

ASX ANNOUNCEMENT

11 March 2022
ASX Code: MYL

BOARD OF DIRECTORS

Mr Jeff Moore
Non-Executive Chairman

Mr John Lamb
Managing Director

Mr Rowan Caren
Executive Director

Mr Paul Arndt
Non-Executive Director

ISSUED CAPITAL

Shares	190 m.
Performance	
Rights	5 m.
Unlisted Options	5 m.

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Significant Milestone towards Transformational Acquisition of Avebury Nickel Sulphide Project

Highlights

- MYL successfully executes its new project search process and now has a clear path to acquire the Avebury nickel sulphide project in western Tasmania
- Compelling acquisition cost for a highly prized asset - MYL has agreed to acquire 100% of the shares in Allegiance which owns Avebury for A\$85.9 m¹ through a combination of cash and shares pursuant to the terms of a deed of company arrangement
- MYL will also reimburse an estimated \$23.2 million in expenditure incurred in development of the Avebury project during the DOCA term
- Substantial nickel sulphide Mineral Resources of 29.3 Mt at 0.9% Ni (264 Kt contained Ni) (JORC 2012)²
- Avebury hosts an established underground mine development, processing plant and mine infrastructure in good condition
- Targeting a near term re-start of the mine to produce a nickel concentrate product in high demand
- Outstanding exploration potential with deposit open at depth and along strike
- MYL currently reviewing the existing Avebury mine re-start plans. Once finalised, MYL will make further disclosures in relation to operational work programs, schedules, key commercial agreements, and financing plans



Figure 1. Avebury site (MYL)

¹ See page 2 for composition of value.

² Refer to page 7 for a breakdown with respect to the categories of Mineral Resource. See MMG Limited Avebury Mineral Resource Estimate JORC (2012) compliant. Contained within ASX announcement "MMG Mineral Resources and Ore Reserves Statement as at 30 June 2013" dated 13 December 2013. MYL will complete a review of MMG's previously stated mineral resources and will release an updated mineral resource to the market in due course.



Overview

Mallee Resources Limited (“MYL” or the “Company”) is very pleased to announce that the deed of company arrangement (“DOCA”) proposed by the Company with Hartree Metals LLC (“Hartree”) has been executed. The DOCA contemplates MYL (through a wholly owned subsidiary) acquiring Allegiance Mining Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) (“Allegiance”), which wholly owns the Avebury mining licences, exploration licences, the underground mine, processing plant, mine infrastructure and other associated assets (“Avebury” or the “Project”).

The opportunity to acquire Avebury marks the successful conclusion of the Company’s search for a new project. Fewer than 5 months have passed since MYL’s shareholders voted for the divestment of the Bawdwin Project. Over this time MYL’s management has run a well-structured project search seeking value accretive projects with a favourable stage of life, commodity type and jurisdiction. Avebury excels on these measures.

John Lamb, Managing Director, said:

“Avebury is the transformative opportunity MYL is seeking. It stands amongst the best nickel sulphide projects in Australia in terms of scale and grade and it comes with an established underground mine, processing plant and site infrastructure. There has rarely been a better time to acquire a nickel sulphide project with a clear path to near-term production. MYL is pleased to work with Hartree Metals as financiers and off-takers to successfully commercialise the Project and their products

I am a former General Manager of Avebury and I know the great potential of this mine. It is a mine of great importance to local communities and Tasmania, and it is a mine that Mallee would manage responsibly, with due care for the environment and with consideration of stakeholders for a long time.

An early priority will be to assess the business case for net zero carbon status. This is something MYL and our local stakeholders are excited about.”

Proposed Acquisition Terms

(i) Acquisition Cost

MYL will acquire Avebury for A\$85.9 million, being \$31.2 million in cash, \$3.5 million in liabilities assumed and \$51.2 million in shares in an up-front consideration. The acquisition is pursuant to the terms of the DOCA, which extinguishes historical claims of Allegiance and allows MYL to pursue its future at Avebury without the burden of historical liabilities.

The transaction value is comprised as follows (all amounts are in AUD unless otherwise stated):

- Hartree will receive:
 - US\$16.2 million (equivalent to A\$22.7 million³) in repayment of an existing facility applied toward funding of the Project up to 22 February 2022; and
 - \$38.6 million in satisfaction of a claim under a previous offtake agreement for the Project, which will be satisfied through entry into a new offtake agreement with MYL and an issue of shares to Hartree.⁴

³ Using an exchange rate of A\$1.4:US\$1.

⁴ To be satisfied by the issuance 30% of the fully diluted shares on issue of MYL shares post the transaction completing. Shares are issued at \$0.42 per share. The number of shares to be issued may be adjusted and supplemented with cash in the event that MYL is unable to repatriate \$12 million of funds from Myanmar on the date that is one month after the date the MYL shares are issued, subject



- Hartree will be refunded:
 - cash payments totaling \$8.5 million in satisfaction of Allegiance creditor claims made up of:
 - the Administrators (in their capacities as administrators of Allegiance and its related companies and deed administrators of Allegiance) will be paid an estimated \$3.7 million in respect of their fees and liabilities (including legal fees);
 - non-related creditors of Allegiance will be paid up to approximately \$1.4 million in satisfaction of existing and potential claims; and
 - \$3.4 million to fund the liquidators of Dundas Mining Pty Limited ("Dundas"), being Allegiance's parent company, to pursue voidable transaction claims for the benefit of the remaining creditors of Dundas and to make a pro-rata distribution to related party unsecured creditor claims, or for Dundas shareholders where there is a surplus.
- Allegiance will have liabilities of approximately \$3.5 million following effectuation of the DOCA, which will either be retained or discharged following effectuation.
- The Liquidators of the holding company of Allegiance will be paid \$12.5 million via the issue of 19,841,270 MYL shares at an issue price of \$0.63 per share⁵.

(ii) Reimbursement of development cost

Hartree has agreed to provide working capital to fund the Avebury project during the term of the DOCA, MYL will reimburse Hartree for such an amount, which is estimated at being up to \$23.2 million⁶ by the time of effectuation of the DOCA.

Completion of the DOCA

Now that the DOCA has been approved by Allegiance creditors and executed, effectuation of the DOCA occurring is subject to the following conditions precedent:

- the Administrators obtaining an order under section 444GA of the Corporations Act for the compulsory transfer of the shares in Allegiance to MYL or its nominee;
- the board of directors of Allegiance being changed in accordance with MYL's directions;
- MYL not receiving any objections from the Treasurer of the Commonwealth of Australia, and no final order being made, pursuant to the Foreign Acquisitions and Takeovers Act 1975 (Cth), to the extent required; and
- Hartree not receiving any objections from the Treasurer of the Commonwealth of Australia, and no final order being made, pursuant to the Foreign Acquisitions and Takeovers Act 1975 (Cth).

