

malachite resources

QUARTERLY REPORT for the period ending 30 June 2015

OVERVIEW

ASX Code: MAR

Issued Shares: 1,125,567,291

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 July 2015

- Malachite was previously party to an agreement with BCD Resources NL (BCD) for BCD to sole fund and manage the development of the Lorena Gold Project.
- Malachite terminated that agreement with BCD in May 2015.
- Post quarter, Malachite announced that it had executed a Letter of Offer with MKS Switzerland (SA) which will allow Malachite to proceed with the development of Lorena.
- It is proposed that Malachite will sell the gold concentrate that it produces from the Stage 1 open cut at Lorena to MKS at the mine gate for 57% of the agreed gold contained in the concentrate.
- MKS will in turn sell the concentrate to BCD on a separate contractual agreement for the gold concentrate to be processed at BCD's plant at Beaconsfield, Tasmania.
- Malachite is currently carrying out a project development plan as part of a condition precedent for the MKS funding.
- Malachite is in discussions with drilling contractors to carry out exploration at the Lady Mary prospect and beneath the planned open cut at Lorena.
- Malachite has entered an agreement with Silver Mines Limited (SVL) to sell the Conrad project for \$450,000 in cash, \$125,000 in SVL shares and a 1% net smelter return royalty.
- Malachite successfully raised \$536,000 from a Share Purchase Plan during the quarter.





Lorena Gold Project

MLs 7147, 90192 – 90196

Malachite Resources Limited (Malachite) was previously party to an agreement with BCD Resources NL (BCD) for BCD to sole fund and manage the development of the Lorena Gold Project (Lorena). In January 2015, BCD put on hold the development site work at Lorena so that it could review the development costs and sort out its funding requirements and arrangements to complete the development and commissioning of Lorena. In May 2015, Malachite terminated the agreement with BCD.

On 16 July 2015, Malachite announced that it had executed a Letter of Offer with MKS Switzerland (SA) (MKS) which will allow Malachite to proceed with the development of the Lorena Gold Project using the plant and equipment partially constructed by BCD Resources NL (BCD), under the previous agreement that was terminated in May 2015. MKS is the ultimate secured lender to BCD and appointed Receivers and Managers to BCD in January 2015.

Malachite retains its 100% of the Lorena mining leases and will proceed with the development of the project in its own right. Upon successful commissioning of the project by Malachite, in accordance with a Project Development Plan to be agreed with MKS, Malachite will earn 100% ownership of the Lorena plant and equipment which had previously been funded by BCD. It is proposed that Malachite will sell the gold concentrate that it produces from the Stage 1 open cut at Lorena to MKS at the mine gate for 57% of the agreed gold contained in the concentrate. MKS will in turn sell the concentrate to BCD on a separate contractual agreement for the gold concentrate to be processed at BCD's plant at Beaconsfield, Tasmania.

Following completion of the Stage 1 open cut mine plan, Malachite will be entitled to 100% of all gold produced subject only to a royalty in favour of BCD of 3.5% of all gold produced at Lorena capped at 1,250 ozs of gold.

MKS will also provide certain secured finance facilities to Malachite to assist Malachite to complete the development and operation of the Lorena Gold Project. Malachite and MKS are proceeding to formal documentation.

The site works remained on hold during the quarter.

Malachite is currently working on the Project Development Plan to finalise the development and commissioning of the Lorena Gold Project. The remaining works at Lorena relate mainly to electrical installation, piping installation, construction of the tailings dam and commissioning.





Malachite will also pursue discussions with other parties who have completed preliminary technical due diligence on Lorena and who may have an interest in working with Malachite to develop Lorena or to participate in the potential expansion of the Project if regional exploration is successful or extensions of the existing resource at depth are confirmed.

