

ASX RELEASE

27 January 2021

Activities Report – Quarter Ended 31 December 2020

MCB Resources Limited (MCB or the Company) (ASX:MCB) reports that the following activities occurred during the quarter ended 31 December 2020.

Summary

- Trading in the Company’s shares on the ASX remained in voluntary suspension throughout the period. The suspension remains in force until the earlier of an announcement by the Company advising the status of its exploration licences and the recapitalisation, or Friday 1 March 2021.
- On 22 December 2020, the Company issued an update regarding its funding arrangements with Tygola Pty Ltd (Tygola). Tygola has in principle agreed to a further loan of \$1.5m, a loan extension and repayment schedule whereby the full loan amounts will convert to equity over a prescribed timeframe as part of the Company’s recapitalisation strategy (see company ASX announcements dated 30 September 2020 and 22 December 2020).
- Discussions continue with the ASX regarding the Company’s current business model and proposals to recapitalise the Company.
- On 21 December 2020, the Hon. David Johnston resigned from the Board of Directors.
- The Company’s Annual General Meeting of Shareholders was held on 30 November 2020.
- No field work was completed during the quarter due to the Bougainville Executive Council (BEC) imposed suspension of geological activities throughout Bougainville.
- The Company commenced its program of “health clinics” in November 2020. These are designed to help bring medical aid to remote areas within the Exploration Licence areas and were well received by locals.
- Renewal applications for both EL03 and EL04 progressed during the period. Warden’s hearings were held with seven of the eight constituencies between 11-21 October 2020. The hearing for Aita constituency was cancelled due to law and order issues and the Company is working with the Chief Warden to find a suitable date and location to hold the hearing.
- The Company held various meetings with the regulator and Minister in an effort to have the Bougainville wide suspension lifted, and to facilitate the renewal of the Company’s two Exploration Licences. The new Minister, Hon. Rodney Osioko, has voiced his support, and we remain hopeful that he and the BEC will address the suspension imposed by the previous administration.

- **The Company continued to work with authorities regarding the implementation of the Autonomous Region of Bougainville (ARB), Papua New Guinea (PNG), and Australian Government responses to the COVID-19 crisis. Travel in and out of PNG and Bougainville continues to be tightly controlled, and subject to testing, 7-day quarantine and the SOE Controller’s approval for travel from both Port Moresby and within Bougainville.**
- **COVID-19 cases in PNG remain low by international standards, with a total of 835 cases reported as of 23 January 2021. There has still only been one recorded case in Bougainville.**

PROJECT OVERVIEW

Exploration Activities

The Bougainville wide ban on exploration activities imposed by the **BEC** remained in force throughout the quarter.

The Company had several meetings with the new Minister and his Department in an effort to have the suspension lifted. The Minister’s response to date has been encouraging, and we remain hopeful that the lifting of the ban imposed by the previous administration will occur soon.

Plans for setting up a field camp in the Melilup area continued in the quarter, with various meetings and landowner reconciliations held.

Licence Renewal

The Company’s two Exploration Licences expired on 14 November 2020. All renewal documents were submitted well before the expiry, and the renewal process is now well advanced.

Seven Warden hearings were held during the period 11-21 October 2020. Most local people present at the hearings supported the renewal of the licences. The Warden’s hearing for the Aita constituency was unfortunately cancelled due to law and order issues in this region. The Company is working with the Chief Warden to find a suitable date and location to hold the hearing.

Once the final hearing is completed the process will then move to the Warden submitting his report to the Mining Advisory Council and the Council then submitting its recommendation to the Minister. The Company remains confident of the Licences being renewed.

In accordance with the PNG and Bougainville Mining Acts, the licence holder must maintain the licences in good standing throughout the renewal process.

Community

The Company continues working with the regulator, local landowners, chiefs, police, and politicians, to uphold law and order. It is hoped that with the completion of the General Election, the appointment of a new President and Police Minister will see a renewed focus from authorities on law and order. Exploration field work can only be reinitiated once the Company is confident that law and order will be maintained, working closely with landowners, police, and all levels of government.

The Company commenced a new initiative during the quarter with the establishment of a mobile health clinic, funded by the Company. The objective of this program is to take much needed health services (a local doctor) out into the community, where basic health services are almost non-existent. The initiative

was well received by landowners. Clinics were held during 18-20 November 2020, at both EL03 and EL04, with a total of 60 people receiving health assessments and treatment.

