

Mallee Resources Limited (Formerly Myanmar Metals Limited)

ABN 48 124 943 728

Interim Report - 31 December 2021

Directors	John Lamb – Managing Director Jeffrey Moore – Non-Executive Chairperson Rowan Caren – Executive Director Paul Arndt – Non-Executive Director
Company secretary	Rowan Caren
Alternate company secretary	Meagan Hamblin
Registered office	Suite 1, Ground Floor 9 Havelock Street West Perth WA 6005 Australia
Telephone	+61 8 6147 8100
Email	info@malleeresources.com.au
Website	www.malleeresources.com.au
Share registry	Automic Group Level 2 267 St Georges Terrace Perth WA 6000 www.automic.com.au T: 1300 288 664
Auditor	Grant Thornton Audit Pty Ltd Level 43, Central Park 152-158 St Georges Terrace Perth WA 6000 Australia
Solicitors	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000
Stock exchange listing	Australian Securities Exchange (ASX code: MYL)
ACN	124 943 728
ABN	48 124 943 728

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The Directors present their interim financial report of Mallee Resources Limited (formerly Myanmar Metals Limited) (the 'Company' or 'parent entity') for the half-year ended 31 December 2021.

Directors

The names of Directors who held office during or since the end of the half-year and until the date of this report are as follows. Directors were in office for this entire half year unless otherwise stated:

Mr John Lamb
Mr Jeffrey Moore
Mr Rowan Caren
Mr Paul Arndt
Mr Andrew Teo (resigned 24 November 2021)

Review of operations

On 17 August 2021 the Company announced it had entered into a binding agreement to dispose of its entire interest in the Bawdwin Project to its local Bawdwin Joint Venture ('BJV') partner Win Myint Mo Industries Co. Ltd ('WMM') for a total consideration of US\$30 million. The sale was approved by Company shareholders at the General Meeting held on 24 September 2021.

Of the US\$30 million, US\$16.875 million was to be paid in reimbursement of acquisition expenditure by the Company and the repayment of loans advanced by MYL and its wholly owned Myanmar operating subsidiary, Bright Mountain Resources Myanmar Co., Ltd ('BMR'). The balance of the US\$13.125 million is comprised of US\$51,000 payable as consideration for the sale of all the shares comprising BMR's 51% interest in BJV Company Limited and US\$13.074 million in relation to the Bawdwin IP which will then be applied to settle outstanding loans made by BMR to BJV. As at 31 December 2021, of the total \$30 million consideration, US\$19.224 million (including all of the US\$16.875 million described above) had been received by the Company and a receivable for US\$9.8 million has been recognised for the remaining balance outstanding. \$0.955 million has been applied to the settlement of operational expenditure incurred on the Bawdwin project between April and October 2021.

During the half-year the Company's sought to identify a new project. In undertaking this search the Company has preferred to seek non-competitive or off-market opportunities. During the period the Company reviewed many opportunities and conducted further due diligence on several.

During the half-year trading of the Company's securities remained in suspension. The Company expects its securities will remain in suspension until such time as a new project has been acquired in accordance with ASX Listing Rules.

The Group has recorded a net profit after income tax during the half-year ended 31 December 2021 of \$19,456,468 (31 December 2020: net loss of \$4,567,492) primarily arising from the profit on sale of the Bawdwin Project of \$22,803,036.

At 31 December 2021, the Group had \$35,988,663 in cash (30 June 2021: \$10,735,507).

Significant changes in the state of affairs

During the period:

- The Company entered into a binding agreement to dispose of the Company's entire interest in the Bawdwin Project to its local BJV partner Win Myint Mo Industries Co. Ltd for a total consideration of US\$30 million. The sale was approved by shareholders at a General Meeting held on 24 September 2021.
- 1,500,000 unlisted options at an exercise price of 0.06 AUD expired on 30 June 2021.
- The Company changed its name to Mallee Resources Limited.
- The Company consolidated its issued capital on the basis that every 10 shares were consolidated into 1 share and all options on issue were consolidated in accordance with Listing Rule 7.22.1. The Company had:
 - 1,901,109,600 ordinary shares on issue pre consolidation and 190,110,960 ordinary shares on issue post consolidation.
 - 13,000,000 unquoted options expiring 7 November 2022 on issue pre consolidation with an exercise price of A\$0.065 and 1,300,000 options with an exercise price of A\$0.65 on issue post consolidation.
 - 40,000,000 unquoted options expiring 15 June 2022 on issue pre consolidation with an exercise price of A\$0.078 and 4,000,000 options with an exercise price of A\$0.78 on issue post consolidation.
- Mr Andrew Teo resigned as a non-executive Director effective 24 November 2021.
- The Company issued 4,653,175 performance rights under an employee/director incentive scheme.

