



malachite resources

QUARTERLY REPORT for the period ending 31 March 2020

OVERVIEW

ASX Code: MAR

Issued Shares: 68,022,604

ABN: 86 075 613 268

Directors

Terry Cuthbertson
James Dean
Geoffrey Hiller

Top Shareholders

Michael John McCahill <ATF
MJ McCahill TA/C>
Sean McCahill Properties Ltd

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30 April 2020

Solomon Islands Nickel

- Malachite has the right to earn up to 15% of Sunshine Minerals Limited ("Sunshine"), a private company incorporated in the Solomon Islands. Sunshine owns 80% of Sunshine Nickel which holds a prospecting licence containing the Jejevo Nickel Project located on the south coast of Santa Isabel Island. The remaining 20% of Sunshine Nickel is owned by local land owners.
- During the quarter Malachite earned the first tranche of a 7.5% equity interest in Sunshine.
- The Jejevo Nickel Project is an advanced stage direct shipping ore nickel laterite project with excellent potential for development. The project was previously drilled in 2013 and the initial objective is to do sufficient work to confirm a 2012 JORC Resource at the earliest opportunity.
- The Jejevo Nickel Project has a number of positive aspects including its close proximity to the coast, no processing requirements, low capital route to direct shipping ore production and local landowner support. It is envisaged that mining of the project could potentially commence within 2 years.
- The Company entered into an MOU with Kolsori Nickel (SI) Ltd (KNL). KNL holds PL 05/19, which contains part of the Kolosori nickel project that is to the east of Jejevo on Isabel Island.

Lorena Gold Project:

- Malachite previously issued a Dispute Notice to its joint venture partners regarding numerous matters including past joint venture expenditures and information regarding an approved program and budget in respect of ongoing operations. This dispute has not been resolved.
- Malachite is currently in discussion with the JV partners to resolve the dispute which includes the renegotiation of the Lorena JV terms. Malachite considers that there has been some further progress in this matter during the quarter and is hopeful for a resolution in the short term.



Solomon Islands Nickel

JEJEVO NICKEL PROJECT

In December 2019, Malachite executed a subscription agreement to acquire up to 15% of Sunshine Minerals Limited (“Sunshine”), a private company incorporated in the Solomon Islands. Sunshine owns 80% of Sunshine Nickel which holds PL 01/18 containing the Jejevo Nickel Project located on the south coast of Santa Isabel Island. The remaining 20% of Sunshine Nickel is owned by local land owners.

Malachite has the right to earn the 15% equity interest in Sunshine in two tranches; the first is a 7.5% equity interest by spending A\$100,000 on the project and the second a further 7.5% equity interest by spending an additional A\$125,000 on the project.

During the quarter the Company met its expenditure commitments for the first tranche and has now earned a 7.5% equity interest in Sunshine.

In addition, Malachite is pleased to confirm that it has extended its exclusivity arrangement with Sunshine from 31 March 2020 to 30 September 2020.

The Jejevo Nickel Project is an advanced stage direct shipping ore nickel laterite project with excellent potential for development. The project was previously drilled in 2013 and the initial objective is to do sufficient work to confirm a 2012 JORC Resource at the earliest opportunity.

The Jejevo Nickel Project has a number of positive aspects including its close proximity to the coast, no processing requirements, low capital route to direct shipping ore production and local landowner support. It is envisaged that mining of the project could potentially commence within 2 years.

KOLOSORI NICKEL PROJECT

During the quarter, Malachite entered into a memorandum of understanding (MOU) with Kolosori Nickel (SI) Limited (KNL). KNL holds PL 05/19, which holds the main part of the Kolosori Nickel Project which is also on Isabel Island in the Solomon Islands. PL 05/19 is to the east of the Jejevo tenement on Isabel Island. Under the MOU, Malachite has exclusivity until 30 June 2020 to carry out due diligence and consider a transaction with KNL. Malachite is undertaking due diligence on this project. The resource at Kolosori is at a similar stage to that at Jejevo and if commercial terms are resolved with KNL the initial objective would be to carry out sufficient work to confirm a 2012 JORC Resource at the earliest opportunity.

IMPACT OF COVID-19 ON ACTIVITIES

Malachite has also considered the impact of COVID-19 on its activities. Given the restrictions on travel internationally and mindful of the spread of the virus within the local communities, the Company will focus on desk top work in the short term and will consider field activities where prudent. Sunshine has local staff that can carry out certain tasks to keep the Jejevo project going in country and there may be an opportunity for them to carry out some limited work on Isabel Island with regard to surveying and sample collections.



Lorena Gold Project

MLs 7147, 90192 – 90196

The Company's Lorena Gold Project ("Lorena Project") is located about 15km east of Cloncurry in northwest Queensland.

The Project is a joint venture between Malachite 55%, Cloncurry Gold Recovery Management Pty Ltd ("CGR") 30% and Ore Processing Services (OPS) 15%. CGR is the manager of a joint venture between Chinova Resources Pty Ltd (70%) ("Chinova") and BIM Gold Pty Ltd (30%). BIM Metals Pty Ltd is the joint venture manager. Malachite's interest in the Lorena Project is held by its wholly-owned subsidiary, Volga Elderberry Pty Ltd ("Volga").

The Company advises operational performance at the Lorena Project during the quarter continued to be well below expectations.

Joint Venture Matters

As previously reported, Chinova Resources Pty Ltd (Chinova) has withdrawn a working capital financing facility, which had previously been extended to joint venture participants to fund ongoing operations.



Volga has initiated a Dispute Resolution process in accordance with the terms of the Joint Venture Agreement dealing with numerous matters, which principally relate to achieving a reconciliation of historical joint venture expenditure and the future conduct of the joint venture.

