



**LORENA GOLD PROJECT UPDATE:
NEW JOINT VENTURE/FUNDING PACKAGE EXECUTED**

Malachite Resources Limited (ASX Code: MAR) (“Malachite” or the “Company”) provides the following update in respect of the Lorena Gold Project which is located about 15km east of Cloncurry in northwest Queensland.

Since April of this year Ore Processing Services Pty Ltd (“OPS”) have advanced development of the Lorena Project pursuant to a binding Heads of Agreement (“HoA”) executed at that time.

NEW JOINT VENTURE/FUNDING PACKAGE EXECUTED FOR LORENA

Malachite and OPS are now pleased to advise that a new joint venture/funding arrangement has been effected with Cloncurry Gold Recovery Management Pty Ltd (“CGR”) for the Lorena Project. CGR is the manager of a joint venture between Chinova Resources Tennant Creek Pty Ltd (70%) and BIM Gold Pty Ltd (30%).

Chinova Resources Tennant Creek Pty Ltd is a wholly owned subsidiary of Chinova Resources Pty Ltd which is itself a wholly owned subsidiary of the privately owned Chinese company: Shanxi Donghui Coal Coking and Chemicals Group Co., Ltd.

Chinova Resources holds a number of projects in the Mt Isa Inlier including the Osborne and Merlin projects, and is also actively exploring in this area.

BIM Gold is part of the BIM Metals group: a private mining and contracting company, operating a number of projects in the Cloncurry and Mt Isa region.

Subject to standard conditions precedent, the key terms of the new joint venture/funding arrangement are:

- CGR will fund the preliminary project capital requirements of \$2.5m (rather than Malachite funding \$2m as previously contemplated under the HoA);
- OPS will exercise its option to acquire the existing on site Lorena Concentrator Plant;
- CGR and OPS will fund project development to commencement of commercial production;
- As previously announced, OPS has provided Malachite with a \$500,000 unsecured loan facility for corporate working capital at 9% pa which Malachite is required to repay from project cashflows by 31 July 2018;
- 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;
- By 31 October 2017 CGR will:
 - provide a CIL plant on site (which CGR will retain ownership of) to treat both the gold concentrate and tailings;
 - complete preliminary capital works including construction of the tailings dam, water structures and carry out initial mining; and
 - provide funding for the environmental bond;
- OPS will complete the acquisition of, and the satisfactory commissioning of, the existing on site 200k tonne per annum Lorena Concentrator Plant (which OPS will retain ownership of);
- OPS will manage and operate the full processing plant including both the existing Lorena Concentrator Plant and the new CIL plant;
- The joint venture will enter into an Ore Processing Agreement with OPS;
- The joint venture will enter into a Contract Mining Agreement with BIM Metals Pty Ltd.

The Malachite Board believes that these new arrangements with CGR offer a number of significant benefits to Malachite including:

- There is less overall equity dilution to existing Malachite shareholders compared to the previous \$5m financing facility offered to Malachite;
- Existing Malachite shareholders have significantly more upside to exploration due to the 70% stake that the Company retains in any additional resources within the Lorena Gold Project mining leases without the additional equity dilution;
- New corporate debt is limited to \$0.5m with no security required to be offered by Malachite.

Following execution of the new joint venture and financing package it has been agreed that the \$5 million financing facility previously arranged with ResCap Investments Pty Ltd ("ResCap") will not be required. ResCap has agreed to waive all termination costs on the basis that Malachite agrees to pay ResCap's legal fees to date.

PROJECT UPDATE

Development of the Lorena Gold Project has continued on track while the terms of the new joint venture and funding package have been resolved over the last few months.

Key project development activities have included:

- finalisation of all necessary approvals;
- CGR and OPS have provided personnel on site as required;
- Fuel tanks were delivered on site in late June 2017;
- OPS completed an electrical engineering review in respect of the existing Lorena Concentrator Plant on site;
- OPS commenced a program to refurbish all of the pumps on the Lorena Concentrator Plant;
- Fabrication of the CIL Plant is underway for CGR;
- CGR purchased a Knelson concentrator, which will improve the recovery in the processing plant;



Fuel tank delivered to site.

The joint venture currently contemplates that commissioning will commence in October 2017.

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\$950 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.

For further information, please contact Malachite Resources Limited on (02) 9251 0032 or by email at info@malachite.com.au