MYL's involvement in the DOCA will be subject to shareholder approval under ASX Listing Rule 11.1.2, as well as any other resolutions required in order to complete the transaction, to be sought at an extraordinary general meeting of MYL shareholders to be convened following execution of the DOCA, as well as MYL receiving any other necessary regulatory approvals. In the event that these approvals are not received by 30 June 2022 (or such later date as is requested of and agreed by the administrators), MYL will have no obligations in respect of the DOCA, unless otherwise agreed by the parties to the DOCA.

to completion of the DOCA having occurred, such that the cash backing of the MYL shares held by Hartree is equal to the cash backing that would have been held if all funds were repatriated from Myanmar.

⁵ If the value of the MYL Shares is less than AUD 12.5 million 30 trading days after the date upon which MYL's shares re-commence trading on the ASX, MYL will issue further shares or pay a cash sum (or a combination thereof) to offset any such shortfall.

⁶ Includes \$7.9 million in respect of an environmental bond to be lodged with Mineral Resources Tasmania which may alternatively be advanced by MYL and reimbursed by Hartree in the event that MYL is not able to satisfy the conditions for acquisition.



A detailed notice of meeting, including an independent expert's report opining on whether the contemplated transactions are fair and reasonable to shareholders, will be provided to shareholders as soon as possible.

While the Company will complete the Proposed Acquisition following receipt of shareholder approval and satisfaction of the conditions precedent to effectuation of the DOCA, ASX has confirmed that MYL's reinstatement to trading on ASX will be conditional upon the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, which is anticipated to occur following completion of the Proposed Acquisition.

The Company will require customary ASX in-principle approvals and potentially waivers of certain ASX Listing Rules in order to implement the transaction on its contemplated terms. MYL has not yet applied to ASX for in-principle advice in relation to suitability for re-admission to the official list under ASX Listing Rules 1.1 condition 1 and 1.19 and there is a risk that MYL may have to make amendments to the structure of the Proposed Acquisition or may receive unfavourable in-principle advice from ASX and therefore be unable to proceed with the Proposed Acquisition. The Company will provide further updates in the event that changes to the Proposed Acquisition are required as a result of discussions with ASX and in respect of any waivers of the ASX Listing Rules granted to the Company.

A detailed timetable with respect to the Proposed Acquisition and subsequent re-compliance with Chapters 1 and 2 of the ASX Listing Rules will be set out in the notice of meeting to be dispatched to shareholders in the coming weeks.

Funding

The Company's payment obligations in respect of the DOCA and ongoing financing of the Project will be funded through MYL's existing cash reserves, including funds to be repatriated from the sale of the Company's interests in the Bawdwin project, and a loan facility to be provided by Hartree to the Company's wholly owned subsidiary that holds the shares in Allegiance (Hartree Facility)⁷.

The terms of the loan facility, drawdown of which is subject to effectuation of the DOCA, are expected to be as follows:

Facility Size	US\$20 million
Term	3 years
Interest Rate	10% pa
Security	First ranking security over any and all assets and undertakings of MYL's wholly owned subsidiary that will hold the shares in Allegiance

Offtake

Hartree and MYL have agreed that, subject to effectuation of the DOCA, a new offtake agreement will be entered into on terms broadly consistent with the offtake agreement formerly in place between Hartree and Dundas in respect of the Project, other than to provide for life of mine terms, with pricing to be revisited each five years (Offtake Agreement).⁸

Implementation Agreement

⁷ Detailed terms and conditions to be agreed prior to effectuation of the DOCA.

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Under a separate implementation agreement entered into between the Company and Hartree (Implementation Agreement), Hartree will have the following additional rights:

- For so long as Hartree holds at least 15% of the issued MYL shares on issue, Hartree is entitled to nominate and/or appoint one director to the board of MYL as its representative to the MYL Board, subject to such nominee being a person of good fame and character and having appropriate qualifications, experience and expertise.
- If MYL raises additional equity capital at any time during the period of 3 years following the date of the Implementation Agreement, subject to the Corporations Act, ASX Listing Rules and any negative pledge arrangements applicable to MYL, MYL will use its best endeavours to ensure that Hartree is offered the ability to participate in any such offer of securities, provided that such participation is for cash consideration that is no more favourable than cash consideration paid by third parties, in order to maintain Hartree's relevant interest in MYL shares as at the business day immediately prior to completion of the additional equity capital raising. This right does not create a binding obligation on MYL to make any offer of securities to Hartree.

The Implementation Agreement provides for exclusivity in respect of both MYL and Hartree in respect of the Project and can be terminated by either party in the event that the DOCA terminates without being effectuated, the Offtake Agreement and Facility Agreement are not entered into, either party materially breaches the Implementation Agreement or either party enters into a competing proposal in respect of the Project.

The Implementation Agreement is otherwise subject to a number of customary conditions precedent including foreign investment review board approval and various regulatory and shareholder approvals.



Avebury

The Avebury Nickel Project is situated 8 km west of the town of Zeehan on Tasmania's west coast. Access to the Avebury mine site is via a high quality, purpose-built bitumen road. The Emu Bay Railway is in close proximity to the Avebury site and provides an efficient logistics option for the transportation of concentrate to the export facility at the Port of Burnie.

