

malachite resources

QUARTERLY REPORT for the period ending 30 September 2015

OVERVIEW

ASX Code: MAR

Issued Shares: 1,125,567,291

ABN: 86 075 613 268

Directors

Terry Cuthbertson

James Dean

Andrew McMillan

Top Shareholders

Mr Lindsay Jones

Olhoc Pty Ltd

Morrison Charity Trustee Ltd

Head Office

Malachite Resources Limited

Suite 2, Level 10

8-10 Loftus St

SYDNEY NSW 2000

T: +61 (0)2 9251 0032

F: +61 (0)2 9475 0439

E: info@malachite.com.au

W: www.malachite.com.au

30 October 2015

- Lorena Gold Project:
 - In July 2015, Malachite executed a financing Letter of Offer with MKS Switzerland (SA) ("MKS") for the development of Lorena. One of the conditions to the offer was a fully costed project development plan.
 - In September 2015, Malachite completed the project development plan and concluded that the cost to complete the Lorena project was more than that assumed by MKS.
 - Malachite and MKS agreed that without further financing from MKS and without a change in financing and concentrate purchase terms as stated in the Letter of Offer, the MKS financing offer could not be provided nor accepted. As such, MKS withdrew its financing offer.
 - Since then, Malachite and the Receivers and Managers to BCD have been negotiating terms to settle the partly constructed Lorena concentrate plant.
 - As part of the Lorena project development plan, the Company assessed that the benefits from producing gold (rather than a gold concentrate) on site were compelling.
 - Malachite is progressing discussions with financiers to develop Lorena on the basis that gold will be produced on site.
 - The Company is progressing with the engineering of a CIL gold plant to enable gold to be produced on site.
- Malachite has arranged a drilling contractor to carry out a 500 metre reverse circulation drilling exploration program at the Lady Mary prospect commencing mid-November 2015.
- Malachite has received the cash component from the sale of the Conrad project to Silver Mines Limited ("SVL"). The total consideration was \$450,000 in cash, \$125,000 in SVL shares and a 1% net smelter return royalty.
- Malachite successfully extended the maturity date of its Convertible Notes to 5 May 2016.



Lorena Gold Project

MLs 7147, 90192 – 90196

In 2013, Malachite Resources Limited (“Malachite”) entered into an agreement with BCD Resources NL (BCD) for BCD to sole fund and manage the development of the Lorena Gold Project (Lorena). In January 2015, BCD put the development site work at Lorena on hold. In late January 2015, MKS Switzerland (SA) (“MKS”), the ultimate secured lender to BCD appointed Receivers and Managers to BCD. In May 2015, Malachite terminated the agreement with BCD.

On 16 July 2015, Malachite announced that it had executed a financing Letter of Offer with MKS which was to allow Malachite to proceed with the development of the Lorena Gold Project using the plant and equipment partially constructed by BCD, under the previous agreement that was terminated in May 2015.

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

Post quarter, Malachite and the Receivers and Managers to BCD have been negotiating terms to settle issues relating to the partly constructed Lorena concentrate plant to provide Malachite with unfettered access to the plant.

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

- a) An integrated processing flow sheet at Lorena which does not require a concentrate to be produced or stored;
- b) No costs for the transporting of concentrate to Beaconsfield which have a significant impact on operating cost;
- c) Reduced overall operating costs because only running one processing site;
- d) Less working capital required since there is no transport and processing of a concentrate;
- e) The ability to mine a lower cut-off grade because of the lower operating costs which results in more ounces processed and a six to nine month longer mine life;
- f) Less mining risk since lower grade material can be mined and processed rather than stockpiled on site as previously contemplated;
- g) Better economics of treating any additional resources delineated at Lorena and in particular from a potential underground operation; and
- h) The ability to treat other ores in the region, both sulphides and oxides.

Whilst transporting of concentrate to Beaconsfield remains a viable option, the Company believes that it is appropriate to consider other development options, particularly as the cost to build a CIL plant at Lorena is roughly the same as the anticipated transport costs and capital treatment charges to treat a concentrate at BCD’s Beaconsfield plant. Malachite and OPS are currently in discussions to complete the concentrate plant at Lorena with OPS to build and supply a CIL plant on a wet hire basis to produce



gold dore on site at Lorena. It is proposed that the CIL plant will be mobile so that it can be constructed off-site and be transported to Lorena by truck in modules.

