

ASX ANNOUNCEMENT

29 April 2022
ASX Code: MYL

BOARD OF DIRECTORS

Mr Jeff Moore
Non-Executive Chairman

Mr John Lamb
Managing Director

Mr Rowan Caren
Executive Director

Mr Paul Arndt
Non-Executive Director

ISSUED CAPITAL

Shares	190 m.
Performance Rights	5 m.
Unlisted Options	5 m.

Mallee Resources Limited

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ABN: 48 124 943 728

MARCH 2022 QUARTERLY ACTIVITIES REPORT

Highlights

- MYL successfully executes its new project search process and now has a clear path to acquire the Avebury nickel sulphide project in western Tasmania
- Compelling acquisition cost for a highly prized asset - MYL has agreed to acquire 100% of the shares in Allegiance which owns Avebury for A\$85.9 million¹ through a combination of cash and shares pursuant to the terms of a deed of company arrangement
- MYL will also reimburse an estimated \$23.2 million in expenditure incurred in development of the Avebury project during the DOCA term
- Substantial nickel sulphide Mineral Resources of 29.3 Mt at 0.9% Ni (264 Kt contained Ni) (JORC 2012)²
- Mr John Lamb steps down as Chair after 4 years, moving to the MD role allowing him to focus on Avebury. Mr Jeff Moore, long-term Director of the company and an experienced Chair, replaces Mr Lamb, ensuring continuity of governance
- Formal completion of Bawdwin divestment, with all sale proceeds having been received by the Company. Repatriation of US\$12 million from Myanmar remains pending subject to amended banking regulations in Myanmar.



Figure 1. Map of Avebury Project

¹ See page 2 for composition of value. ² See announcement date 8 April 2022 for information on Mineral Resource Estimates.

² See announcement date 8 April 2022 for information on Mineral Resource Estimates.



Summary of Activities

The March Quarter brought transformative change to Mallee Resources Limited (“MYL” or “the Company”). The search for a new project started in September 2021 with shareholders approving the divestment of the Bawdwin project in Myanmar. Less than five months later the search successfully concluded with the Company announcing that it had identified a path forward for the acquisition of the highly prized Avebury nickel sulphide project in Tasmania, Australia. The period also marked the conclusion of the divestment of the Bawdwin project, with the Company having received all the divestment proceeds, notwithstanding that repatriation of part of the proceeds is yet to be finalised and is likely to be subject to further delay.

The Company anticipates being able to lodge a detailed notice of meeting, including an independent expert’s report opining on whether the contemplated transactions are fair and reasonable to shareholders, with the Australian Securities Exchange (“ASX”) in the short term allowing for an Extraordinary General Meeting (“EGM”) at which shareholders will have the opportunity to cast their vote on the Company’s acquisition of Allegiance Mining Pty Ltd (Administrators Appointed)(Receivers and Managers Appointed) (“Allegiance”) and associated resolutions.

A re-listing of the Company’s shares on the ASX is subject to the Company’s re-compliance with Chapter 1 and Chapter 2 of the ASX Listing Rules and is at the sole discretion of the ASX. The Company is presently working with advisers expeditiously to prepare related disclosure documents.

John Lamb, Managing Director, commented:

“I am exceptionally pleased with all that has been achieved during the period. It is testament to the hard work and dedication of our small team that much has been achieved in a small window of time. We are all excited about the new phase of growth that we see from the Avebury project, and I look forward to addressing shareholders soon at our General Meeting to seek formal approval of the acquisition.”

Acquisition of Allegiance

Pursuant to the terms of the Deed of Company Arrangement (“DOCA”) MYL (through a wholly owned subsidiary) will acquire Allegiance, which wholly owns the Avebury mining licences, exploration licences, the underground mine, processing plant, mine infrastructure and other associated assets (“Avebury” or the “Project”).

