

ASX ANNOUNCEMENT

29 July 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

Mr Steve Hendel
Non-Executive Director

ISSUED CAPITAL

Shares	302 m.
Performance Rights	5 m.
Unlisted Options	1 m.

Mallee Resources Limited

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Western Australia

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ABN: 48 124 943 728

JUNE 2022

QUARTERLY ACTIVITIES REPORT

Highlights

- Mallee has completed the acquisition of the Avebury nickel sulphide project via a deed of company arrangement for Allegiance Mining Pty Ltd
- Binding agreement to acquire EL5/2020, a highly prospective exploration licence adjacent to the Melba Flats licences
- Binding agreements reached with Hartree Metals LLC (Hartree) including a life of mine offtake agreement, subscription agreements for loan facilities, a hedging agreement and security documentation
- Commencement of mining operations at Avebury
- Processing plant refurbishment works well advanced ahead of planned Q3 commissioning
- Prospectus to support the proposed capital raising and the Company's reinstatement to trading on the ASX well advanced



Figure 1. Managing Director, John Lamb, outside the Avebury processing facility.



Summary of Activities

The June quarter was a transformative and exceptionally active period for Mallee Resources Limited (“MYL” or “the Company”). In early July, the Company acquired Allegiance Mining Pty Ltd (“Allegiance”) which holds the Avebury nickel project in western Tasmania, following shareholder approval for the transaction obtained on 29 June 2022. Key commercial agreements customised for Avebury were entered into with Hartree, setting strong foundations for an enduring commercial relationship. Mining operations also began in May with underground ore being delivered to the run-of-mine (“ROM”) pad in advance of the commissioning the processing plant.



Figure 2. First ore from underground mine delivered to the ROM pad.

John Lamb, Managing Director, commented:

“This quarter was Company defining in many respects. We now have an operating nickel sulphide mine in a tier one mining jurisdiction with hydro-electric grid power to the door. This a very rare position to be in and it comes as a result of much hard work from our team.”



Acquisition of Allegiance

The acquisition of Allegiance marked the end of a process which first started in December 2021. The Deed of Company Arrangement (“DOCA”) for Allegiance has allowed the Company to emerge with 100% ownership rights to Allegiance.

Allegiance holds two mining leases and one exploration licence at Avebury as well as one exploration licence and one retention licence at the Melba Flats area. Allegiance also holds the operating Avebury underground mine, a fully built and operation-ready processing facility with nameplate capacity of 900 ktpa, a substantial nickel sulphide Mineral Resource of 29.3 Mt at 0.9% Ni (264 Kt contained Ni) (JORC 2012)¹ and associated mining infrastructure and assets.

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

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

Avebury Project

Mining operations have commenced at Avebury. Ore is being delivered to the ROM pad where a stockpile is being developed in advance of commissioning the processing plant, which is planned to commence operations this year.



Figure 3. Avebury site overlooking the ROM pad.

¹ 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>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.



The Company operates Avebury under an owner operated model and has made a start to mining operations using a combination of owned and leased mobile plant and equipment. To ensure that the restart runs smoothly, Mallee's Managing Director John Lamb has taken on the role of General Manager at the mine. A veteran mine manager and well-known figure in Tasmania's minerals sector over many years, Mr Lamb is building a team that is projected to grow to around 200 permanent roles by the end of the year.