In the opinion of the Directors there were no other matters that significantly affected the state of affairs of the Group during the period, other than those matters noted above.

Subsequent Events

As at the date of this report, since 31 December 2021, no other events have arisen that have materially affected the operations of the consolidated entity, the results of the consolidated entity or the state of affairs of the consolidated entity except those noted below:

All funds receivable in respect of the Bawdwin sale transaction as at 31 December 2021, being US\$9.8 million, were received prior to the date of this Report.

A deed of company arrangement (“DOCA”) proposed (“Proposal”) by the Company with Hartree Metals LLC (“Hartree”) for the acquisition of the Avebury Nickel project was authorised for execution by creditors of Allegiance Mining Pty Limited (Receivers and Managers Appointed) (Administrators Appointed) (“Allegiance”) at a second creditors meeting held on 22 February 2022. The DOCA was executed on 7 March 2022. MYL’s involvement in the DOCA will be subject to shareholder approval under ASX Listing Rule 11.1.2 and as otherwise necessary to permit MYL to meet its obligations under the DOCA, to be sought at an extraordinary general meeting of MYL shareholders, as well as MYL receiving any other necessary regulatory approvals. In the event that such approvals are not received by 30 June 2022 (or such later date as is requested of and agreed by the administrators), Hartree will implement the DOCA without MYL’s involvement. ASX has also advised the Company that it will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in order to re-commence trading following effectuation of the DOCA.

Pursuant to the terms of the DOCA, MYL will acquire Avebury for A\$85.9 million, being \$31.2 million in cash, \$3.5 million in liabilities assumed and \$51.2 million in shares in an up-front consideration. The acquisition is pursuant to the terms of the DOCA, which extinguishes historical claims of Allegiance and allows MYL to pursue its future at Avebury without the burden of historical liabilities.

The transaction value is comprised as follows (all amounts are in AUD unless otherwise stated):

- Hartree will receive:
 - US\$16.2 million (equivalent to A\$22.7 million) in repayment of an existing facility applied toward funding of the Project up to 22 February 2022; and
 - \$38.6 million in satisfaction of a claim under a previous offtake agreement for the Project, which will be satisfied through entry into a new offtake agreement with MYL and an issue of shares to Hartree. To be satisfied by the issuance 30% of the fully diluted shares on issue of MYL shares post the transaction completing. Shares are issued at \$0.42 per share. The number of shares to be issued may be adjusted and supplemented with cash in the event that MYL is unable to repatriate \$12 million of funds from Myanmar on the date that is one month after the date the MYL shares are issued, subject to completion of the DOCA having occurred, such that the cash backing of the MYL shares held by Hartree is equal to the cash backing that would have been held if all funds were repatriated from Myanmar.
- Hartree will be refunded:
 - cash payments totaling \$8.5 million in satisfaction of Allegiance creditor claims made up of:
 - the Administrators (in their capacities as administrators of Allegiance and its related companies and deed administrators of Allegiance) will be paid an estimated \$3.7 million in respect of their fees and liabilities (including legal fees);
 - non-related creditors of Allegiance will be paid up to approximately \$1.4 million in satisfaction of existing and potential claims; and
 - \$3.4 million to fund the liquidators of Dundas Mining Pty Limited (“Dundas”), being Allegiance’s parent company, to pursue voidable transaction claims for the benefit of the remaining creditors of Dundas and to make a pro-rata distribution to related party unsecured creditor claims, or for Dundas shareholders where there is a surplus.
- Allegiance will have liabilities of approximately \$3.5 million following effectuation of the DOCA, which will either be retained or discharged following effectuation.
- The Liquidators of the holding company of Allegiance will be paid \$12.5 million via the issue of 19,841,270 MYL shares at an issue price of \$0.63 per share.