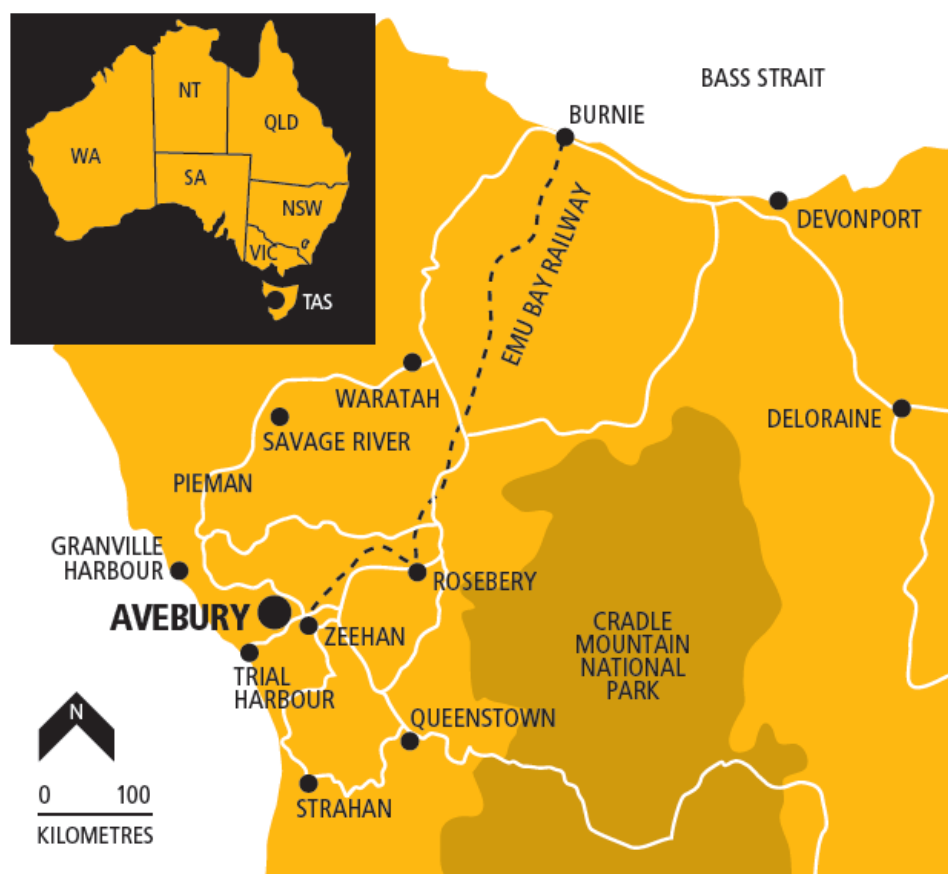


Figure 2. Avebury Location (MMG Site Presentation, 2012)

History

The Avebury deposit was discovered in 1997 by CRA Exploration. Five years later, under the ownership of Allegiance Mining NL, a maiden Mineral Resource estimate was declared. In 2004 work began on the underground portal and decline. By 2006 underground mining had commenced. Change of control events occurred in 2008 with Zinifex Limited acquiring Allegiance and later merging with Oxiana Limited to form OZ Minerals. OZ Minerals commissioned the Avebury plant in 2008 and placed the plant on care and maintenance 9 months later during the global financial crisis when nickel prices were poor. In 2009 MMG Limited acquired Avebury and other assets from OZ Minerals. MMG Limited sold Avebury to Dundas Mining Pty Ltd (in liquidation) in 2016 while Avebury remained on care and maintenance. Receivers and Administrators were appointed to Dundas Mining Pty Ltd (in liquidation) and its related parties, including Allegiance, in late 2021. Allegiance creditors voted in support of the MYL DOCA proposal on 22 February 2022 and a DOCA was executed on 7 March 2022.

Geology, Mineral Resources and Exploration

The Avebury nickel deposit is hosted in an ultramafic body located within a sedimentary sequence comprising volcanoclastic turbidites. Mineralisation at Avebury is focused along the ultramafic-sedimentary host sequence contact but lenses of mineralized rock are also present within the ultramafic body. The mineralisation at Avebury consists of veins and coarse-grained disseminations of sulphides that can be hosted by both serpentinised ultramafic rocks and skarn-altered rocks.



Grades of mineralised serpentinite and skarn range from 0.4% to 4% Ni, with an average of about 0.9% Ni at a cut-off grade of 0.4% Ni. This nickel grade was deemed to represent the natural cut-off grade between mineralised and non-mineralised material.

Mineralised zones in the ultramafic body vary in true width from 4 metres to 40 metres and average around 10 metres. Mineralised lenses range from 50 to 600 metres in length and can extend over 400 metres down dip.

In April 2013 MMG Limited conducted a JORC (2012) compliant Mineral Resource estimate for Avebury. The estimate was based on drilling up to June 2011. No further drilling has been completed on the Avebury deposit since that time.

This 2013 estimate is the latest completed Mineral Resource estimate.

Avebury Mineral Resource as of 30 June 2013, using a cut-off grade of 0.4% Ni (from MMG 2013)

JORC (2012) Classification	Tonnage (Mt)	Ni %	Co ppm	S%	As ppm	MgO %	FeO %	SG g/cm ³
Measured	3.8	1.1	245	1.4	410	28	11.2	3.2
Indicated	4.9	0.9	244	1.4	352	25	11.9	3.2
Inferred	20.7	0.8	223	1.0	297	29	10.2	3.0
Total	29.3	0.9	229	1.1	321	28	10.6	3.0

Source: See MMG Limited Avebury Mineral Resource Estimate JORC (2012) compliant. Contained within ASX announcement "MMG Mineral Resources and Ore Reserves Statement as at 30 June 2013" dated 13 December 2013. MYL will complete a review of MMG's previously stated mineral resources and will release an updated mineral resource to the market in due course.

The 2013 MMG Avebury Mineral Resource estimate including JORC Table 1, sections 1, 2 and 3 and the competent persons statement is publicly available at <https://www.mmg.com/wp-content/uploads/2019/10/131213-2013-June-Mineral-Resources-Ore-Reserves-Statement-Technical-Appendix-3.pdf> pages 240-248 (MMG Report).

The MMG 2013 Avebury Mineral Resource estimate is based on data from 456 diamond drill holes, drilled from surface and underground, for a total of 118,000 drilled metres. An independent unpublished review completed in 2014 reported that drilling data which has been collected represents a high-quality dataset which is suitable to carry forward for Mineral Resource estimation. Sampling techniques are considered consistent with industry good practice.

A total of 40 nickel domains were created to provide the framework to the Mineral Resource estimate. MMG completed statistical and geostatistical analysis and variography to support the Mineral Resource estimation. Grade estimation was carried out within all nickel domains using ordinary kriging.

Bulk density measurements were taken using water displacement methods to determine ore and host specific gravity's (SGs).

Mineral Resources classifications have been primarily based on drill spacing, with due consideration to the style of mineralisation. Wireframes were modelled to capture the areas with sufficient drilling to be classified as Measured and Indicated Mineral Resources. Measured Mineral Resources are also supported by geological mapping completed during mine development, between 2004 and 2009. Further detail with respect to the work programs underpinning the Mineral Resource estimate are set out in the MMG Report.

