

## ASX ANNOUNCEMENT

31 January 2023  
ASX Code: MYL

### BOARD OF DIRECTORS

Mr Jeff Moore  
Non-Executive Chairman

Mr John Lamb  
Managing Director

Mr Rowan Caren  
Executive Director

### ISSUED CAPITAL

Shares	404 m.
Performance Rights	5 m.

### Mallee Resources Limited

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Western Australia

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ABN: 48 124 943 728

# December Quarterly Activities Report

## Highlights

- **First full quarter of mining and production at Avebury**
- **Mine staff increased to 170 at end of December**
- **Avebury mine officially opened in November**
- **Mining and processing activities ramping-up safely with no loss time injuries during the Quarter**
- **Metallurgical performance improving month on month**
- **First revenue from sales of nickel-cobalt concentrates**
- **First shipments of Avebury concentrates**
- **Exploration at Melba underway**
- **MYL to be removed from Official List of ASX on 3 February 2023 and plans to apply to re-list shortly thereafter**



*Figure 1. The Honourable Felix Ellis MP, Tasmania's Minister for Resources, and John Lamb, Managing Director, unveiling the plaque commemorating the official Avebury mine opening day in November.*



## Avebury Operations

This December Quarter represents the Company's first full quarter as a nickel-cobalt producer. Commissioning of Avebury progressed very well during the period with improvements in mining rates, metallurgical performance and concentrate production rates. Mallee Resources Limited ("MYL", "Mallee" or "the Company") was also pleased to see the first shipments of nickel-cobalt concentrate within the Quarter.

On 29 November 2022, the Avebury mine was officially re-opened by the Honorable Felix Ellis, Tasmania's Minister for Resources. The opening was attended by a number of guests including Mr Pascal Larouche from Hartree Metals LLC, Tasmanian Director of Mines Mr Kevin Robinson, Chair of the Tasmanian Minerals and Energy Council Mr Ben Maynard, and CEO Mr Ray Mostogl. The opening was a grand success highlighted by a version of "Country Roads" Zeehan-style performed by the students from the Zeehan Primary School.

The mine staff on site now exceeds 170 and is anticipated to grow further to 220 by the end of the year. This represents a net recruitment of 140 people to the mine over the period since Mallee became involved. The recruitment drive has been successful in no small part due to the attraction of Tasmanian mining professionals to a new mine on the West Coast.

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Managing Director, John Lamb, commented:

*"The ramp-up in throughput at Avebury will occur in steps. After each step up has been taken, the mine and processing plant are stabilised at the new level. The metallurgical performance continues to be optimised as more operational data is received and that information is used to tune the processing plant to maximise recoveries of nickel and cobalt to concentrate. We now have a strong foundation and will keep building towards achieving nameplate capacity in the near term."*

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Figure 2. Loader feeding ore from the run-of-mine pad to the crusher.



During the commissioning phase MYL has been able to take advantage of the extensive capital mine development undertaken by the former Avebury mine operators. Of the total tonnes mined to date by MYL, 93% have been ore tonnes. Mine development metres continue to trend upward month on month with a 75% increase in metres advanced in the period compared to the prior Quarter. Relative to the September Quarter, ore mined increased by 260% and the nickel grade mined increased by 12%.

Ore tonnes milled, ore grade milled and metallurgical recoveries continued to trend positively over the Quarter reflecting the successful restart of mine operations. Recovery of nickel to final concentrate averaged over 70% in the month of December and continues to build towards nameplate recoveries of 79%. Pleasingly cobalt produced has also exceeded expectations and resulted in additional revenue being generated.

Area	Details	Units	Q2 – Oct to Dec 2022
Mining	Development metres	m	500
	Ore mined	dmt	126,817
	Ni grade	%	1.1
	Co grade	ppm	228.0
	Ni metal	dmt	1,379
Milling	Ore milled	dmt	142,283
	Ni grade	%	1.1
	Co grade	ppm	238.6
	Ni recovery	%	64.9 <sup>1</sup>
	Co recovery	%	66.2
Concentrate Production	Concentrate	dmt	5,352
	Ni grade	%	19.1
	Ni metal contained	dmt	1,024
	Co grade	ppm	4,198.2
	Co metal contained	dmt	22
Concentrate Sold	Concentrate	dmt	5,259
	Ni grade	%	18.6
	Ni metal contained	dmt	976
	Co grade	ppm	4,214.1
	Co metal contained	dmt	22

Table 1: December 2022 Quarterly Physicals (grades and recoveries are weighted averages over the Quarter).

<sup>1</sup> Averaged above 70% for the month of December.



