malachite resources

Annual Report 2017

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CHAIRMAN'S REVIEW

The development of Malachite's Lorena Gold Project near Cloncurry in northwest Queensland remained the focus for the Company over the 2016/17 year and I am pleased to report that the Company's fortunes have materially improved since my last report to shareholders.

The arrangements agreed with Ore Processing Services Pty Ltd (OPS) and Cloncurry Gold Recovery Management Pty Ltd (CGR) to supply, commission and operate a gold mineral processing plant have advanced in line with expectations. When completed, the joint venture will be capable of producing gold doré on site.

The joint venture parties currently envisage that gold production from Lorena will be achieved before year end.

In July of this year the Company reached agreement with existing Convertible Noteholders to extend the maturity date on their notes to 1 October 2018. This extension is the subject of resolutions to be considered at the Annual General Meeting to be held on 29 November 2017. The Board appreciates the patience and ongoing support of the convertible noteholders, which has been invaluable to the Company. In addition, since the year-end the Company has raised an additional $250,000 through the issue of new convertible notes and welcomes the support of these new noteholders.

The Board anticipates a further re-rating of the Company's share price once gold production from the Lorena project has been achieved. In the longer term, and subject to confirmatory drilling, it is anticipated that the Lorena project may be expanded to include the gold resource potential at depth. The Company is also actively looking at other gold processing opportunities and projects in the region. If successful, these additional prospects are expected to enhance the value of the Company's interest in the Lorena project for the benefit of existing shareholders.

Looking forward, our immediate focus will remain on achieving gold production from Lorena and in this regard I wish to specifically acknowledge the invaluable contribution and determination of our Chief Executive Officer – Mr. Geoff Hiller, who has single-mindedly driven the development of this project. .

I would also like to express my appreciation for the continued dedication of Malachite's Board, management and staff who have now positioned the Company to achieve its long held goal of achieving gold producer status.

Finally I would like to thank our shareholders and those financial backers who have continued to support the Company to this point and will hopefully be well rewarded for their longstanding faith in the Company.

Terry Cuthbertson
Chairman

REVIEW OF OPERATIONS

During the Period the Group's main business activity has been focused on advancing the development of the Lorena Gold Project ("Lorena") near Cloncurry in northwest Queensland.

Lorena is expected to be developed by the end of 2017 and the Group expects to generate cash flows from Lorena via an open cut mining operation. Further cash flows from the project will depend on either establishing an underground operation at Lorena, which is contingent on the discovery of additional resources at depth, or by treating third party ores.

LORENA
Lorena Gold Project - MLs 7147, 90192 to 90196, EPM18908, EPM18189

In 2016, the Group entered into a non-binding Heads of Agreement with Ore Processing Services Pty Ltd (OPS) to establish and operate a mineral processing plant at Lorena.

In September 2016, OPS entered into a binding Heads of Agreement to acquire the plant and equipment previously constructed on the Lorena Gold Project site ("Lorena Concentrator Plant"). OPS was then required to both finalise the construction of the Lorena Concentrate Plant and supply a modular (Carbon-in-Leach) CIL processing plant to provide a complete mineral processing plant capable of producing gold dore on site.

Excavation of waste rock commenced

Lorena Concentrator Plant being completed

In October 2016, the Group entered into a Financing Terms Sheet with ResCap Investments Pty Ltd ("ResCap") in respect of a $5 million facility for the purpose of funding its obligations to bring the Lorena Gold Project into production.

In early 2017, the Group announced that it had received positive confirmatory metallurgical test work on the CIL processing plant and received an amendment to its Environmental Authority from the Queensland Department of Environment and Heritage Protection (DEHP) to allow a CIL processing plant on the site.

In March 2017 the Group submitted the Plan of Operations for the project as required by the DEHP and in April 2017 the Group submitted the Project Facility Description documentation to the Department of Natural Resources and Minerals.

In April 2017, the Group entered into a binding Heads of Agreement with OPS given that OPS had received a financing arrangement that allowed OPS to provide the mineral processing plant at Lorena as contemplated.

In the last quarter of the year, OPS continued with engineering on the CIL plant and optimisation of the metallurgical flowsheet. The Plan of Operations and Project Facility documentation was approved by financial year end.

Schematic of Lorena Carbon in Leach Processing Plant

On 24 July 2017, the Group announced that the Group and OPS had entered into a new joint venture/funding arrangement with Cloncurry Gold Recovery Management Pty Ltd (CGR) for the Lorena Gold Project. CGR is the manager of a joint venture between Chinova Resources Tennant Creek Pty Ltd (70%) and BIM Gold Pty Ltd (30%).

The key terms of the new joint venture/funding arrangement are:

- CGR will provide funding of $2.5m for the preliminary project capital works which include the construction of the tailings dam and water structures, carrying out initial mining and providing funds for the environmental bond;
- OPS will supply the existing gold concentrate plant;
- CGR will supply a gold CIL plant to treat both the gold concentrate and concentrate tailings;
- OPS will manage and operate the processing plant;
- CGR, OPS and BIM will fund the project working capital;
- Commissioning to commence by 31 October 2017;
- Once commissioning has been achieved the joint venture interests in the Project will be Malachite 55%, CGR 30% and OPS 15% for the open cut operation; and
- Upon completion of the open cut operation, Malachite will retain a 70% interest in any additional resources with the Lorena Gold Project mining leases.

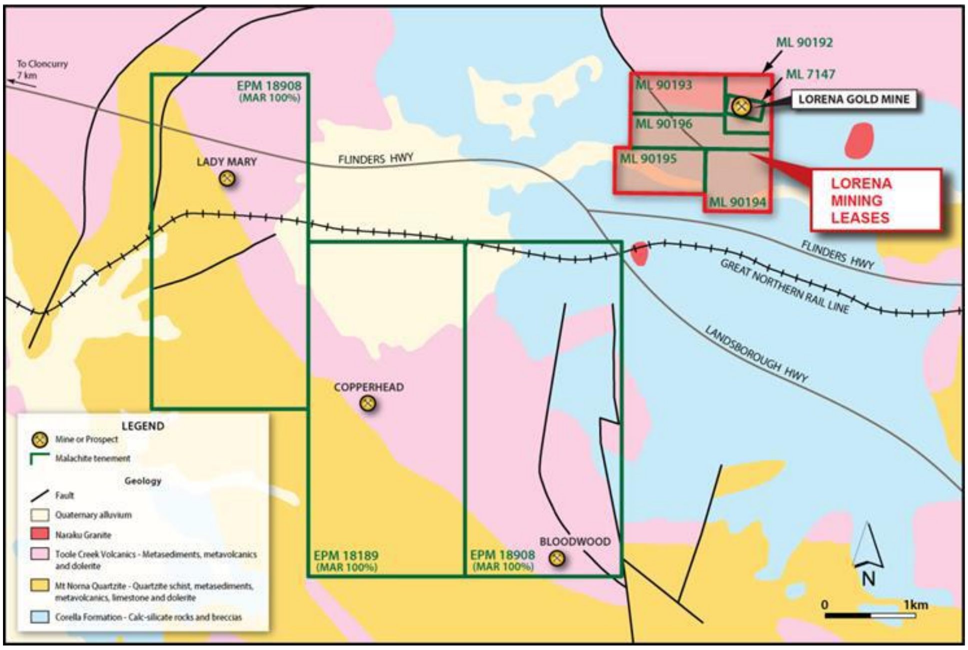
Following execution of the new joint venture and financing package the $5 million financing facility previously arranged with ResCap was not required.

The Group and OPS are endeavouring to start commissioning of the Lorena processing plant in late October 2017 with gold production expected early December 2017.

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 at a forecast operating cost of around A$1,000 per gold ounce (which includes the Group's share of plant and preliminary project capital). The Group will have a 55% joint venture interest in the Lorena Gold Project upon the commissioning of the processing plant.

Aerial View of Processing Plant Area *Foundations for CIL processing plant being constructed*

The Group believes that the Lorena Gold Project has potential for resource extensions at depth. Proving up these additional resources will require confirmation by drilling which the Group proposes to undertake at the earliest opportunity subject to sufficient funding being available. The Group will have a 70% joint venture interest in any resource extensions at depth. The Group 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.