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

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

Malachite continues to be in discussions with a number of financiers who remain interested in funding the development of the project provided gold is produced on site.

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

As previously advised the Lorena gold project has potential for resource extensions at depth. Proving up these additional resources will require confirmation by drilling which Malachite proposes to undertake at the earliest opportunity subject to sufficient funding being available.

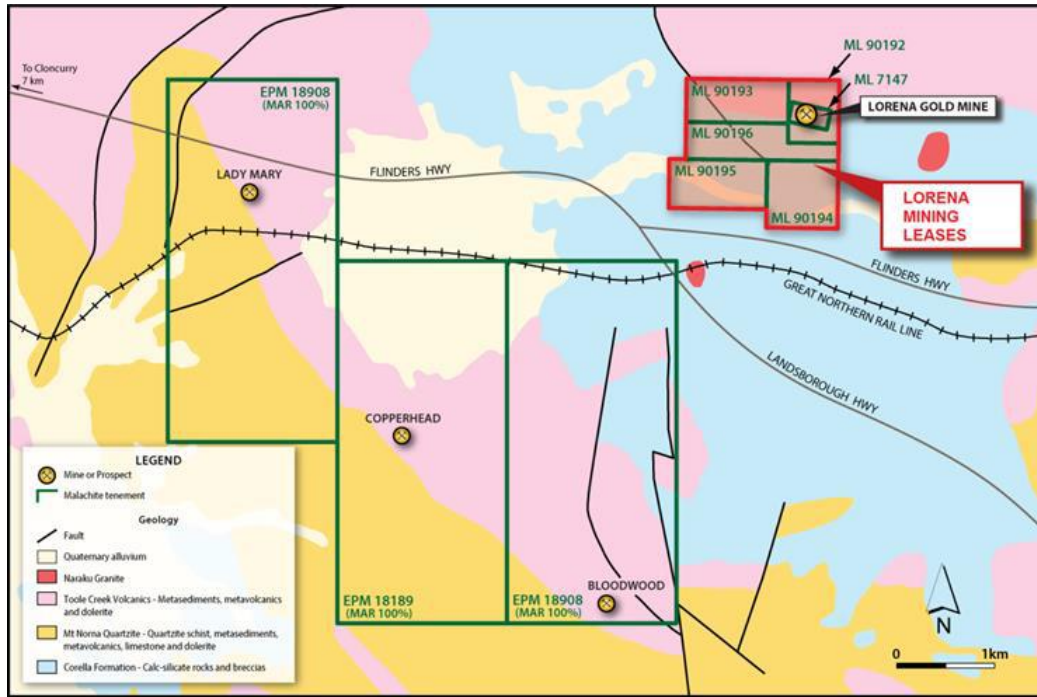
The Company believes that there are considerable regional opportunities which it will be able to pursue once the plant is operating at Lorena.

Exploration (EPM 18908)

During the quarter Malachite executed an agreement with the landowner to allow the Company to access and carry out exploration drilling on the Lady Mary prospect, which is some 5km east of the Lorena Gold Project. In October the Company carried out a cultural heritage survey and site clearance which enables the Company to drill test the Lady Mary prospect. Malachite has subsequently arranged for a drilling contractor to carry out a 500m RC drilling program on the Lady Mary prospect commencing mid-November. The program is expected to be completed by the end of November with assay results due for release in December.

The Lady Mary prospect has previously returned high grade rock chip samples and is an anomalous gold copper zone with a strike length of around 400m.

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



Lorena Gold project located 15km east of Cloncurry, Qld

Conrad Project

In May 2015, the Company entered into an agreement with Silver Mines Limited (“SVL”), an ASX listed company with code SVL, to sell the Conrad Silver Project (Conrad) for \$450,000 in cash, \$125,000 in SVL shares and a 1% net smelter return. Up to 30 September 2015, SVL has paid cash of \$175,000 to the Company. In October, SVL completed its rights issue and SVL paid the Company the cash balance of \$275,000 owing to complete the cash component of the sale. Malachite and SVL are in the process of finalising the issue of SVL shares to the value of \$125,000 and concluding documentation to effect the transfer of the Conrad tenements. Malachite will retain an ongoing interest in the Conrad project via a 1% net smelter return on all metals produced from the Conrad Project.

