

ASX ANNOUNCEMENT

28 October 2021
ASX Code: MYL

BOARD OF DIRECTORS

Mr John Lamb
Executive Chairman, CEO

Mr Rowan Caren
Executive Director

Mr Jeff Moore
Executive Director

Mr Paul Arndt
Non-Executive Director

Mr Andrew Teo
Non-Executive Director

ISSUED CAPITAL (post-consolidation)

Shares	190 m.
Unlisted Options	5 m.

Mallee Resources Limited

Suite 1, Ground Floor,
9 Havelock Street
West Perth 6005
Western Australia

info@malleeresources.com.au
P +61 (0)8 6147 8100
malleeresources.com.au

ABN: 48 124 943 728

SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT

Highlights

- **Binding agreements secured for MYL to divest its interest in the Bawdwin project for US\$30 Million**
- **Shareholder approval obtained for the Bawdwin divestment, share consolidation and change of name**
- **Mallee Resources commences its search for new projects**

Summary of Activities

On 17 August 2021, Mallee Resources Limited (“MYL” or “the Company”, formerly Myanmar Metals Limited) announced that it had entered into binding agreements to dispose the Company’s entire interest in the Bawdwin project in Myanmar to its local Bawdwin Joint Venture partner, Win Myint Mo Industries Co. Ltd. (“WMM”), for a total consideration of US\$30 million.

The binding agreements were successfully negotiated during a structured and expedited sales process which also resulted in a conditional, non-binding proposal being received from Yintai Gold Co. Ltd.

The decision to divest Bawdwin was made following a strategic review, where the Board considered the objective of maximising shareholder value considering the heightened operating risks in Myanmar, the low likelihood of being able to raise the project finance required and other stakeholder issues. The detailed rationale supporting the divestment can be found in announcements dated 21 July, 26 August and 24 September 2021.

On 24 September 2021 the Company held a General Meeting of Shareholders, seeking approval for the following resolutions:

1. Disposal of the Bawdwin project
2. Consolidation of the Company’s share capital on the basis of 1 share for every 10 existing shares
3. Change of the Company’s name to Mallee Resources Limited

Shareholders overwhelmingly supported the resolutions, with at least 97% of the votes in support of each resolution as determined by a poll. The consolidation of the Company’s share capital and the change of name have now taken effect. The Company expects completion of the divestment transaction in due course and initial progress is very encouraging.



John Lamb, Executive Chairman and CEO, commented:

“We are humbled by the support of our shareholders which was very clearly demonstrated at the General Meeting. When shareholders approved the first resolution our agreements with WMM became unconditional and pleasingly we are now seeing funds flowing to the Company.

The approvals of resolutions 2 and 3 gave the Company a new identity and clean capital structure. With around A\$50 million in cash and receivables and a new corporate identity the Company has a strong foundation to build from as we move forward in our search for a new project.”

New Project Search

During the period the Company’s search for a new project began. In undertaking this search, the Company has preferred to seek non-competitive or off-market opportunities. This approach relies on MYL’s relationships and those of our associates to uncover projects which have potential to deliver greater value accretion for shareholders.

MYL’s strengths and experience are being honoured in our process, which has focused the Company’s search on projects from advanced exploration stage through to operations and in base, energy and precious metals. MYL seeks to operate in jurisdictions that are workable, safe and allow the Company to uphold its environmental, social and governance principles.

To date the Company has completed a ‘first pass’ review of hundreds of projects and elected to enter into ten confidentiality agreements to permit further due diligence. The Company is judiciously conducting detailed project due diligence where a favorable risk / reward payoff is evident.

Ross Dinsdale, General Manager - Corporate, commented:

“The emphasis of our search is on building a valuable business. This mindset goes beyond the identification of a good project and instead focuses on how a valuable portfolio can be constructed with favourable risk and reward characteristics.”

As announced on 16 September 2021, the Company expects its shares will remain in a trading suspension until such time as a new project had been acquired, pursuant to ASX’s determination of Listing Rule 12.1.

