

malachite resources

QUARTERLY REPORT for the period ending 30 June 2016

OVERVIEW

ASX Code: MAR

Issued Shares: 1,132,914,821

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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14 July 2016

- Lorena Gold Project:
 - Ore Processing Services Pty Ltd (OPS) and Malachite are using their best endeavours to complete their funding to finalise the heads of agreement to produce gold bars on site at Lorena whereby OPS will supply, commission and operate the whole mineral processing plant and earn lease fees, management fees and a 30% interest in the project once operations commence.

- Corporate:
 - The Company is now required to obtain shareholder approval to extend the term of the existing Convertible Notes to 1 July 2017.
 - The Company sold its 77,056,191 Silver Mines Ltd shares (770,561 after SVL's 1:100 consolidation of its share capital) as part consideration for the sale of the Conrad Silver Project. The Company will retain an ongoing interest in the Conrad Silver Project by receiving a one per cent net smelter return on all metals produced from the Conrad Silver Project.
 - The transfer of non-core Tooloom MLs 1237, 1238 & 1385 in northern NSW to Tooloom Creek Pty Limited was completed in June 2016.



Lorena Gold Project

MLs 7147, 90192 – 90196

As announced last quarter, the Company entered into a non-binding heads of agreement with OPS to establish and operate a modular mineral processing plant to produce gold on site at the Company's Lorena Gold Project, which is located about 15km east of Cloncurry in northwest Queensland

OPS will take responsibility for the supply, commissioning and operation of the whole mineral processing plant, which will be constructed as modular units to produce gold doré on site. The main advantage of this approach is a lower construction cost as these units can be constructed off-site and transported to site fully commissioned. Given the fast track nature of the initial open cut campaign, the modular plant provides flexibility to remain on site if more resources are identified, or to relocate the processing capability to other regional opportunities or other projects within Australia. OPS and Malachite will be working together to take advantage of these processing units as part of a longer term strategy. OPS and Malachite are currently reviewing other projects which could potentially use the concentrator module once the Lorena open cut campaign has been completed.

OPS is pursuing the necessary funding for construction of its plant modules. It is contemplated that OPS will commence construction of the plant modules once it has secured appropriate funding. In parallel, Malachite is also in discussions with a number of parties to fund the capital cost of preparatory work which Malachite is required to undertake prior to commissioning of the OPS modules. Documentation between OPS and Malachite is being prepared to formalise these arrangements.

The arrangement with OPS is expected to minimise Malachite's share of capital expenditures whilst maintaining majority ownership of the project.

The arrangement between OPS and Malachite remains subject to a number of conditions precedent including:

- Completion of appropriate environmental approvals to allow a CIL plant on site;
- Completion of confirmatory design test work on the CIL circuit;
- Malachite raising funds for preparatory work;
- OPS raising funding for their OPS plant modules;
- Completion of formal documentation.

As previously advised, the key terms of the arrangement are as follows:

- OPS will earn a 30% equity interest in the Lorena Gold JV ("LGJV") once operations commence.
- OPS will receive lease fees from the LGJV for provision of the modular processing plant.
- OPS will earn a 5% management fee of the processing cost of the LGJV. OPS will be able to earn an additional 10% management fee of the processing cost based on performance against financial targets.
- Malachite will provide project funding of around A\$2.5m for preparatory works, which includes necessary environmental bonds, tailings dam construction, initial mining costs, water supply and preparatory ground works for the OPS modules.

The Company will provide further project development details at the earliest opportunity.

About OPS

OPS is associated with "ammjohn", a contract Engineering Company which has extensive experience in project management, project construction and engineering for mining and industrial projects. This



association provides OPS with the expertise and technical backing to provide a complete solution for the mineral processing requirements for the Lorena Gold Project.

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

Existing Convertible Notes

On 15 March 2016, the Company announced that it had reached agreement with all of its Convertible Noteholders to extend the term of the existing Notes to 1 July 2017.

Noteholders have also agreed to the capitalisation and deferment of interest subject to the proviso that the Company may, at its discretion, elect to pay interest rather than capitalise the interest if adequate working capital is available for this purpose.