While the Company considers that the Mineral Resource estimate prepared by MMG is reliable on the basis of its review of the information included in the MMG Report, MYL was not responsible for its preparation and has not independently validated the Mineral Resource estimate prepared by MMG. MYL will undertake a detailed review of the MMG Report and Mineral Resource Estimate, which it anticipates will be completed prior to it dispatching its notice of meeting in respect of the Proposed Acquisition. It is possible that, following further evaluation work to be undertaken by MYL,



the Mineral Resource estimate referred to above may change. Nothing has come to the attention of MYL as at the date of this announcement that causes it to question the accuracy or reliability of the Mineral Resource estimate prepared by MMG.

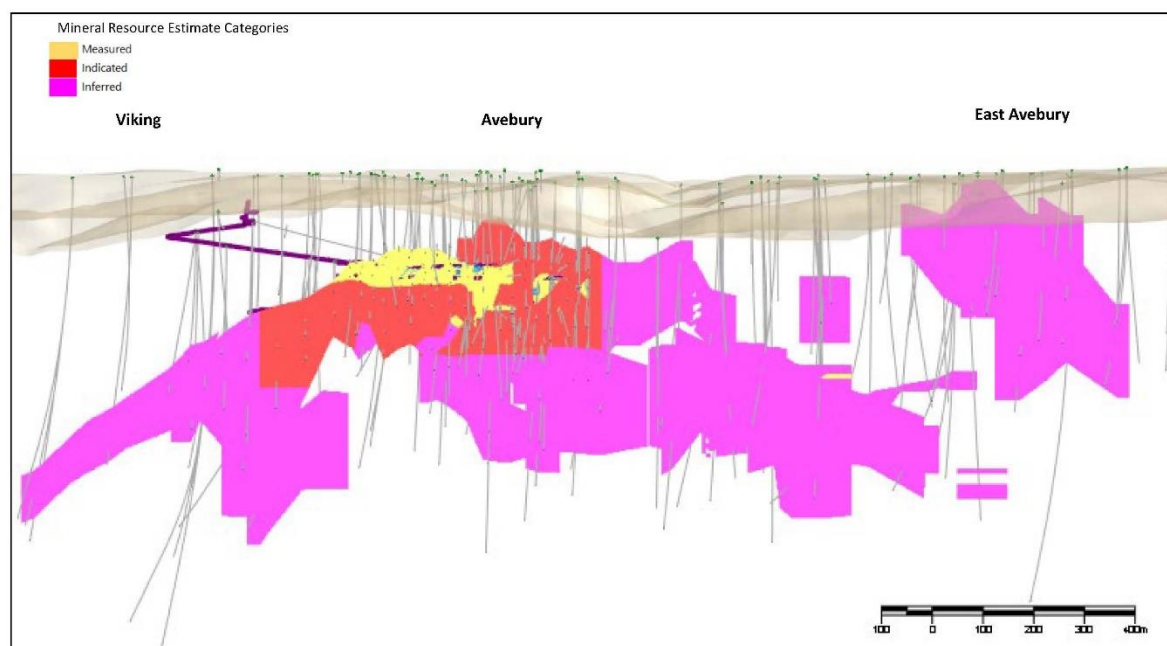


Figure 3. Longitudinal section of Avebury Mineral Resource

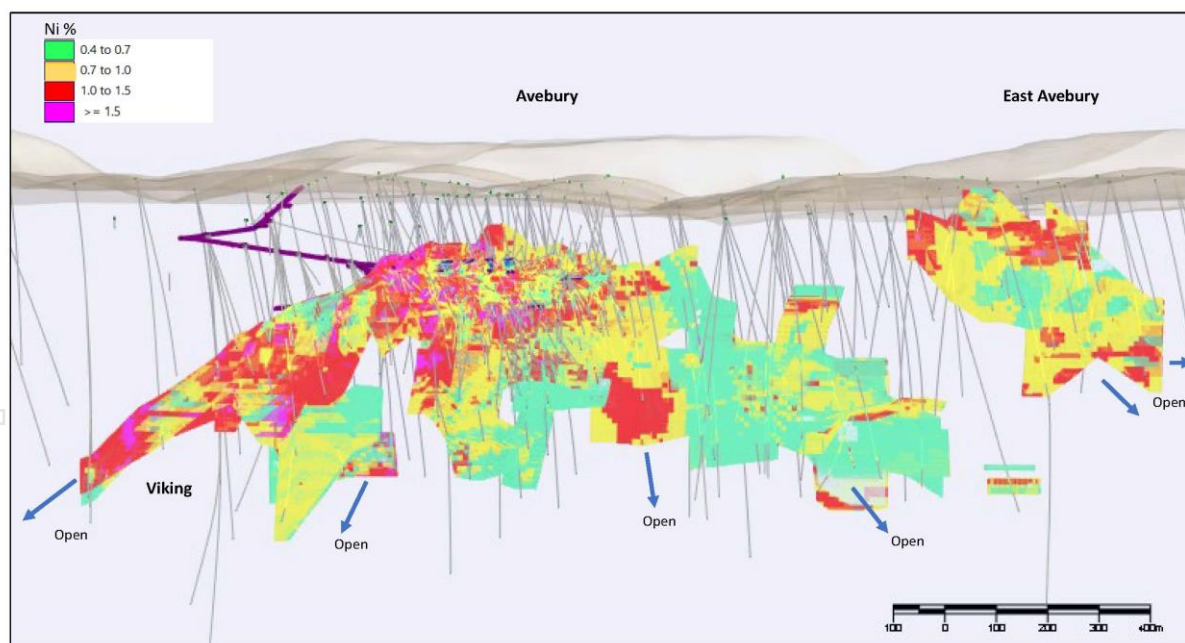


Figure 4. Avebury 3D Block Model showing nickel grades, looking north

The Avebury nickel deposit is open at depth and along strike. Historical exploration work has identified the potential for a similar style nickel deposit in similar ultramafic rocks to the west of Avebury at Trial Harbour. At Melba Flats, north of Avebury the nickel prospects are associated with gabbro dykes, with anomalous occurrences of nickel, copper and platinum group elements (see Figure 5).