Lorena Gold project located 15km east of Cloncurry, QLD

OTHER TENEMENTS

Tooloom Gold Project (EL6263)

The Group holds EL6263 which contains the Phoenix gold prospect. The Group is actively seeking a joint venture partner for this tenement.

Conrad Silver Project (MLs 5992, 6041 & 6042, EL5977 and EPL1050)

During the Period, the Group executed a sale and purchase agreement and royalty agreement with Silver Mines Limited to sell the Conrad Silver Project. The transfer of the Conrad Silver Project titles was carried out by the NSW Department of Industry Resources and Energy in March 2017. The Group retains a 1% net smelter royalty return over the Conrad Silver Project.

RESOURCE STATEMENT

The resource estimation for the Lorena Gold Project is presented in the two tables below; the first being the resource estimation for A Lode and the second for B Lode.

Table 1 – Resource Estimations for A Lode

Cut-off	Measured			Indicated			Total		
Au g/t	Tonnes	Au g/t	Au Oz	Tonnes	Au g/t	Au Oz	Tonnes	Au g/t	Au Oz
5.0	34,700	11.7	13,100	57,000	15.6	28,600	91,700	14.2	41,700
2.0	**68,700**	**7.6**	**16,700**	**110,800**	**9.5**	**34,000**	**179,500**	**8.8**	**50,700**
1.0	88,300	6.2	17,600	165,900	6.9	36,600	254,200	6.6	54,200
0.5	105,800	5.3	18,000	228,200	5.2	38,000	334,000	5.2	56,000
0	156,100	3.7	18,400	513,100	2.4	39,500	669,200	2.7	57,900

Table 2 – Resource Estimations for B Lode

Cut-off	Indicated			Inferred			Total		
Au g/t	Tonnes	Au g/t	Au Oz	Tonnes	Au g/t	Au Oz	Tonnes	Au g/t	Au Oz
5.0	2,400	9.7	800	10,900	11.9	4,200	13,300	11.5	5,000
2.0	**3,100**	**8.3**	**800**	**20,600**	**7.7**	**5,100**	**23,700**	**7.8**	**5,900**
1.0	3,800	7.1	900	30,800	5.6	5,600	34,600	5.8	6,400
0.5	8,400	3.6	1,000	45,000	4.1	5,900	53,400	4.0	6,900
0	14,200	2.2	1,000	117,200	1.6	6,200	131,400	1.7	7,200

Lorena has a total JORC Mineral Resource in the Measured, Indicated and Inferred categories containing approximately 56,600oz of gold at a 2g/t cut-off grade. This is made up by a resource of 179,500t at 8.8g/t Au containing 50,700oz of gold in the A Lode (16,700oz of gold in the Measured category and 34,000oz of gold in the Indicated category), and a resource of 23,700t at 7.8g/t Au containing 5,900oz of gold in the B Lode (800oz of gold in the Indicated category and 5,100oz of gold in the Inferred category). These resources are within a potential open pit mine and are open at depth. The gold-bearing mineralisation is principally of massive and stringer sulphide type and copper-gold mineralisation occurs in conjunction with the gold mineralisation.

COMPETENT PERSON STATEMENT:

The information in this report that relates to the Lorena Gold Project resource was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and is extracted from the report entitled Resource Update at Lorena created and released to the ASX on 27 January 2012 (which contained a separate Competent Person Statement by Geos Mining) and is available to view on the Company's website: www.malachite.com.au The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

MALACHITE RESOURCES LIMITED

A.B.N 86 075 613 268

CONSOLIDATED FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

This financial report is for the consolidated entity consisting of Malachite Resources Limited and its subsidiaries. The financial report is presented in Australian currency.

Malachite Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Malachite Resources Limited
Suite 2, Level 10
8-10 Loftus Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities is included in the review of operations in the directors' report.

The financial report was authorised for issue by the directors on 22 September 2017. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at a minimum cost to the company. All ASX releases, financial reports and other information are available on our website: www.malachite.com.au.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Malachite Resources Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The names and positions of the directors of the consolidated entity during the financial year and up to the date of this report, unless otherwise stated, are:

Terry Cuthbertson
Non-executive Chairman, Age 67

Chartered Accountant and holds a Bachelor of Business Degree with extensive corporate finance expertise, having advised several businesses and government organizations in relation to mergers, acquisitions and financing. Formerly a Partner of KPMG Corporate Finance and NSW Partner in Charge of Mergers and Acquisitions, where he coordinated government privatisations, mergers, divestitures and public offerings on the ASX for the New South Wales practice. Terry is the former Group Finance Director of Tech Pacific Holdings Limited, which was one of the largest information technology distributors in Asia with annual turnover in 1999 of approximately $2 billion and is a former Director of Tech Pacific Limited's businesses in Hong Kong, Singapore, India, Philippines, Indonesia and Thailand. He is the Non-executive Chairman of ASX listed MNF Group Limited, Australian Whisky Holdings Limited, Austpac Resources NL, South American Iron and Steel Corporation Limited and Mint Payments Limited. He is a Non-executive Director of iSentric Limited.

James Dean ACIP
Non-executive Director, Age 57

Corporate Advisor and Professional Investor with over 26 years professional experience in the finance industry and investment in mining, construction equipment, property development, feature film and biotech. Most experience has been related to evaluating the operational and financial performance of numerous businesses and then aptly negotiating and matching risk profiles with investment criteria. For more than 21 years he has held fiduciary positions with regard to shareholders and beneficiaries of various investment vehicles. Extensively travelled and possesses a worldwide network of business collaborators

Andrew McMillan B Comm
Non-executive Director, Age 57

Andrew has over 26 years corporate advisory experience derived from mergers and acquisitions, equity capital markets and corporate restructuring across industrial and resources sectors. Specialised in equity capital markets transactions at Patersons Securities from 2003 to 2016 where he has successfully completed numerous capital raisings. He is currently Managing Director of GotSkill Platforms Limited.

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

In the last three years none of the directors have held directorships in public companies other than those listed individually above.

COMPANY SECRETARY

Andrew J. Cooke LLB.

Lawyer with over 21 years' experience in law, corporate finance and as a Company Secretary of listed resource companies. Responsible for corporate administration together with stock exchange and regulatory compliance.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr T Cuthbertson	12	12	-	-	-	-
Mr J Dean	12	12	6	6	-	-
Mr A McMillan	12	12	6	6	-	-

DIRECTORS' INTERESTS

	Ordinary Shares		Options		Convertible Notes	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Mr T Cuthbertson	-	17,450,923	-	-	-	6
Mr J Dean	-	50,324,340	-	-	-	2
Mr A McMillan	11,980,852	-	-	-	5	-

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was the development and exploration of mineral deposits.

No significant changes in the nature of the principal activities occurred during the financial year.

OPERATING RESULTS

The loss of the Group for the financial year after providing for income tax amounted to $1,341,659 (2016: $1,567,069).

DIVIDENDS

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 30 Jun 2017 (2016: Nil).

REVIEW OF RESULTS AND OPERATIONS

During the Period the Group's main business activity has been focused on advancing the development of the Lorena Gold Project ("Lorena") near Cloncurry in northwest Queensland.

LORENA

Lorena Gold Project – (ML7147, MLs 90192 to 90196, EPM 18189, EPM18908)

In 2016, the Group entered into a non-binding Heads of Agreement with Ore Processing Services Pty Ltd (OPS) to establish and operate a mineral processing plant at Lorena.

In September 2016, OPS entered into a binding Heads of Agreement to acquire the plant and equipment previously constructed on the Lorena Gold Project site ("Lorena Concentrator Plant"). OPS was then required to both finalise the construction of the Lorena Concentrate Plant and supply a modular (Carbon-in-Leach) CIL processing plant to provide a complete mineral processing plant capable of producing gold dore on site.

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

In October 2016, the Group entered into a Financing Terms Sheet with ResCap Investments Pty Ltd ("ResCap") in respect of a $5 million facility for the purpose of funding its obligations to bring the Lorena Gold Project into production.

In early 2017, the Group announced that it had received positive confirmatory design test work on the CIL processing plant and received an amendment to its Environmental Authority from the Queensland Department of Environment and Heritage Protection (DEHP) to allow a CIL processing plant on the site.

In March 2017 the Group submitted the Plan of Operations for the project as required by the DEHP and in April 2017 the Company submitted the Project Facility Description documentation to the Department of Natural Resources and Minerals.