Avebury is still in ramp-up mode with both mobile and fixed plant items brought on-line over the Quarter. In the mine, both of the loaders purchased in the September 2022 Quarter were established on full guidance teleremote operation, with operator stations established at the portal office and in a mobile underground operator hut. A second development jumbo was added to the fleet and the second production drill rig was commissioned. A third dump truck also arrived during the Quarter and the full stope sequence encompassing design, mining, backfilling, processing of the mined ore and reconciliation has now been completed and proven. Blasting transitioned to electronic ignition and a second charge-up rig was added to the fleet, allowing the site to change from ANFO to emulsion explosives in the March 2023 Quarter.



*Figure 3. Remote bogging from portable operator station.*

A second surface loader for waste backfill, and excavator for ROM management and rock-breaking, were also added to the site fleet during the Quarter. Much of the mining fleet is second-hand hired equipment and this will be replaced with new plant throughout calendar 2023 as the initial hire terms expire. A key focus in the mine has been on delivery of quality ore to the plant, as well-fragmented ore with minimal dilution, tramp steel and trash allows the crusher to run at its best. The mine operations team ran a series of tours of the ROM pad and crusher during the period to demonstrate how the teams' actions can influence the quality of the ore received at the plant.

In the plant, much of the Quarter was spent debottlenecking and stabilising. The crusher has performed with high reliability and excellent throughput rates and has been proven to deliver in excess of nameplate capacity. Screen apertures were returned to their original design so that the product produced is fine and evenly graded. In turn, this has allowed the grinding circuit to perform well, with rates in excess of nameplate capacity achieved at times. Much work has been done on plant maintenance and operational control including, condition monitoring and oil analysis, testing and resetting control points, alarm levels and sensors, installing different liners to improve wear rates and modifying sections of the plant to enhance performance.



The performance of the flotation circuit has improved steadily throughout the quarter, with the monthly average recovery of nickel to concentrate exceeding 70% in December. Of particular note is the filter press, which exhibited issues including pump cavitation and low pressure during the pressing cycle. A number of modifications were made during the Quarter including the installation of a larger filter feed pump which led to a substantial improvement in concentrate filtration rates late in the Quarter.



*Figure 4. Dust extraction system over primary crusher (L) and concentrate in float circuit (R).*

Trucking, bagging, sales and shipping are operating smoothly. Avebury sends on average four truckloads of concentrate per day to Burnie where it is bagged and stored for export. International shipping containers are secured in Melbourne, shipped empty to Tasmania, loaded with 10 bags per container and shipped out again to Melbourne, whereupon they are placed in the international container terminal ready to be loaded onto the export vessel. As a Tasmanian exporter, the company qualifies for the Tasmanian Freight Equalisation Scheme which partially defrays the cost of container transshipping via Melbourne.

### *Exploration*

Geophysical analysis was undertaken during the quarter to identify targets on the Avebury Arc at Trial Harbour. The first hole at Melba, approximately 20km from Avebury, was also drilled late in the Quarter. Historically, the Melba region hosted several mines producing high-grade nickel/copper ore with gold and PGE's. The company has a substantial ground holding in this district.



*Figure 5. Exploration Diamond Drill at Melba.*

Underground drilling at Avebury will commence in the March 2023 Quarter and the drilling contractor is busy mobilising to site.



*Figure 6. Underground drill rig arriving on site at Avebury.*



### *Safety, Environment, Community and Employment*

Safety improved during the Quarter with all indicators trending positively. There were no lost-time injuries. Avebury's Mine Rescue team completed its demanding training schedule and proudly represented the site in the annual Tasmanian Minerals Emergency Response Competition in October.



*Figure 7. Emergency Response Team at Bell Bay Aluminium for the 2022 competition.*

Avebury also hosted a live underground fire training day in December, attended by representatives from other mines.



*Figure 8. Underground fire training hosted at Avebury in December 2022.*



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Managing Director, John Lamb, commented:

*“I am enormously proud of our emergency responders’. These men and women have taken on a great challenge in the service of their fellow workers and everyone on site is thankful for their hard work, dedication, and high skill level. Watching them in action at the competition, it was difficult to believe that the team formed only six months ago and had completed their last training module only a week before.”*

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Environmental management during the quarter focused on water and tailings. Work is well-progressed to commence the planned borrow pit within the tailings dam footprint in the March 2023 Quarter. This pit provides waste for underground backfill, material for building the next tailings dam embankment raise and when completed provides an additional 300,000m<sup>3</sup> of tailings space within the existing dam. Bunding, hydrocarbon management and disposal of scrap steel and other waste from site were also undertaken during the period.