Financial Position

At the end of the September Quarter, MYL held \$10.1 million in cash with no debt.

Operating cashflows during the quarter totalled \$1.5 million. This included \$0.7m staff and corporate costs. The balance was attributable to the Bawdwin project holding cost.

In accordance with ASX Listing Rule 5.3.5, the Company confirms that payments made to directors during the quarter totalling \$259,000 comprised of salaries and fees.



Subsequent to the end of the quarter and as at the date of writing, the Company had received US\$13.8 million or 46% of the US\$30 million due under the Bawdwin divestment agreements.

All of the funds received so far have been received pursuant to the Binding Agreement – Option Agreement. Under the Binding Agreement - Operating Agreement, MYL's wholly owned Myanmar subsidiary BMR will receive a total of US\$13,125,000 which the Company and BMR will then seek to repatriate to Australia. As previously noted, this process may take an extended period of time to complete due to the challenging and dynamic banking environment in Myanmar. BMR and MYL will work with WMM to ensure that this is completed as soon as practicable.

Change to Executive Director Arrangement

From 1 November 2021, Mr Rowan Caren will transition from a consulting role to an employment position on equivalent remuneration and conditions. His responsibilities will remain unchanged, and he will continue to act as an Executive Director, Company Secretary and CFO. Key terms of Mr Caren's appointment are summarised in the Schedule.

Authorised for release to the ASX by

John Lamb
Executive Chairman and CEO
Mallee Resources Limited

Mineral Tenements

<i>Title / Reference</i>	<i>Status</i>	<i>Party Name</i>	<i>MYL Interest</i>
Myanmar			
<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>



SCHEDULE

Employment Agreement: Material terms

1. Term

Mr Caren's appointment as Executive Director, Company Secretary and Chief Financial Officer is effective from 1 November 2021. The term of his employment will continue until terminated in accordance with the Agreement.

2. Remuneration

- a. **Fixed remuneration:** Base salary of \$227,273 per annum, plus superannuation. Not less than 80% FTE.
- b. **Incentive package:** Participation in the Company's performance rights plan.

3. Bonus entitlement

Upon the occurrence of a change of control transaction, Mr Caren is entitled to a bonus payment of 12 months' base fee, subject to the Company's net assets exceeding the agreed minimum threshold at the time of the change of control taking effect (in the event of the change of control transaction comprising a scheme of arrangement).

4. Termination:

- a. **Company initiated termination by notice:** 3 months' notice in writing. A payment in lieu of notice may be made at the Company's discretion. Mr Caren will also be entitled to a termination payment of 6 months' base salary.
- b. **Company initiated termination for illness:** 1 months' notice in writing. A payment in lieu of notice may be made at the Company's discretion.
- c. **Summary termination:** Immediate termination upon the provision of notice in writing. No entitlement to a notice period or termination payment (except for any entitlements accrued as at the termination date).
- d. **Executive initiated termination for breach:** Immediate termination upon the provision of notice in writing.
- e. **Executive initiated termination by notice:** 3 months' notice in writing (or such lesser period as may be agreed by the Company and Mr Caren at the time). A payment in lieu of notice may be made at the Company's discretion.
- f. **Corporations Act and Listing Rules limitation:** The Company will not be required to pay to Mr Caren any benefits in connection with his termination which would exceed an amount permitted by the relevant provisions of the Corporations Act 2001 (Cth) or the ASX Listing Rules.

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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(351)	(351)
(e) administration and corporate costs	(372)	(372)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
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 from assets held for sale)	(783)	(783)
1.9 Net cash from / (used in) operating activities	(1,503)	(1,503)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(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 (3 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	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
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	(15)	(15)
3.10	Net cash from / (used in) financing activities	(15)	(15)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,425	11,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,503)	(1,503)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(15)	(15)

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	220	220
4.6	Cash and cash equivalents at end of period	10,127	10,127

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	10,072	10,735
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (share of cash from entities held for sale)	55	690
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,127	11,425

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	259
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)	(1,503)
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)	(1,503)
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,127
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	10,127
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.7
<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: 28 October 2021.....

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.