In April 2017, the Group entered into a binding Heads of Agreement with OPS given that OPS had received a financing arrangement that allowed OPS to provide the mineral processing plant at Lorena as contemplated.

In the last quarter of the Period, OPS continued with engineering on the CIL plant and optimisation of the metallurgical flowsheet.

The Plan of Operations and Project Facility documentation was approved by financial year end.

The Group and OPS are endeavouring to start commissioning of the Lorena processing plant in October 2017.

OTHER TENEMENTS

Tooloom Gold Project (EL6263)

The Group holds EL6263 which contains the Phoenix gold prospect. The Group is actively seeking a joint venture partner for this tenement.

Conrad Silver Project (MLs 5992, 6041 & 6042, EL5977 and EPL1050)

During the Period, the Group executed the sale and purchase agreement and royalty agreement with Silver Mines Limited to sell the Conrad Silver Project. The transfer of the Conrad Silver Project titles was carried out by the NSW Department of Industry Resources and Energy in March 2017. The Group retains a 1% net smelter royalty return over the Conrad Silver Project.

FINANCIAL PERFORMANCE

During the 2017 financial year the consolidated net loss of $1.342 million (2016: loss of $1.567 million) reflected:

- Expenses of $0.372 million incurred for the development of the Lorena Gold Project and on exploration tenements; and
- Expenses of $0.982 million for corporate administration and financing.

FINANCIAL POSITION

Total equity decreased from $8.733 million as at 30 June 2016 to $7.811 million as at 30 June 2017 as a result of a net loss of $1.342 million and an increase in contributed equity of $0.421 million.

At 30 June 2017, the Group had liabilities in respect of Convertible Notes with a total value of $2.786 million comprising a face value of $2.15 million and accrued interest of $0.636 million, an unsecured loan held by OPS of $0.5 million, and unsecured loans held by Key Management Personnel (KMP) of $0.305 million.

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

The Group expects to be able to repay the Convertible Notes (if not converted into equity at the holder's election), the OPS loan, and the KMP loans from cash flows generated from the Lorena Gold Project.

CASH FLOWS

Cash flows from operating activities was negative $0.583 million (2016: negative $1.080 million).

During the period the Group received proceeds of:

- $0.384 million via a Share Purchase Plan with the issue of 153,600,000 fully paid ordinary shares
- $0.500 million from an unsecured loan from OPS; and
- $0.030 million from unsecured loans from key management personnel.

Cash at 30 June 2017 was $0.519 million (2016: $0.067 million).

GOING CONCERN

Consistent with the nature of the Group's activities and its ongoing investment of funds into the Lorena Gold development project the Group has experienced operating losses of $1,341,659 and negative cash flows from operations of $582,663 during the period ended 30 June 2017.

At 30 June 2017, the Group has net current liabilities amounting to $3,814,242 (30 June 2016: $3,158,410) comprising Convertible Notes with a total value of $2,786,051 (includes accrued interest of $636,051), an unsecured loan from OPS of $500,000 and unsecured loans of $305,000 from Key Management Personnel.

The Group's cash position at balance date was $519,151 which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 30 September 2018.

The Group relies on the Lorena Gold Project for the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in the following:

- achieving positive cash flows from the Lorena Gold Project as soon as practical through the development of the project to commercial production;
- raising equity or debt through the capital markets; or
- entering into a corporate transaction.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The Group has also been successful in extending the term of the Convertible Notes and raising additional funds when required.

The Group is also confident that it will be able to generate cash inflows from its Lorena Gold Project in the near future. On that basis the directors believe it is reasonable to expect that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

GOING CONCERN (Continued)

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2017. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The attached financial report for the year ended 30 June 2017 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

AFTER BALANCE DATE EVENTS

On 24 July 2017, the Group announced that the Group and OPS had entered into a new joint venture/funding arrangement with Cloncurry Gold Recovery Management Pty Ltd (CGR) for the Lorena Gold Project. CGR is the manager of a joint venture between Chinova Resources Tennant Creek Pty Ltd (70%) and BIM Gold Pty Ltd (30%).

The key terms of the new joint venture/funding arrangement are:

- CGR will provide funding of $2.5m for the preliminary project capital works which include the construction of the tailings dam and water structures, carrying out initial mining and providing funds for the environmental bond;
- OPS will supply the existing gold concentrate plant;
- CGR will supply a gold CIL plant to treat both the gold concentrate and concentrate tailings;
- OPS will manage and operate the processing plant;
- CGR, OPS and BIM will fund the project working capital;
- Commissioning to commence by 31 October 2017;
- Once commissioning has been achieved the joint venture interests in the Project will be Malachite 55%, CGR 30% and OPS 15% for the open cut operation; and
- Upon completion of the open cut operation, Malachite will retain a 70% interest in any additional resources with the Lorena Gold Project mining leases.

Following execution of the new joint venture and financing package the $5 million financing facility previously arranged with ResCap was not required.

As announced on 25 July 2017, the Group reached agreement with all of its Convertible Noteholders to extend the term of the existing Notes from 1 July 2017 to 1 October 2018. All other key terms of the existing Notes remain unchanged. The Noteholders will receive a fee for extending the term of the Notes of 2.5% of the face value plus accrued interest. The fee will be paid via the issue of Group shares at a 30 day trading volume weighted price up to 1 July 2017.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group's main project is the Lorena Gold Project (Lorena). Lorena is expected to be developed by the end of 2017 and the Group expects to generate cash flows from Lorena via an open cut mining operation. Further cash flows from the project will depend on either establishing an underground operation at Lorena, which is contingent on the discovery of additional resources at depth, or by treating third party ores.

ENVIRONMENTAL REGULATIONS

The Group's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decisions in what are generally known as the "Mabo" and "Wik" cases and any laws of the Commonwealth or of a State or Territory regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined in some parts of the Group's interests and certain mining titles may be affected by native title. The Group does not believe the Lorena Gold Project mining leases are affected by native title.

The Group has an environmental rehabilitation policy that is applied to each tenement upon grant. The policy has been adhered to and no breaches have occurred during the period.

SHARE OPTIONS

There were no options granted over unissued shares or interest during or since the financial year by the Company or controlled entities.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

In accordance with the Constitution of Malachite Resources Limited each director and officer is indemnified on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by them as officers of Malachite Resources Limited or a related body corporate. The consolidated entity has not indemnified or agreed to indemnify the auditor of the consolidated entity against any liabilities incurred as auditor.

Insurance Policies

Since the end of or during the financial year the consolidated entity has paid premiums in respect of directors' and executive officers' liability and legal expenses insurance contracts for the year ended 30 June 2017. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the parent entity.

Directors have not included details of the nature of the liabilities covered, or the amount of the premium paid, as such disclosure is prohibited under the terms of the insurance contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

a) Principles used to determine the nature and amount of remuneration
b) Details of remuneration
c) Share based compensation
d) Additional information
e) Other transactions of Key Management Personnel
f) Equity instrument disclosures relating to Directors and Key Management Personnel

The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

REMUNERATION REPORT (CONTINUED)

a) Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and amount of emoluments of board members and senior executives of the consolidated entity is as follows:

The objective of the entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- attracts and retains well qualified and suitably experienced applicants
- has the goal of economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and, in the longer term, payment of dividends and delivering an adequate return on assets as well as focusing the executive on key non-financial drivers of value.
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short (STI) and long-term (LTI) incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Executive remuneration includes a base salary that is set with reference to the market, a short term incentive that comprises of an at risk bonus payable to reflect performance and a long term incentive that provides scope for equity participation over the longer term.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also drawn on external sources of information to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 per annum and was approved by shareholders at the AGM on 30 November 2015.

REMUNERATION REPORT (CONTINUED)

b) Details of remuneration

Cash remuneration packages are set at levels that are intended to attract and retain executives capable of managing and enhancing the consolidated entity's operations. Remuneration of individual non-executive Directors is determined by the Board and may be varied from time to time but always such that the aggregate (currently $139,621 per annum see table below) is within the maximum amount (currently $300,000 per annum) for which prior approval of the shareholders has been received.

Remuneration non-executive Directors fees

Remuneration fees received in their capacity as non-executive Directors.

2017	
Directors	**Directors fees**
Mr T Cuthbertson	60,961
Mr J Dean	39,330
Mr A McMillan	39,330
	139,621

Details of the nature and amount of each element of the emoluments of each of the directors and the key management personnel of Malachite Resources Limited during the year ended 30 June 2017 are set out below.