Malachite has repeatedly requested that the Joint Venture Manager provide detailed information in relation to project cash calls issued by the Joint Venture Manager to Chinova and paid by Chinova on behalf of the Company. Malachite has also requested detailed project information and presentations so that it can properly assess project returns. Malachite remains unable to properly assess its position in relation to the joint venture and future cash calls until this information is provided by the Joint Venture Manager.

Malachite has made a recommendation to the Joint Venture Committee that operations should be suspended while outstanding issues are resolved however this recommendation was rejected by the other joint venturers.

Malachite is currently in discussion with the JV partners to resolve the dispute which includes the renegotiation of the Lorena JV terms. Progress continues to be made during the quarter and the Company is hopeful for a resolution in the short term.

Processing

Due to the ongoing dispute, the joint venture manager has not provided Malachite with operation reports during the quarter. We understand that processing operations continued during the quarter.

Chinova has provided the Company with details of gold sales from the project during the quarter as follows:

Month	Gold Sales (ounces)
January 2020	620
February 2020	280
March 2020	536
Total	1,436

Malachite did not receive any revenue from these gold sales or any distributions from the project. Malachite understands that the proceeds from these sales were applied to the funding of operating costs, capital costs and servicing of working capital loans.

Exploration

No further exploration of the Lorena Deeps prospect was undertaken during the quarter.

Corporate

On 16 April 2020 the Company held a general meeting of shareholders. All of the resolutions set out in the Notice of Meeting were passed. As a result the principal amounts relating to the Series A and D convertible notes and other liabilities were converted into ordinary shares and Series E Converting Notes were issued in respect of the unpaid interest due on the Series A and D convertible notes.

In addition a 100 into 1 consolidation of capital was approved. As a result of the consolidation the Company now has 68,022,604 shares and 12,475 Series E Converting Notes on issue.



The key terms of the Series E Converting Notes are as follows:

- issue price of \$100 each
- maturity date of 31 March 2021;
- interest rate of 4% per annum; and
- conversion price of the higher of the 30-day VWAP prior to the conversion date or \$0.035 each.

Tenements

Project	Tenement Number
QUEENSLAND	
<i>Lorena (55%) open cut</i>	ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML
<i>Lorena (70%) resources beneath the open cut</i>	90196
<i>Lorena EPMs (100%)</i>	EPM 18189, EPM 18908

Exploration/Mining Tenements Acquired/Disposed of during the Quarter

Project	Location	Tenement	MAR Interest
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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

Level 4, 283 George St Sydney NSW 2000
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Rule 5.5

Appendix 5B

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

Name of entity

Malachite Resources Limited

ACN or ARBN

075 613 268

Quarter ended ("current quarter")

31-Mar-20

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	(11)	(24)
(b) development		
(c) production	-	(1)
(d) staff costs		
(e) administration and corporate costs	(44)	(256)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid		(190)
1.6 Income taxes paid (received)		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(55)	(467)

* The Company did not receive any proceeds from the sales of gold or distributions from the Lorena Gold Project Joint Venture during the quarter. The Company is in dispute with its joint venture partners in relation to numerous issues relating to the Lorena Gold Project.

2. Cash flows related to investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)		
(e) investments		
(f) other non-current assets	(78)	(183)
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	(78)	(183)

Mining exploration entity or 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 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	20	20
3.6 Repayment of borrowings	-	(37)
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	20	(17)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	142	696
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(55)	(467)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(78)	(183)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	20	(17)
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	29	29

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	29	142
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)	29	142

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

- 6.1 Aggregate amount of payments to the parties included in item 1
6.2 Aggregate amount of loans to the parties included in item 2

Note: if any amounts are shown in items 6.1 and 6.2, your quarterly report must include a description of, and any explanation for, such payments

	Current quarter \$A'000
	(6)

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangement available to the entity
Add notes as necessary for an understanding of the position.

- 7.1 Loan facilities
OPS Loan
- 7.2 Credit standby arrangements
- 7.3 Other - Convertible Notes (includes unpaid interest)
- 7.4 **Total financing facilities**
- 7.5 **Unused financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
85	85
500	500
5,696	5,696
6,281	6,281
-	-

- 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.

Facility description	Lender	Interest rate (pa)	Maturity Date	
Loan facilities	Key Management Personnel	\$65,000 12%	31 October 2020	unsecured
	Other	\$20,000 10%	30 June 2020	unsecured
OPS Loan	Ore Processing Services	9%	matured	unsecured
Convertible A notes**	Note holders			
Convertible D notes**	Note holders			

** In April 2020 as approved by shareholders, converted into equity and converting notes with a maturity of 31 March 2021

Mining exploration entity or oil and gas exploration entity quarterly report

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(55)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(55)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	29
8.5 Unused financing funding (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	(26)
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.5

8.8 If Item 8.7 is less than 2 quarters please provide answers to the following questions:

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:

Yes

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:

The Company proposes to raise cash to fund its operations from a satisfactory settlement of the Lorena JV dispute/or from a new capital raising with the support of new investors and/or existing shareholders or a combination of each of these elements. The company believes that it will be successful in raising these funds subject to a satisfactory resolution of the dispute process in respect of the Lorena project and satisfactory investment market conditions. The Board has identified a number of parties who have expressed some interest in investing in the Company going forward.

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:

Yes, the entity expects to be able to continue its operations and to meet its business objectives on the basis that it is able to achieve a satisfactory settlement of the dispute in relation to the Lorena project and that it will be able to raise new funds to support the further and ongoing investments that the Company has made in nickel assets in the Solomon Islands.

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.

Date: 30 April 2020

Authorised by: By the board
(Name of body or officer authorising release - see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee - eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and give a true and fair value 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.