Future Work

The Company's primary aim, once the Bougainville-wide suspension of field activities is lifted, is to establish an operational base and security/police presence at the Melilup Prospect, and continue preparation for drilling. Once the field camp is established a program of detailed mapping, sampling and ground geophysics will commence across the wider prospect area to allow drill targeting and the commencement of drilling. **SOE** "lock down" and restrictions, and the need for ground-based geophysics to support drill targeting (due to very poor outcrop and dense tropical jungle), means drilling will now not commence until late H2 2021 at the earliest. This timeline will be subject to the lifting of **SOE** travel restrictions, lifting of international travel restrictions to allow select technical people to site for extended periods, lifting of the Company's exploration suspension, improved law and order, and the ability of the Company to access suitable contractors to perform the various technical tasks, and the raising of additional funds.

CORPORATE

Annual General Meeting

The Company held its Annual General Meeting on 30 November 2020, where all resolutions put to members were carried on a poll.

Director resignation

On 21 December 2021, the Hon. David Johnston resigned from the Board.

Funding update

A summary of all existing loan arrangements in place with Tygola Pty Ltd (Tygola) as previously announced include:

- **Facility 1**, a \$3 million secured loan, repayable on 30 September 2020;
- **Facility 2**, a \$1.5 million second secured facility, repayable on 30 September 2020;
- **Facility 3**, an unsecured loan of \$1.5 million, repayable on 30 September 2020; and
- **Facility 4**, an unsecured loan of \$3 million, repayable on 30 September 2020.

Save for Tygola having the option of converting \$1 million of Facility 2 at \$0.40 per ordinary share, all loans are payable in cash and bear an interest rate of 10% per annum and attract a facility fee of 5%.

On 29 September 2020, the Borrower (being MCB Resources) and the Lender (being Tygola) agreed in principle to a further loan of \$1.5 million (**Facility 5**), a loan extension and repayment schedule whereby the full loan amounts will convert to equity over a prescribed timeframe as part of the Company's recapitalisation strategy. MCB Resources and Tygola are working in good faith to resolve a clear path forward, to define the terms of conversion, and to finalise detailed documentation.

The parties are unable to extend the 30 September 2020 repayment term in accordance with the loan agreements unless and until the Borrower seeks and obtains the approval of its shareholders under ASX

Listing Rule 10.1 at a general meeting (**General Meeting**). As announced on 22 December 2020, the Lender has provided comfort to the Borrower that it will not take action to enforce its first ranking security until such time as the General Meeting has been held, or 28 February 2021, whichever is the sooner. Despite the indication that it will take no action, all of the Lender's rights and remedies under or in relation to the Loan Agreements and General Security Deed are expressly reserved, and provisions under the Loan Agreements remain in full force and effect.

At 31 December 2020, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of \$7.94 million, leaving a total of \$2.56 million available under Facilities 4 and 5.

Trading in the Company's shares on ASX remains in voluntary suspension. The Company has requested that the voluntary suspension remains in place until an announcement by the Company regarding the status of its exploration licences in Bougainville and the Company's recapitalisation have been made.

Securities

There were no movements in securities during the quarter.

Expenditure on mining exploration activities

In accordance with ASX Listing Rule 5.3.1, the Company advises its exploration and evaluation expenditure during the December 2020 quarter totalled \$136k. This amount is included at Item 1.2(a) of the Appendix 5B. Expenditure this quarter included \$17k in landowner access payments, \$90k to consultants, and \$29k for various goods and services provided in Bougainville. Refer to Project Overview section above for details of activities conducted during the quarter.

Payments to Related Parties and their Associates

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totalled \$99,000 relating to Executive and Non-Executive Director fees. Refer to the Remuneration Report in the Annual Report for further details on director remuneration. These amounts are included at Item 6.1 of the Appendix 5B.

Authorised for release by Michael Johnston, Executive Director.

For further information, please contact:

Michael Johnston – Executive Director
+61 (08) 6424 8524

About MCB Resources Limited

MCB Resources Limited is an ASX listed junior exploration company, solely focused on its two Exploration Licenses in North Bougainville. The tenements are considered highly prospective for porphyry copper and intrusion related copper gold mineralisation and have not been the subject of any significant modern exploration since "The Crisis" in 1989.

About the Bougainville Exploration Licenses

The Company, through Tore Joint Venture Limited, manages two exploration licenses on the island of Bougainville, Autonomous Region of Bougainville, Papua New Guinea. Tore Joint Venture Limited is 75% owned by MCB Resources Limited, with the remaining 25% being held by Toremana Resources Limited, a registered landowner association. The two exploration licenses, EL03 and EL04 were issued in November 2017, for an initial period of three years, and cover a combined area of 1,704 km². The company has commenced the renewal process.