2017	Salary & Fees	Accrued Salary & Fees	Superannuation Contribution	Termination Benefits	Non-Cash Benefits	Options	Total
	$	$	$	$	$	$	$
Mr Terry Cuthbertson	-	60,961	-	-	-	-	**60,961**
Mr J Dean	-	39,330	-	-	-	-	**39,330**
Mr A McMillan	-	39,330	-	-	-	-	**39,330**
Other key management personnel of the group							
Mr G Hiller	5,400	247,050	-	-	-	-	**252,450**
Total Key Management Personnel	**5,400**	**386,671**	**-**	**-**	**-**	**-**	**392,071**

2016	Salary & Fees	Accrued Salary & Fees	Superannuation Contribution	Termination Benefits	Non-Cash Benefits	Options	Total
	$	$	$	$	$	$	$
Mr Terry Cuthbertson	-	60,961	-	-	-	-	**60,961**
Mr J Dean	-	39,330	-	-	-	-	**39,330**
Mr A McMillan	-	39,330	-	-	-	-	**39,330**
Other key management personnel of the group							
Mr G Hiller	113,768	138,682	-	-	-	-	**252,450**
Total Key Management Personnel	**113,768**	**278,303**	**-**	**-**	**-**	**-**	**392,071**

REMUNERATION REPORT (CONTINUED)

b) Details of remuneration (Continued)

Key management personnel are the same for the Group and the Company.
There is no link between key management personnel remuneration and the share price or dividends.
There is no relationship between the performance of the Group and remuneration over the past five years.
All of the top paid executives are shown above.

The Directors have not been paid since the 1st July 2013. All Directors fees have been accrued from 1st July 2013. The outstanding accrual for Directors fees is set out in the table below.

Directors' fee accrual

	Opening balance 2016	Accrual current year	Closing balance 2017
Directors			
Mr T Cuthbertson	132,884	60,961	193,845
Mr J Dean	92,990	39,330	132,320
Mr A McMillan	92,990	39,330	132,320
	318,864	139,621	458,485

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
Mr T Cuthbertson	100%	100%	-	-	-	-
Mr J Dean	100%	100%	-	-	-	-
Mr A McMillan	100%	100%	-	-	-	-
Other key management personnel of the group						
Mr G Hiller	100%	100%	-	-	-	-

c) Share based compensation

Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan"). The Plan is administered by the Board. Only eligible persons (and their associates) may be invited to participate in the Plan. Eligible persons include full time employees of the Company, permanent part-time employees, qualifying contractors and persons who may be a director, alternate director or company secretary of the Company or an entity in the Group. The Plan is designed to provide long term incentives for executives to deliver shareholder value.

Options are granted under the plan for no consideration. Options granted under the Plan carry no dividend or voting rights. Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the Company. The exercise price is determined by the Directors at the time of issuing an invitation to participate in the Plan.

All options granted to Directors are approved by Shareholders.

Benefits are payable (or vest) upon expiry of vesting periods.

No options are currently issued under the Employee Option Plan.

REMUNERATION REPORT (CONTINUED)

d) Additional information

The Group's main project is at the development stage and as a result, it does not yet have earnings from mining. In view of that, shareholder wealth is based on the market's view of the value of becoming a producer, the Group's potential for future discovery success, and the quality and experience of its people. This is reflected in market capitalisation, which is also influenced by factors outside the Group's control, such as commodity prices and general market behaviour.

Accordingly, remuneration policy for key management personnel is based primarily on the extent to which the corporate exploration and evaluation objectives are met, recognising that the timeframe for success commonly exceeds one year.

e) Other transactions of Key Management Personnel

Unsecured Loans

The Group had an opening balance of $275,000 in unsecured loans from Key Management Personnel. During the year, the Group received additional unsecured loans of $80,000 from Key Management Personnel on the same terms as the existing loans (interest rate of 12% pa with interest payable upon repayment and a maturity date of 1 October 2018). During the period, $40,000 of unsecured loans were repaid by the issue of fully paid ordinary shares of the Group at the time and share price of the Group's Shareholder Purchase Plan in November 2016. A further $10,000 of unsecured loans was repaid by the Group in cash in December 2016. The Group had $305,000 in unsecured loans from Key Management Personnel at 30 June 2017.

f) Equity instrument disclosures relating to Directors and Key Management Personnel

(i) Share holdings

The number of shares in the Company held during the financial year by each director of Malachite Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Shares	**Number held 1 July 2016**	**Purchased/acquired during the year**	**Sold during the year**	**Other changes**	**Number held 30 June 2017**
2017					
Mr T Cuthbertson	8,984,383	8,466,540	-	-	17,450,923
Mr J Dean	39,707,705	10,616,635	-	-	50,324,340
Mr A McMillan	4,130,947	7,849,905	-	-	11,980,852
Other key management personnel					
Mr G Hiller	7,399,125	6,425,364	-	-	13,824,489

AUDITORS

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

No amounts paid or payable to the auditor for non-audit services provided during the year.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Terry Cuthbertson

Non-Executive Chairman

Sydney, 22 September 2017

MNSA

MALACHITE RESOURCES LIMITED ABN 86 075 613 268
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MALACHITE RESOURCES LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 22nd September 2017

MNSA Pty Ltd
ABN 59 133 605 400

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Fax (02) 9299 8104
Email admin@mnsa.com.au

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

Malachite Resources Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue from continuing operations	5	672	2,316
Accounting and audit expense		(76,733)	(53,115)
Corporate expenses		(271,628)	(286,760)
Depreciation and amortisation expense	6	(23,484)	(31,299)
Employee benefits expense		(140,798)	(218,322)
Evaluation and Exploration expenditure expensed		(372,451)	(494,499)
Impairment of exploration assets and other receivables		(15,415)	(52,184)
Finance costs	6	(431,612)	(377,646)
Occupancy expenses		(22,784)	(55,560)
Gain/(loss) on sale of assets		12,574	-
Loss before income tax expense		(1,341,659)	(1,567,069)
Income tax expense	7	-	-
Net loss for the year	18	(1,341,659)	(1,567,069)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(1,341,659)	(1,567,069)
Loss for the year is attributable to owners of the Company		(1,341,659)	(1,567,069)
Total comprehensive loss is attributable to owners of the Company		**(1,341,659)**	**(1,567,069)**
		Cents per share	Cents per share
Basic and diluted (loss) per share	27	(0.10)	(0.14)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Malachite Resources Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	8	519,151	66,728
Trade and other receivables	9	33,004	125,257
TOTAL CURRENT ASSETS		**552,155**	**191,985**
NON-CURRENT ASSETS			
Receivables	11	412,440	375,281
Property, plant and equipment	12	78,653	124,563
Exploration and evaluation expenditure	13	11,387,840	11,475,000
TOTAL NON-CURRENT ASSETS		**11,878,933**	**11,974,844**
TOTAL ASSETS		**12,431,088**	**12,166,829**
CURRENT LIABILITIES			
Trade and other payables	14	1,028,191	753,012
Borrowings	15	2,786,051	2,405,398
TOTAL CURRENT LIABILITIES		**3,814,242**	**3,158,410**
NON-CURRENT LIABILITIES			
Borrowings	15	805,000	275,000
TOTAL NON-CURRENT LIABILITIES		805,000	275,000
TOTAL LIABILITIES		4,619,242	3,433,410
NET ASSETS		**7,811,846**	**8,733,419**
EQUITY			
Contributed equity	16	56,964,454	56,544,368
Reserves	17	2,207,581	2,207,581
Accumulated losses	18	(51,360,189)	(50,018,530)
TOTAL EQUITY		**7,811,846**	**8,733,419**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Malachite Resources Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Group	Contributed Equity	Accumulated Losses	Reserves	Total Equity
	$	$	$	$
Balance at 1 July 2015	**56,544,368**	**(48,451,461)**	**2,175,178**	**10,268,085**
Total comprehensive income for the year	-	(1,567,069)	-	(1,567,069)
Employee and non-employee share option	-	-	32,403	32,403
Balance at 30 June 2016	**56,544,368**	**(50,018,530)**	**2,207,581**	**8,733,419**
Total comprehensive income for the year	**-**	(1,341,659)	-	(1,341,659)
Shares issued during the year	432,125	-	-	432,125
Shares issue cost	(12,039)	-	-	(12,039)
Balance at 30 June 2017	**56,964,454**	**(51,360,189)**	**2,207,581**	**7,811,846**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Malachite Resources Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(210,884)	(391,139)
Exploration and evaluation expenditure		(372,451)	(539,146)
Interest received	5	672	2,316
Interest paid		-	(152,045)
Net cash used in operating activities	26(C)	(582,663)	(1,080,014)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of prospects		-	549,107
Disposal of motor vehicle		35,000	-
Payment of security bonds		50,000	-
Net cash provided by investing activities		85,000	549,107
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible note		-	-
Proceeds from unsecured loan		530,000	275,000
Repayment of hire purchase loan		-	(20,583)
Proceeds from share issues		432,125	-
Equity raising expenses		(12,039)	(17,325)
Net cash provided by financing activities		950,086	237,092
NET (DECREASE)/INCREASE IN CASH HELD		452,423	(293,815)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		66,728	360,543
CASH AT THE END OF THE FINANCIAL YEAR	26 (a)	519,151	66,728