*Figure 9. Avebury decant pond with tailings beach and processing plant in background.*

Mine staff passed 170 at the end of the Quarter, with 30% living locally. The team has worked hard to attract women into or workforce, achieving a respectable 11% for remote drive-in-drive-out workers, but Mallee recognises more work is needed in this area.

Community interaction and support was a highlight with the site newsletter continuing to attract popular support. Round 2 of our community grants program closed during the Quarter with \$27,373 given to 12 charities and community groups. The Avebury Opening Day, Gem & Minerals Fair and Children’s Christmas Party were all key events at which the company supported and engaged with the local community.





Figure 10. Auebury team at the Zeehan Gem & Minerals Fair in November.

### Costs

Over the period \$22.8 million of site operating expenditure was incurred and a further \$5.9 million of capital expenditure. The costs in Table 2 are presented in USD / tonne of nickel contained in concentrate and reflect the early stages of mine commissioning where fewer nickel concentrate tonnes are produced with higher expenditure than what the Company's would expect under nameplate operating conditions.

Metric	Units	December 2022 (Q2)
C1 Costs	USD/t	16,940
AISC Costs	USD/t	17,414

The above cost data is based on unaudited financial data. Mine development costs have been included in sustaining capital for the purposes of the AISC metric however all other PP&E capital has been capitalised as Pre-Commercial Production Capital. Australian dollar costs have been converted to US dollars at the average monthly AUD:USD exchange rate, which ranged from 0.637 – 0.676 over the period.



### *Financial Position*

The Company finished the December Quarter with \$2.0 million in cash and a further US\$1.7 million concentrate sale receivable at the end of the period. Furthermore, it had US \$10.2 million in receivables related to the sale of its subsidiary Bright Mountain Resources Myanmar Limited (BMR) to MAI.

The Company realised cash receipts of \$18.7 million from sales of nickel-cobalt concentrates during the quarter.

The Company received US\$ 1 million in relation to the sale of BMR. A balance of US\$ 9.2 million remains owing from MAI. A revised payment schedule is being negotiated with MAI which is intended to see all funds repatriated by the end of June 2023. Receipt of the first US\$1 million gives the Company confidence that this receivable will be recovered in full.

During the period, the Company drew down US\$ 4 million pursuant to the Hartree Bridging Loan facility. The repayment date of the Bridging Loan facility has been extended to 30 June 2023. The Company's Hartree financing facilities totalled US\$28 million (A\$44 million) at the end of the period. Funds recovered from MAI have been applied to partial repayment of amounts outstanding under the Bridging Loan provided by Hartree Metals LLC, in accordance with the terms of the Bridging Loan agreement.

The Company has no financial hedging arrangements in place.

In accordance with ASX Listing Rule 5.3.5, the Company confirms that payments totalling \$265,000 were made to Directors during the Quarter comprising salaries and fees.

### *Corporate*

Non-Executive Director Mr Paul Arndt, who was appointed in 2018 as a representative of Perilya, stepped down from MYL's Board in December to pursue other personal and business opportunities. During his time on the Board, Paul was a great contributor to the Company and provided valuable insights in the areas of mine operations and corporate governance.

The scale of MYL's operations have changed significantly over the past year and accordingly the composition of the Board is expected to change in the near term to enhance the corporate governance practises of the Company.

### *Re-compliance with Chapters 1 and 2 of the ASX Listing Rules*

Trading in the shares of Mallee Resources Limited has been suspended since February 2021. The Company's status during this time has been that of a listed entity whose securities are suspended from quotation, and it has not been possible to trade shares on ASX. ASX policy provides for the automatic removal of entities from the Official List of ASX if they are suspended for a continuous period of two years, unless ASX agrees to an extension to the date for an entity's automatic removal. The two year anniversary for Mallee is 3 February 2023.

The possibility that ASX would not agree to an extension of the timeframe for the proposed removal of Mallee Resources from the Official List of ASX has been flagged in previous ASX releases.

The Board and management of Mallee has worked tirelessly to secure a re-listing of the company prior to the two year deadline over the past seven months since the acquisition of the Avebury Nickel project in Tasmania.

Unfortunately, we have been unable to satisfy ASX's requirements for a re-listing or an extension prior to their deadline and ASX has confirmed that Mallee Resources will be removed from the Official List of ASX on 3 February 2023.



This removal will not significantly change the Board's plans to seek a relisting of the Company. Board and management will now pursue an Initial Public Offering (IPO).