Corporate

Extension of Existing Convertible Notes

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



Tenements

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

Exploration/Mining Tenements Acquired/Disposed of during the Quarter

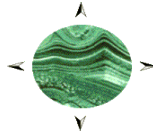
Project	Location	Tenement	MAR Interest
NIL			

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

Project	Location	Tenement	MAR Interest
NIL			

Further Information

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



Malachite Resources Limited

Suite 2, Level 10, 8-10 Loftus Street Sydney NSW 2000
Tel. (02)9251 0032 Fax (02) 9475 0439 www.malachite.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Rule 5.3

Name of entity

Malachite Resources Limited

ACN or ARBN

075 613 268

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

Cash flows related to operating activities

- 1.1 Receipts from product sales and related debtors
- 1.2 Payments for
 - (a) exploration and evaluation
 - (b) development
 - (c) production
 - (d) administration
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid (received)
- 1.7 Other income

Current quarter \$A'000	Year to date (3 months) \$A'000
----------------------------	---------------------------------------

	(50)	(50)
	(119)	(119)
	(77)	(77)
	-	
	(75)	(75)
	(321)	(321)

Net Operating Cash Flows

Cash flows related to investing activities

- 1.8 Payment for purchases of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.9 Proceeds from sale of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.10 Loans to other entities
- 1.11 Loans repaid by other entities
- 1.12 Other -Security deposits

	125	125
	125	125
	(196)	(196)

Net investing cash flows

- 1.13 Total operating and investing cash flows (carried forward)

Malachite Resources Limited
Appendix 5B
30 September 2015

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(196)	(196)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares	-	
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	(6)	(6)
1.18 Dividends paid		
1.19 Other (provide details if material)- Borrowing costs - Capital raising costs	-	-
	(17)	(17)
Net financing cash flows	(23)	(23)
Net increase (decrease) in cash held	(219)	(219)
1.20 Cash at beginning of quarter/year to date	361	361
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	142	142

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

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

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

\$A'000
Nil

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

- 3.1 Loan facilities
Other Loans

Amount available \$A'000	Amount used \$A'000
300	300

- 3.2 Credit standby arrangements

-	-
---	---

Estimated cash outflows for next quarter *	\$A'000
4.1 Exploration and evaluation	25
4.2 Development	125
4.3 Production	
4.4 Administration	125
Total	275

* Since quarter end the Company has received \$275,000 as part proceeds from the sale of Conrad Project.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	142	361
Deposits at call	-	-
Bank overdraft	-	-
Other - 30 day bank bills	-	-
Total: cash at end of quarter (item 1.22)	142	361

Changes in interests in mining tenements

- 6.1 Interests in mining tenements relinquished, reduced or lapsed
- 6.2 Interests in mining tenements acquired or increased

Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1			
6.2			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Description	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	1,125,567,291	1,125,567,291		
7.4 Changes during quarter				
(a) Increases through issues-				
Rights Issue				
Share Purchase Plan				
Share Placement				
Exercise of Options				
Repayment Convertible note				
Consideration for Convertible Notes				
(b) Decreases through returns of capital, buy-backs, redemptions				

Malachite Resources Limited
Appendix 5B
30 September 2015

7.5 Convertible debt securities (description)

Convertible Note each has a face value of \$50,000 convertible at 20% discount to a 30 day VWAP; term to 5 May 2016; Interest rate - 15% per annum to 5 May 2016.

7.6 Changes during quarter

- (a) Increases through issues
- (b) Decreases through returns of capital, buy-backs, redemptions


Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
		\$	\$
37.0	-	-	-
	-	-	-

7.7 Options

Description and conversion factor	Total Number	Number Quoted	Exercise price	Expiry Date
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Lapsed during quarter				
7.12 Debentures				
7.13 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Company Secretary)

Print name: Andrew J Cooke
30-Oct-15

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.