

# malachite resources

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## QUARTERLY REPORT for the period ending 31 December 2017

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### OVERVIEW

ASX Code: MAR

Issued Shares: 1,355,087,754

ABN: 86 075 613 268

#### Directors

Terry Cuthbertson

James Dean

Andrew McMillan

#### Top Shareholders

Mr Lindsay Jones

Olhoc Pty Ltd

Morrison Charity Trustee Ltd

#### Head Office

Malachite Resources Limited

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283 George St

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31 January 2018

- **Lorena Gold Project:**
  - Malachite is in a joint venture arrangement with Ore Processing Services Pty Ltd (“OPS”) and Cloncurry Gold Recovery Management Pty Ltd (“CGR”). CGR is the manager of a joint venture between Chinova Resources Tennant Creek Pty Ltd (70%) and BIM Gold Pty Ltd (30%).
  - 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.
  - Upon completion of the open cut operation, Malachite will retain a 70% interest in any additional resources within the Project mining leases.
  - The key terms of the 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 Carbon In Leach (“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 of the existing gold concentrate plant commenced in late October 2017.
  - A number of truck deliveries carrying CIL equipment to the site were delayed until December due to wet weather in central Queensland.
  - Commissioning of the CIL plant commenced in January 2018.
  - Ore processing at Lorena is scheduled to commence on Friday 2 February 2018 with first gold production also scheduled for February 2018.



## Lorena Gold Project

### MLs 7147, 90192 – 90196

The Company's Lorena Gold Project ("Project"), which is located about 15km east of Cloncurry in northwest Queensland, is in the commissioning phase of its development with first gold production scheduled for February 2018.

Last quarter, Malachite advised that a new joint venture/funding arrangement had been effected with OPS and Cloncurry Gold Recovery Management Pty Ltd ("CGR") for the Lorena Project.

CGR is the manager of a joint venture between Chinova Resources Pty Ltd (70%) and BIM Gold Pty Ltd (30%). Chinova Resources Pty Ltd holds a number of projects in the Mt Isa Inlier including the Osborne and Merlin projects, and is also actively exploring in this area.

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.
- Once commissioning has been achieved each party's interest in the Lorena Gold Project will be:

Joint Venture Participant	Equity Interest in Stage 1 Open Cut - Lorena Gold Project
Malachite	55%
CGR	30%
OPS	15%

- Once in production CGR, OPS, and BIM Metals will, if required, fund the joint venture's ongoing working capital requirements in relation to the project in proportion to each joint venture party's interest on an interest bearing loan basis;
- Upon completion of the Stage 1 Open Cut operation, Malachite will retain a 70% interest in any additional resources within the Lorena Gold Project mining leases;

Development of the Lorena Gold Project has continued over the quarter, with mining commencing in October 2017 and the construction of the first lift of the tailings dam completed by quarter end (refer photo below). The crushing circuit is in place as shown in the photo below.

The joint venture partners had resolved to defer commissioning of the CIL plant until January 2018 to ensure continuity of operations rather than start/stop over the Christmas and New Year period.

Ore processing at the Lorena Gold Project is scheduled to commence on Friday 2 February 2018.



*View of Tailings dam from the processing plant*

Mining is ongoing as initially planned and as a result additional ore will be available at the ROM pad for initial treatment once production commences. The joint venture partners now consider that first gold production will be achieved in February 2018.

A flyover video of the Lorena site as at mid-January 2018 can be accessed from the Malachite website: <http://www.malachite.com.au/irm/content/lorena.aspx?RID=227>



*CIL Plant on site*



*Crushing and ROM Pad*



*Ore being mined from the Open Cut*

## **About the Lorena Gold Project**

It is expected that the Lorena Gold Project will produce around 30,000 to 35,000 ozs of recovered gold in the eighteen months of production from an open cut operation at an operating cost of around A\$1000 per gold ounce (includes Malachite's share of plant and preliminary project capital ).

Malachite believes that the Lorena Gold Project has potential for resource extensions at depth. Proving up these additional resources will require confirmation by drilling which Malachite proposes to undertake at the earliest opportunity subject to sufficient funding being available. The Company also believes that there are considerable regional opportunities which it will be able to pursue once the plant is operating to enhance the commercial return from project.



## Corporate

### New Convertible Notes

During the quarter the Company issued new 27 Series B Convertible Notes with a face value of \$270,000 to sophisticated investors.

The new Series B Convertible Notes have the following key terms:

Issue Price Per Note	\$10,000
Maturity Date	31 August 2018
Interest Rate	15.00% per annum until the Maturity Date payable in arrears on the last day of each quarter.
Conversion Price	(i) if 80% of the 30 Day VWAP immediately prior to the Conversion Date is less than \$0.003, then \$0.003; or (ii) if 80% of the 30 Day VWAP immediately prior to the Conversion Date is greater than \$0.003 and less than \$0.006, then 80% of the 30 Day VWAP; or (iii) if 80% of the 30 Day VWAP immediately prior to the Conversion Date is greater than \$0.006, then \$0.006.
Convertibility	The Notes may be converted into fully paid ordinary shares in the capital of the Company at any time following the issue of the Notes at the election of the Noteholder subject to all requisite regulatory and shareholder approvals if required.
Security	The Notes are unsecured.