Prior to lodging a prospectus for the IPO, it is intended that the independent review of financial statements for the half year ended 31 December 2022 will be completed. Therefore, timing wise a listing early in the second quarter of 2023 is targeted.

Upon removal from the Official List on 3 February 2023, the only aspect of a shareholding in Mallee that will change is the listed status. In all other respects a shareholding in Mallee Resources will continue and Mallee will continue to own and operate the Avebury Nickel mine.

There is not a guarantee that the Company will be successful with an IPO. The Company must still meet all of the requirements for admission and quotation set out in Chapters 1 and 2 of the ASX Listing Rules if it is to list on ASX. Further, ASX will retain its absolute discretion under listing rules to admit (or not admit) the Company to the official list, which it can exercise at any time.

Following removal, the Company will no longer lodge announcements on the Market Announcements Platform of ASX. Therefore, in order to keep up to date with the Company's progress and news, shareholders should monitor the Company's website and LinkedIn pages. If shareholders have not already done so, they should ensure that your communication preferences are up to date with Automic share registry.

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Managing Director, John Lamb, commented:

*"Mallee has proven over the course of this period that all elements in the Avebury value chain are working, from the underground mine all the way to shipments of final concentrate product. We will build on the success from the December quarter and we look forward to a prosperous 2023.*

*Achieving a re-listing is a key part of the recovery of the Company's fortunes. This recovery commenced immediately after we formed a view in mid-2021 that there was no future for the Company in Myanmar. It took a massive leap forward when we took control of the Avebury project, brought it back to life and commenced generating significant revenues.*

*Shareholders should be in no doubt that it is the Board's firm intention to seek a relisting as soon as possible."*

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Approved for release to the ASX by

**John Lamb**

Managing Director



## About Mallee Resources Limited

Mallee Resources Limited (ASX: MYL) is an emerging miner listed on the Australian Securities Exchange. The Company wholly owns the Avebury Nickel Sulphide Project in Zeehan, western Tasmania. The Avebury Project hosts JORC (2012) compliant Mineral Resources of 29.3 Mt at 0.9% Ni<sup>2</sup>, an operating underground mine and a modern processing plant and mine infrastructure. The Avebury Mineral Resource is open at depth and along strike and the prospective host geology hosts outstanding exploration potential.

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

Table 1: Avebury Mineral Resource estimate, reported from all blocks within Ni > 0.4 % envelope<sup>2</sup>.

## Mineral Tenements

Title / Reference	Status	Locality	Party Name	Change of MYL Interest During Quarter	MYL Interest at End of Quarter
4M/2022 <sup>3</sup>	Mining Lease	Trial Harbour Road, Zeehan, Tasmania	Allegiance Mining Pty Ltd	Nil	100%
EL28/1988	Exploration Licence	Trial Harbour Road, Zeehan, Tasmania	Allegiance Mining Pty Ltd	Nil	100%
EL43/1992	Exploration Licence	Melba Flats, Tasmania	Allegiance Mining Pty Ltd	Nil	100%
RL5/2009	Exploration Licence	Melba Flats, Tasmania	Allegiance Mining Pty Ltd	Nil	100%
EL5/2020	Exploration Licence	Melba Flats, Tasmania	Mallee Tas (Misc) Pty Ltd	Nil	100%

## 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

<sup>2</sup> The Mineral Resource estimate including JORC Table 1, sections 1, 2 and 3 and the competent persons statement has been previously reported by the Company in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves' (JORC Code) on 8 April 2022 and is publicly available at <https://bit.ly/3jifzIM>.

<sup>3</sup> Consolidation of mining leases 3M/2003 and 6M/2007.



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.

### *Competent Person Statements*

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information in this announcement that relates to Exploration Results is based, and fairly reflects, information compiled by Mr Tony Chisnall, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Chisnall has reviewed previous information, data and reports related to the historical drilling results at the Tenement being reported and considers that the information in this announcement is an accurate representation of the available data and studies available in respect of the Tenement. Mr Chisnall is a full-time employee of Mallee Resources Limited. Mr Chisnall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC Code. Mr Chisnall consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

## Appendix 5B

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

Name of entity

<b>MALLEE RESOURCES LIMITED</b>
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ABN

48 124 943 728
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Quarter ended ("current quarter")

