

# malachite resources

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## QUARTERLY REPORT for the period ending 31 December 2016

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### 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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31 January 2017

- Lorena Gold Project:
  - Malachite and Ore Processing Services Pty Ltd (“OPS”) advanced the development of the Lorena Gold Project on the basis of the heads of agreement which the parties previously entered into. Pursuant to that agreement OPS will supply, commission and operate a modular mineral processing plant to produce gold doré on site.
  - 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.
  - OPS is in the process of finalising its own financing.
  - Rescap and OPS financier completing final due diligence.
  - Optimisation metallurgical test work ongoing.
  - OPS commenced engineering of CIL plant.
  - Application for amendment to Environmental Authority lodged.
  - Development is on track for production to commence around September 2017.
  
- Corporate:
  - The Company obtained shareholder approval at its Annual General Meeting to extend the maturity date on existing Convertible Notes to 1 July 2017 and to be able to capitalise interest for those notes.
  
  - The Company successfully completed a Share Purchase Plan (“SPP”) which raised \$384,000 as additional working capital while it progresses the ResCap financing facility.



## 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 previously entered into with Ore Processing Services Pty Ltd (“OPS”) (the “Malachite Heads of Agreement”) to establish and operate a mineral processing plant to produce gold on site at the Lorena.

OPS will take responsibility for the supply, commissioning and operation of the whole mineral processing plant to produce gold doré on site.

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”). This is expected to facilitate a speedier and more cost effective development of the project. When OPS finalises this acquisition it will then 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. The acquisition of the Lorena Concentrator Plant does not have any material impact on the terms of the Malachite Heads of Agreement. OPS have advised that their efforts to procure their financing of the Lorena Gold Project were well advanced.

The total cost of the whole mineral processing plant and the time frame within which it will become available are both expected to be reduced by the acquisition of the Lorena Concentrator Plant. This will benefit the Company by reduced equipment lease fees and by achieving earlier gold production.



*Lorena Concentrator Plant*

During the quarter both Malachite and OPS advanced finance facilities to fund their respective project commitments to develop the Lorena Gold Project.

OPS commenced engineering on the CIL plant and optimisation of the metallurgical flowsheet continued as part of that work.

Malachite held discussions with the Queensland Department of Environment and Heritage Protection during the quarter regarding the revised project development strategy and has now lodged an Environmental Authority Amendment Application with the Department to permit development of the proposed end to end mineral processing plant capable of producing gold dore on site.

Both companies are aiming to bring Lorena into production around September 2017.



## 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.

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

### Share Purchase Plan

During the quarter the Company successfully completed a Share Purchase Plan ("SPP") which raised \$384,000 as additional working capital while it progresses the ResCap finance facility.

### Existing Convertible Notes

Shareholder approval was obtained at the Company's Annual General Meeting to extend the maturity date on existing Convertible Notes to 1 July 2017 and to be able to capitalise interest on these notes.

## 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>Conrad (subject to sale to Silver Mines Limited)</i>	ML 5992, ML 6040, ML 6041 EPL 1050 EL 5977
NEW SOUTH WALES <i>Tooloom</i>	EL 6263

### Exploration/Mining Tenements Acquired/Disposed of during the Quarter

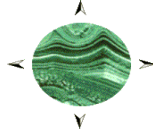
Project	Location	Tenement	MAR Interest
NIL			

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

Project	Location	Tenements	MAR Interest
NIL			

## Further Information

For further information, please contact the Company on (02) 9251 0032 or by email at [info@malachite.com.au](mailto:info@malachite.com.au) or visit the Company's website at [www.malachite.com.au](http://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 December 2016**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows related to operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(36)	(74)
(b) development	(126)	(126)
(c) production		
(d) staff costs	(3)	(31)
(e) administration	(98)	(169)
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)		3
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(263)</b>	<b>(396)</b>
<b>2. Cash flows related to investing activities</b>		
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		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other - Security deposits	-	50
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>50</b>

+See chapter 19 for defined terms  
1 September 2016

**Mining exploration entity and oil and gas exploration entity quarterly report**

**31 December 2016**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>3. Cash flows related to financing activities</b>		
3.1 Proceeds from issues of shares	344	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)	(12)
3.5 Proceeds from borrowings	-	80
3.6 Repayment of borrowings	(10)	(10)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>322</b>	<b>402</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	64	67
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(263)	(396)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	50
4.4 Net cash from / (used in) financing activities (item 3.10 above)	322	402
4.5 Effect of movement in exchange rates on cash held		
<b>4.6 Cash and cash equivalents at end of period</b>	<b>123</b>	<b>123</b>

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	123	64
5.2 Call deposits		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>123</b>	<b>64</b>

**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**

**31 December 2016**

**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
304	304
2,586	2,586

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	80
9.6 Other (provide details if material)	
9.7 <b>Total estimated cash outflows</b>	<b>80</b>

10. Changes in interests in mining tenements	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
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:



(Company Secretary)

Date:

31-Jan-17

Print name:

Andrew J Cooke

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.