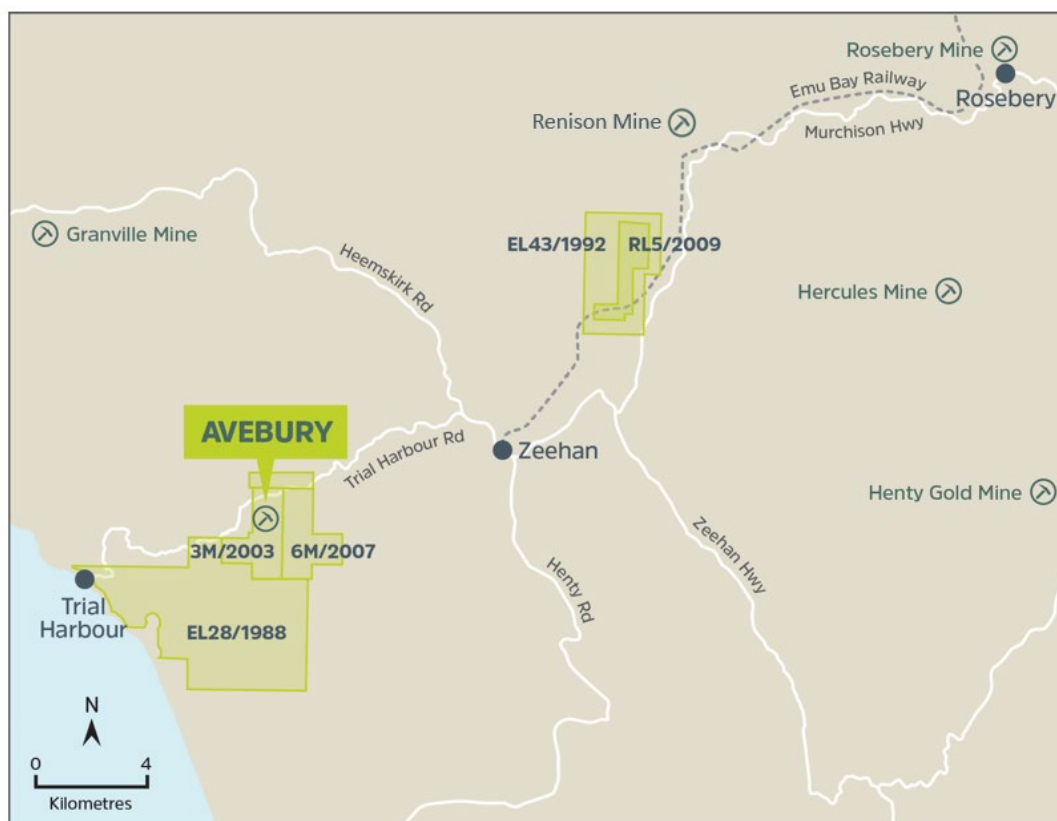


Figure 2. Map of Avebury Tenements

MYL will acquire Allegiance 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 DOCA 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 Metals LLC (“Hartree”) a co-proponent of the DOCA, will receive:
 - US\$16.2 million (equivalent to A\$22.7 million³) in repayment of an existing facility applied toward funding of the Project; 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.⁴
- 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 Using an exchange rate of A\$1.4:US\$1.

⁴ 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 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.



- \$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 share⁵.

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 million⁶ by the time of effectuation of the DOCA.

Conditions precedent to the completion of the DOCA, funding arrangements, the key terms of a new offtake agreement and an implementation agreement are set out in an announcement dated 11 March 2022. This announcement also includes a detailed overview of the Avebury project.

Avebury Project



Figure 3. Avebury processing plant and site infrastructure

The Avebury Nickel Project is situated 8 km west of the town of Zeehan on Tasmania’s west coast. Access to the Avebury mine site is via a high quality, purpose-built bitumen road. The Emu Bay Railway is in close proximity to the Avebury site and provides an efficient logistics option for the transportation of concentrate to the export facility at the Port of Burnie.

On the 8th April 2022, the Company announced that independent consultants CSA Global Pty Ltd, an ERM Group Company, (“CSA Global”) reported a Mineral Resource estimate in accordance with the JORC Code (2012 Edition) (“JORC Code”) for the Avebury Project.

⁵ If the value of the MYL Shares is less than AUD 12.5 million 30 trading days after the date upon which MYL's shares re-commence trading on the ASX, MYL will issue further shares or pay a cash sum (or a combination thereof) to offset any such shortfall.

⁶ Includes \$7.9 million in respect of an environmental bond which has been lodged with Mineral Resources Tasmania.



Mineral Resource estimation work in respect of the Avebury Project was carried out by MMG Limited (“MMG”) in 2011 and reported in accordance with the JORC Code in 2013. No drilling has been undertaken since.

CSA Global reviewed the work undertaken by MMG, undertook a review of (and amended) the classification approach, checked the Mineral Resource depletion, completed an assessment of reasonable prospects for eventual economic extraction, and re-reported the Mineral Resource in accordance with the JORC Code. The Mineral Resource estimate is shown in Table 1.

Table 1: Avebury Mineral Resource estimate, reported from all blocks within Ni > 0.4 % envelope

JORC classification	Tonnage (Mt)	Ni (%)	Co (ppm)	As (ppm)
Indicated	8.7	1.0	244	378
Inferred	20.7	0.8	223	297
TOTAL	29.3	0.9	229	321

Notes: Due to effects of rounding, the total may not represent the sum of all components. All resources quoted as total nickel, a nickel recovery of 75 to 80% is expected using conventional flotation processes. See the announcement dated 8 April 2022 for the JORC Table 1.

