

ASX RELEASE.

22 April 2020

Activities Report – Quarter Ended 31 March 2020

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

Summary

- Trading in the Company’s shares on the ASX remained in voluntary suspension throughout the period, following suspension of field activities in response to the death of one of its geologist, Terry Win Kilya, as it worked with authorities to help secure the arrest of all suspects to the crime. The suspension remains in force until either the earlier of an announcement by the Company, or Thursday 30 April 2020.
- On 17 February 2020 the Company issued an update regarding its funding arrangements with Tygola Pty Ltd (Tygola). Tygola agreed to continue to support the Company by extending its loan facilities through to 30 June 2020 (see company ASX announcement dated 17 February 2020).
- The Company released its half yearly report and audit reviewed accounts on 28 February 2020. The accounts noted that there was AUD\$2.9 million remaining of the Tygola loan facilities as of 28 February 2020.
- On 7 February the company provided an updated list of its top 20 shareholders, and announced its name change to MCB Resources Limited, and new ASX code “MCB”.
- The Company provided an update of its field activities on 29 January as part of its December 2019 quarterly activities report. Assays results were pending and have been released in early Q2 2020.
- COVID-19 crisis response: 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. With the implementation of State of Emergency (SOE) rules in PNG and ARB , most staff returned to their home base; the Tore Joint Venture office in Buka township was closed; and staff where possible were assigned to work from home. Key suppliers were contacted to negotiate reduced rates for services and supplies. Non essential “support staff” have been let go, and management and executive staff have taken significant salary and day rate reductions. All travel and field activities remain suspended.

Exploration Activities

Field activities remained in suspension during the quarter in response to the death of company geologist Terry Win Kilya.

Preliminary mapping at Melilup Prospect was reported in January (see company ASX announcement dated 29 January 2020). Assay results were still pending at the end of the quarter and reported early in Q2 2020 (see company ASX announcements dated 6 April and 16 April 2020). The mapping and assay results defined a significant zone of anomalous copper mineralisation at surface, within rugged dense tropical jungle (Figures 1 and 2).

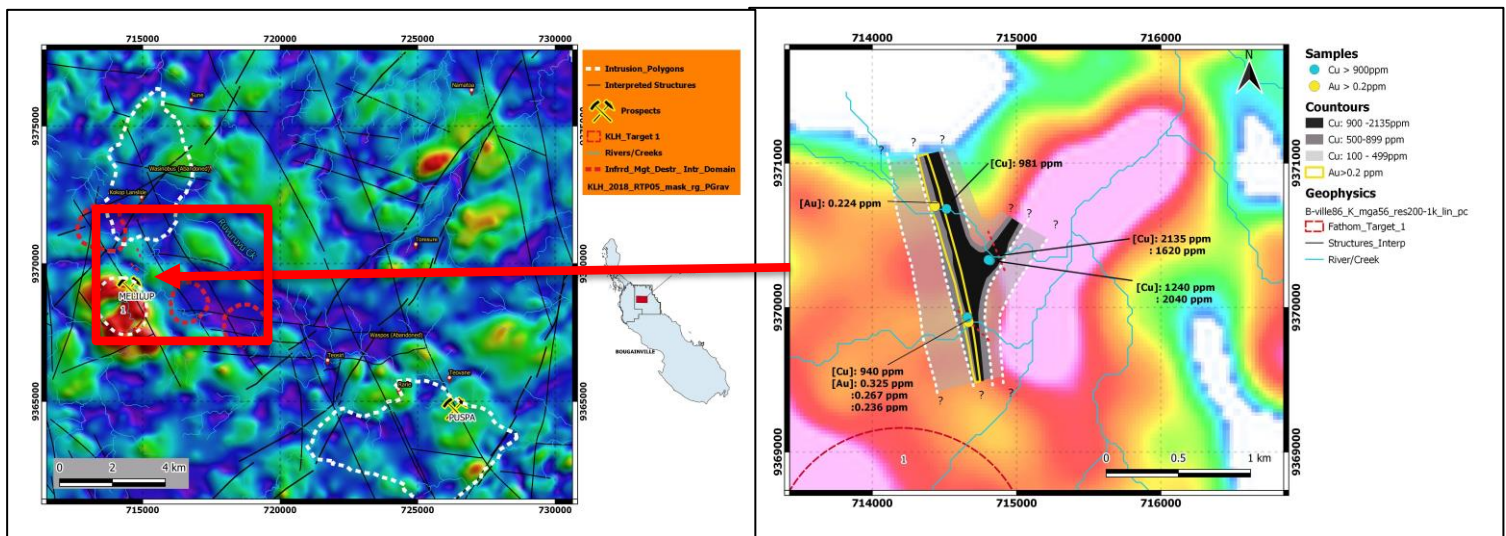


Figure 1: Melilup Prospect location on RTP magnetics.

Figure 2: NW trending copper anomaly from preliminary sampling at Melilup, overlain on radiometrics.