Hartree has agreed to provide working capital to fund the Avebury project during the term of the DOCA, MYL will reimburse Hartree for such an amount, which is estimated at being up to \$23.2 million, which includes \$7.9 million in respect of an environmental bond to be lodged with Mineral Resources Tasmania, by the time of effectuation of the DOCA.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be "Rowan Caren", enclosed within a large, loopy oval scribble.

Rowan Caren
Director

15 March 2022
Perth

Auditor's Independence Declaration

To the Directors of Mallee Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Mallee Resources Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 15 March 2022

Mallee Resources Limited
Condensed Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



	Note	Consolidated	
		31 Dec 2021 \$	31 Dec 2020 \$
Finance income		17,096	172,196
Exploration and evaluation expenses		-	(262,754)
Corporate and administration expenses		(1,551,952)	(1,304,808)
Net foreign exchange loss		1,049,866	(248,666)
Finance expenses		(6,647)	(3,396)
Loss before income tax expense from continuing operations		(491,637)	(1,647,428)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(491,637)	(1,647,428)
Profit/(loss) after income tax expense from discontinued operations	4	19,948,105	(2,920,064)
Profit/(loss) after income tax expense for the half-year attributable to the owners of Mallee Resources Limited		19,456,468	(4,567,492)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(5,497,876)	(77,308)
Other comprehensive loss for the half-year, net of tax		(5,497,876)	(77,308)
Total comprehensive income/(loss) for the half-year attributable to the owners of Mallee Resources Limited		13,958,592	(4,644,800)
Total comprehensive income/(loss) for the half-year is attributable to:			
Continuing operations		(5,989,513)	(2,017,834)
Discontinued operations		19,948,105	(2,626,966)
		13,958,592	(4,644,800)
Profit/(loss) per share attributed to ordinary equity holders of the Company:			
		Cents	Cents
Earnings per share for loss from continuing operations			
Basic loss per share		(0.26)	(0.89)
Diluted loss per share		(0.26)	(0.89)
Earnings per share for profit/(loss) from discontinued operations			
Basic earnings/(loss) per share		10.49	(1.59)
Diluted earnings/(loss) per share		10.49	(1.59)
Earnings per share for profit/(loss) attributable to the owners of Mallee Resources Limited			
Basic earnings/(loss) per share		10.23	(2.48)
Diluted earnings/(loss) per share		10.23	(2.48)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	35,988,663	10,735,507
Trade and other receivables	6	13,780,675	112,442
		<u>49,769,338</u>	<u>10,847,949</u>
Non-current assets classified as held for sale		-	25,699,121
Total current assets		<u>49,769,338</u>	<u>36,547,070</u>
Non-current assets			
Plant and equipment		7,600	10,072
Right-of-use assets		143,366	170,247
Total non-current assets		<u>150,966</u>	<u>180,319</u>
Total assets		<u>49,920,304</u>	<u>36,727,389</u>
Liabilities			
Current liabilities			
Trade and other payables		150,937	204,831
Lease liabilities		52,483	50,130
Provisions		154,748	177,046
		<u>358,168</u>	<u>432,007</u>
Liabilities directly associated with assets classified as held for sale		-	710,737
Total current liabilities		<u>358,168</u>	<u>1,142,744</u>
Non-current liabilities			
Lease liabilities		99,280	126,045
Total non-current liabilities		<u>99,280</u>	<u>126,045</u>
Total liabilities		<u>457,448</u>	<u>1,268,789</u>
Net assets		<u>49,462,856</u>	<u>35,458,600</u>
Equity			
Share capital	7	102,320,558	102,320,558
Other equity		777,194	777,194
Reserves	8	(3,478,223)	1,973,989
Accumulated losses		<u>(50,156,673)</u>	<u>(69,613,141)</u>
Total equity		<u>49,462,856</u>	<u>35,458,600</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes

Mallee Resources Limited
Condensed Consolidated statement of changes in equity
For the half-year ended 31 December 2021