For details of non-cash operating and investing activities by the Group refer to note 26.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Malachite Resources Limited and its subsidiaries.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Malachite Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Malachite Resources Limited also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016

Significant Matters relating to the ongoing viability of operations

Consistent with the nature of the Group's activities and its ongoing investment of funds into the Lorena Gold development project the Group has experienced operating losses of $1,341,659 and negative cash flows from operations of $582,663 during the year ended 30 June 2017.

At 30 June 2017, the Group has net current liabilities amounting to $3,814,242 (30 June 2016: $3,158,410) comprising Convertible Notes with a total value of $2,786,051 (includes accrued interest of $636,051), an unsecured loan from OPS of $500,000 and unsecured loans of $305,000 from Key Management Personnel.

The Group's cash position at balance date was $519,151 which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 30 September 2018.

The Group relies on the Lorena Gold Project for the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in the following:

- achieving positive cash flows from the Lorena Gold Project as soon as practical through the development of the project to commercial production;
- raising equity or debt through the capital markets; or
- entering into a corporate transaction.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The Group has also been successful in extending the term of the Convertible Notes and raising additional funds when required.

The Group is also confident that it will be able to generate cash inflows from its Lorena Gold Project in the near future. On that basis the directors believe it is reasonable to expect that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2017. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Malachite Resources Limited ("company" or "parent entity") as at 30 June 2017and the results of all subsidiaries for the year then ended. Malachite Resources Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Malachite Resources Limited.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Cash and cash equivalents

For the purpose of the cash flows statements, cash and cash equivalents includes:
- cash on hand and at call deposits with banks or financial institutions; and
- investments in money market instruments with less than 90 days to maturity that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

c) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and all other short-term employee benefit obligations are presented as other payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share based compensation

Share based compensation benefits are provided to employees via the Malachite Resources Limited Employee Option Plan. Information relating to the plan is set out in note 28.

The fair value of options granted under the Malachite Resources Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditure comprises direct costs and depreciation and does not include general overheads or administrative expenditure not having a nexus with a particular area of interest.

These costs are only carried forward where there is current or planned activity and rights of tenure, and one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale

- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, but, nevertheless, active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off, in full, in the year in which the decision to abandon the area is made or where it fails to meet the conditions outlined above for the carry-forward of these costs as an asset.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources and the Group's impairment policy (note 1(g).

e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

f) Good and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Malachite Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Income Tax (Continued)

The head entity, Malachite Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amount, Malachite Resources Limited also recognises the current liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets and liabilities arising under tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution (or distribution from) wholly-owned tax consolidated entities.

i) Trade payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

j) Borrowings

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible notes

On issuance of the convertible notes, where the conversion is a fixed number of shares for a fixed value there is an equity component, otherwise the whole instrument is a financial liability.

When it is determined that the whole instrument is a financial liability and no equity instrument is identified, the conversion option is separated from the host debt and classified as a derivative liability. The carrying value of the host contract, at initial recognition is determined as the difference between the consideration received and the fair value of the embedded derivative. The host contract is subsequently measured at amortised cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at the end of each reporting period through the consolidated statement of comprehensive income. The convertible note and the derivative are presented as a single number on the consolidated statement of financial position within interest-bearing loans and borrowings.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Borrowings (continued)

When it is determined that the instrument contains an equity component based on the terms of the contract, on issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

k) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position (notes 9 and 11).

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designed as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

l) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Loss per share

(i) Basic loss per share is calculated by dividing:

- the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares.

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on plant and equipment is calculated on a diminishing value basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Motor Vehicles	5-6 years
Plant and equipment	4-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1g).

o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Revenue Recognition

(i) Interest income

Interest income is recognised on a time proportion basis, taking into account the interest rates applicable to financial assets.

(ii) Other income

Other income is measured at the fair value of the consideration received or receivable.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

q) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

s) Parent entity financial information

The financial information for the parent entity, Malachite Resources Limited, disclosed in note 29 has been prepared on the same basis as the consolidated financial statements.

t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not yet been applied in the Financial Statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) New accounting standards and interpretations (continued)

(i) AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 Financial Instruments addresses revised requirements for the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, including hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Directors do not expect there will be any material impact on the accounting for the Company's financial assets or liabilities.

(ii) AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017)

When effective, this Standard will replace the current accounting requirement applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

1) identify the contract(s) with a customer;

2) identify the performance obligations in the contract(s);

3) determine the transaction price;

4) allocate the transaction price to the performance obligations in the contract(s); and

5) recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. There is no impact on the Company's financial statements.

(iii) AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will:

- replace AASB 117 Leases and some lease-related Interpretations;

- require all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases; and

- require new and difference disclosures about leases.

This Standard will require retrospective restatement, as well as new and difference disclosures. There is no material impact on the Company's financial statements.

There are no other standards that are not yet effective and are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board and the financial risks faced by the Group other than liquidity risk are considered minimal at this stage.

Cash is held at one of the big four banks in Australia that is exposed to variable rates. This is managed through holding the cash in a high interest bearing account and is transferred to ordinary account as required.

The Group holds the following financial instruments:

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	519,151	66,728
Trade and other receivables	419,574	407,983
	938,725	**474,711**
Financial liabilities		
Trade and other payables	1,028,191	753,012
Borrowings	3,591,051	2,680,398
	4,619,242	**3,433,410**

a) Market risk

(i) Interest rate risk

The Group’s and Parent’s main interest rate risk arises from cash and cash equivalents and deposits with banks.

Sensitivity

At 30 June 2017, if interest rates had changed by lower/higher 100 base points from the year-end rates with other variables held constant, post-tax loss for the year would have been $3,764 lower/higher (2016: change of 100 bps: $775 lower/higher, as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

(ii) Foreign Exchange Risk

The Group operates domestically and is not exposed to significant foreign exchange risk.

(iii) Price Risk

The Group is not exposed to equity securities price risk. The Group is indirectly exposed to commodity price rise to the extent of its operations which are undertaken in the mineral sector.

b) Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity Risk

The Group manages liquidity risk by monitoring actual cash flows and maintaining sufficient cash to fund operations. Surplus funds are generally only invested in short term deposits with Australian Banks.

The Group's position with respect to going concern is outlined in note 1 (a).

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Consolidated	**Less than 6 Months**	**6-12 Months**	**Between 1 and 2 Years**	**Between 2 and 5 Years**	**Over 5 Years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
	$	$	$	$	$	$	$
2017							
Non-derivatives							
Non-interest bearing	145,130	883,061	-	-	-	1,028,191	1,028,191
Fixed rate							
Borrowings	2,786,051*	-	805,000	-	-	3,591,051	3,591,051
Total Non-derivatives	2,931,181	883,061	805,000	-	-	4,619,242	4,619,242

*On 25 July 2017, the maturity date of the Convertible note borrowings of $2,786,051 was extended to 1 October 2018.

Consolidated	**Less than 6 Months**	**6-12 Months**	**Between 1 and 2 Years**	**Between 2 and 5 Years**	**Over 5 Years**	**Total contractual cash flows**	**Carrying amount (assets)/liabilities**
	$	$	$	$	$	$	$
2016							
Non-derivatives							
Non-interest bearing	182,674	570,338	-	-	-	753,012	753,012
Fixed rate							
Borrowings	-	2,405,398	275,000	-	-	2,680,398	2,680,398
Total Non-derivatives	182,674	2,975,736	275,000	-	-	3,433,410	3,433,410

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Capital risk management

The Group has no longer term debt therefore capital is raised as and when it is required to do further exploration activities.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group holds embedded derivatives on convertible notes which are valued based upon a valuation technique as discussed in note 15.

