

ASX ANNOUNCEMENT

29 June 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	1 m.

Mallee Resources Limited

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MYL enters into Binding Commercial Agreements

Mallee Resources Limited (“MYL” or the “Company”) is pleased to announce that it has entered into the binding commercial agreements with Hartree Metals LLC (“Hartree”) required as a condition precedent to its acquisition (“Acquisition”) of Allegiance Mining Pty Ltd (subject to deed of company arrangement) (receivers and managers appointed) (“Allegiance”) pursuant to the deed of company arrangement in respect of Allegiance, including a life of mine offtake agreement, subscription agreements for loan facilities, a hedging agreement and security documentation (collectively the “Agreements”).

The anticipated material terms of the Agreements were summarised in the Notice of General Meeting dated 30 May 2022. The final terms are consistent with the summaries in the notice of meeting and summaries have been reproduced in the pages to follow.

John Lamb, Managing Director, commented:

“I am very pleased to reach this milestone. In a spirit of partnership, we have entered into the Agreements with Hartree. Hartree will provide an important source of capital for the Avebury re-start but perhaps the most significant agreement is the life of mine offtake agreement. This is an agreement customised for Avebury and gives us great confidence of a successful and enduring business relationship.”

Approved for release to the ASX by



John Lamb

Managing Director

About Mallee Resources Limited

Mallee Resources Limited (ASX: MYL) is an explorer and mine developer listed on the Australian Securities Exchange. MYL aims to become a leading regional base metals producer. The Company is seeking to acquire 100% of the Avebury Nickel Project in Tasmania pursuant to the terms of a Deed of Company Arrangement.



Subscription Agreements

Parties	<p>Mallee Tas (Operations) Pty Ltd (Mallee Tas) (a wholly owned subsidiary of the Company) and Hartree Metals LLC (Hartree).</p> <p>In addition, subsidiaries of Mallee Tas are required to become parties from time to time.</p>
Facility	<p>Hartree will subscribe for up to 30,000,000 loan notes, each with a face value of US\$1 (Loan Notes) for a total facility of US\$30,000,000 (Facility), which is to be drawn in a single utilisation on the date that the conditions precedent set out below are satisfied or waived (Financial Close).</p>
Purpose	<p>Mallee Tas will apply the Facility towards:</p> <ul style="list-style-type: none">• on-lending funds to the Company to enable the Company to contribute the required funds to the Deed Fund under the deed of company arrangement dated 7 March 2022 (DOCA); and• financing the payment of fees, costs and expenses associated with the establishment of the Facility.
Conditions Precedent	<p>Drawings under the Facility will be subject to the following conditions precedent having been satisfied or waived, among other customary conditions for provision of debt finance:</p> <ul style="list-style-type: none">• confirmation that the Acquisition will complete on provision of the Facility; and• the Company having sufficient funds to enable it to satisfy its obligations under the DOCA.
Repayment	<p>US\$10,000,000 under the Facility must be repaid within the earlier of 3 Business Days following completion of a capital raising and 60 days following Financial Close (Initial Repayment Tranche).</p> <p>The balance of the Facility must be repaid by Mallee Tas in a number of principal instalments and finally repaid on the date that is three (3) years following Financial Close (Repayment Date). The principal repayment instalments (Repayment Instalments) commence on the earlier of:</p> <ul style="list-style-type: none">• the last day of the month falling 6 months after completion of the Acquisition; and• the last day of the month falling 3 months after the date the Avebury mine produces its first saleable product. <p>(the Repayment Commencement Date) and will continue until the Repayment Date (Repayment Period).</p> <p>Mallee Tas must pay Repayment Instalments, as determined by the formula below:</p> $\text{Repayment Instalment} = \frac{\text{Principal Amount Outstanding}}{\text{Months in Repayment Period}}$
Prepayments	<p>If at any time all or substantially all of the assets of Mallee Tas and its subsidiaries (Mallee Tas Group) are sold, Mallee Tas must prepay the</p>