Consolidated	Issued capital \$	Other equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	92,606,479	777,194	2,423,821	(60,976,374)	34,831,120
Loss after income tax expense for the half-year	-	-	-	(4,567,492)	(4,567,492)
Other comprehensive loss for the half-year, net of tax	-	-	(77,308)	-	(77,308)
Total comprehensive loss for the half-year	-	-	(77,308)	(4,567,492)	(4,644,800)
<i>Transactions with owners recorded directly in equity:</i>					
Issue of shares	9,500,000	-	-	-	9,500,000
Exercise of options	409,500	-	-	-	409,500
Transfer from reserves	224,251	-	(224,251)	-	-
Share-based payment expense	-	-	86,542	-	86,542
Transaction costs arising from share issue	(419,672)	-	-	-	(419,672)
Balance at 31 December 2020	102,320,558	777,194	2,208,804	(65,543,866)	39,762,690
Consolidated	Issued capital \$	Other equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	102,320,558	777,194	1,973,989	(69,613,141)	35,458,600
Profit after income tax expense for the half-year	-	-	-	19,456,468	19,456,468
Other comprehensive loss for the half-year, net of tax	-	-	(5,497,876)	-	(5,497,876)
Total comprehensive income/(loss) for the half-year	-	-	(5,497,876)	19,456,468	13,958,592
<i>Transactions with owners recorded directly in equity:</i>					
Share-based payment expense	-	-	45,664	-	45,664
Balance at 31 December 2021	102,320,558	777,194	(3,478,223)	(50,156,673)	49,462,856

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Mallee Resources Limited
Condensed Consolidated statement of cash flows
For the half-year ended 31 December 2021



	Note	Consolidated	
		31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(2,220,038)	(3,945,058)
Interest received		3,826	23,057
Interest and other finance costs paid		-	(3)
Net cash used in operating activities		<u>(2,216,212)</u>	<u>(3,922,004)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		233	(110)
Proceeds from disposal of PPE		800	-
Cash received from sale of JV interest		26,139,917	-
Payments to acquire exploration assets		-	(205,601)
Net cash from/(used in) investing activities		<u>26,140,950</u>	<u>(205,711)</u>
Cash flows from financing activities			
Proceeds from issue of equity securities	7	-	9,500,000
Proceeds from exercise of share options	7	-	409,500
Equity securities issue transaction costs	7	-	(412,705)
Lease repayments		(43,362)	(45,852)
Net cash (used in)/from financing activities		<u>(43,362)</u>	<u>9,450,943</u>
Net increase in cash and cash equivalents		23,881,376	5,323,228
Cash and cash equivalents at the beginning of the financial half-year (note 1)		11,425,951	11,116,138
Effects of exchange rate changes on cash and cash equivalents		681,336	(480,553)
Cash and cash equivalents at the end of the financial half-year	5	<u>35,988,663</u>	<u>15,958,813</u>
Cash and cash equivalents included in assets held for sale		-	806,237
Cash and cash equivalents for continuing operations		<u>35,988,663</u>	<u>15,152,576</u>
Cash and cash equivalents at the end of the financial half-year		<u>35,988,663</u>	<u>15,958,813</u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Basis of Preparation

This half-year consolidated financial report is a general-purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Mallee Resources Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

New Accounting Standards and Policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Management has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2021. It has been determined that there is no material impact of the new and revised Standards and Interpretations on its business and, therefore, no material change is necessary to Group accounting policies.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Critical accounting judgements, estimates and assumptions

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021.

Note 3. Operating segments

Identification of reportable operating segments

The Group operated predominantly in one reportable business segment, managed by one segment manager and in one geographical location. The operations of the consolidated entity consist of minerals exploration and evaluation, within Myanmar.

The information disclosed in the financial statements is the same information utilised in internal reporting by the chief operating decision maker (CODM). Accordingly, no additional quantitative or qualitative disclosures are required.

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

Unless otherwise stated, all amounts reported to the Board of Directors as the CODM with respect to operating segments, are determined in accordance with AASB 8 Operating Segments.

Note 4. Discontinued operations

Divestment of Bawdwin Project

In July 2021, management announced to the market, it had committed to a plan to divest its interest in the Bawdwin Project. Accordingly, all assets and liabilities associated with the project are presented as a disposal group held for sale. Revenue and expenses relating to the divestment of the interest in this project have been eliminated from profit or loss from the group's continuing operations and are shown as a single line item in the statement of profit or loss.

On 17 August 2021 the Company announced it had entered into a binding agreement to dispose of its entire interest in the Bawdwin Project including its shareholding in BJV Company Limited to its local Bawdwin Joint Venture ('BJV') partner Win Myint Mo Industries Co. Ltd ('WMM') for a total consideration of US\$30 million. The sale was approved by Company shareholders at the General Meeting held on 24 September 2021.