The Company is now required to obtain shareholder approval to extend the term of the existing Convertible Notes to 1 July 2017. The Company will be sending shareholders a notice of a general meeting to approve the extension of the existing convertible notes.

Sale of Conrad Silver Project

Last quarter Company was issued 77,056,191 Silver Mines Ltd shares (770,562 SVL shares post a 1:100 share consolidation)as part consideration for the sale of the Conrad Silver Project. The company has sold those shares for working capital purposes). The Company will retain an ongoing interest in the Conrad Silver Project by receiving a one per cent net smelter return on all metals produced from the Conrad Silver Project. This ongoing interest is subject to finalising the sale and purchase agreement with Silver Mines Limited.

Sale of Tooloom MLs (ML 1237, ML 1238, ML 1385)

Last quarter, the Company sold non-core MLs 1237, 1238 & 1385 (Tooloom MLs) in northern NSW to Tooloom Creek Pty Limited for cash of \$50,000. The Company will also be entitled to recover its environmental bond of \$50,000 once the MLs have been transferred. The transfer of the MLs was completed in June 2016.

The Company retains EL6263, which is in the process of being renewed for a further two year term.



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

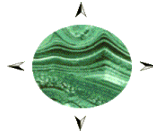
Project	Location	Tenement	MAR Interest
NIL			

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

Project	Location	Tenements	MAR Interest
Tooloom	Tooloom , NSW	ML 1237, ML 1238, ML 1385	0%

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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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Rule 5.3

Name of entity

Malachite Resources Limited

ACN or ARBN

075 613 268

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities

- 1.1 Receipts from product sales and related debtors
- 1.2 Payments for
 - (a) exploration and evaluation
 - (b) development
 - (c) production
 - (d) administration
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid (received)
- 1.7 Other income

Current quarter \$A'000	Year to date (12 months) \$A'000
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	(95)	(293)
	(123)	(348)
	(36)	(283)
	-	2
	-	(152)
Net Operating Cash Flows	(254)	(1,074)

Cash flows related to investing activities

- 1.8 Payment for purchases of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.9 Proceeds from sale of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.10 Loans to other entities
- 1.11 Loans repaid by other entities
- 1.12 Other -Security deposits

	99	549
	(5)	(5)
Net investing cash flows	94	544
1.13 Total operating and investing cash flows (carried forward)	(160)	(530)

Estimated cash outflows for next quarter *

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	40
4.3 Production	
4.4 Administration	60
Total	100

* Since quarter end the Company has received \$50,000 security deposit refund.

Reconciliation of cash

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 is as follows

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	67	21
Deposits at call	-	-
Bank overdraft	-	-
Other - 30 day bank bills	-	-
Total: cash at end of quarter (item 1.22)	67	21

Changes in interests in mining tenements

- 6.1 Interests in mining tenements
 relinquished, reduced or lapsed

- 6.2 Interests in mining tenements
 acquired or increased

Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of of quarter

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	1,132,914,821	1,132,914,821		
7.4 Changes during quarter				
(a) Increases through issues-				
Rights Issue				
Share Purchase Plan				
Share Placement				
Exercise of Options				
Repayment Convertible note				
Rollover Fees for Convertible Notes				
(b) Decreases through returns of capital, buy-backs, redemptions				

Malachite Resources Limited
Appendix 5B
30 June 2016

7.5 Convertible debt securities (description)

Convertible Note each has a face value of \$50,000 convertible at 20% discount to a 30 day VWAP; term to 1 July 2017; Interest rate - 15% per annum to 1 July 2017 (subject to shareholder approval).

7.6 Changes during quarter

(a) Increases through issues

(b) Decreases through returns of capital, buy-backs, redemptions

Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
		\$	\$
43.0	-	-	-
	-	-	-

7.7 Options

Description and conversion factor	Total Number	Number Quoted	Exercise price	Expiry Date
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Lapsed during quarter				
7.12 Debentures				
7.13 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company Secretary)
14-Jul-16

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.