



malachite  
resources

**ASX Announcement**

**ASX Code: MAR**

**30 September 2015**

## **PROJECT AND CORPORATE UPDATE**

Malachite Resources Limited (ASX Code: MAR) (“Malachite” or the “Company”) is pleased to announce the following update in respect of its flagship Lorena Gold Project, exploration at the Lady Mary Prospect, the sale of the Conrad Silver Project and extension of the maturity date for existing Convertible Notes.

### **Lorena Gold Project**

As previously announced in July 2015, Malachite executed a Letter of Offer with MKS Switzerland (SA) (“MKS”) that would have allowed Malachite to proceed with the development of the Lorena Gold Project in its own right using the plant and equipment partially constructed by BCD Resources NL (BCD) under a previous agreement with BCD which was terminated in May 2015. MKS is the ultimate secured lender to BCD and appointed Receivers and Managers to BCD in January 2015.

The financing offered by MKS was subject to certain conditions precedent, one of which was a Project Development Plan (“PDP”) to be prepared by Malachite including a cost estimate to complete the project development. In late July, Malachite engaged Ore Processing Services Pty Ltd (“OPS”) to carry out the PDP. OPS, in conjunction with Malachite, recently completed the PDP and one of the main conclusions was that the cost to complete the Lorena project was more than that determined by BCD and assumed by MKS. In September 2015, MKS and Malachite agreed that without further financing from MKS and without a change in financing and concentrate purchase terms as stated in the Letter of Offer, the MKS financing offer could not be provided nor accepted. MKS has now withdrawn its financing offer.

Malachite and the Receivers to BCD are currently negotiating terms to settle ownership of the partly constructed Lorena concentrate plant to provide Malachite with unfettered access to the plant.

As part of the PDP, Malachite and OPS, carried out a development scenario which incorporated building a cyanide plant (“CIL”) on the back of the concentrate plant at Lorena so that gold dore could be produced on site. The benefits of this scenario compared to producing a gold concentrate and transporting the concentrate to BCD’s plant at Beaconsfield are compelling and include:

- i. An integrated processing flow sheet at Lorena which does not require a concentrate to be produced or stored;
- ii. No costs for the transporting of concentrate to Beaconsfield which have a significant impact on operating cost;
- iii. Reduced overall operating costs because only running one processing site;
- iv. Less working capital required since there is no transport and processing of a concentrate;

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- v. The ability to mine a lower cut-off grade because of the lower operating costs which results in more ounces processed and a six to nine month longer mine life;
- vi. Less mining risk since lower grade material can be mined and processed rather than stockpiled on site as previously contemplated;
- vii. Better economics of treating any additional resources delineated at Lorena and in particular from a potential underground operation; and
- viii. The ability to treat other ores in the region, both sulphides and oxides.

Whilst transporting of concentrate to Beaconsfield remains a viable option, the Company believes that it is appropriate to consider other development options, particularly as the cost to build a CIL plant at Lorena is roughly the same as the anticipated transport costs and capital treatment charges to treat a concentrate at BCD's Beaconsfield plant. Malachite and OPS are currently in discussions, subject to financing, to complete the concentrate plant at Lorena with OPS to build and supply a CIL plant to produce gold dore on site at Lorena. It is proposed that the CIL plant will be mobile so that it can be constructed off-site and be transported to Lorena by truck in modules.

Malachite has carried out a review of the timing to construct and get approvals for a CIL plant and believes that it will only take some three months longer than it would take to finish off the concentrate plant, complete site works and carry out pre-stripping for the scenario of producing a concentrate for shipment to Beaconsfield.

Malachite has determined that its funding requirements (including project working capital) to have Lorena in development are around \$8 million.

Malachite is currently in discussions with a number of parties who are interested in funding the development of the project.

Subject to financing and negotiations with BCD's receivers in relation to the concentrate plant, it is now expected that an open cut operation at Lorena should commence in 2016.

As previously advised 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 believes that there are considerable regional opportunities which it will be able to pursue once the plant is operating at Lorena.

### **Lady Mary Prospect**

The Company has successfully negotiated an access agreement with the landowner of part of EPM18908 in order to carry out exploration drilling on the Lady Mary prospect. The Company is in the process of arranging an aboriginal cultural clearance of the Lady Mary prospect in preparation for a 9 hole, 500 metres in total, reverse circulation drilling program. This clearance is expected to be carried out next week with the drilling program commencing as soon as practicable.

The Lady Mary prospect is within a short trucking distance of the Lorena gold mine.

### **Conrad Silver Project**

In May 2015, the Company entered into an agreement with Silver Mines Limited ("SVL"), an ASX listed company with code SVL, to sell the Conrad Silver Project (Conrad) for \$450,000 in cash, \$125,000 in SVL shares and a 1% net smelter return. To date, SVL has paid Malachite \$175,000 with

the balance of the cash \$275,000 due at the earlier of 31 October 2015 or the completion of SVL's fully underwritten rights issue, which is expected is to be finalised mid-October 2015.

#### **Extension of Existing Convertible Notes**

Malachite has Convertible Notes (Notes) with a face value of \$2,150,000 on issue to existing Convertible Noteholders (including six Notes that, subject to shareholder approval at the upcoming annual general meeting of the Company, will be issued to Directors or their associates). Malachite has successfully negotiated with the Noteholders to extend the maturity date of these Notes by 7 months to 5 May 2016. The Company will pay each Convertible Noteholder a Rollover Fee of 1.75% of the Notes Issue Price. In order to preserve cash the Rollover fee will be paid by the issue of Ordinary Shares at a 20% discount to the 30 day VWAP to 5 October 2015.

For further information, please contact Malachite Resources Limited 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)