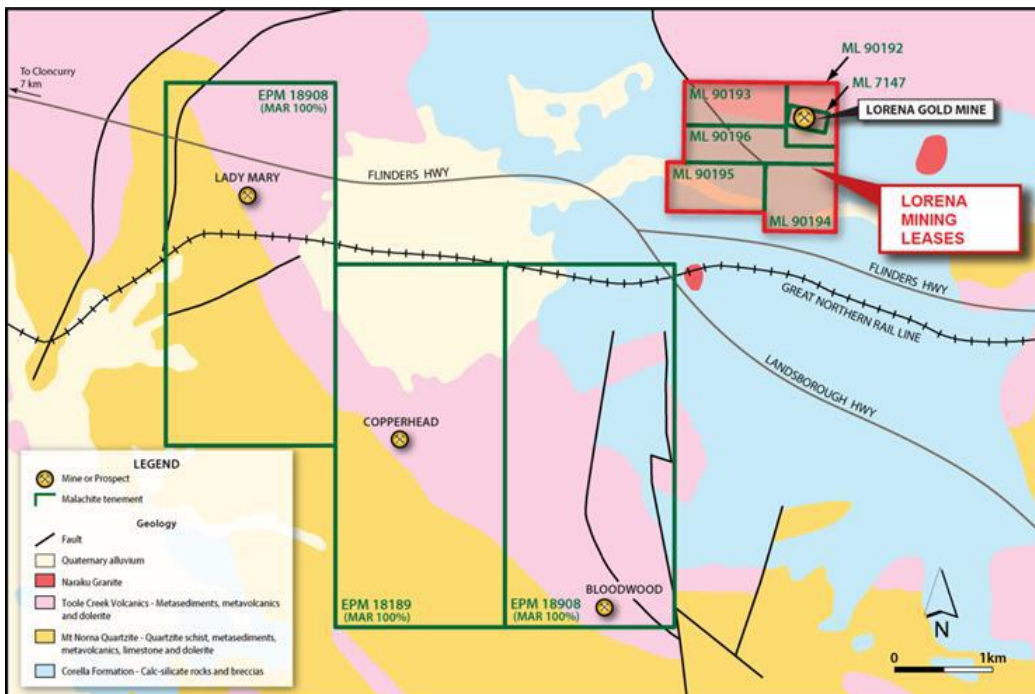
Malachite believes that the Lorena Gold Project remains robust given its high gold grade and the gold resource potential at depth. Malachite will also pursue regional exploration potential and other gold processing opportunities which, if successful, will enhance the projects value to the Company.

Exploration

Malachite has recently reached an in-principle agreement with the landowner over compensation which will allow the Company to carry out exploration on the Lady Mary prospect on the Company's EPM18908. Following the execution of that agreement and obtaining cultural heritage clearance, the Company will be in a position to drill test the Lady Mary prospect, which is some 5km east of the Lorena Gold Project. The Lady Mary prospect has previously returned high grade rock chip samples and is an anomalous gold copper zone with a strike length of around 400m.

The Company regards the tenor, width and continuity of gold and copper values in the soils at its Lady Mary prospect as extremely positive. The soil program and previous rock chip sampling have outlined a robust gold-copper drill target. The discovery of a resource at Lady Mary could potentially supply additional ore to a mill at Lorena.

Malachite intends to carry out an initial 500m RC drilling program once it has the land compensation agreement executed and the cultural heritage clearance in place.



Lorena Gold project located 15km east of Cloncurry, Qld

In addition to the intended exploration at the Lady Mary prospect, the Company is investigating an exploration program to test the resource potential beneath the planned Lorena open cut. The Company is in discussion with a number of drilling contractors to carry out both drilling programs.



Conrad Project

On 11 May 2015, Malachite advised that it had entered into a Memorandum of Understanding (“MoU”) with Silver Mines Limited (ASX Code: SVL) to sell the Company’s Conrad Silver Project (“Conrad”) near Inverell, NSW.

While Malachite’s remains focussed on the development of the Lorena Gold Project in Queensland, it had resolved to proceed with the sale of Conrad as it considers that further exploration is required at Conrad in order to have more confidence in the silver grade distribution (particularly the high grade areas) within the current resource prior to proceeding with further project feasibility work. Malachite considers that the funds from the sale of Conrad will provide more value to the Company in the near term if deployed to test the underground exploration potential at Lorena.

On 17 June 2015, Malachite advised that Silver Mines Limited had exercised its option to acquire the Conrad in accordance with the terms of the MoU between the parties.

Malachite received an initial option payment of \$50,000 in May 2015 when the original MoU was executed with SVL. Malachite has agreed to the following terms:

- SVL shall pay \$50,000 to MAR (the Second Payment);
- The Parties shall use their best endeavours to resolve formal documentation within 30 days of the Second Payment;
- Subject to formal documentation, Completion shall occur 10 business days following completion of a Rights Issue by SVL but in any event not later than 31 August 2015. On Completion:
 - SVL will pay \$350,000 to MAR;
 - SVL will issue shares in SVL to MAR (subject to necessary approvals) (to be escrowed for 12 months) to the value of \$125,000 based on the 5 day volume weighted SVL share price prior to the date of Completion; and
 - MAR will transfer 100% ownership of the Conrad Project to SVL.

Malachite will retain an ongoing interest in the Conrad project via a 1% net smelter return on all metals produced from the Conrad Project.

Corporate

Shareholder Purchase Plan

On 7 April 2015, Malachite announced an offer to eligible shareholders to participate in a Share Purchase Plan (SPP).

The SPP, which closed 12 May 2015, raised \$536,000 and was well supported by shareholders.

The funds raised by the SPP combined with the expected proceeds from the sale of the Conrad silver project will allow the Company to finalise the arrangement of project funding to complete the development of Lorena and to carry out some exploration activities at Lorena.