Of the US\$30 million, US\$16.875 million was to be paid in reimbursement of acquisition expenditure by the Company and the repayment of loans advanced by MYL and its wholly owned Myanmar operating subsidiary, Bright Mountain Resources Myanmar Co., Ltd ('BMR'). The balance of the US\$13.125 million is comprised of US\$51,000 payable as consideration for the sale of all the shares comprising BMR's 51% interest in BJV Company Limited and US\$13.074 million in relation to the Bawdwin IP which will then be applied to settle outstanding loans made by BMR to BJV. As at 31 December 2021, of the total \$30 million consideration, US\$19.224 million (including all of the US\$16.875 million described above) had been received by the Company and a receivable for US\$9.8 million has been recognised for the remaining balance outstanding. \$0.955 million has been applied to the settlement of operational expenditure incurred on the Bawdwin project between April and October 2021.

As of 1 November 2021, WMM gained control over BJV Company Limited. Details of the assets and liabilities disposed of, and the calculation of the gain or loss on disposal, are presented below.

	31 December 2021
	\$
Loss from discontinued operations	(2,949,678)
Gain on disposal of discontinued operations	22,897,783
Profit before income tax expense from discontinued operations	<u>19,948,105</u>
Income tax expense for discontinued operations	<u>-</u>
Profit after income tax expense from discontinued operations	<u><u>19,948,105</u></u>
	2021
	\$
Consideration received or receivable	
Consideration received in cash as at 31 Dec 2021 (US\$19.224m)	26,139,917
Receivable from WMM as at 31 Dec 2021 (US\$9.821m)	13,628,934
Total consideration received or receivable	<u><u>39,768,851</u></u>
Less fair value of assets and liabilities disposed	
Cash and cash equivalents	(7,400)
Current other receivables	(6,879)
Non-current other receivables	(1,196,761)
Property, plant and equipment	(78,444)
Lease asset	(7,198)
Exploration and evaluation asset	(19,579,997)
Trade and other payables	1,748,457
Foreign currency translation reserve	2,257,154
Identifiable net assets disposed	<u><u>(16,871,068)</u></u>
Gain arising on disposal of interests in BJV	<u><u>22,897,783</u></u>

Note 4. Discontinued operations (continued)

The BJV operation is presented separately in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income as a discontinued operation.

The loss for the BJV business for the reporting period is set out below including comparative information.

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Exploration and evaluation expense	2,949,678	2,544,196
Corporate and administrative expenses	-	80,425
Finance costs	-	295,443
	<u>2,949,678</u>	<u>2,920,064</u>

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Net operating cash flows From Discontinuing Operations	(680,729)	44,553
Net investing cash flows From Discontinuing Operations	-	(111)
Net financing cash flows From Discontinuing Operations	(2,315)	(33,302)
Net decrease in cash and cash equivalents from discontinued operations	(683,044)	11,140
Cash and cash equivalents of the Discontinued Operation at the beginning of the period	690,444	795,097
Cash and cash equivalents of the Discontinued Operation at the end of the period	7,400	806,237

Note 5. Cash and cash equivalents

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Cash and cash equivalents</i>		
Cash at bank and on hand	<u>35,988,663</u>	<u>10,735,507</u>

The cash held in Myanmar by Bright Mountain Resources Myanmar Limited (BMRML) - (100% subsidiary of Mallee Resources Limited) as at 31 December 2021 (US\$2.349 million) and the funds received by BMRML subsequent to balance date (US\$9.851 million), are to be transferred to the parent entity Mallee Resources Limited subject to the approval of the Central Bank of Myanmar (CBM). As of the date of this report, transfer requests have been submitted to CBM and are pending CBM's approval. To date US\$100,000 has been transferred to Mallee Resources Limited.

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Trade and other receivables - current</i>		
Prepayments	9,080	1,184
Other receivables	95,962	65,743
Receivable from sale of discontinued operations (footnote 1 below)	13,628,934	-
Deposits	46,699	45,515
	<u>13,780,675</u>	<u>112,442</u>

¹ Other receivables relates to the outstanding funds owing from Win Myint Mo Industries Co. Ltd ('WMM'). During the half year the Company sold its entire interest in the Bawdwin Project to its local Bawdwin Joint Venture ('BJV') partner WMM. See Note 4.

