

malachite resources

QUARTERLY REPORT for the period ending 31 March 2017

OVERVIEW

ASX Code: MAR

Issued Shares: 1,298,041,044

ABN: 86 075 613 268

Directors

Terry Cuthbertson

James Dean

Andrew McMillan

Top Shareholders

Mr Lindsay Jones

Olhoc Pty Ltd

Morrison Charity Trustee Ltd

Head Office

Malachite Resources Limited

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28 April 2017

- Lorena Gold Project:
 - Malachite Resources Ltd (“Malachite” or the “Company”) and Ore Processing Services Pty Ltd (“OPS”) advanced the development of the Lorena Gold Project (“Project”) on the basis of a non-binding heads of agreement. Pursuant to that agreement OPS will supply, commission and operate a mineral processing plant to produce gold doré on site.
 - OPS continued with engineering on the CIL circuit and optimisation of the metallurgical flowsheet.
 - Metallurgical test work results received for the leaching of the gold concentrate were consistent with the expected recovery of the gold from the proposed CIL circuit.
 - Malachite received an amendment to its Environmental Authority from the Department of Environment and Heritage Protection (“DEHP”) which permits the development of the Project using a CIL circuit to produce gold dore on site.
 - Malachite submitted the plan of operations for the Project to the DEHP.
 - OPS advised the Company that it agreed a financing arrangement that allows it to provide the mineral processing plant as contemplated by the Heads of Agreement.
 - On the basis that OPS had arranged its financing, post quarter, the Company entered into a binding Heads of Agreement with the OPS.
 - Post quarter Malachite submitted the Project facility description documentation to the Department of Natural Resources and Minerals.
 - Commissioning of the Project is forecast for September 2017 with production commencing in October 2017.



Lorena Gold Project

MLs 7147, 90192 – 90196

The Company is proceeding with the development of the Lorena Gold Project, which is located about 15km east of Cloncurry in northwest Queensland, on the basis of a non-binding heads of agreement entered into with Ore Processing Services Pty Ltd (“OPS”) to establish and operate a mineral processing plant to produce gold doré on site at the Lorena.

The non-binding heads of agreement is subject to a number of conditions precedent including:

- Completion of appropriate environmental approvals to allow a Carbon in Leach (CIL) plant on site which allows gold doré to be produced;
- Completion of confirmatory design test work on the CIL circuit;
- Malachite raising working capital for preparatory work to commence mining;
- OPS raising funding for the mineral processing plant; and
- Completion of formal documentation.

During the quarter, the Company was advised by OPS that OPS has agreed a financing arrangement that allows OPS to provide the mineral processing plant at Lorena as contemplated by the heads of agreement.

As announced on 2 March 2017, Malachite not only received an amendment to its Environmental Authority that permits a CIL plant on site, but also received leach test work results that were consistent with the expected recovery of gold from the proposed CIL circuit.

Given that both Malachite and OPS had financing arrangements in place and the conditions precedent to the non-binding heads of agreement had been met, on 7 April 2017, Malachite announced that it had entered into a binding heads of agreement with OPS (the “Malachite Heads of Agreement”). The terms of the binding heads of agreement are essentially the same as the previous non-binding heads of agreement with minor variations agreed to by parties in conjunction with their respective financiers.

As contemplated in the Heads of Agreement, OPS will receive fees for the provision of the mineral processing plant, a management fee in relation to the operation of the ore processing plant and earn a 30% equity interest in the Lorena Gold Project.

The parties are currently preparing formal joint venture documentation, which is expected to be completed as soon as practicable. This, however, will not delay the development of the project as OPS is proceeding with the supply, fabrication and construction of the CIL circuit. The binding Heads of Agreement provides OPS with the certainty that they and their financiers require to commit to funding of plant equipment.

As previously disclosed, OPS has entered into a binding agreement to acquire plant and equipment from MKS Precious Metals (Australia) Pty Ltd that had previously been constructed on the Lorena Gold Project site (“Lorena Concentrator Plant”). OPS will be required to both complete the Lorena Concentrator Plant and to supply a modular CIL circuit to provide an end to end mineral processing plant capable of producing gold dore on site.

During the Quarter, OPS continued with engineering on the CIL plant and optimisation of the metallurgical flowsheet. The test results for the leaching of the gold concentrate were consistent with the expected recovery of gold from the proposed CIL circuit.



Lorena Concentrator Plant

In March 2017 the Company submitted the Plan of Operations for the project as required by the Department of Environment and Heritage Protection and in April 2017 the Company submitted the Project Facility Description documentation to the Department of Natural Resources and Minerals.