As the inputs are not based on observable market data, the instrument is included in level 3 of the fair value hierarchy.

Exploration and evaluation expenditure

Certain exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions regarding future commodity prices and level of demand for these commodities and cost of production, which will affect whether economically viable operations can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to the consolidated statement of comprehensive income. Key assumptions used to determine the recoverable value of exploration assets are included in note 13.

Carried forward exploration and evaluation expenditures amounting to $11,387,840 are disclosed in note 13 and relate primarily to capitalisation and evaluation costs from activities in New South Wales and Queensland.

Share-based payment transactions

The Group measures the cost of equity settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimate and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Note 28 details the assumptions that have been used in determining the fair value of the options that have been granted.

4 SEGMENT INFORMATION

The economic entity operates in two segments within mineral exploration and development in Australia. The Group has two reportable segments, as described below, for which the Board of Directors (the chief operating decision maker) reviews internal management reports on a monthly basis.

Lorena

The development of the Group's main mining project, the Lorena Gold Project (“Lorena”) near Cloncurry in northwest Queensland.

Other Tenements

Carrying out exploration and seeking further development of other tenements.

Segment assets

Information about reportable segments

The key segment assets as reported to the Board are as follows:

	2017	**2016**
Exploration	**$**	**$**
Lorena	11,362,840	11,450,000
Other Tenements	25,000	25,000
	11,387,840	11,475,000

	Lorena	**Other Tenements**	**Corporate**	**Total**
	$	**$**	**$**	**$**
2017				
Revenue from continuing operations	-	-	672	**672**
Accounting and audit expense	-	-	(76,733)	**(76,733)**
Corporate expenses	-	-	(271,628)	**(271,628)**
Depreciation and amortisation expense	(14,446)	-	(9,038)	**(23,484)**
Employee benefits expense	-	-	(140,798)	**(140,798)**
Evaluation and Exploration expenditure expensed	(367,944)	(4,507)	-	**(372,451)**
Bad debt write off	-	-	(15,415)	**(15,415)**
Write off assets	-	-	12,574	**12,574**
Finance costs	-	-	(431,612)	**(431,612)**
Occupancy expenses	-	-	(22,784)	**(22,784)**
Loss before income tax expense	(382,390)	(4,507)	(954,762)	**(1,341,659)**
Income tax expense	-	-	-	**-**
Net loss for the year	(382,390)	(4,507)	(954,762)	**(1,341,659)**

4 SEGMENT INFORMATION (CONTINUED)

	Lorena	Other Tenements	Corporate	Total
	$	$	$	$
2016				
Revenue from continuing operations	-	-	2,316	**2,316**
Accounting and audit expense	-	-	(53,115)	**(53,115)**
Corporate expenses	-	-	(286,760)	**(286,760)**
Depreciation and amortisation expense	-	-	(31,299)	**(31,299)**
Employee benefits expense	-	-	(218,322)	**(218,322)**
Evaluation and Exploration expenditure expensed	(484,862)	(9,637)	-	**(494,499)**
Impairment of exploration assets held for sale	-	(50,893)	-	**(50,893)**
Write off assets	-	-	(1,291)	**(1,291)**
Finance costs	-	-	(377,646)	**(377,646)**
Occupancy expenses	-	-	(55,560)	**(55,560)**
Loss before income tax expense	(484,862)	(60,530)	(1,021,677)	**(1,567,069)**
Income tax expense	-	-	-	**-**
Net loss for the year	(484,862)	(60,530)	(1,021,677)	**(1,567,069)**

5 REVENUE

	2017	2016
	$	$
From continuing operations and other income		
Interest	672	2,316

6 EXPENSES

The loss before income tax includes the following expenses:	**2017 $**	**2016 $**
Depreciation of non-current assets:		
- Property, Plant & equipment	16,556	21,267
- Motor vehicles	6,928	10,032
Total Depreciation	23,484	31,299
Employee entitlements - movement in provisions	(32,702)	3,566
Write off of exploration expenditure	372,451	494,499
Rental expense	22,784	55,560
Finance costs		
Convertible note - interest	-	152,045
Convertible note - non-cash	431,612	218,121
Interest paid	-	7,480
	431,612	377,646

7 INCOME TAX

a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax amount in the financial statements as follows:

Loss from ordinary activities	(1,341,659)	(1,567,069)
Prima facie income tax benefit calculated at 27.5% (2016: 30%) of taxable loss	**(368,956)**	**(470,121)**
Non deductible items		-
Movement in unrecognised temporary differences	(2,827)	(31,723)
Under/Over provision for income tax in prior year	-	13,202
Taxable losses not recognised	371,783	488,642
Income tax expense	-	-

b) Franking account balance	230	230

c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised.	42,204,406	40,862,747
Potential tax benefit at 27.5%	11,606,212	12,258,824

8 CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and on hand	**519,151**	**66,728**

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Accounts Receivable	-	20,449
Employee advances	1,000	1,000
Rental bonds	5,263	5,263
GST receivables	871	5,990
Prepayments	25,870	92,555
	33,004	**125,257**

a) **Impaired receivables**
The creation and release of the provision for impaired receivables is included in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash.

There are no impaired receivables for the Group or Parent and there were no receivables past due for the Group or Parent.

b) **Interest rate risk**
Information about the Group's exposure to interest rate risk in relation to receivables is provided in note 2.

c) **Fair value and credit risk**
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is their carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

10 NON-CURRENT ASSETS HELD FOR SALE

	2017 $	2016 $
Deferred consideration on the sale of Exploration License 6196 and 7177 to Elsmore Resources Limited.		
Carrying value of exploration and evaluation expenditure	-	25,000
Write-down of the asset to fair value	-	(25,000)
	-	-
Conrad Silver Project - Exploration License 5977 and 1050 and Mining License 5992, 6040 and 6041 to Silver Mines Limited (SVL)*.		
Carrying value of exploration and evaluation expenditure	-	525,000
Payments received	-	(400,000)
Sale of SVL shares	-	(99,107)
Write-down of the asset to fair value	-	(25,893)
	-	-

11 TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Non-Current		
Tenement security deposits	412,440	375,281

12 PROPERTY, PLANT AND EQUIPMENT

	2017	2016
Plant and equipment		
at cost	336,207	336,207
accumulated depreciation	(271,674)	(255,118)
	64,533	81,089
Motor Vehicles		
at cost	50,536	126,423
accumulated depreciation	(36,416)	(82,949)
	14,120	43,474
Total property, plant and equipment	78,653	124,563

	Motor Vehicles	Property, Plant & Equipment	Total
Movement in property, plant and equipment	$	$	$
2017			
Balance at 01 July 2016	43,474	81,089	124,563
Additions	-	-	-
Depreciation Expense	(6,928)	(16,556)	(23,484)
Disposals	(22,426)	-	(22,426)
Balance at 30 June 2017	14,120	64,533	78,653
2016			
Balance at 01 July 2015	53,506	103,647	157,153
Additions	-	-	-
Depreciation Expense	(10,032)	(21,267)	(31,299)
Write off	-	(1,291)	(1,291)
Balance at 30 June 2016	43,474	81,089	124,563

13 EXPLORATION AND EVALUATION EXPENDITURE

	2017 $	2016 $
Costs carried forward in respect of areas of interest in exploration and evaluation phases	11,387,840	11,475,000
Movement for year		
Balance at beginning of year	11,475,000	11,525,000
Expenditure reimbursed during year	(87,160)	-
Transferred to assets held for sale	-	(50,000)
Balance at end of year	11,387,840	11,475,000

The Group has reviewed its exploration assets for impairment at reporting date in accordance with the accounting policy stated in note 1 (g). As a result of this review and having regards to the current market conditions the following impairments have been made to the carrying value of assets.