Tenement Schedule

Tenements held by MCB Resources Limited and subsidiary companies.

TENEMENT	LOCATION	NAME	INTEREST
EL03	Bougainville	Tore East	75%
EL04	Bougainville	Tore West	75%

Field work on the Company's two Bougainville tenements was suspended by the DoMER, on demand from the BEC, on 17 December 2019. The suspension remains in force.

A SOE was declared in PNG and ARB in mid March 2020 to 14 April 2020 in response to the COVID-19 Virus. On 13 April 2020 the SOE was extended to 14 June 2020. In late September domestic travel restrictions in PNG were effectively relaxed, and Air Niugini announced a revised domestic schedule. SOE restrictions are still in force for international travel into PNG/ARB. Quarantine periods up to 3 weeks are imposed for any approved travel into PNG, with quarantine length dependent on the individuals travel origin. Testing is mandatory. On Bougainville, travel restrictions have been relaxed since late September.

Competent Persons Statement

The information in this announcement that relates to Exploration Results is based on information reviewed by **Mr Michael Johnston** who is a fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and an Executive Director of the Company. Mr Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Johnston consents to the inclusion of the information in the form and context in which it appears. Mr Johnston is a related party by virtue of being an executive director of MCB Resources.

– End-

Appendix 5B

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

Name of entity

MCB Resources Limited

ABN

30 118 758 946

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(136)	(382)
(b) development	-	-
(c) production	-	-
(d) staff costs	(188)	(331)
(e) administration and corporate costs	(232)	(366)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material):	-	-
1.9 Net cash from / (used in) operating activities	(556)	(1,079)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(7)	(55)
(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 (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	Other (provide details if material):	-	-
2.6	Net cash from / (used in) investing activities	(7)	(55)

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	540	1,140
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	540	1,140

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	75	46
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(556)	(1,079)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(55)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	540	1,140

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
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	52	52

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	52	75
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	52	75

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	99
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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	10,500	7,940
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	10,500	7,940
7.5	Unused financing facilities available at quarter end		2,560
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>A summary of all existing loan arrangements in place with Tygola Pty Ltd (Tygola) as previously announced include:</p> <ul style="list-style-type: none"> ▪ Facility 1, a \$3 million secured loan, repayable on 30 September 2020; ▪ Facility 2, a \$1.5 million second secured facility, repayable on 30 September 2020; ▪ Facility 3, an unsecured loan of \$1.5 million, repayable on 30 September 2020; and ▪ Facility 4, an unsecured loan of \$3 million, repayable on 30 September 2020. <p>Save for Tygola having the option of converting \$1 million of Facility 2 at \$0.40 per ordinary share, all loans are payable in cash and bear an interest rate of 10% per annum and attract a facility fee of 5%.</p> <p>On 29 September 2020, the Borrower (being MCB Resources) and the Lender (being Tygola) agreed in principle to a further loan of \$1.5 million (Facility 5), a loan extension and repayment schedule whereby the full loan amounts will convert to equity over a prescribed timeframe as part of the Company's recapitalisation strategy. MCB Resources and Tygola are working in good faith to resolve a clear path forward, to define the terms of conversion, and to finalise detailed documentation.</p> <p>The parties are unable to extend the 30 September 2020 repayment term in accordance with the loan agreements unless and until the Borrower seeks and obtains the approval of its shareholders under ASX Listing Rule 10.1 at a general meeting (General Meeting).</p> <p>As previously announced, the Lender has provided comfort to the Borrower that it will not take action to enforce its first ranking security until such time as the General Meeting has been held, or 28 February 2021, whichever is the sooner. Despite the indication that it will take no action, all of the Lender's rights and remedies under or in relation to the Loan Agreements and General Security Deed are expressly reserved, and provisions under the Loan Agreements remain in full force and effect.</p> <p>At 31 December 2020, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of \$7.94 million, leaving a total of \$2.56 million available under Facilities 4 and 5.</p>		

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(556)
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)	(556)
8.4 Cash and cash equivalents at quarter end (item 4.6)	52
8.5 Unused finance facilities available at quarter end (item 7.5)	2,560
8.6 Total available funding (item 8.4 + item 8.5)	2,612
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.70
<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	
<i>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.</i>	

Compliance statement

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

Date: 27 January 2021

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

Notes

- 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

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

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.