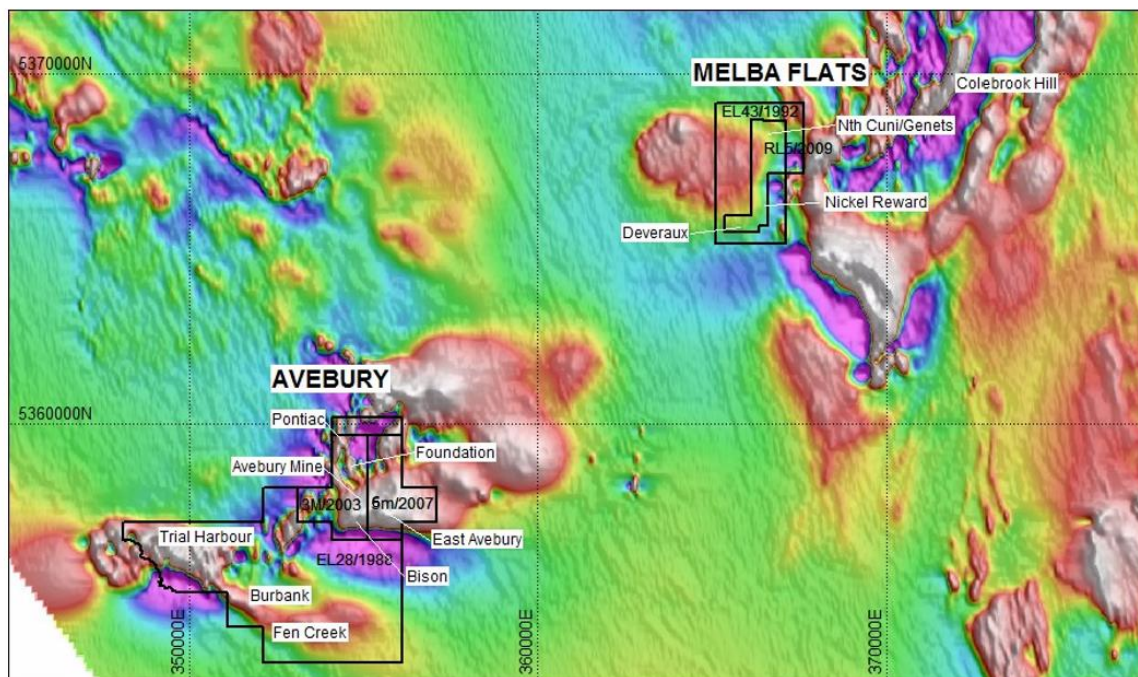


Figure 5. Map of Avebury mining and exploration licences over geophysical anomalies (Source: MMG Limited)

Underground Mine, Processing Plant and Tailings Storage

Development of the Viking portal and decline commenced in 2004. Underground mining commenced in 2006 utilising a combination of transverse and longitudinal stoping. Mined waste was used in a cemented rock fill to back fill the mined-out stopes. A total of 8,500 metres of underground development was completed up to 2009. The underground workings include ventilation shafts, an escapeway, five levels of development drives and an extension of the decline to the western Viking lode. The underground mine workings have been well maintained while on care and maintenance and the mine is free from flooding (see Figure 6).

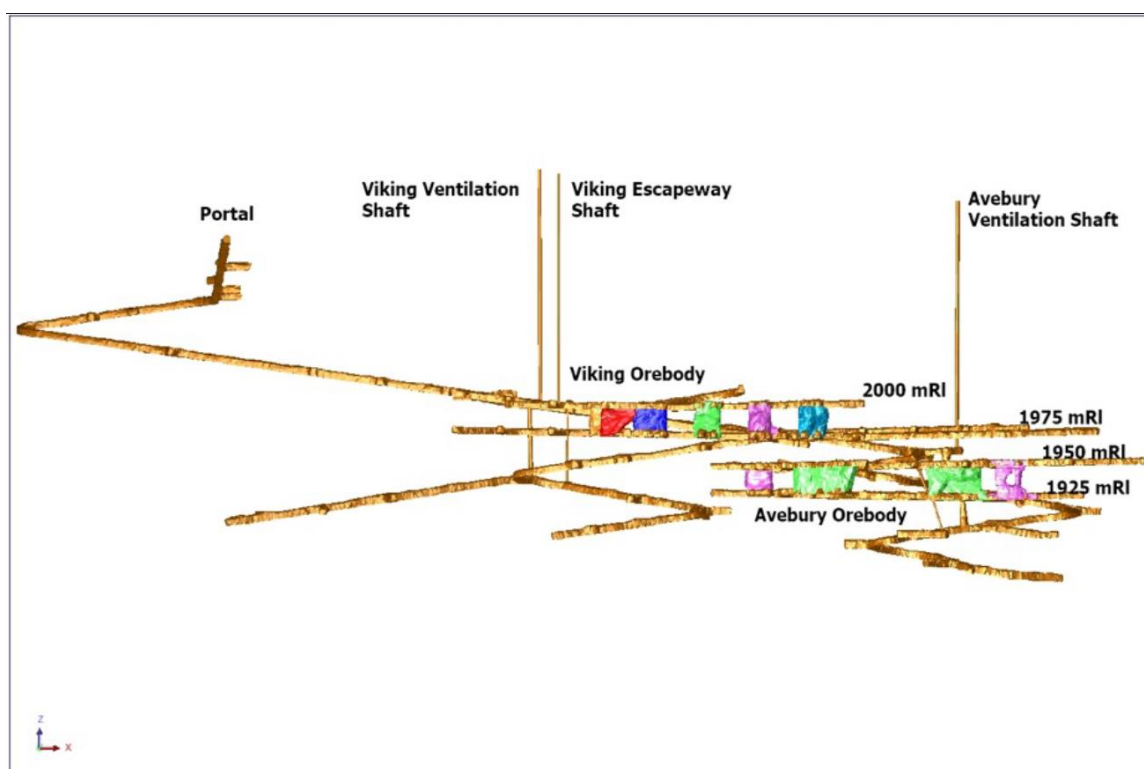


Figure 6. Long section of existing underground development and stopes (Source: MMG Limited)



The Avebury processing plant and site infrastructure was established around 2007. The plant operated for 9 months during 2008 and 2009 and has been on care and maintenance since this time. No mineral processing has occurred since 2009 and the plant and site infrastructure remains in good condition.



Figure 7. Avebury Processing Infrastructure Shed (Source: MYL)

The plant has a nameplate processing capacity of 900,000 tonnes of ore per annum and was designed to recover 79% of the nickel in ore to a nickel concentrate, with a nickel grade around 20%. The crushing circuit includes a primary, secondary and tertiary crusher. The grinding circuit has a ball mill, magnetic separator and regrind mill. The plant has conventional flotation cells which report the final wet concentrate product to the dewatering and filtration circuit. The filtered concentrate product is then stockpiled in a storage facility from where it can then be loaded for transportation.