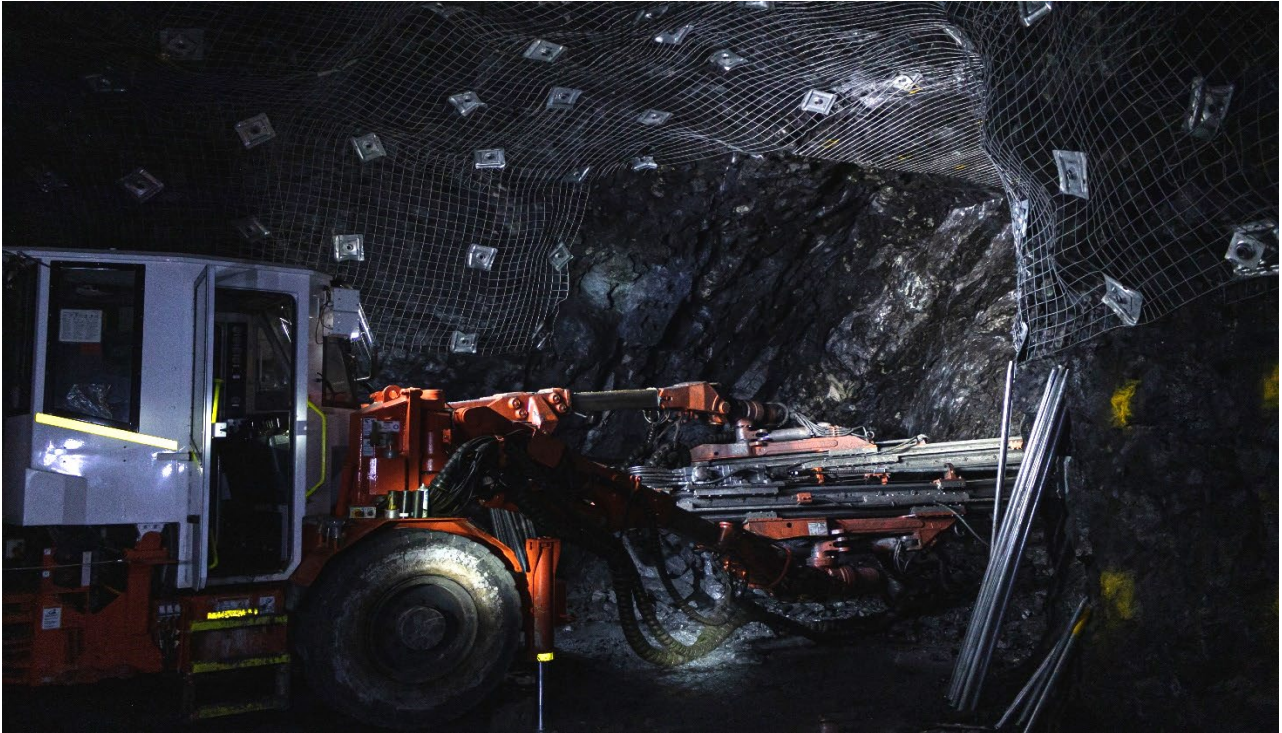


Figure 4. Jumbo undertaking underground development drilling.

During the period MYL moved to consolidate exploration ground in the highly mineralised Melba Flats area in western Tasmania, entering into binding terms with the holder of exploration licence EL5/2020 which is situated adjacent to the Avebury exploration licences EL43/1992 and RL5/2009. Upon completion of the acquisition MYL's exploration tenure at Melba will more than double.