Avebury is an established, modern underground mine with 8.5 km of underground development, two vent rises, an escape way and underground mine infrastructure.

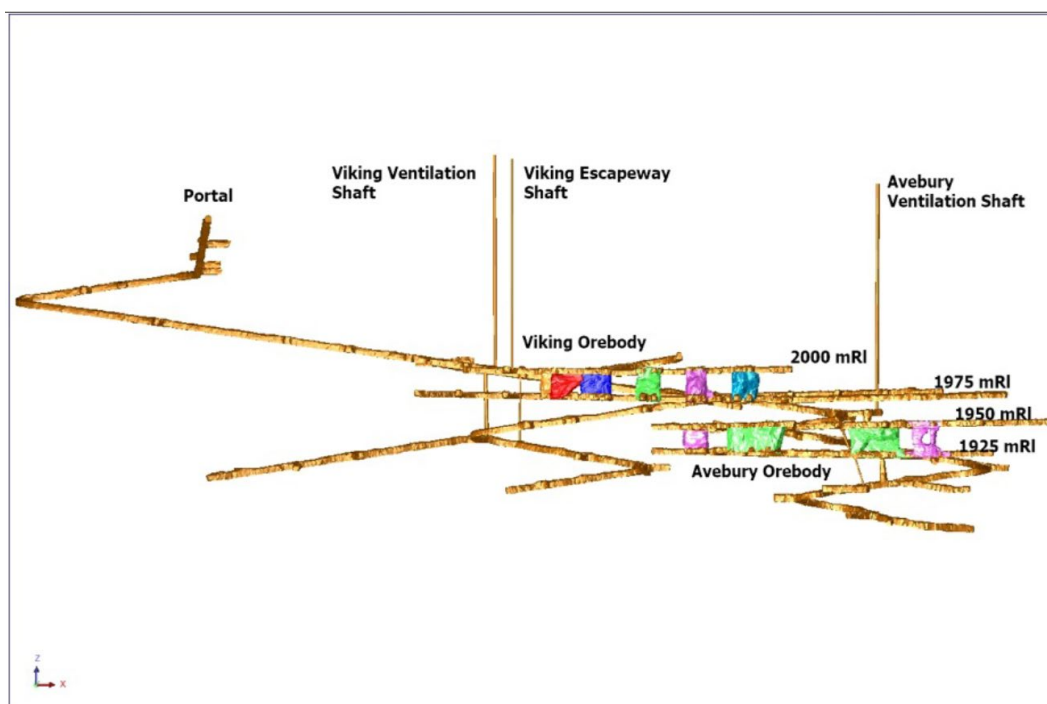


Figure 4. Long section of existing underground development and stopes



Figure 5. Underground magazine

Avebury's processing infrastructure is in very good condition with most of the processing equipment housed in sheds for weather protection. The plant's nameplate processing capacity is 900,000 tonnes of ore per annum and it was designed to recover 79% of the nickel in ore to a nickel concentrate, with a nickel grade around 20%. Other site infrastructure includes stores, workshops, an administration building, land holdings, tailings dam and accommodation facilities.





Figure 6. Avebury processing shed



Figure 7. Conveyors to crusher (upper) and from fine ore bin to concentrator (lower)

The Avebury region is underexplored and highly prospective. The Avebury nickel deposit is open at depth and along strike. Historical exploration work has identified potential for similar style nickel deposits in ultramafic rocks to the west of Avebury at Trial Harbour. At Melba Flats, north of Avebury, nickel mineralisation is associated with gabbro dykes, with occurrences of nickel, copper and platinum group elements.