Note 7. Share capital

	31 Dec 2021	Consolidated		30 Jun 2021
	Shares	30 Jun 2021 Shares	31 Dec 2021 \$	30 Jun 2021 \$
Ordinary shares - fully paid	190,110,960	1,901,109,600	102,320,558	102,320,558

Movements in share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	1,768,592,941		92,606,479
Exercise of unlisted options		5,850,000	\$0.070	409,500
Issue of shares (placement)		93,333,326	\$0.075	7,000,000
Share purchase plan		33,333,333	\$0.075	2,500,000
Transaction costs on share issues		-		(419,672)
Transfer from reserves		-		224,251
Balance	30 June 2021	1,901,109,600		102,320,558
Balance	1 July 2021	1,901,109,600		102,320,558
Consolidation of shares 10:1		(1,710,998,640)		-
Balance	31 December 2021	190,110,960		102,320,558

Note 8. Reserves

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Share based payments reserve	2,073,777	2,028,113
Foreign currency translation reserve	(5,552,000)	(54,124)
	(3,478,223)	1,973,989

Share based payments reserve

(a) Balances of options and rights

	31 December 2021 Number	30 June 2021 Number	31 December 2021 \$	30 June 2021 \$
	Balances of options and rights			
Unlisted Options 78c (30 June 2021: 7.8c) expiring on 15 June 2022	4,000,000	40,000,000	1,725,213	1,725,213
Unlisted Options 65c (30 June 2021: 6.5c) expiring 7 November 2022	1,300,000	13,000,000	302,900	302,900
Performance Rights expiring 10 December 2023	4,653,175	-	45,664	-
	9,953,175	53,000,000	2,073,777	2,028,113

Note 8. Reserves (continued)

(b) Movements in the number and value of options and rights

	31 December 2021 Number	30 June 2021 Number	31 December 2021 \$	30 June 2021 \$
Movements in the number and value of options and rights				
Balance at the beginning of the year	53,000,000	61,500,000	2,028,113	2,237,290
Options granted to employees and directors ¹	4,653,175	-	45,664	-
Options exercised	-	(5,850,000)	-	(268,335)
Options expired	-	(2,650,000)	-	(71,468)
Share based payment expense	-	-	-	130,626
Consolidation of securities 1:10	(47,700,000)	-	-	-
	9,953,175	53,000,000	2,073,777	2,028,113

¹Performance rights issued during the period are subject to various vesting conditions, with 2,877,614 rights issued to Directors on 30 November 2021 and 1,775,561 rights issued to employees on 10 December 2021. The Black Scholes option valuation methodology was used to value the Performance Rights. This methodology was used with the expectation that the majority of the Performance Rights will be exercised towards the end of their term, and therefore a European option pricing model is appropriate. The fair value of Performance rights granted during the half year were estimated on the date of grant using the following assumptions:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility %	Dividend yield	Risk-free interest rate %	Fair value at grant date \$
30/11/2021	10/12/2023	0.265	-	100.00%	-	0.87%	0.265
10/12/2021	10/12/2023	0.264	-	100.00%	-	0.93%	0.264

The weighted average fair value of the options granted was \$0.265.

The Performance Rights are subject to the vesting conditions set out below. For the Performance Rights to vest, all the vesting conditions must be met.

- Condition 1: The options vest if an acquisition of a new project becomes unconditional and the Company returns to quotation; or a takeover offer for the Company or by the Company becomes unconditional and/or the Company returns to quotation; or a scheme of arrangement to be approved by the Company or the target's shareholders is approved by the applicable party, is approved by the court at the second court hearing and is successfully implemented and/or the Company returns to quotation.
- Condition 2: In the event the Company continues to be a listed entity upon completion of a transaction that satisfies vesting condition 1, the Company's market capitalisation must not be less than \$60 million. This is to be measured using a 10-trading day VWAP over the 30 days following the Company's shares recommencement of trading.
- Condition 3: Continuous service until both vesting condition 1 and vesting condition 2 have been satisfied

Note 9. Contingencies and commitments

The Company and Group have no contingent liabilities as at 31 December 2021 (31 December 2020: nil).

The Group does not have any other significant capital expenditure commitments at 31 December 2021 (31 December 2020: nil).

Note 10. Events after the reporting period

As at the date of this report, since 31 December 2021, no other events have arisen that have materially affected the operations of the consolidated entity, the results of the consolidated entity or the state of affairs of the consolidated entity except those noted below:

All funds receivable in respect of the Bawdwin sale transaction as at 31 December 2021, being US\$9.8 million, were received prior to the date of this Report.