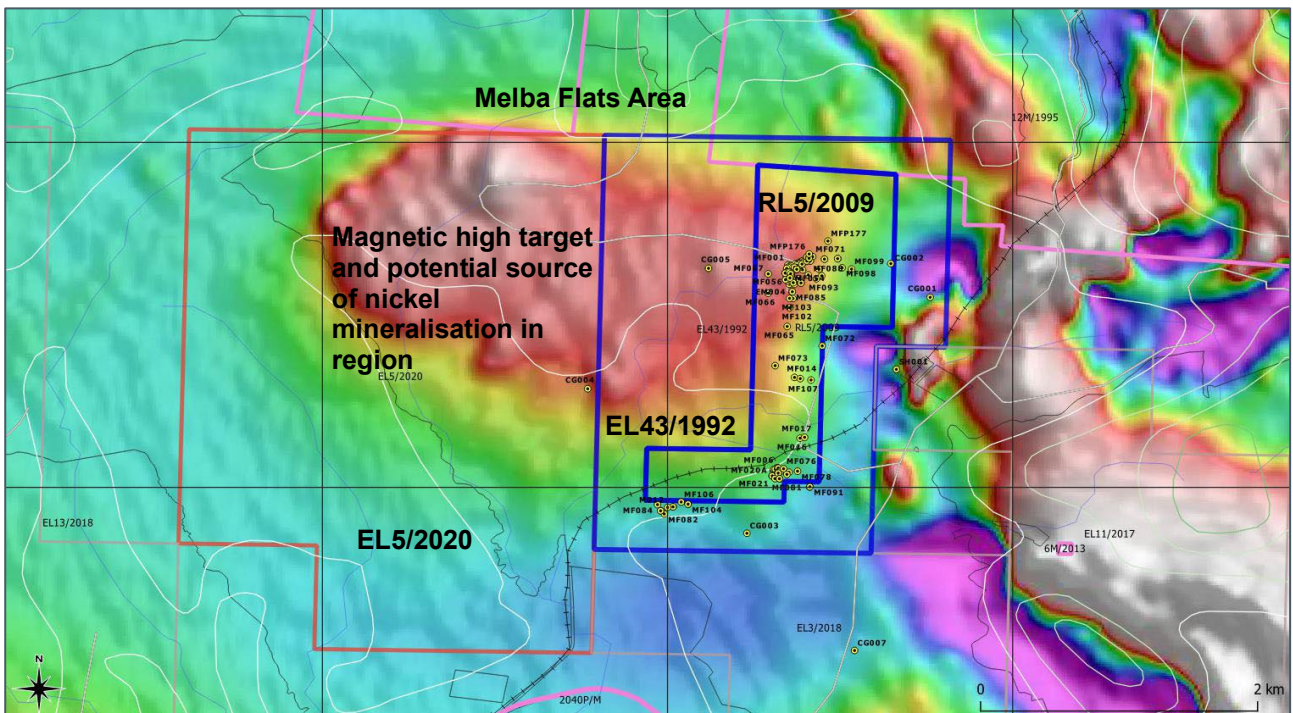


Figure 5. Map of Melba Flats Area with Regional Aeromagnetic Imagery



There is a rich history of nickel mining at Melba however little systematic exploration has been undertaken in the area. The magnetic high (red area covering the eastern portion of the Avebury Tenements extending west into EL5/2020 in Figure 5) could represent a mafic-ultramafic complex (large intrusive mass), the ultimate source of the nickel sulphides discovered to date at Melba Flats, and hence it is a high-priority exploration target for the Company.

Commercial Agreements

In June, the Company entered into binding commercial agreements with Hartree including a life of mine offtake agreement, subscription agreements for loan facilities, a hedging agreement and security documentation. The offtake agreement is tailored for Avebury and allows flexibility in the sales of Avebury nickel concentrates to the global market.

Financial Position

At the end of the June Quarter, MYL held A\$48.5 million in cash with nil debt. In early July, in connection with effectuation of the DOCA, the Company drew down on a US\$20 million debt facility and a US\$10 million bridging loan made available by Hartree, met its DOCA payment obligations totalling US\$10.4 million (after offsetting the above finance facility), paid A\$2.2 million for costs associated with the transaction, issued 91,973,769 effectuation shares to Hartree and issued 19,841,269 effectuation shares to the liquidators of Dundas Metals Pty Ltd (in liquidation).

Operating cashflows during the quarter totalled A\$1.1 million in staff and corporate costs which included costs incurred in relation to the acquisition of Allegiance.

After quarter end, the Company agreed to sell its Myanmar subsidiary, Bright Mountain Resources (Myanmar) Limited (BMR) to Myanmar Airways International Company Limited (MAI).

Pursuant to the terms of the sale transaction, Mallee is to receive a total of US\$10.2 million for its shareholding in BMR. Settlement of the transaction will occur in tranches over the next six months with completion due by 17 January 2023. BMR's sole asset was the residual cash balance of US\$12.06 million (equivalent to A\$17.5 million at the 30 June exchange rate) remaining from the proceeds of the successful sale of the Group's interests in the Bawdwin project.