In addition, Mr Terry Cuthbertson as a Director and Shareholder of Kore Management Services Pty Ltd <Cuthbertson Super Fund A/c> has applied for 7 new Convertible Notes having a face value of \$70,000. Accordingly the Company will seek shareholder approval for the issue of new Convertible Notes to Kore Management Services Pty Ltd <Cuthbertson Super Fund A/c> under ASX Listing Rule 10.11 as Mr. Cuthbertson is the Non-Executive Chairman of Malachite Resources Limited.

Funds raised from the issue of the 34 Series B Convertible Notes will be utilised as ongoing working capital. The terms of these new Series B Convertible Notes differ from the terms of the existing Convertible Notes (with a face value of \$50,000 each) issued by the Company.

### Conversion of Existing Series A Convertible Notes

During the Quarter, 3.5 Series A Convertible Notes with a total face value of \$175,000 were converted into Fully Paid Ordinary Shares. There are currently 39.5 Series A Convertible Notes remaining on Issue.

### Issue of Fully Paid Ordinary Shares

The Company issued 57,046,710 fully paid ordinary shares during the quarter for the conversion of 3.5 Convertible Notes and for the payment of Convertible Note Rollover Fees as per shareholder approval of Resolutions 8 to 11 at the Company's Annual General Meeting held on 29 November 2017.



## Tenements

<b>Project</b>	<b>Tenement Number</b>
QUEENSLAND <i>Lorena</i>	ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML 90196 EPM 18189, EPM 18908
NEW SOUTH WALES <i>Tooloom</i>	EL 6263

### Exploration/Mining Tenements Acquired/Disposed of during the Quarter

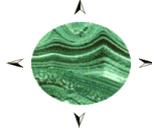
<b>Project</b>	<b>Location</b>	<b>Tenement</b>	<b>MAR Interest</b>
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### Beneficial Interest in Farm-In or Farm-Out Acquired/Disposed of during the Quarter

<b>Project</b>	<b>Location</b>	<b>Tenements</b>	<b>MAR Interest</b>
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## Further Information

For further information, please contact the Company on (02) 9251 0032 or by email at [info@malachite.com.au](mailto:info@malachite.com.au) or visit the Company's website at [www.malachite.com.au](http://www.malachite.com.au)



## Malachite Resources Limited

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Rule 5.5

### Appendix 5B

#### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

**Malachite Resources Limited**

ACN or ARBN

**075 613 268**

Quarter ended ("current quarter")

**31-Dec-17**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows related to operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(10)	(12)
(b) development	(73)	(315)
(c) production		
(d) staff costs	-	
(e) administration	(104)	(236)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	
1.5 Interest and other costs of finance paid	(55)	(146)
1.6 Income taxes paid (received)		
1.7 Research and development refunds		
1.8 Other (provide details if material)	(46)	(89)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(288)</b>	<b>(798)</b>
<b>2. Cash flows related to investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other:		
Lorena security deposit	-	(364)
Lorena JV funding of security deposit	-	364
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

+See chapter 19 for defined terms  
1 September 2016

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>3. Cash flows related to financing activities</b>		
3.1 Proceeds from issues of shares	-	
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	-	
3.5 Proceeds from borrowings	240	340
3.6 Repayment of borrowings	-	
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>240</b>	<b>340</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	109	519
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(288)	(798)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	
4.4 Net cash from / (used in) financing activities (item 3.10 above)	240	340
4.5 Effect of movement in exchange rates on cash held		
<b>4.6 Cash and cash equivalents at end of period</b>	<b>61</b>	<b>61</b>

5. Reconciliation of cash	Current quarter \$A'000	Previous quarter \$A'000
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	61	109
5.2 Call deposits		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>61</b>	<b>109</b>

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

Current quarter \$A'000

- 6.1 Aggregate amount of payments to the parties included in item 1.2  
6.2 Aggregate amount of loans to the parties included in item 2.3  
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**7. Payments to related entities of the entity and their associates**

Current quarter \$A'000

- 7.1 Aggregate amount of payments to the parties included in item 1.2  
7.2 Aggregate amount of loans to the parties included in item 2.3  
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

+See chapter 19 for defined terms  
1 September 2016

**Mining exploration entity and oil and gas exploration entity quarterly report**

**8. Financing facilities available**

Add notes as necessary for an understanding of the position.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
375	375
500	500
2,933	2,933

- 8.1 Loan facilities
- 8.1 OPS Loan
- 8.2 Credit standby arrangements
- 8.3 Other - Convertible Notes (includes unpaid interest)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities .

Facility description	Lender	Interest rate	Secured/unsecured
Loan facilities	Key management personnel and third party	12%,15%	unsecured
OPS Loan	Ore Processing Services Pty Ltd	9%	unsecured
Convertible notes	Note holders	15%	unsecured

9. Estimated cash outflows for next quarter *	\$A'000
9.1 Exploration and evaluation	
9.2 Development	50
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	75
9.6 Other (provide details if material) <span style="float: right;">con note interest payments</span>	75
<b>9.7 Total estimated cash outflows</b>	<b>200</b>

\* Cash from Lorena management fee forecast to generate \$220,000 during the next quarter in accordance with the terms of the joint venture agreement.

10. Changes in interests in mining tenements	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company Secretary)

Date:

31-Jan-18

Print name:

**Andrew J Cooke**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.