Impairment of costs carried forward in respect of areas of interest in exploration and evaluation phases	2017 $	2016 $
Lorena	-	-
Conrad	-	25,893
Elsmore	-	25,000
		50,893

14 CURRENT LIABILITIES

Trade and other payables		
Trade creditors	382,835	178,844
Other creditors	645,356	549,063
Employee entitlements	-	25,105
	1,028,191	753,012

15 BORROWINGS

Current		
Unsecured Convertible Note (a)	2,786,051	2,405,398
Non Current		
Unsecured loan (b)	805,000	275,000

a) Unsecured convertible note
As announced on 25 July 2017, the Group reached agreement with all of its Convertible Noteholders to extend the term of the existing Notes from 1 July 2017 to 1 October 2018. All other key terms of the existing Notes remain unchanged. The Convertibles Notes have a face value of $2,150,000 and capitalised interest of $636,051 as at 30 June 2017.

15 BORROWINGS (CONTINUED)

b) Unsecured loans
The Group had an opening balance of $275,000 in unsecured loans from Directors. During the year, the Group received net unsecured loans of $30,000 from Key Management Personnel, which mature 1 October 2018 and have an interest rate of 12% pa with interest paid at maturity.

During the year, the Group received an unsecured loan obtained from OPS of $500,000 which has a maturity date of 31 July 2018.

16 CONTRIBUTED EQUITY

	2017 $	2016 $
1,298,041,044 fully paid ordinary shares(2016: 1,132,914,821)	56,964,454	56,544,368

Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.

a) Movement in ordinary share capital

		Number of shares	Issue price $	Share capital $
2016				
1 July 2015	Opening balance	1,125,567,291		56,544,368
20-Oct-15	Payment of convertible note extension fee	6,150,648		-
04-Dec-15	Payment of convertible note extension fee	1,196,882		-
30 June 2016	Balance at end of year	1,132,914,821		56,544,368
2017				
1 July 2016	Opening balance	1,132,914,821		56,544,368
15-Nov-16	Shareholder purchase plan	153,600,000	$0.0025	384,000
07-Dec-16	Payment of convertible note extension fee	11,526,223		48,125
	Transaction costs relating to share issues			(12,039)
30 June 2017	Balance at end of year	1,298,041,044		56,964,454

b) The Group's objective when managing capital is to safeguard its ability to continue as a going concern (refer to note 1(a), so that it can continue to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on a regular basis in order to achieve the objectives. The Group's strategy has remained unchanged from the prior year.

17 RESERVES

Share based payments reserve	**2017**	**2016**
	$	**$**
Balance at beginning of year	2,207,581	2,175,178
Option Expenses	-	32,403
Balance at end of year	2,207,581	2,207,581

18 ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(50,018,530)	(48,451,461)
Loss for the period	(1,341,659)	(1,567,069)
Net loss for year	(51,360,189)	(50,018,530)

19 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

The directors of Malachite Resources Limited during the year were:
Mr Terry Cuthbertson – Non-Executive Director
Mr James Dean – Non-Executive Director
Mr Andrew McMillan – Non-Executive Director

b) Other key management personnel

Mr Geoffrey Hiller – Chief Executive Officer

c) Key Management Personnel compensation

Short-term employee benefits	392,071	392,071
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	-
	392,071	392,071

Detailed remuneration disclosures can be found in section (a) – (f) of the remuneration report.

d) Related party transactions

The Group had an opening balance of $275,000 in unsecured loans from Directors. During the year, the Group received net unsecured loans of $30,000 from Key Management Personnel.

20 AUDITORS' REMUNERATION

	2017	**2016**
	$	**$**
Remuneration of the auditor of the Group for: Audit services		
Audit and review of financial reports under the Corporations Act 2001	40,000	41,115

21 CONTINGENT LIABILITIES

There is no material contingent liabilities for the year ended 30 June 2017 (2016: Nil).

22 COMMITMENTS FOR EXPENDITURE

a) Capital Expenditure Commitments

There are no capital commitments at the end of the financial year ended 30 June 2017 (2016: Nil).

b) Lease Commitments

There are no lease commitments at the end of the financial year ended 30 June 2017 (2016: Nil)

c) Tenement Commitments

Tenement Expenditure required under tenement licence	2017 $	2016 $
Not later than one year	27,000	63,000
Later than 1 year but not later than 2 years	56,000	183,000
Later than 2 years	29,000	-
	112,000	246,000

d) Hire Purchase Commitments

There is no hire purchase commitments at the end of the financial year ended 30 June 2017 (2016: Nil)

23 RELATED PARTY TRANSACTIONS

a) Parent entity

The parent entity within the Group is Malachite Resources Limited.

b) Key management personnel

Disclosures relating to key management personnel are set out in note 19.

24 INVESTMENT IN CONTROLLED ENTITY

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest 2017 %	Ownership interest 2016 %
Conrad Silver Mines Pty Ltd	Australia	Ordinary	100	100
Volga Elderberry Pty Ltd	Australia	Ordinary	100	100

25 EVENTS SUBSEQUENT TO REPORTING DATE

On 24 July 2017, the Group announced that the Group and OPS had entered into a new joint venture/funding arrangement with Cloncurry Gold Recovery Management Pty Ltd (CGR) for the Lorena Gold Project. CGR is the manager of a joint venture between Chinova Resources Tennant Creek Pty Ltd (70%) and BIM Gold Pty Ltd (30%).

The key terms of the new joint venture/funding arrangement are:

- CGR will provide funding of $2.5m for the preliminary project capital works which include the construction of the tailings dam and water structures, carrying out initial mining and providing funds for the environmental bond;
- OPS will supply the existing gold concentrate plant;
- CGR will supply a gold CIL plant to treat both the gold concentrate and concentrate tailings;
- OPS will manage and operate the processing plant;
- CGR, OPS and BIM will fund the project working capital;
- Commissioning to commence by 31 October 2017;
- Once commissioning has been achieved the joint venture interests in the Project will be Malachite 55%, CGR 30% and OPS 15% for the open cut operation; and
- Upon completion of the open cut operation, Malachite will retain a 70% interest in any additional resources with the Lorena Gold Project mining leases.

Following execution of the new joint venture and financing package the $5 million financing facility previously arranged with ResCap was not required.

As announced on 25 July 2017, the Group reached agreement with all of its Convertible Noteholders to extend the term of the existing Notes from 1 July 2017 to 1 October 2018. All other key terms of the existing Notes remain unchanged. The Noteholders will receive a fee for extending the term of the Notes of 2.5% of the face value plus accrued interest. The fee will be paid via the issue of Group shares at a 30 day trading volume weighted price up to 1 July 2017.

26 NOTES TO STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2017 $	2016 $
Cash	519,151	66,728

b) Non-cash financing and investing activities

	2017 $	2016 $
Financing costs	-	(846)

26 NOTES TO STATEMENT OF CASH FLOWS (CONTINUED)

c) Reconciliation of operating profit after income tax to net cash flows from operating activities.

	2017 $	2016 $
Operating loss after income tax	(1,341,659)	(1,567,069)
Non cash		
Depreciation	23,484	31,299
Impairment of assets	-	52,184
Capitalised interest	-	255,398
Gain/loss on remeasurement of embedded derivatives	-	(33,249)
Gain on sales of motor vehicle	(12,574)	-
Other cash transactions	-	50,706
Changes in assets and liabilities		
Decrease/(Increase) in receivables	25,568	(5,461)
Decrease/(Increase) in prepayments	66,685	(21,279)
Increase/(decrease) in employee entitlements	(25,105)	3,566
Increase/(decrease) in payables	680,938	153,891
Net cash inflow/(outflow) from operating activities	(582,663)	(1,080,014)

27 LOSS PER SHARE

	2017 Cents per share	2016 Cents per share
Basic and diluted loss per share (cents per share)	(0.10)	(0.14)

28 SHARE-BASED PAYMENTS

a) Options issued to Employees and Directors

(i) Employee Option Plan

No options were granted to Employees for the year ended 30 June 2017 (2016: Nil).

(ii) Directors Options

No options were granted to Directors for the year ended 30 June 2017 (2016: Nil).

b) Shares issued for services under a share based payment arrangement during the year.

No shares issued for services under a share based payment arrangement during the year ended 30 June 2017 (2016: Nil).

c) Options issued for services under a share based payment arrangement during the year

No options issued for services under a share based payment arrangement during the year ended 30 June 2017 (2016: Nil).