	<p>Facility, together with accrued interest, in full, together with any applicable Break Fee (defined below).</p> <p>If any member of the Mallee Tas Group enters into a transaction or series of transactions to dispose of their assets and which result in them receiving net proceeds in excess of US\$500,000 in any financial year, with such proceeds not reinvested within 6 months of receipt in assets of like type or value or to purchase other capital assets relevant to the Mallee Tas Group, Mallee Tas must prepay the Facility in an amount equal to the unused net proceeds of the sale, together with any applicable Break Fee.</p> <p>Mallee Tas may, by giving Hartree 10 business days' notice, prepay the whole or any of the Facility, together with accrued interest, by a minimum amount of US\$500,000 (or such lesser amount as remains payable under the Facility), together with any applicable Break Fee. Any such prepayment will not affect Mallee Tas' obligations to make Repayment Instalments during the Repayment Period.</p>
Offtake Payments	<p>To the extent Hartree is liable to pay any amount to Mallee Tas or Allegiance under the Offtake Agreement, Hartree shall apply such amount in discharge of any unpaid payment obligations of Mallee Tas in respect of the Facility.</p>
Interest	<p>The Facility will accrue interest at a rate of 10% per annum, calculated on the daily balance of the principal outstanding under the Facility (Interest). Interest will be payable to Hartree on the last day of each calendar month during the Repayment Period.</p> <p>If Mallee Tas fails to pay any amount payable by it in respect of the Facility as and when it falls due, interest will accrue on the overdue amount from the due date until it is paid at a rate of 13% per annum (Default Interest), such amounts to be immediately payable in cash on demand.</p>
Fees	<p>Mallee Tas will pay an establishment fee on draw down equal to 1% of the funds made available under the Facility.</p> <p>The following break fees will be payable in respect of the Facility (Break Fees) pro rata to the amount of the Facility prepaid:</p> <ul style="list-style-type: none">• on any prepayment that is on or before the date that is 12 months following Financial Close, an amount equal to US\$375,000;• on any prepayment that is after the date that is 12 months following Financial Close, but is on or before the date that is 24 months following Financial Close, an amount equal to US\$325,000; and• on any prepayment that is 24 months following Financial Close, but is on or before the Repayment Date, an amount equal to US\$275,000, <p>provided that no Break Fees are payable in respect of the Initial Repayment Tranche.</p>
Withholding Tax Gross-up	<p>Mallee Tas must make all payments (including any capitalised interest) to be made by it without any withholding tax deduction, unless deduction is required by law. If a deduction is required by law, Mallee Tas must pay</p>



	<p>an additional amount together with the payment so that, after making the deduction, Hartree receives an amount equal to the payment which would have been due if no deduction had been required.</p>
Security	<p>The obligations of Mallee Tas in respect of the Facility will be secured by:</p> <ul style="list-style-type: none">• general security deeds under which the Mallee Tas Group will grant security over all of their assets and undertakings;• a security deed under which the Company will grant security over its shares in Mallee Tas;• real property mortgages under which members of the Mallee Tas Group will grant security over real property held by them;• a tenement mortgage under which the Mallee Tas Group will grant security over their interests in the tenements making up the Project; and• a tenement mortgage under which Mallee Tas (Misc) Pty Ltd will grant security over its interest in EL5/2020 (once acquired) (Melba Flats Tenement), <p>(together, the Security Documents).</p>
Events of Default and Review Events	<p>Mallee Tas will be in default under the Facility if any of the following events, among other customary default events, occur without Hartree's consent:</p> <ul style="list-style-type: none">• it fails to pay any amount due under the Facility as and when due, provided that:<ul style="list-style-type: none">○ Mallee Tas will not be in breach if the failure to pay is as a result of an administrative or technical error or a disruption to payment systems, Mallee Tas may remedy such failure within 3 business days; and○ if Mallee Tas has terminated the Offtake Agreement due to a breach by Hartree, Mallee Tas may remedy such failure within 45 days of the Offtake Agreement being terminated;• it breaches any term of the Facility or the Security Documents that is not remedied within 10 business days of Mallee Tas becoming aware of the breach;• a representation or warranty proves to be untrue or misleading in any material respect when made that is not remedied within 10 business days of Mallee Tas becoming aware of the breach;• any member of the Mallee Tas Group fails to repay any financial indebtedness in excess of US\$500,000 when it falls due;• an insolvency event occurs in respect of the Company or any member of the Mallee Tas Group;• it becomes unlawful for Mallee Tas or any member of the Mallee Tas Group to perform its obligations under the Facility;• a material adverse change occurs;• any member of the Mallee Tas Group ceases to carry on its business;



- a judgment is obtained against any member of the Mallee Tas Group for an amount in excess of an agreed threshold;
- all or a material part of any member of the Mallee Tas Group’s assets are compulsorily acquired by a governmental agency and adequate consideration is not received in respect of such acquisition; or
- Mallee Tas reduces its capital or passes a resolution to authorise a share buy-back.