31 December 2022
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	18,681	18,681
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(15,750)	(34,830)
(c) production	-	-
(d) staff costs	(7,036)	(10,553)
(e) administration and corporate costs	(404)	(2,009)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	(1,005)	(2,070)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
(a) Reimbursement of listing fees	262	262
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,251)</b>	<b>(30,510)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	532	(38,210)
(b) tenements	-	-
(c) property, plant and equipment	(5,824)	(15,012)
(d) exploration & evaluation	(25)	(26)
(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 (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	a) Other (sale of subsidiary (cash balance of subsidiary) proceeds not yet received)	-	(17,525)
	b) Other current assets (deposits)	(800)	(9,700)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(6,117)</b>	<b>(80,473)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	18,998
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	-	(40)
3.5	Proceeds from borrowings	6,132	50,353
3.6	Repayment of borrowings	-	(9,228)
3.7	Transaction costs related to loans and borrowings	(513)	(955)
3.8	Dividends paid	-	-
3.9	(a) Other – proceeds from finance leases	1,542	6,567
	(b) Other – finance lease payments	(569)	(1,202)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>6,592</b>	<b>64,493</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,016	48,531
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,251)	(30,510)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,117)	(80,473)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,592	64,493
4.5	Effect of movement in exchange rates on cash held	(265)	(66)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,975</b>	<b>1,975</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,975	7,016
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,975</b>	<b>7,016</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	265
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		



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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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	(43,872)	(43,872)
7.2	-	-
7.3	(6,005)	(6,005)
7.4	(49,877)	(49,877)
7.5	2,952	-
7.6	<p>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.</p> <p>The Company has a short term Bridging Facility provided by major shareholder Hartree Metals LLC ('Hartree'), this facility is denominated in US Dollars (USD) and is a secured loan. The US\$10 million Bridging Facility was partly repaid (US\$6 million) on 30 September 2022, leaving a balance of US\$4 million outstanding and due for repayment on 14 October 2022. Hartree granted an extension of the repayment date to 15 December 2022 and allowed for US\$6 million to be redrawn. A total of US\$4 million has been redrawn as at 31 December 2022. The total amount outstanding under the Bridging Loan as at 31 December 2022 is US\$8 million. A further extension of the repayment date was granted on 30 December 2022 and under the terms of the further extension, US\$2 million is available to be redrawn and the Bridging Facility repayment date has been extended to 30 June 2023. The interest rate was 10% pa but with effect from 30 December 2022 is now SOFR plus 10% pa.</p> <p>The Company also has a fully secured US\$20 million Capex facility with Hartree Metals LLC which is fully drawn. The interest rate for this facility is 10%pa.</p> <p>The Company also has equipment financing with DLL Finance for A\$1.102 million, Sandvik for A\$3.422 million, CAT Finance for A\$0.810 million and RDO Equipment Finance for A\$0.669 million.</p> <p>There is a US\$2million unused financing facility available pursuant to the Hartree Bridging Facility at the end of the quarter.</p>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	(5,251)
8.2	(25)
8.3	(5,276)
8.4	1,975
8.5	2,952
8.6	4,927

8.7 **Estimated quarters of funding available (item 8.6 divided by item 8.3)** 0.9

*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.*

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:

No, the Company expects the net operating cash flow position to improve relative to the December quarter. The Company notes:

- While three full months of operating costs were expended during the December quarter, Mallee only started to receive sales revenue from the third week of October.
- Logistical teething problems meant less concentrate was trucked and therefore eligible for advance payment during the quarter. These problems have been rectified.
- \$2.5 M. of non-recurring start-up cost was expended during this period. This expenditure is included in 1.2(b) of the Appendix 5B.
- Timing differences resulted in no revenue being received in the period for nickel-cobalt stockpiles on hand at the end of the period, however operating costs relating to this product were expended during the period.
- Spot LME nickel prices are 34% higher than the start of the December quarter.

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:

The Company proposes to undertake a placement and a capital raising in connection with its proposed re-compliance with Chapters 1 and 2 of the ASX listing rules. Information relating to this capital raising will be presented in a re-compliance prospectus.

The Company continues to pursue recovery of the proceeds of the sale of its subsidiary Bright Mountain Resources Myanmar Limited. US\$1 M was received subsequent to year end.

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:

Yes, as noted in item 8.8.2 the Company has plans to secure additional funding. Furthermore, the Avebury mine is operational and the Company is consistently receiving sales revenues which are expected to increase in the short term as the Company increases throughput from the Avebury mine towards nameplate production capacity.

It is noted, however, that operational results are subject to several risks. For further information refer to section 7 of the Company's Prospectus dated 2 August 2022.

*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: 31 January 2023.....

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.
6. Comparative expenditure has been restated for cashflows during the year for assets held for sale as at 30 June 2022, this includes cashflows from Bawdwin Joint Venture and Bright Mountain Resources Myanmar Ltd.