A deed of company arrangement (“DOCA”) proposed (“Proposal”) by the Company with Hartree Metals LLC (“Hartree”) for the acquisition of the Avebury Nickel project was authorised for execution by creditors of Allegiance Mining Pty Limited (Receivers and Managers Appointed) (Administrators Appointed) (“Allegiance”) at a second creditors meeting held on 22 February 2022. The DOCA was executed on 7 March 2022. MYL’s involvement in the DOCA will be subject to shareholder approval under ASX Listing Rule 11.1.2 and as otherwise necessary to permit MYL to meet its obligations under the DOCA, to be sought at an extraordinary general meeting of MYL shareholders, as well as MYL receiving any other necessary regulatory approvals. In the event that such approvals are not received by 30 June 2022 (or such later date as is requested of and agreed by the administrators), Hartree will implement the DOCA without MYL’s involvement. ASX has also advised the Company that it will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in order to re-commence trading following effectuation of the DOCA.

Pursuant to the terms of the DOCA, MYL will acquire Avebury for A\$85.9 million, being \$31.2 million in cash, \$3.5 million in liabilities assumed and \$51.2 million in shares in an up-front consideration. The acquisition is pursuant to the terms of the DOCA, which extinguishes historical claims of Allegiance and allows MYL to pursue its future at Avebury without the burden of historical liabilities.

The transaction value is comprised as follows (all amounts are in AUD unless otherwise stated):

- Hartree will receive:
 - US\$16.2 million (equivalent to A\$22.7 million) in repayment of an existing facility applied toward funding of the Project up to 22 February 2022; and
 - \$38.6 million in satisfaction of a claim under a previous offtake agreement for the Project, which will be satisfied through entry into a new offtake agreement with MYL and an issue of shares to Hartree. To be satisfied by the issuance 30% of the fully diluted shares on issue of MYL shares post the transaction completing. Shares are issued at \$0.42 per share. The number of shares to be issued may be adjusted and supplemented with cash in the event that MYL is unable to repatriate \$12 million of funds from Myanmar on the date that is one month after the date the MYL shares are issued, subject to completion of the DOCA having occurred, such that the cash backing of the MYL shares held by Hartree is equal to the cash backing that would have been held if all funds were repatriated from Myanmar.
- Hartree will be refunded:
 - cash payments totaling \$8.5 million in satisfaction of Allegiance creditor claims made up of:
 - the Administrators (in their capacities as administrators of Allegiance and its related companies and deed administrators of Allegiance) will be paid an estimated \$3.7 million in respect of their fees and liabilities (including legal fees);
 - non-related creditors of Allegiance will be paid up to approximately \$1.4 million in satisfaction of existing and potential claims; and
 - \$3.4 million to fund the liquidators of Dundas Mining Pty Limited (“Dundas”), being Allegiance’s parent company, to pursue voidable transaction claims for the benefit of the remaining creditors of Dundas and to make a pro-rata distribution to related party unsecured creditor claims, or for Dundas shareholders where there is a surplus.
- Allegiance will have liabilities of approximately \$3.5 million following effectuation of the DOCA, which will either be retained or discharged following effectuation.
- The Liquidators of the holding company of Allegiance will be paid \$12.5 million via the issue of 19,841,270 MYL shares at an issue price of \$0.63 per share.

Hartree has agreed to provide working capital to fund the Avebury project during the term of the DOCA, MYL will reimburse Hartree for such an amount, which is estimated at being up to \$23.2 million, which includes \$7.9 million in respect of an environmental bond to be lodged with Mineral Resources Tasmania, by the time of effectuation of the DOCA.

The directors of Mallee Resources Limited declare that, in the directors' opinion:

- the financial statements and notes comply with *Corporations Act 2001* including Australian Accounting Standard AASB 134 '*Interim Financial Reporting*';
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- 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 dates this 15th day of March 2022.

On behalf of the Directors

A handwritten signature in black ink, enclosed within a hand-drawn oval border.

Rowan Caren
Director

15 March 2022
Perth

Independent Auditor's Review Report

To the Members of Mallee Resources Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Mallee Resources Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Mallee Resources Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the [name of group's] financial position as at 31 December 2021 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 gives a true and fair view and 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 Group's financial position as at 31 December 2021 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*.

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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 15 March 2022