A review event will occur if there is a change of control in respect of the Company, following which Hartree may require that the Company enter into good faith negotiations for a period of 15 days to attempt to agree appropriate amendments to the Facility and Security Documents to allow the Facility to continue in place, failing which Hartree may require that the Facility and all outstanding moneys are repaid and cancelled within 30 days.

Offtake Agreement

Parties	Mallee Tas, Allegiance and Hartree
Offtake	<p>Hartree will be the exclusive purchaser of nickel concentrates (Product) produced from the existing identified resources (and extensions thereof insofar as they relate to nickel concentrates) at Avebury mine (Existing Mine).</p> <p>The duration of the offtake will commence on that date on which the DOCA is effectuated in accordance with its terms (DOCA Effectuation Date) and continue for the life of the Existing Mine (Term).</p>
Product Specifications	<p>Product delivered to Hartree must fall within agreed specifications with respect to nickel percentage, arsenic levels, magnesium oxide and other customary product specification requirements. Should the Product not meet the agreed specifications, it will be treated as Off-Spec Product and Hartree may reject the Product, in which case the Company will be permitted to sell Off-Spec Product to another purchaser. MYL and Hartree will negotiate the sale of Off-Spec Product and may agree to a discount being applied.</p>
Nickel Price	<p>Subject to the terms of the Hedging Agreement, the price payable by Hartree for nickel concentrate contained in the Product shall be calculated by reference to the arithmetic mean of the settlement price for “Nickel Cash LME Daily Official \$ per tonne”, as published in the Metal Bulletin in US\$, over the applicable quotational period (Nickel Reference Price).</p>
Cobalt Price	<p>The price payable by Hartree for cobalt contained in the Product shall be determined by the arithmetic mean of the lower buy price for “Cobalt Low Grade MB free market US\$/lb”, as published in the Metal Bulletin in US\$, over the applicable quotational period (Cobalt Reference Price).</p>



Changes to Pricing	<p>The parties will, at the end of 5 years from the DOCA Effectuation Date and every 5th year thereafter, negotiate in good faith any adjustments to the pricing of Product or other terms and conditions for the supply of Product to reflect changes in the nickel concentrate market.</p>
Deductions	<p>Deductions to the price payable for Product shall be determined based on the levels of arsenic and magnesium oxide contained in the Product.</p>
Shipment	<p>Product shall be delivered by Mallee Tas CIF FO Discharge Port (Main Port China, Europe or North America, according to arsenic content and at Hartree's option).</p>
First Right of Refusal	<p>Mallee Tas and Allegiance (the Seller Parties) grant Hartree a first right of refusal to enter into an offtake agreement in respect of any marketable base or precious metal concentrate other than the Product recovered from:</p> <ul style="list-style-type: none"> • the mining and exploration tenements held by Allegiance as at the date of the Offtake Agreement (3M/2003; 6M/2007; EL28/1988; EL43/1992; and RL5/2009); and • any mineral rights granted to a Seller Party or an affiliate from time to time in connection with Avebury mine, or contiguous to the then current offtake area (but not including tenements acquired on arms'-length terms from a non-affiliate), <p>including any conversion, substitution, amendment or renewal or extension thereof (Tenements), which excludes the Melba Flats Tenement.</p>
Security	<p>Until such time as Mallee Tas has delivered 250,000 dry metric tonnes of Product to Hartree under the Offtake Agreement, the obligations of Mallee Tas under the Offtake Agreement will be secured by:</p> <ul style="list-style-type: none"> • a charge over all the property of Mallee Tas and Allegiance; and • a tenement mortgage under which the Mallee Tas Group will grant security over their interests in the tenements making up the Project. <p>Hartree has the right to register the Offtake Agreement (among other documents) as a "written instrument" pursuant to section 176 of the Mineral Resources Development Act 1995 (Tas) (Mining Act), and lodge a Caveat pursuant to section 183 of the Mining Act over each Tenement.</p>
Disposal of Tenements	<p>Allegiance may transfer its interest in the tenements the subject of the Offtake Agreement provided that:</p> <ul style="list-style-type: none"> • Allegiance gives 20 business days' notice of the proposed transfer to Hartree; • the transfer is not likely to give rise to a material adverse effect on the rights and remedies of Hartree; • the transferee has the technical and financial capacity to perform Allegiance's obligations under the Offtake Agreement and is not sanctions-affected; • all necessary authorisations are obtained in connection with the transfer;



