below), it will be issued shares in MG Chile such that it holds an interest in 65% of its issued share capital, with Southern Hemisphere subsidiaries holding an interest in the remaining 35%. A shareholders agreement will be executed between MG Chile and the Southern Hemisphere subsidiaries.
- The transaction will be subject to Midwinter shareholder approvals and other regulatory approvals as required.

Farm-in payment obligations

Midwinter will acquire its interest only after the following payment obligations have been satisfied in full:

- \$350,000 must be paid to Southern Hemisphere on execution of the farm-in agreement;
- within 6 months of the execution of the farm-in agreement, Midwinter will sole fund \$400,000 of expenditure on the Project;
- if Midwinter elects to proceed further by providing written notice to Southern Hemisphere, within a further 6 months, Midwinter will sole fund an additional \$600,000 of expenditure on the Project;
- if Midwinter elects to proceed further by providing written notice to Southern Hemisphere, within a further 6 months, Midwinter will sole fund an additional \$500,000 of expenditure on the Project; and
- Midwinter will make a final payment of \$1,000,000 to Southern Hemisphere in immediately available funds.

About Midwinter

Midwinter Resources is an Australian based exploration company established to generate significant shareholder wealth by identifying, acquiring, exploring and/or developing substantial mineral projects that possess the potential for significant cashflow and/or exploration upside.

About Southern Hemisphere

Southern Hemisphere is an exploration company focused on the discovery and exploitation for large tonnage base metal opportunities in South America.

Investors wanting more information should contact:

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Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Lindsay Cahill, who is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Cahill is a consultant to the mining industry, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration. He is qualified as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. This report is issued with Mr Cahill's consent as to the form and context in which the exploration results appears.

Much of the commentary and all the results reported herein have been extracted from third party reports.

Particular reference was made to a report on extensive work in the area in the period February-March 2000. The document reported on the results of exploration carried out by a major Australian mining company under a Joint Venture agreement with the owners of the Mantos Grandes Project. The Competent Person has reviewed a final report on the exploration campaign and the results from the evaluation and is of the opinion that the work was undertaken in accordance with industry practice.

A second report was prepared on the project in 2006 by an international geological consultancy to provide valuation advice. This document relied largely on the above mentioned 2000 report for information.

The results from the surface and underground sampling and the diamond core drilling carried out in 2000 are listed in the 2000 report. The Competent Person has reviewed summary drill hole logs and detailed lithological descriptions but has had no access to:

- *primary assay data,*
- *sampling methodology*
- *quality control systems*
- *descriptions of drilling methodology*
- *drilling logs*

Sample coordinates use the UTM Zone 19, provisional South American Datum 1956. The Competent Person cannot verify accuracy nor provide information on the instruments used to record location of sample points