Figure 8. Conveyor to Avebury processing plant (MYL)

The Avebury site also includes stores, workshops, an administration building, land holdings and accommodation facilities. The tailings storage facility is adjacent to the plant site, is fully permitted and retains storage capacity (see Figure 9).



Figure 9. Avebury Tailings Storage Facility and Plant (Source: MYL)

Future work plans

The Company is currently reviewing the existing Avebury mine re-start plans. Once the re-start plans have been finalized the Company will make further disclosures in relation to the operational work programs, schedules, key commercial agreements and financing plans.

Authorised for release to the ASX by


John Lamb
Managing Director



COMPETENT PERSON STATEMENTS

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information in this report that relates to Geology and Exploration is based, and fairly reflects, information compiled by Mr Tony Chisnall, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Chisnall has reviewed the MMG Report containing the Mineral Resource estimate referenced in this announcement and considers that the information in this announcement is an accurate representation of the available data and studies available in respect of the Project. Mr Chisnall is a full-time employee of Mallee Resources Limited. Mr Chisnall has sufficient experience which is relevant to the style of mineralisation and type of deposit 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 Chisnall consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

IMPORTANT INFORMATION

Information regarding Avebury

The information in this announcement regarding Avebury, including information relating to mineral resources been sourced using publicly available information and has not been independently verified by MYL. MYL has undertaken only limited due diligence in relation to Avebury and may not be aware of all the material information, assumptions, facts and circumstances. Accordingly, MYL does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. While MYL has conducted certain due diligence in connection with Avebury, MYL is unable to verify the accuracy or completeness of the information provided, and there is no assurance that this due diligence was conclusive and that all material issues and risks in relation to Avebury have been identified. Receipt of new, additional or updated information or assumptions may change mineral resource and other forward-looking statements concerning Avebury in this announcement. To the extent that this information is incomplete, incorrect, inaccurate or misleading, there is a risk that the profitability and future results of the operations of MYL following the acquisition of Avebury may differ (including in a materially adverse way) from the Company's expectations as reflected in this announcement, or that additional liabilities may emerge. Further review of the information in this announcement will be undertaken in connection with the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Refer to the Risk Factors in Appendix A.

Forward-looking statements

This announcement contains certain "forward-looking statements". Forward looking statements can often, but not always, be identified by the use of forward looking words such as "forecast", "estimate", "likely", "anticipate", "believe", "expect", "future", "project", "opinion", "opportunity", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan", "propose", "to be", "foresee", "aim", "will" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements in this announcement include statements regarding the statements regarding MYL's intent, belief, expectations, plans, strategies and objectives of management, expected timetables in connection with MYL's projects, future acquisitions, expected costs, capital expenditure, future demand for nickel, the future operation of MYL and the impact and duration of the COVID-19 pandemic. Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based. You are strongly cautioned not to place undue reliance on forward looking statements and neither MYL nor any of its directors, officers, employees, servants, advisers or agents assumes any obligation to update such information. Any forward-looking statements, as well as any other opinions and estimates, provided in this announcement are based on assumptions and contingencies which are subject to change without notice and may prove ultimately to be materially incorrect, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve significant elements of subjective judgment, assumptions as to future events that may not be correct, known and unknown risks, uncertainties and other factors, many of which are outside the control of MYL. A number of factors could cause actual results, performance or achievements to vary materially from any forward-looking statements and the assumptions on which statements are based, including but not limited to the risk factors set out in this announcement. Except as required by applicable law or regulation, MYL undertakes no obligation to provide any additional or updated information or update any forward-looking statements, whether as a result of new information, future events or results or otherwise. Nothing in this announcement will, under any circumstances (including by reason of this announcement remaining available and not being superseded or replaced by any other presentation or publication with respect to MYL or the subject matter of this announcement) create an implication that there has been no change in the affairs of MYL since the date of this announcement. Neither MYL, nor any of its directors, officers, employees, servants, advisers or agents makes any warranty as to the accuracy of any forward-looking statements in this announcement.



APPENDIX A

KEY INVESTMENT RISKS

There are a number of risks associated with an investment in MYL generally, as with any securities market investment.

This section summarises the following key risks:

- Risks specific to the business and operations of MYL and investment in shares in MYL.
- Risks relating to the mining industry generally, which are common to nickel production, development and exploration, are risks to which MYL would continue to be exposed to.
- Risks relating to an investment in equity capital generally.

This section does not purport to list every risk that may be associated with an investment in MYL now or in the future, and the occurrence or consequences of some of the risks described in this section may be partially or completely outside the control of MYL, its directors and management. The selection of risks in this section has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the directors as at the date of this announcement, but there is no guarantee or assurance that the importance of risks will not change, or other risks will not emerge. While it may be possible to mitigate some risks, there remain a number of risks beyond the control of MYL.

Proposed Acquisition

The Proposed Acquisition will be effected by way of a deed of company arrangement (DOCA). There is a risk that conditions precedent to the effectuation of the DOCA will not be satisfied or waived (if applicable), or that there will be a delay in satisfaction of the conditions precedent, and that as a result, completion of the Proposed Acquisition may not occur or may be delayed, or the Proposed Acquisition may occur in a form different to that originally contemplated in this document. Failure to complete the Proposed Acquisition may have an adverse impact on MYL's financial performance, financial position, and share price. In addition, the DOCA will release and discharge Allegiance from liability from unsecured "claims" against Allegiance, the circumstances giving rise to which occurred or arose before the time of the placement of Allegiance into voluntary administration. The releases and discharges will only take effect on effectuation of the DOCA. As with all deeds of company arrangement, there is a risk that a creditor may dispute that its claim is effectively extinguished by the DOCA. In addition, there is a residual risk that a creditor may seek to terminate or vary the DOCA once executed, however MYL is not currently aware of any basis on which a creditor would seek to do so.