	<ul style="list-style-type: none">• neither Mallee Tas nor Allegiance is in default under the Offtake Agreement; and• the transferor enters into a deed of covenant agreeing to be bound by the obligations of Allegiance under the Offtake Agreement.
Termination Events	<p>Each of the following is a termination event under the Offtake Agreement (Termination Events):</p> <ul style="list-style-type: none">• an insolvency event occurs in respect of a party;• a party fails to make any delivery or perform any other material obligation other than a payment obligation when due if such failure is not cured within three business days after notice thereof;• a party fails to pay to another party when due, if such failure is not cured within twenty business days after notice thereof;• a representation or warranty proves to be untrue or misleading in any material respect when made;• a default occurs under the Hartree Facility Agreement that entitles Hartree to accelerate Mallee Tas' repayment obligations;• a change of control occurs in respect of Mallee Tas;• any key licences in respect of the Project are revoked, cancelled, suspended or materially varied without Hartree's consent that would have a material adverse effect;• any mine operational contract in respect of the Project is revoked, cancelled, suspended or materially varied without Hartree's consent where such change is likely to have a material adverse effect;• there is an unscheduled work or operational stoppage at the Mine, other than for force majeure, which continues for a period of 10 continuous days and such stoppage is likely to have a material adverse effect;• Mallee Tas enters into an offtake agreement for Product or Off-Spec Product with a third party or purports to sell Product or Off-Spec Product to a third party, other than as permitted under the agreement;• an event occurs in respect of Mallee Tas that has a material adverse effect; or• if in the reasonable opinion of the Hartree the quality of not less than 75% of the Product is unmarketable. <p>On the occurrence of a Termination Event, the non-defaulting party may suspend performance of the Offtake Agreement for a period of up to 30 business days, or such lesser time as the Termination Event is continuing, provided that:</p> <ul style="list-style-type: none">• Mallee Tas, as a non-defaulting party, shall be entitled to sell Product to any third party until such suspension is lifted; and• Mallee Tas, as a defaulting party, shall not be entitled to sell Product to any third party until such suspension is lifted, unless the Seller has raised a bona fide dispute as to whether a Termination Event has



	<p>occurred or is continuing, in which event the Seller may, after giving a dispute notice, sell Product to any third party pending resolution of the dispute, or until such time as the Termination Event is no longer continuing; and/or</p> <ul style="list-style-type: none"> • Terminate the Offtake Agreement effective within 14 days after upon written notice to the defaulting party.
Review Events	<p>Each of the following will constitute an event of review under this Agreement (Review Event):</p> <ul style="list-style-type: none"> • any stoppages or disruption to operations at that lasts for a period greater than fifteen (15) consecutive days, including force majeure events; or • monthly production of Product from the Project is less than 75% of the amount budgeted by Mallee Tas, unless such lowered production has been notified at least 60 days prior to the event occurring and the lowered production does not continue for more than 60 days. <p>Upon the occurrence of a Review Event, Hartree may notify Mallee Tas that it wishes to review the terms of the Offtake Agreement to consider, assess and discuss if any amendments need to be made to the Offtake Agreement or other actions taken to mitigate the Review Event.</p>

