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ASX RELEASE.

15 October 2020

Activities Report – Quarter Ended 30 September 2020

MCB Resources Limited (MCB or the **Company)** (ASX:MCB) reports that the following activities occurred during the quarter ended 30 September 2020.

Summary

- **Trading in the Company's shares on the ASX remained in voluntary suspension throughout the period. The suspension remains in force until either the earlier of an announcement by the Company, or Friday 1 January 2021.**
- **On 30 September 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 announcement dated 30 September 2020).**
- **Also on 30 September 2020, the Company lodged its 30 June 2020 Annual Report.**
- **No field work was completed during the quarter due to the restrictions imposed by the COVID-19 State of Emergency (SOE) and the Bougainville Executive Council (BEC) imposed suspension of geological activities throughout Bougainville.**
- **The company submitted a *"variation of work programs"* to the regulator for both of its Exploration Licences in late July, reflecting the impact of COVID-19 restrictions and the BEC imposed suspension of all exploration activities on Bougainville on the Company's planned work programs.**
- **Renewal applications were submitted for both EL03 and EL04 on 8 August 2020. Warden's hearings are scheduled to occur between 13 to 23 October 2020.**
- **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). Restrictions were eased slightly on 14 June to allow some local travel, broadly within the limits of the electoral region a person was registered in. This allowed the company to recommence office-based work, and limited community liaison/education during the September quarter.**

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- **Travel in and out of PNG and Bougainville continues to be tightly controlled, and subject to testing,14-day quarantine and the SOE Controller's approval for travel from both Port Moresby and within Bougainville. By late September the PNG SOE Controller lifted domestic travel restrictions within PNG, and Air Nuigini announced a restoration of many services. This included an increase in flights to Bougainville from 1 per week, to up to daily during the week, but still with SOE Controller approval. Travel into Bougainville from overseas still requires testing, SOE Controller approval, and 7-day quarantine in Port Moresby (after an initial 7 day quarantine at the traveller's point of origin). Restrictions both in and out of Australia also remain in place, with 14-day hotel quarantine still required for approved return travellers.**
- **COVID-19 cases in PNG remain low by international standards, with a total of 551 cases and only 7 deaths reported as at 12 October. This is however a significant jump from the 14 reported cases as at 30 June, and there were signs of some community transmission in both National Capital District (NCD) and Western Province. 522 of the confirmed cases in PNG are reported for two regions, NCD (POM region) and Western Province (largely centred on Ok Tedi Mine). There has only been one recorded case in Bougainville, a 22 year old male student returning from POM to Central Region who tested positive on or about the 22 August. No further cases have been declared in Bougainville, although PNG does have limited testing capability.**
- **Voting for the 2020 General Bougainville Election was held during the period 12 August to 1 September 2020. Hon. Ishamel Toroama was declared the fourth President of the ARB on 23 September 2020. The new government's cabinet was announced on 2 October 2020. Key appointments include Hon. Patrick Nisira as Vice President, and Hon. Rodney Osioko as Minister for Mineral and Energy Resources. President Toroama ran on a platform of improving law and order, bringing a business focus, and restructuring the public service.**

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PROJECT OVERVIEW

Exploration Activities

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

The Company continued to work 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 in mid-December 2019.

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. Much of the equipment purchased for the camp arrived in Buka during the quarter and is currently stored at the Company's compound in preparation for helicopter transport to site.

The Company's national technical personnel were mobilised to site at the end of the quarter, in accordance with SOE travel restrictions and approvals. Recruitment of additional technical staff is currently underway in anticipation of the lifting of further SOE restrictions, and the lifting of the suspension of geological activities across Bougainville.

SOE restrictions have led to extended timelines and delays to planned activities and will result in a delay to drilling. The Company has taken a number of steps to significantly reduce operating costs during this period, including salary reductions, redundancies, a ban on all field activities and travel, and securing additional funds to cover the delays (refer 'Funding update' below).

Community

A number of community and government meetings were held once the "lock down" rules were lifted to allow "local travel" at the start of the quarter. The Company continued working with DoMER, local landowners, chiefs, police, and politicians, looking to 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. It is hoped that with the completion of the General Election and the lifting of SOE restrictions, the appointment of a new President and Police Minister will see a renewed focus from authorities on law and order.

Landowner access payments for the quarter period ended 14 August 2020 were made to all eight Landowner Associations (**LOA**) during the quarter. Outstanding payments were also made in the quarter as for the first time all LOAs were fully registered and had approved internal governance procedures in place. Seed capital was also deposited into the LOA accounts during the quarter, in accordance with the Company's landowner agreements.

Bougainville General Election

The Company ceased all field-based community activities during the election voting period.

Voting for the 2020 Bougainville General Election occurred during the period 12 August to 1 September 2020. Counting began on 4 September and was finally completed on 23 September 2020. Hon. Ishamel Toroama was declared the 4th President of the Autonomous Bougainville Region on 23 September 2020.

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Cabinet was announced on 2 October 2020. Key roles include:

- Hon. Ishamel Toroama: President and Minister for Inter-government Affairs, President Bougainville Executive Council, Media and Communications;
- Hon. Patrick Nisira: Vice President and Minister for Economic Development;
- Hon. Rodney Osioko: Minister for Mineral and Energy Resources;
- Hon. Mathias Salas: Minister for Finance and Treasury;
- Hon. Thomas Tarii: Minister for Police and Corrective Services; and
- Hon. Robert Hamal Sawa: Minister for Lands, Physical Planning, Environment and Conservation.

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

Future Work

The Company's primary aim is to get the suspension of field activities lifted across Bougainville 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, lifting of international travel restrictions to allow select technical people to site for extended periods, lifting of the Company's exploration suspension, the ability to access suitable contractors to perform the ground based geophysics and drilling, and the raising of additional funds.

CORPORATE

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) have 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.

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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**). The Borrower intends to convene a General Meeting as soon as possible, but no later than 31 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 31 December 2020, 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 30 September 2020, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of $7.4 million, leaving a total of $3.1 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 an announcement advising the Company's recapitalisation strategy 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 September 2020 quarter totalled $245k. This amount is included at Item 1.2(a) of the Appendix 5B. Expenditure this quarter included $39k in landowner access payments, $32k license renewal fees to DoMER, $50k to consultants, $50k in rental payments, and $74k 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

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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 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 km^2. 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 individual's travel origin. Testing is mandatory, and the wearing of GPS bracelets is likely to be introduced soon. 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.

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Appendix 5B

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

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Name of entity	
MCB Resources Limited	
ABN	**Quarter ended ("current quarter")**
30 118 758 946	30 September 2020

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	(245)	(245)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(144)	(144)
	(e) administration and corporate costs	(133)	(133)
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**	**(522)**	**(522)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(49)	(49)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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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**	**(49)**	**(49)**

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	600	600
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**	**600**	**600**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	46	46
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(522)	(522)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(49)	(49)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	600	600

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	-	-
4.6	**Cash and cash equivalents at end of period**	**75**	**75**

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	75	46
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)**	**75**	**46**

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.

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	10,500	7,400
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	10,500	7,400

7.5	**Unused financing facilities available at quarter end**	3,100

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.

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8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(522)
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)	(522)
8.4	Cash and cash equivalents at quarter end (item 4.6)	75
8.5	Unused finance facilities available at quarter end (item 7.5)	3,100
8.6	Total available funding (item 8.4 + item 8.5)	3,175
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	6.08

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.

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: 15 October 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

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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.

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