Due diligence risk

MYL conducted due diligence investigations in respect of the Proposed Acquisition, and MYL has relied upon information provided or disclosed by the Administrators in conducting its due diligence. There was a significant deficit of financial information available to review. The information on Mineral Resources has been extracted from the MMG Report and other information in relation to the Avebury Project included in this announcement has been prepared by MYL (including any underlying assumptions to this information) in reliance on information provided or disclosed by the Administrators. As with any due diligence investigation, if any information provided and relied upon by MYL in its due diligence investigations proves to be incorrect, incomplete or misleading, or if MYL was not provided with all relevant information or there were other failings in the due diligence performed by MYL, there is a risk that there could be historical or other issues in relation to the Avebury Project or the Proposed Acquisition which could affect the success of the Proposed Acquisition or otherwise impact on MYL's financial position and performance. MYL intends on undertaking a review of the Mineral Resource set out in the MMG Report and will release an updated mineral resource to the market in due course. Investors should also note that there is no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the Proposed Acquisition have been, or will be, identified (including issues that are material to the decision to undertake the Proposed Acquisition) and avoided or managed appropriately. A material adverse issue that is not identified prior to undertaking the Proposed Acquisition could have an adverse impact on the financial performance or operations of MYL. There is a risk that issues and risks may arise which will also have a material impact on MYL (for example, MYL may later discover liabilities or defects which were not identified through due diligence or for which there is no contractual protection for MYL). This could adversely affect the operations, financial performance or position of MYL. Further, the information reviewed by MYL in conducting its due diligence investigations includes forward looking information, which is inherently unreliable and based on assumptions that may change in the future. Therefore, there is a risk that unforeseen issues and risks may arise which may also have a material impact on MYL.

Analysis of acquisition opportunity

MYL has undertaken financial, tax, legal and commercial analysis on the Avebury Project, in order to determine its attractiveness to MYL and whether to acquire it. It is possible that despite such analysis and the best estimate assumptions made by MYL, the conclusions drawn are inaccurate or that benefits are not realised. Specifically, the Proposed Acquisition, and proposed development steps following it, carry risk, including potential delays and unforeseen costs, and difficulties in optimising various operations. To the extent that the actual results achieved by the Proposed Acquisition are different to those indicated by MYL's analysis, there is a risk that the profitability and future earnings of the operations of MYL may be materially different from the profitability and earnings expected.

Regulatory risks

MYL's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consents, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters,



protection of endangered and protected species and other matters. MYL requires permits from regulatory authorities to authorise MYL's operations. These permits relate to exploration, development, production and rehabilitation activities. Obtaining the necessary permits can be a time consuming process and there is a risk that MYL will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict MYL from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of MYL's activities or forfeiture of one or more of its tenements.

Avebury Project has been on care and maintenance

There is no guarantee that MYL will achieve commercial viability through the Avebury Project (assuming the Proposed Acquisition is completed). MYL's future development activities may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond MYL's control. MYL's success may also depend upon (amongst other things) MYL having access to sufficient development capital, being able to maintain title to its tenements, obtaining all required approvals for its activities and recruiting appropriately skilled personnel. Many of these risks are also beyond the control of MYL. MYL's development costs are based on certain assumptions with respect to the method and timing of development. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect MYL's viability.

Re-start and ramp-up of the Avebury Project

If the Proposed Acquisition completes, MYL will take ownership of the Avebury Project after the Avebury Project has been in care and maintenance for several years. All the risks associated with developing and operating a mine operation (as summarised in "Operating and project risks" below) are applicable during a production-ramp up and re-start phase. Additionally, the production ramp-up and re-start process may uncover failures or deficiencies in processes, systems, plant and equipment required for the Avebury Project, and addressing such failures or deficiencies may result in MYL incurring unexpected costs and production-ramp up delays. Any prolonged outage or shutdown due to technical problems or otherwise could substantially increase production costs or adversely impact MYL's financial performance.

Nickel price volatility

If MYL achieves success leading to Nickel production, MYL's financial performance will be sensitive to the spot nickel price. Nickel prices, like all commodity prices, are affected by numerous factors and events that are beyond MYL's control. These factors and events include general economic activity, world demand, forward selling activity, nickel reserve movements at central banks, costs of production by other nickel producers and other matters such as inflationary expectations, interest rates, currency exchange rates (particularly the strength of the US dollar) as well as general global economic conditions and political trends. If nickel prices should fall below or remain below MYL's costs of production for any sustained period due to these or other factors and events, MYL's exploration and production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of MYL's projects may have a material adverse effect on MYL's production, earnings and financial position.

Nickel operating and development risks

MYL's ability to achieve production, development, operating cost and capital expenditure estimates on a timely basis cannot be assured. The business of nickel mining involves many risks and may be impacted by factors including ore tonnes, yield, input prices (some of which are unpredictable and outside MYL's control), overall availability of free cash to fund continuing development activities, labour force disruptions, cost overruns, changes in the regulatory environment and other unforeseen contingencies. Other risks also exist such as environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards. Such occurrences could result in damage to, or destruction of, production facilities, personal injury or death, environmental damage, delays in mining, increased production costs and other monetary losses and possible legal liability to the owner or operator of the mine. MYL may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible. These risks also mean that there can be no assurances as to the future development of a mining operation in relation to any of MYL's projects or which MYL may acquire in the future.

MINING INDUSTRY RISKS

Exploration risk

Exploration is an inherently speculative and high-risk activity that requires significant amounts of expenditure over extended periods of time to present a reasonable probability of success. MYL's exploration activities are subject to all the hazards and risks normally encountered in the exploration of minerals, including climatic conditions, hazards of operating vehicles and plant, technical difficulties, lack of sufficient water or power sources, industrial and environmental accident, adverse changes in government policy or legislation, lack of access to sufficient funding, lack of access to sufficient infrastructure, risks associated with operating in remote areas and other similar considerations. Conclusions drawn during mineral exploration are subject to all the uncertainties associated with all sampling techniques and to the risk of incorrect interpretation of geological, geochemical, geophysical, drilling and other data. No assurance can be given that during the exploration process Mineral Resources will be defined with preferred or desirable tonnages and/or grades that would result in feasible economic extraction. Substantial expense may be incurred without the requisite or expected degree of reward. Further, the costs of MYL's exploration activities may materially differ from its estimates and assumptions. No assurance



can be given that MYL's cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the value of MYL's shares.

Operating and project risks

Unforeseen risks can arise in the development and production phase including mining or processing issues, environmental hazards, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, labour force disruption, the unavailability of materials and plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, unusual or unexpected geological formations, pit failures, changes in the regulatory environment, contractual disputes with offtakers, removal of access rights to the property(s) and adverse weather conditions. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

Environmental

MYL's operations and activities are subject to the environmental laws and regulations of Australia (and Tasmania) and any other places MYL may conduct business. As with most mining and exploration projects, MYL's operations and activities are expected to have an impact on the environment, particularly if advanced development proceeds at any one of MYL's existing or potential future projects. MYL attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. However, non-compliance with or breach of any conditions attached to MYL's mining or environmental licences, or the occurrence of an environmental incident, may lead to penalties or revocation of licences, a delay to MYL's operations or an increase in operating costs, and significant liability could be imposed on MYL for damages, rehabilitation and clean-up costs or penalties in the event of certain environmental damage. This would require MYL to incur significant costs and may result in an adverse impact on MYL's cash flows, financial position and performance. Additionally, pursuant to the terms of its environmental licences, MYL may be required to pay bonds or guarantees to regulators and state or federal governments. Following closure of operations at any of MYL's mines MYL will incur costs for rehabilitation of the relevant mine site. The rehabilitation costs that are incurred following closure of a mine may exceed MYL's previous estimates of those rehabilitation costs. Further, MYL is unable to predict the effect of additional or more onerous environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase MYL's cost of doing business or affect its operations in any area. There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige MYL to incur significant expenses and undertake significant investments which could have a material adverse effect on MYL's operations, financial position and performance.