29 PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of Financial Position	**2017** **$**	**2016** **$**
Current assets	552,123	191,953
Non-current assets	11,195,044	10,821,405
Total assets	11,747,167	11,013,358
Current liabilities	3,814,242	3,158,410
Non-current liabilities	1,054,224	524,224
Total liabilities	4,868,466	3,682,634
Net Assets	6,878,701	7,330,724
Equity		
Contributed equity	56,964,454	56,544,368
Option reserve expense	2,207,581	2,207,581
Accumulated losses	(52,293,334)	(51,421,225)
Total equity	6,878,701	7,330,724
Loss for the year	(959,269)	(1,060,273)
Total comprehensive income	(959,269)	(1,060,273)

b) Guarantees entered into by the parent entity

The parent entity did not have any financial guarantees as at 30 June 2017.

c) Contingent liability of parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Malachite Resources Limited, the directors of the company declare that:

1) The financial statements and notes, as set out on pages 14 to 42, are in accordance with the Corporations Act 2001 and:
   a) Comply with Australian Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b) Give a true and fair view of the Company's consolidated financial position as at 30 June 2017 and of its performance for the year ended on that date; and

2) In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3) This declaration has been made after receiving the declarations required to be made in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board

Terry Cuthbertson

Non-Executive Chairman

Sydney, 22 September 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MALACHITE RESOURCES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Malachite Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding to Going Concern

Without qualifying our conclusion, we draw your attention to Note 1(a) in the financial report which indicates that the consolidated entity has experienced operating losses and negative operating cash flows during the year ended 30 June 2017, and as of that date, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity's ability to obtain funding to complete the development and fund the operation of the Lorena Gold Project, the consolidated entity being successful in achieving positive cash flows from the Lorena Gold Project; the continued financial support of convertible note holders; and the raising of additional funds. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Recoverability of mineral exploration costs	

Management's assessment of the recoverable amount of mining assets requires estimation and judgment around assumptions used, including reserves and resources and related production profiles, future operating and capital expenditure, commodity prices, discount rates and exchange rates.
 	
Changes to assumptions could lead to material changes in the estimated recoverable amount.
	• We have reviewed management's identification of indicators of impairment under accounting standards.
	• We have assessed the methodology used by management to estimate the recoverable value of the cash generating unit (CGU) to ensure that this is consistent with the accounting standards.
	• We have assessed the reasonableness of each key assumption used in management's cash flow forecasts used to calculate recoverable values, in particular:
	  ▪ We have verified reserves and resources quantities underpinning the mine plans by comparing these to estimates provided by the company.
	  ▪ We agreed related production profiles to the current mine plan.
	  ▪ We assessed operating and capital costs included in the cash flow forecasts for consistency with latest operating costs and forecast for mining .
	  ▪ We have assessed management's assumptions relating to future metals prices, comparing these to market data and also for consistency with other estimates used in the financial statements.

	• We have performed sensitivity analysis on management's calculated recoverable values for alternative assumptions around gold prices.

Going Concern Following operating losses and cash flow deficits there is a heightened degree of judgement as to the group's ability to repay loans and liabilities throughout the going concern assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.	We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by: • comparing the cash flow forecasts with the Board approved budget, and obtaining explanations for any significant differences; • assessing the historical accuracy of forecasts prepared by management; • comparing the gold price assumptions used in these forecasts to third party forecasts and publicly available forward curves; • testing the mechanical accuracy of the model used; • agreeing the group's committed debt facilities and repayments to supporting documentation; • performing stress tests for a range of reasonably possible scenarios (including gold price) on management's cash flow for the going concern period; • challenging management's plans for mitigating any identified exposures, including their ability to amend the terms of their existing financing arrangements, obtain additional sources of financing or undertake additional asset disposals; and • considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear. We have determined that there are material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

Other Information

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Malachite Resources Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Malachite Resources Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 22nd September 2017

ADDITIONAL INFORMATION AS AT 18 OCTOBER 2017:

Fully paid ordinary shares:

(a)	Total shares issued	1,298,041,044
(b)	Percentage of total holding by or on behalf of the 20 largest shareholders	38.03%
(c)	Shareholders with less than marketable parcel of shares	841

(d) There is not a current on-market buy-back

(e) Voting rights: Every shareholder present personally or by proxy or attorney etc. shall, on a show of hands, have one vote and on a poll shall have one vote for every share held. No voting rights attach to options.

(f) Distribution schedule of fully paid ordinary shares:

			Number of holders
1	-	1,000	68
1,001	-	5,000	118
5,001	-	10,000	168
10,001	-	100,000	546
100,001 and over			611
Total Number of Holders			1,511

(g) Top 20 Shareholders:

Rank	Name	Shares Held	%
1.	OLHOC PTY LTD <THE OLHOC A/C>	57,357,523	4.42
2.	BRIAN & VANESSA MORRISON CHARITY TRUSTEE LTD	47,746,032	3.68
3.	NEBRAL PTY LTD	37,317,794	2.87
4.	ELDORADO MINING LIMITED <THE MONTOPOLI A/C>	35,776,825	2.76
5.	CONSTRUCTION EQUIPMENT FINANCE LIMITED <THE FUTURA A/C>	30,182,287	2.33
6.	B J WATKINS PTY LTD <B J WATKINS SUPER FUND A/C>	30,000,000	2.31
7.	BIOTEC VENTURES LIMITED <THE SAN VALENTINO A/C>	28,571,429	2.20
8.	CITICORP NOMINEES PTY LIMITED	27,729,742	2.14
9.	JOHN WEBSTER + MICHAEL WEBSTER + LEVONNE UNDERWOOD	22,817,460	1.76
10.	JBWERE (NZ) NOMINEES LTD <56364 A/C>	21,000,000	1.62
11.	AGIO CAPITAL CORPORATION LTD <THE DEAN FAMILY NZ A/C>	20,142,053	1.55
12.	KORE MANAGEMENT SERVICES PTY LTD <CUTHBERTSON PENSION FUND >	17,450,923	1.34
13.	HEAVY DUTY SUPERANNUATION P/L <HEAVY DUTY SUPER FUND A/C>	17,000,733	1.31
14.	LEDESA PTY LTD <WOODLANDS SUPER FUND A/C>	16,882,524	1.30
15.	J P MORGAN NOMINEES AUSTRALIA LIMITED	15,594,557	1.20
16.	BNP PARIBAS NOMS PTY LTD <DRP>	15,331,139	1.18
17.	GEOFFREY HILLER + JACQUELINE HILLER <HIGHSHAW SUPER FUND A/C>	13,724,489	1.06
18.	MR NICHOLAS PASQUALE COSTA	13,460,000	1.04
19.	LEEJAMES NOMINEES PTY LTD <THE HEPBURN SUPER FUND A/C>	13,000,000	1.00
20.	NANYANG MINING RESOURCES INVESTMENT PTY LTD	12,548,370	0.97

Substantial Shareholders	Shares to Which Entitled	%
Lindsay Jones and Associates	65,996,589	5.09

Unquoted Securities	Number	Key Terms
Convertible Notes	43	Face Value $50,000, Convertible at lesser of $0.015 or a 20% discount to 30 day VWAP, Interest Rate 15%, Maturity Date 1/10/18*
Series B - Convertible Notes	18 7*	Face Value $10,000, Convertible at minimum $0.003 maximum $0.006, Interest Rate 15%, Maturity Date 31/8/18

* subject to shareholder approval

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CORPORATE DIRECTORY

Malachite Resources Limited
ABN 86 075 613 268

Directors
Terry Cuthbertson
James A. Dean
Andrew C. McMillan

Chief Executive Officer
Geoffrey R. Hiller

Secretary
Andrew J. Cooke

Bankers
National Australia Bank

Principal and Registered Office
Suite 2, Level 10
8-10 Loftus Street
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Telephone: + 61 (0) 2 9251 0032

Email: info@malachite.com.au

Share Registry
Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
Sydney, NSW, 2000

Enquiries within Australia: 1 300 556 161
Enquiries outside Australia: + 61 3 9415 4000
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

Stock Exchange Listing
The Company's shares are quoted on the Official List of the Australian Securities Exchange Limited.
ASX Code: MAR

Website
www.malachite.com.au

Postal Address
PO Box R1295
Royal Exchange NSW 1225

2017 Corporate Governance Statement
The Company's 2017 Corporate Governance Statement can be found on the Corporate Governance page of the Company's Website.

Malachite Resources Limited
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