Both Malachite and OPS are aiming to commission the Project in September 2017 with production commencing in October 2017. The critical component in the timing to production is currently the fabrication time for the CIL plant. The Company will provide further information on this once OPS has confirmation from the fabricators.

About the Lorena Gold Project

It is expected that the Lorena Gold Project will produce around 30,000 to 35,000 ozs of recovered gold in the eighteen months of production from an open cut operation at an operating cost of around A\$1,000 per gold ounce (including OPS plant fees and state royalties).

Malachite believes that the Lorena Gold Project has potential for resource extensions at depth. Proving up these additional resources will require confirmation by drilling which Malachite proposes to undertake at the earliest opportunity subject to sufficient funding being available. The Company also believes that there are considerable regional opportunities which it will be able to pursue once the plant is operating to enhance the commercial return from project.

Corporate

As announced on 26 October 2016, the Company entered into a financing terms sheet with ResCap Investments Pty Ltd (“ResCap”) in respect of a \$5m facility for the purpose of funding its obligations to bring the Lorena Gold Project into production (“Facility”).

Given that the conditions precedent to the Facility have been met, the Company is currently finalising documentation to allow drawdown of \$500,000 for Tranche A of the Facility. This is expected to be completed by mid-May.

Malachite will seek all relevant approvals from existing shareholders, convertible noteholders and regulatory authorities to implement this financing transaction as required under ASX listing rules and Australian Corporations Law.



Tenements

Project	Tenement Number
QUEENSLAND <i>Lorena</i>	ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML 90196 EPM 18189, EPM 18908
NEW SOUTH WALES <i>Tooloom</i>	EL 6263

Exploration/Mining Tenements Acquired/Disposed of during the Quarter

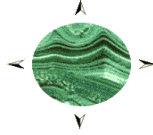
Project	Location	Tenement	MAR Interest
Conrad	NSW	ML 5992, ML 6040, ML 6041 EPL 1050 EL 5977	0%

Beneficial Interest in Farm-In or Farm-Out Acquired/Disposed of during the Quarter

Project	Location	Tenements	MAR Interest
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Further Information

For further information, please contact the Company on (02) 9251 0032 or by email at info@malachite.com.au or visit the Company's website at www.malachite.com.au



Malachite Resources Limited

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Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Malachite Resources Limited

ACN or ARBN

075 613 268

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(3)	(77)
(b) development	(13)	(139)
(c) production		
(d) staff costs	(2)	(33)
(e) administration	(30)	(199)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid (received)		
1.7 Research and development refunds		
1.8 Other (provide details if material)	4	7
1.9 Net cash from / (used in) operating activities	(44)	(440)
2. Cash flows related to investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets	39	39
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other - Security deposits	(87)	(37)
2.6 Net cash from / (used in) investing activities	(48)	2

+See chapter 19 for defined terms

1 September 2016

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
3. Cash flows related to financing activities		
3.1 Proceeds from issues of shares	-	344
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(12)
3.5 Proceeds from borrowings	-	80
3.6 Repayment of borrowings	-	(10)
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	-	402

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	123	67
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(44)	(440)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(48)	2
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	402
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	31	31

5. Reconciliation of cash	Current quarter \$A'000	Previous quarter \$A'000
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	31	123
5.2 Call deposits		
5.3 Bank overdraft		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	31	123

6. Payments to directors of the entity and associates of the directors

Current quarter \$A'000

- 6.1 Aggregate amount of payments to the parties included in item 1.2
6.2 Aggregate amount of loans to the parties included in item 2.3
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7. Payments to related entities of the entity and their associates

Current quarter \$A'000

- 7.1 Aggregate amount of payments to the parties included in item 1.2
7.2 Aggregate amount of loans to the parties included in item 2.3
7.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

+See chapter 19 for defined terms
1 September 2016

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
305	305
2,686	2,686

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other - Convertible Notes (includes capitalised interest)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Facility description	Lender	Interest rate	Secured/unsecured
Loans	Key management personnel	12%	unsecured
Convertible notes	Note holders	15%	unsecured

9. Estimated cash outflows for next quarter *	\$A'000
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	75
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	75

* It is anticipated that cash outflows for the next quarter will be funded in part by drawdown of Tranche A (\$500,000) of the ResCap Facility - refer ASX Announcement 26 October 2016.

10. Changes in interests in mining tenements	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	ML 5992 NSW		100%	0%
	ML 6040 NSW		100%	0%
	ML 6041 NSW		100%	0%
	EPL 1050 NSW		100%	0%
	EL 5977 NSW		100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

+See chapter 19 for defined terms
1 September 2016

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 does give a true and fair view of the matters disclosed.

Sign here:



Date: 28 April 2017

Print name:

Andrew J Cooke
Company Secretary

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly 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 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.