Tenements

| Project | Tenement Number |
|-----------------|------------------------|
| QUEENSLAND | ML 7147 |
| <i>Lorena</i> | ML 90192 |
| | ML 90193 |
| | ML 90194 |
| | ML 90195 |
| | ML 90196 |
| | EPM 18189 |
| | EPM 18908 |
| NEW SOUTH WALES | ML 5992 |
| <i>Conrad</i> | ML 6040 |
| | ML 6041 |
| | EPL 1050 |
| | EL 5977 |
| <i>Tooloom</i> | ML 1237 |
| | ML 1238 |
| | ML 1385 |
| | EL 6263 |

Exploration/Mining Tenements Acquired/Disposed of during the Quarter

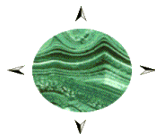
| Project | Location | Tenement | MAR Interest |
|----------------|-----------------|-----------------|---------------------|
| NIL | | | |

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

| Project | Location | Tenement | MAR Interest |
|----------------|-----------------|-----------------|---------------------|
| NIL | | | |

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 2015

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

| | | |
|---------------------------------|--------------|----------------|
| | | |
| | (36) | (213) |
| | (52) | (70) |
| | (159) | (504) |
| | 1 | 3 |
| | (111) | (249) |
| | | |
| Net Operating Cash Flows | (357) | (1,033) |

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

| | | |
|--|--------------|----------------|
| | | |
| | 50 | 50 |
| | - | (26) |
| | | |
| Net investing cash flows | 50 | 24 |
| | | |
| 1.13 Total operating and investing cash flows (carried forward) | (307) | (1,009) |

Malachite Resources Limited
Appendix 5B
30 June 2015

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|-------------------------------|--|
| 1.13 Total operating and investing cash flows (brought forward) | (307) | (1,009) |
| Cash flows related to financing activities | | |
| 1.14 Proceeds from issues of shares | 536 | 536 |
| 1.15 Proceeds from sale of forfeited shares | | |
| 1.16 Proceeds from borrowings | 150 | 775 |
| 1.17 Repayment of borrowings | (52) | (70) |
| 1.18 Dividends paid | | |
| 1.19 Other (provide details if material)- Borrowing costs | (4) | (13) |
| - Capital raising costs | (24) | (24) |
| Net financing cash flows | 606 | 1,204 |
| Net increase (decrease) in cash held | | |
| 1.20 Cash at beginning of quarter/year to date | 62 | 166 |
| 1.21 Exchange rate adjustments to item 1.20 | | |
| 1.22 Cash at end of quarter | 361 | 361 |

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | |
|---|----|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | 25 |
| 1.24 Aggregate amount of loans to the parties included in item 1.10 | |
| 1.25 Explanation necessary for an understanding of the transactions | |
| Salaries, Directors fees and consultancy fees at normal commercial rates. | |

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

| \$A'000 |
|---------|
| Nil |

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

| |
|-----|
| Nil |
|-----|

Financing facilities available

Add notes as necessary for an understanding of the position.

3.1 Loan facilities
Other Loans

| Amount available \$A'000 | Amount used \$A'000 |
|--------------------------------|---------------------------|
| 225 | 225 |

3.2 Credit standby arrangements

| | |
|---|---|
| - | - |
|---|---|

Estimated cash outflows for next quarter *

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 25 |
| 4.2 Development | 125 |
| 4.3 Production | |
| 4.4 Administration | 125 |
| Total | 275 |

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 | 361 | 62 |
| Deposits at call | - | - |
| Bank overdraft | - | - |
| Other - 30 day bank bills | - | - |
| Total: cash at end of quarter (item 1.22) | 361 | 62 |

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 | 1,125,567,291 | 1,125,567,291 | | |
| 7.4 Changes during quarter | | | | |
| (a) Increases through issues- | | | | |
| Rights Issue | | | | |
| Share Purchase Plan | 107,200,000 | 107,200,000 | | |
| Share Placement | | | | |
| Exercise of Options | | | | |
| Repayment Convertible note | | | | |
| Consideration for Convertible Notes | 5,129,497 | 5,129,497 | | |
| (b) Decreases through returns of capital, buy-backs, redemptions | | | | |

Malachite Resources Limited
Appendix 5B
30 June 2015

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 5 October 2015; Interest rate - 15% per annum to 5 October 2015.

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) |
|--------------|---------------|---------------------------------------|--|
| | | \$ | \$ |
| 37.0 | - | - | - |
| 1.0 | - | - | - |
| 1.0 | - | - | - |

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 | | | | | |
| 25 May 2015 Options | 1 share for 1 option | 5,500,000 | - | 5 cents | 25-May-15 |
| 25 May 2015 Options | 1 share for 1 option | 5,500,000 | - | 7.5 cents | 25-May-15 |
| 25 May 2015 Options | 1 share for 1 option | 8,300,000 | - | 5 cents | 25-May-15 |
| 25 May 2015 Options | 1 share for 1 option | 8,300,000 | - | 7.5 cents | 25-May-15 |
| 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)

Print name:

Andrew J Cooke
30-07-15

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.