A preliminary study of alteration mapped at the Melilup Prospect commenced in early March 2020. Results were reported in early Q2 2020 (see company ASX announcement 16 April 2020). The results of this preliminary work indicate that the Melilup Prospect is highly prospective for copper - gold porphyry mineralisation, with moderate grade copper mineralisation and porphyry style alteration outcropping at surface over an encouraging area, within major regional structural settings identified by previous helimag surveys (see company ASX announcements 6 and 16 April 2020)

Preparation commenced for the establishment of a field camp “operational base” at the Melilup Prospect to support an accelerated program of geological mapping, rock chip and soil sampling, and ground geophysics. The Company’s objective remains to have initial drill targeting completed by early H2 2020, and to commence drilling before the end of H2 2020. Preliminary design and costings of the camp have been completed, and discussions are about to commence with equipment suppliers, and landowners regarding equipment, site access, compensation, and local support.

The Company’s two Exploration Licences remained in suspension during the quarter as the Company worked with the relevant authorities (Department of Minerals and Energy Resources, DoMER and Police) seeking the arrest of the people responsible for the death of company geologist Terry Win Kilya.

The State of Emergency announced for PNG and ARB in mid-March led to a suspension of all company activities, including landowner liaison, travel, field and office activities. In mid April the SOE was extended

further until 14 June 2020, and as such company activities remain largely in suspension. The **SOE** procedures will continue to impact project planning and activities throughout Q2, and will lead to extended timelines and potential delays to drilling. The Company has taken a number of steps to significantly reduce operating costs during this period, including salary reductions, redundancies, and a ban on all field activities and travel.

Community

A number of community meetings were held during the quarter as the Company continued working with the Department of Minerals and Energy Resources (**DoMER**) and local police looking to identify, arrest and bring to trial the people responsible for the death of company geologist Terry Win Kilya. These discussions and meetings remain on going but have now been significantly impacted by the SOE, with further meetings stopped in response to the need for social distance management. The rugged terrain, dense tropical jungle, and lack of infrastructure in the vicinity of the Melilup Prospect also continues to hamper the efforts to arrest the suspects. The Company continues to provide help where it can to authorities and landowners to support these efforts for justice.

During the quarter the Company submitted its preliminary landowner assessment report and has commenced planning and negotiations with contractors for detailed landowner studies to be undertaken at key prospects, in accordance with the requirements of the Autonomous Bougainville Government *Mining Act, 2015*.

Landowner access payments for 2019 and Q1 2020 were made to seven of the eight Landowner Associations (LOA) during the quarter. The remaining LOA payments will be made once their bank account and internal governance procedures are completed.

Future Work

The Company's primary aim once the SOE ends, is to get the suspension of field activities lifted so that an operational base and security/police presence can be established at Melilup Prospect, and drilling can be advanced. 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, which the Company is still targeting for H2 2020, subject to government restrictions.

Assay results and preliminary alteration mapping for Melilup Prospect were reported in early Q2 2020. Further mapping and sampling is needed to follow up these highly encouraging initial results.

Detailed social mapping is also expected to commence at key prospects, once **SOE** restrictions are lifted.

Authorised for release by Michael Johnston, Executive Director.

For further information, please contact:

Michael Johnston – Executive Director
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About MCB Resources Limited

MCB Resources Limited is an ASX listed junior exploration company, solely focused on its two Exploration Licences 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 licences 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 licences, EL03 and EL04 were issued in November 2017 and cover a combined area of 1,704 km².

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 17th 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. The SOE essentially bans all international and domestic travel to and within PNG/ARB. Quarantine periods up to 3 weeks are imposed for any approved travel. The SOE also seriously restricts local travel and work activities, with most activities other than essential food, medical and fuel suppliers being shut, along with all large markets. The Company's exploration activities and efforts to help authorities arrest those responsible for the death of Terry Win Kilya have also effectively been suspended during this period.

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.

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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 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(389)	(726)
(b) development	-	-
(c) production	-	-
(d) staff costs	(120)	(595)
(e) administration and corporate costs	(359)	(706)
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	(868)	(2,027)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(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 (9 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	1,000	2,300
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	1,000	2,300

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	144	3
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(868)	(2,027)
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)	1,000	1,300

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	276	276

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	276	144
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)	276	144

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
114
-

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

Item 1 includes remuneration payments paid to directors.

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.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	9,000	6,550
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	9,000	6,550

7.5 **Unused financing facilities available at quarter end** 2,450

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.

As previously advised, the Company has in place four facilities with Tygola Pty Ltd (**Tygola**). A summary of all the loan arrangements in place are:

- \$3 million secured loan, repayable on 30 June 2020 (**Facility 1**);
- \$1.5 million second secured facility, repayable on 30 June 2020 (**Facility 2**);
- \$1.5 million unsecured loan, repayable on 30 June 2020 (**Facility 3**); and
- \$3 million unsecured loan, repayable on 30 June 2020 (**Facility 4**).

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%.

This funding and support will allow the Company to pursue its previously announced recapitalisation strategy.

As previously announced, Tygola has indicated to the Board that it is prepared, subject to formal documentation at the time and any required ASX and shareholder approvals, to convert the total amount due to it into new ordinary shares on the same terms as the proposed recapitalisation referred to above.

At 31 March 2020, a total of \$6.55 million has been drawn down, leaving a total balance of \$2.45 million available.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(868)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(868)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	276
8.5 Unused finance facilities available at quarter end (Item 7.5)	2,450
8.6 Total available funding (Item 8.4 + Item 8.5)	2,726
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

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

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

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

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

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: 22 April 2020

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.