

# ASX RELEASE

30 July 2020

## Activities Report – Quarter Ended 30 June 2020

MCB Resources Limited (MCB or the Company) (ASX:MCB) reports that the following activities occurred during the quarter ended 30 June 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 Company 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 1 October 2020.
- On 25 June 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 September 2020 (see company ASX announcement dated 25 June 2020).
- The company lodged an updated investor presentation on its new website on the 5 June 2020.
- No field work was completed during the quarter due to the restrictions imposed by the COVID-19 State of Emergency and the DoMER imposed suspension of geological activities.
- On the 6 April 2020, the Company provided an update of assay results received from earlier work conducted at the Melilup Prospect. A significant new zone of structurally controlled anomalous copper mineralisation is being defined by this work, within rugged dense tropical jungle (see company ASX announcement dated 6 April 2020).
- On 16 April 2020 the Company released the results of preliminary alteration studies on samples from the Melilup Prospect completed by Dr Bill Andrews of Valhalla Geology. The SWIR (short wavelength infrared) studies confirmed the field mapping, and major regional structural settings identified by previous helimag surveys (see company ASX announcement dated 16 April 2020). The full report was placed on the Company’s website in late April.
- COVID-19 crisis: 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. The implementation of State of Emergency (SOE) rules in PNG and ARB required all staff to return to their home base, and remain in “lock down” from late March until 14 June. The Tore Joint Venture office in Buka township was closed for approximately two months (April and May 2020); and staff, where possible, were assigned to work from home, took leave, or in some instances had their contracts

terminated. All travel and field activities were suspended for the entire “lock down” period (until 14 June).

- Travel in and out of PNG and Bougainville remains tightly controlled, and subject to 14-day quarantine and the SOE Controller’s approval from both Port Moresby and Bougainville. The partial lifting of SOE restrictions in mid-June has allowed limited local Bougainville travel, and limited office-based work and community liaison/education to restart, but under ongoing SOE restrictions. SOE restrictions are being revisited by the SOE Controller in mid-August.
- COVID-19 cases in PNG remain low (14 reported cases as at 30 June), and were almost all due to “border crossings”. No COVID-19 cases have been reported in Bougainville. Unfortunately, on 23 July Port Moresby reported its first cases of community transmission. A re-tightening of rules is likely due to the risk of the virus spreading, and authorities throughout PNG and Bougainville are acutely aware that their best line of defence is to not allow the virus into their region if at all possible.

## PROJECT OVERVIEW

### Exploration Activities

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

Preparation continued 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. Two large heavy-duty tents were purchased in Australia during the quarter. They cleared customs in Lae on 11 July 2020 and are now en route to Buka. Design and costings for the camp continue, and discussions have commenced with equipment suppliers, and landowners regarding equipment, site access, compensation, and local support.

Geological work on the Company’s two Exploration Licences remained suspended 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 **SOE** 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 then again out to mid-August. The **SOE** procedures will lead to extended timelines and delays to planned activities, including 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.

The first signs of community transmission in Port Moresby (POM) on 23 July is a major concern and may lead to a re-tightening of **SOE** rules in both POM and Bougainville, in particular the reimposition of travel restrictions. This would have a major impact on the Company, and seriously impact its ability to get professional staff back into the field and restart work programs.

## Community

Community work was largely put on hold for the **SOE** “lock down” period (until 14 June 2020).

A number of community and government meetings were held once the “lock down” rules were lifted to allow “local travel”. The Company continued working with **DoMER**, local landowners, chiefs, police, and politicians, looking to identify and bring to justice the people responsible for the death of Company geologist Terry Win Kilya. These discussions and meetings remain ongoing. The rugged terrain, dense tropical jungle, and lack of infrastructure in the vicinity of the Melilup Prospect 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.

Landowner access payments for Q2 2020 were made to seven of the eight Landowner Associations (**LOA**) during the quarter. The remaining LOA payments will be made once this LOA’s bank account and internal governance procedures are completed.

## Bougainville General Election

During the quarter, the Electoral Commission of the Autonomous Bougainville Government announced the schedule for the upcoming Bougainville General Election. Voting will take place during the period 14 to 30 August 2020, with counting of votes scheduled to be completed by the 15 September 2020.

The election will result in a new President, as the current President has served two terms and is ineligible to stand again. The result will also likely see a new Bougainville Executive Council (**BEC**), and a number of new Ministers.

The Company looks forward to working with the incoming President and new Ministers, for the benefit of all Bougainvillians.

## 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 preparation for 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. **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 H1 2021 at the earliest. This timeline will be subject to the lifting of **SOE** travel restrictions shortly after the general election is completed, lifting of the Company’s exploration suspension, and the ability to access suitable contractors to perform the ground based geophysics and drilling that the Company requires.

During Q3 2020 the Company will also submit variation reports for expenditure and work activities on both EL03 and EL04, reflecting the impact of the SOE restrictions and licence suspensions. The Company will also submit renewal applications for both Exploration Licences, within the prescribed renewal periods.

## **CORPORATE**

### **Securities**

The 2.5 million Class A Performance Shares expired on 1 June 2020, the performance criteria not being met.

### **Expenditure on mining exploration activities**

In accordance with ASX Listing Rule 5.3.1, the Company advises its exploration and evaluation expenditure during the June 2020 quarter totalled \$216k. This amount is included at Item 1.2(a) of the Appendix 5B. Expenditure this quarter included \$16k in landowner access payments, \$11k for assays, \$75k to consultants, \$68k in rental payments, and \$45k for various goods and services in 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 \$9,000 relating to 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  
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### **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 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, for an initial period of three years, and cover a combined area of 1,704 km<sup>2</sup>. 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 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. 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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(216)	(942)
(b) development	-	-
(c) production	-	-
(d) staff costs	(134)	(729)
(e) administration and corporate costs	(101)	(807)
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):	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(451)</b>	<b>(2,478)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(29)	(29)
(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 (12 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):	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(29)</b>	<b>(29)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	250	2,550
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>250</b>	<b>2,550</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	276	3
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(451)	(2,478)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(29)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	250	2,550

## 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 (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>46</b>	<b>46</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	46	276
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>46</b>	<b>276</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	9
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

<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 Loan facilities	9,000	6,800
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>9,000</b>	<b>6,800</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>2,200</b>
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.		
<p>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:</p> <ul style="list-style-type: none"> <li>▪ \$3 million secured loan, repayable on 30 September 2020 (Facility 1);</li> <li>▪ \$1.5 million second secured facility, repayable on 30 September 2020 (Facility 2);</li> <li>▪ \$1.5 million unsecured loan, repayable on 30 September 2020 (Facility 3); and</li> <li>▪ \$3 million unsecured loan, repayable on 30 September 2020 (Facility 4).</li> </ul> <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>This funding and support will allow the Company to pursue its previously announced recapitalisation strategy.</p> <p>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.</p> <p>At 30 June 2020, a total of \$6.80 million has been drawn down, leaving a total balance of \$2.20 million available.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(451)
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)	(451)
8.4 Cash and cash equivalents at quarter end (item 4.6)	46
8.5 Unused finance facilities available at quarter end (item 7.5)	2,200
8.6 Total available funding (item 8.4 + item 8.5)	2,246
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>4.98</b>
<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>	

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

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: 30 July 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.