Mallee intends to issue a prospectus to offer up to 100,000,000 shares at an issue price of \$0.70 per share to raise up to \$70,000,000 ("Offer") and to support the Company's reinstatement to trading on the ASX. Further details, including instructions on how shareholders can participate in the Offer will be included within the prospectus.

In accordance with ASX Listing Rule 5.3.5, the Company confirms that payments were made to directors during the quarter totalling A\$218,000 comprised of salaries and fees.

Board

During the period, the Company welcomed Mr Steve Hendel as a nominee Non-Executive Director of Hartree.

Mr. Hendel is currently serving, and has served since March 1997, as a Founding Partner and Managing Director of Hartree, where he is actively involved in the management of the firm. Mr. Hendel is also the Chairman of the board of directors of Sprague Resources LP. Prior to co-founding Hartree, from 1985 to 1996, Mr. Hendel was a partner at Goldman Sachs, where he held various management roles in the J. Aron division including head of energy trading and oversight of J. Aron's division of quantitative strategies. From 1994 to 1996, Mr. Hendel shared responsibility for the energy, commodity and currency business for J. Aron. Prior to joining J. Aron in 1980, he was an associate at Paul, Weiss, Rifkind, Wharton & Garrison.



Mr. Hendel is active in a number of artistic not-for-profit foundations. Mr. Hendel holds a B.A. from Yale University and a J.D. from the University of Connecticut School of Law.

John Lamb, Managing Director, commented:

“I am very excited by the significant potential Avebury brings to Mallee and its investors. With the Avebury acquisition completed and mining operations underway we are turning our attention to the capital raising and MYL’s reinstatement to trading on the ASX. In due course the prospectus will be lodged and we will be seeking your support to bring this outstanding nickel project back into production in the short term.”

Authorised for release to the ASX by

John Lamb
Managing Director



Mineral Tenements

<i>Title / Reference</i>	<i>Status</i>	<i>Locality</i>	<i>Party Name</i>	<i>MYL Interest</i>
3M/2003 ¹	Mining Lease	Trial Harbour Road, Zeehan, Tasmania	Allegiance Mining Pty Ltd	100%
6M/2007 ¹	Mining Lease	Trial Harbour Road, Zeehan, Tasmania	Allegiance Mining Pty Ltd	100%
EL28/1988 ¹	Exploration Licence	Trial Harbour Road, Zeehan, Tasmania	Allegiance Mining Pty Ltd	100%
EL43/1992 ¹	Exploration Licence	Melba Flats, Tasmania	Allegiance Mining Pty Ltd	100%
RL5/2009 ¹	Exploration Licence	Melba Flats, Tasmania	Allegiance Mining Pty Ltd	100%
EL5/2020 ²	Exploration Licence	Melba Flats, Tasmania	Mallee Tas (Misc) Pty Ltd	Nil%

Note:

1. Acquisition completed on 6 July 2022.
2. EL5/2020 will be acquired immediately prior to MYL's relisting upon satisfaction of conditions precedent

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.

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

MALLEE RESOURCES LIMITED

ABN

48 124 943 728

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	41	41
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(540)	(1,872)
	(e) administration and corporate costs	(620)	(1,413)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	7
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) (see note 6)	-	(1,064)
1.9	Net cash from / (used in) operating activities	(1,117)	(4,301)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(7)	(315)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	1
	(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	Other (provide details if material)	-	39,898
2.6	Net cash from / (used in) investing activities	(7)	39,584

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	(16)	(65)
3.10	Net cash from / (used in) financing activities	(16)	(65)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	47,476	11,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,117)	(4,301)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	39,584
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(16)	(65)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	2,180	1,873
4.6	Cash and cash equivalents at end of period	48,516	48,516

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	48,516	47,476
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)	48,516	47,476

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	218
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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(1,117)
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)	(1,117)
8.4	Cash and cash equivalents at quarter end (item 4.6)	48,516
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	48,516
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	43.4
	<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	

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 July 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.
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.