Metallurgy

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as identifying a metallurgical process through test work to produce a saleable product, Developing an economic process route to produce a saleable product, and changes in mineralogy in the ore deposit can result in inconsistent ore grades and recovery rates affecting the economic viability of the project.

Resource and reserve estimates

Mineral Resource estimates have been reported in accordance with the JORC Code, 2012 Edition, and are expressions of judgements based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and other similar examinations. In addition, JORC compliant Mineral Resource estimates are necessarily imprecise and depend to some extent on geological interpretations, as well as various economic, commercial, technical, environmental and legal assumptions which may prove to be inaccurate or invalid due to the passage of time. Should MYL encounter mineralisation or formations different from those predicted, Mineral Resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect MYL's operations.

Tenure and forfeiture

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved. Tenements are subject to the applicable mining acts and regulations of the relevant jurisdiction (including Tasmania). The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal or conversion conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising MYL's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of MYL. In Western Australia and Tasmania, tenements may also be forfeited or cancelled during the term pursuant to an application by any party, or by the Department. Irrespective of MYL's compliance with the conditions of the tenements, and applicable mining acts and regulations, there is no guarantee that applications for forfeiture or cancellation will not be made against the tenements. Further, any exemptions from tenement conditions (if available) are subject to the discretion of the Minister for Mines and objections by third parties. If any application for forfeiture or objection to the grant of an exemption is lodged, MYL may be required to defend such applications or objections in the Warden's Court and incur significant costs.

Native title risk

Native title or Aboriginal heritage sites or objects may exist in the areas covered by MYL's tenements. Native title and heritage legislation in the jurisdictions in which MYL operates may affect MYL's ability to gain access to prospective exploration areas or obtain required permits or licences. If native title has been claimed, MYL may seek a native title determination authorising entry onto land where native title has been claimed. If the title grants exclusive possession, the landowner may object to a notice of entry. Entry may only be granted on specific terms and conditions, and MYL may have



to pay compensation to the landowner. If there is a determination of native title over an area the subject of the prospecting and exploration tenements held by MYL, the native title holder's consent may be required for exploration and mining to occur. Native title could potentially impact the status, renewal and conversion of existing tenements held by MYL and may impact the future grant of new tenements. Compensation may be required to be provided by MYL to native titleholders in the form of money, transfer of property or provision of goods and services.

Decarbonisation Risk

MYL may be required in the future to transition its mining operations to decarbonised mining operations. Such a transition may be required by changing environmental legislation or regulations, changing economic conditions or changing investor or lender sentiment. Decarbonisation may require changes to MYL's actual or planned mining activities and may affect the continuing viability or profitability of those activities.

GENERAL RISKS

Risks associated with an investment in equity capital

There are general risks associated with any investment in equity capital. The trading price of MYL's shares may fluctuate with movements in equity capital markets in Australia and internationally, and may also be influenced by a number of factors, some which are specific to MYL and its operations and some which may affect listed companies generally. Share market conditions are affected by many factors such as general economic outlook, introduction of tax reform or other new legislation, interest rates and inflation rates, changes in investor sentiment towards particular market sectors, supply/demand of capital, terrorism and other hostilities, and pandemics and associated issues. The market price of MYL's shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and industrial stocks in particular. Neither MYL nor the directors warrant the future performance of MYL or any return on an investment in MYL.

ESG risks

There is an increasing vigilance by investors, shareholders and other interested third parties regarding environmental, social and governance (ESG) issues. An increased focus on ESG issues may:

- impact the implementation, interpretation or enforcement of legislation, regulations or formal and informal policies which affect MYL;
- influence the investment criteria, sentiment or assumptions applied by investors and lenders dealing with MYL; or
- influence the policies and negotiating positions of third parties currently contracting with MYL or who would otherwise be likely to contract with MYL in the future.

Insurance

MYL insures its operations in accordance with industry practice. However, in certain circumstances, MYL's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of MYL. Insurance against all the risks associated with construction and engineering is not always available and, where available, costs can be prohibitive.

Liquidity and realisation risk

There can be no guarantee that an active market in MYL's shares will continue, or that the market price of MYL's shares will increase. If liquidity for MYL's shares is not sustained, it may be difficult for investors to sell their shares, as there may be relative few, if any, potential buyers or sellers of MYL's shares on ASX at any time.

Tax

Future changes in taxation law, including changes in the interpretation or application of the law by the courts or taxation authorities, may affect taxation treatment of an investment in MYL shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which MYL operates, may impact the future tax liabilities and performance of MYL. It is also possible for the jurisdictions in which MYL operates to increase the rate on which royalty is assessed with respect to the extraction and sale of nickel concentrate and related products.

Other general risks

The operating and financial performance of MYL is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war, epidemic or pandemic or natural disasters. A prolonged deterioration in general economic conditions including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on MYL's operating and financial performance and financial position.

MYL's future possible revenues and share prices may be affected by these factors, which are beyond the control of MYL:

- Default by a party to any contract to which MYL is, or may become, a party;
- Insolvency or other managerial failure by any of the sub-contractors used by MYL in its activities;
- Industrial disputation by MYL's workforce or the workforce of its sub-contractors;
- Acts of war and terrorism or the outbreak or escalation of international hostilities and tensions; or
- Epidemics or pandemics (including COVID-19).



Dividends

Any future payment of dividends by MYL will be at the discretion of the board and will depend on the financial position of MYL, future capital requirements, business operations and other factors considered relevant by the board at the time. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by MYL.

Unknown Risks

Additional risks and uncertainties not currently known to MYL may also have a material adverse effect on MYL's financial and operational performance and the information set out in this announcement regarding the key operational and investment risks does not purport to be, nor should it be construed as representing, an exhaustive list of the risks.

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