Hedging Agreement

Parties	Mallee Tas and Hartree
Term	<p>The Hedging Agreement commences on the date the DOCA Effectuation Date and ends on the later of:</p> <ul style="list-style-type: none"> • the date Mallee Tas has repaid the Facility; and • the date Mallee Tas has fulfilled all of its obligations under the Hedging Agreement, <p>(Term).</p>
Hedging Activities	<p>Hartree may from time to time during the Term, with Mallee Tas' prior written consent, enter into external hedges for up to 30% of the Product to be delivered to it under the Offtake Agreement, under which Hartree will fix a percentage of the price it is otherwise obliged to pay to Mallee Tas under the Offtake Agreement (Fixed Price). The Fixed Price obtained by Hartree under external hedges will be the price payable to Mallee Tas under the Offtake Agreement.</p> <p>In the event the parties are unable to agree the price parameters in respect of an external hedge within 10 business days, Hartree may enter into such external hedges as it considers reasonable without Mallee Tas' consent and Mallee Tas will be bound by the Hedging Agreement.</p>
Margin and Deemed Draw	Mallee Tas will indemnify Hartree against all required payments under the Hedging Agreement (including initial and variation margin), such payments to be treated as secured moneys under the Subscription Agreement.



	<p>In the event Hartree is required to pay any initial margin or variation margin to a hedge counterparty, unless an Event of Default is continuing, Mallee Tas will not be required to pay those amounts to Hartree and Hartree will pay those amounts directly to the hedge counterparty, such amounts to be:</p> <ul style="list-style-type: none">• treated as secured money under the Subscription Agreement; and• deemed repaid on the first London Metals Exchange day of the quotational period during which pricing of Product is determined in respect of such amount of Product as is required to close out the external hedge. <p>Any initial or variation margin returned by a hedge counterparty to Hartree will be credited against Mallee Tas' initial margin or variation margin liability to Hartree.</p>
Security	<p>The obligations of Mallee Tas under the Hedging Agreement will be secured by the Security Documents.</p>
Events of Default	<p>Each of the following will constitute an event of default under the Hedging Agreement:</p> <ul style="list-style-type: none">• a Termination Event occurs under the Offtake Agreement;• subject to the paragraph below, a party fails to pay the other party any moneys when due, unless such failure is caused by an administrative or technical error and is made within 3 business days of it falling due;• Mallee Tas fails to pay Hartree any moneys when due, unless Mallee Tas has terminated the Offtake Agreement due to a breach of Hartree and the payment is made by the date that is 45 days from the date of termination; or• A party fails to perform any other material obligation when due and such failure is not cured within 10 business days after notice thereof, <p>(together, Events of Default).</p> <p>If an Event of Default occurs, the non-defaulting party may, at the cost and expense of the defaulting party:</p> <ul style="list-style-type: none">• close out or terminate any external hedge, including by entering into opposite positions or by other usual means; or• set-off and/or net any or all positions and liability under external hedges, including the values upon close out, termination or entry into the opposite position, or such other usual means. <p>If an Event of Default on the part of Mallee Tas is continuing and is not remedied within 5 business days, Hartree may unwind at market price any outstanding external hedge at its own discretion and costs incurred in respect of such unwinding will be payable by Mallee Tas.</p>
Interest	<p>If an Event of Default on the part of Mallee Tas is continuing:</p> <ul style="list-style-type: none">• interest in respect of required payments will accrue at the rate agreed by the parties for deposits held and advances made by Hartree in relation to the maintenance of margins associated with external hedges; and



- each month Hartree will invoice Mallee Tas for the agreed interest payment and payment of such amount by Mallee Tas will satisfy any interest obligations payable under the Subscription Agreement in respect of such required payments.

Termination

If the value of the aggregate net hedge transactions of Mallee Tas under the Hedging Agreement would, if close out or terminated, be sufficient to repay or prepay all amounts owing under the Subscription Agreement and all required payments under the Hedging Agreement, Mallee Tas may instruct Hartree to close out or terminate all hedge transactions and apply the net proceeds against all amounts owing under the Subscription Agreement any required payments under the Hedging Agreement.

If there is no hedging transaction outstanding under the Hedging Agreement and Mallee Tas owes no amount to Hartree under the Hedging Agreement or Subscription Agreement, Mallee Tas may terminate the Hedging Agreement by notice to Hartree.