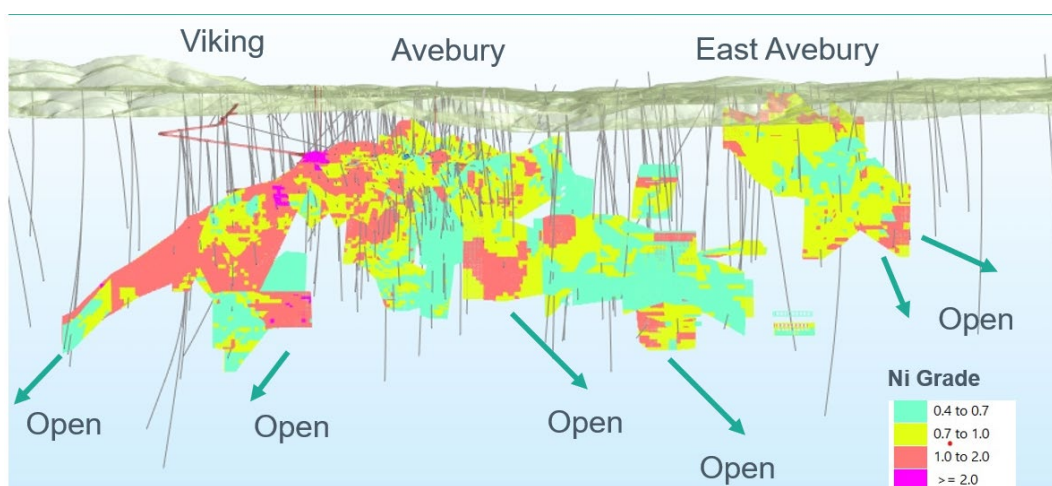


Figure 8. Long Section of Avebury Block Model for Nickel

The Company is currently reviewing the existing Avebury mine re-start plans. Once the re-start plans have been finalized the Company will make further disclosures in relation to the operational work programs, schedules, key commercial agreements and financing plans.



Subsequent to the end of the Quarter, the first of the mining equipment fleet was delivered to site and preliminary mining operations including ground support remediation have commenced.

Financial position

At the end of the March Quarter, MYL held \$47.5 million in cash with no debt. The Company notes US\$12.1 million, or approximately A\$16.8 million, is held by the Company's wholly owned subsidiary within Myanmar. Repatriation of these funds to Australia is pending approval from the Central Bank of Myanmar ("CBM"). CBM has issued a public notice in respect of the conversion of foreign currency balances into local currency and the requirement for approval of the transfer of foreign currency overseas by a new Foreign Exchange Management Committee at a ministerial level ("CBM Notice"). The exact nature and effect of the CBM Notice is uncertain. The Company has been advised that the processing of foreign currency transfers has been suspended while local financial institutions understand and implement the policy change. It is likely that further delays will result from this uncertainty within the foreign exchange environment in Myanmar. The Company will provide further detail as it becomes available.

Operating cashflows during the quarter totalled \$0.96 million in staff and corporate costs, and other expenditure related to the evaluation of new project opportunities including Avebury.

In accordance with ASX Listing Rule 5.3.5, the Company confirms that payments were made to directors during the quarter totalling \$250,000 comprised of salaries and fees.

Changes to Board Roles

During the period Mr John Lamb, who formerly held the roles of Executive Chair and CEO of MYL assumed the role of Managing Director. Mr Jeffrey Moore, who had been an Executive Director took on the role of Non-Executive Chairman.

The change to Board roles was in recognition of Mr Lamb's increased responsibilities in ensuring the Avebury acquisition is completed and site operations are advanced as planned. Mr Moore has been a director of the Company for over four years and was an ideal candidate for the Chairperson position. He has considerable experience leading listed resource companies from exploration through to mine development phases in Australia and overseas.



John Lamb, Managing Director, commented:

“Our Company has endured much uncertainty and through resiliency emerged with an outstanding opportunity. I thank shareholders for their patience and understanding over this period. We can now look forward to a bright future. In due course I trust we can rely on your support at the shareholder’s general meeting to approve the acquisition.”

Approved for release to the ASX by



John Lamb
Managing Director

Mineral Tenements

Note, during the period the Company’s interest in the Bawdwin project was fully divested. The Company no longer retains an interest in this project.

<i>Title / Reference</i>	<i>Status</i>	<i>Party Name</i>	<i>MYL Interest</i>
<i>Myanmar</i>			
<i>Bawdwin</i>	<i>Production sharing contract; Granted Mining Concession</i>	<i>Win Myint Mo Industries</i>	<i>51% participating interest. Binding divestment agreement approved by shareholders in September 2021.</i>

References to Mineral Resources

The information in this announcement that relates to estimates of Mineral Resources for the Project was previously reported by the Company in its announcement dated 8 April 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in those earlier market announcements and, in the case of the estimate of Mineral Resources, all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company confirms that the form and context in which the competent person’s findings are presented have not been materially modified from the original market announcement.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

MALLEE RESOURCES LIMITED

ABN

48 124 943 728

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(499)	(1,332)
(e) administration and corporate costs	(461)	(1,009)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Expenditure on assets held for sale)	(1)	(840)
1.9 Net cash from / (used in) operating activities	(960)	(3,176)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(317)	(317)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	1
	(d) investments	13,758	39,898
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	13,441	39,582
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – operating lease payments	(6)	(49)
3.10	Net cash from / (used in) financing activities	(6)	(49)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	35,987	11,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(960)	(3,176)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	13,441	39,582
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6)	(49)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(987)	(306)
4.6	Cash and cash equivalents at end of period	47,476	47,476

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	47,476	35,988
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (share of cash from entities held for sale)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	47,476	35,988

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	250
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(960)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(960)
8.4 Cash and cash equivalents at quarter end (item 4.6)	47,476
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	47,476
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	49.5
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2022.....

Authorised by:By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.