

# malachite resources

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## QUARTERLY REPORT for the period ending 31 December 2015

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### OVERVIEW

ASX Code: MAR

Issued Shares: 1,132,914,821

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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29 January 2016

- Lorena Gold Project:
  - Malachite continues to negotiate terms to settle the partly constructed Lorena concentrate plant.
  - Malachite is progressing discussions with potential 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.
  - The Company is progressing with an amendment to the environmental authority to enable gold to be produced on site.
- Malachite carried out a 558 metre reverse circulation drilling exploration program at the Lady Mary prospect. Best intersection of 2m @ 3.2g/t Au and 1.90% Cu from 12m to 14m down hole in LERC04.



## Lorena Gold Project

### MLs 7147, 90192 – 90196

Malachite and BCD Resources NL (“BCD”) continue to negotiate terms to settle issues relating to the partly constructed Lorena concentrate plant to provide Malachite with unfettered access to the plant. If no agreement can be made shortly, Malachite will consider other options. While these issues are being resolved, Malachite has implemented cost saving initiatives including key executives going on to part time work.

Malachite and Ore Processing Services have completed a process description document which incorporates the construction of a cyanide plant (“CIL”) on the back of the concentrate plant at Lorena so that gold dore could be produced on site. This document will be used as part of the documentation to provide to the Department of Environment and Heritage Protection (DEHP) for an amendment to the existing Environmental Authority (EA) to enable gold to be produced on site.

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

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. Malachite is in discussion with a number of parties who have expressed interest in funding this drilling.

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

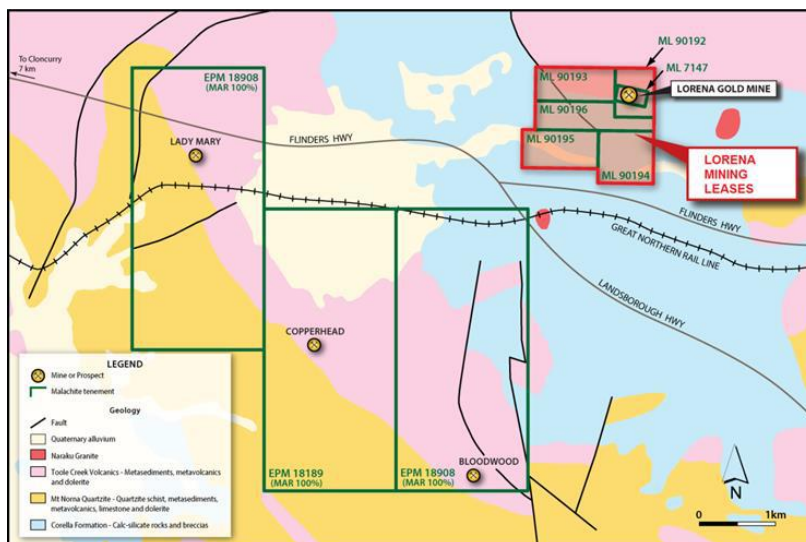
### Exploration (EPM 18908) – Lady Mary prospect

As announced to the ASX during the quarter, the Company carried out a drilling program consisting of eight holes (total 558m), testing the Lady Mary Prospect over a strike length of 400m. Hole lengths varied between 42m and 114m (refer Table 1 for drill hole details). The holes intersected metadolerite and quartz schist/quartzite units of the Toole Creek Volcanics, and mica schist units of the Mt Norna Quartzite. Zones of quartz-carbonate veining and alteration were also intersected.

Assays were received from the SGS laboratory in Townsville for a suite of 323 x 1m drill samples (including assay standards and duplicate samples), which were assayed for gold and a suite of accompanying elements. The only intersection of significance was in drill hole LERC04, which assayed 2m @ 3.20g/t Au and 1.90% Cu from 12m to 14m. All other drill holes returned low gold values (generally <0.05g/t Au) except LERC05 which intersected 1m @ 0.45g/t Au from 15m to 16m.

The lack of mineralized intersections in the other six drill holes suggests that the mineralization previously sampled from the dumps surrounding the old pits is sourced from discontinuous pods of mineralization, none of which were intersected in the drill holes.

However, the intersection in drill hole LERC04 is to the east of the line of old pits and the gold-copper soil anomaly, and this position was not tested by any of the other drill holes in this northern section of the prospect. Hence a program of follow-up drilling along strike and down-dip of this intersection is warranted.



Lorena Gold project located 15km east of Cloncurry, Qld

## Corporate

### Existing Convertible Notes

In October 2015, the Company paid each Convertible Noteholder (excluding Noteholders who were Directors/associates) 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 6,150,648 Ordinary Shares.

## Tenements

| Project                           | Tenement Number   |
|-----------------------------------|---|
| QUEENSLAND<br><i>Lorena</i>       | ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML 90196<br>EPM 18189, EPM 18908 |
| NEW SOUTH WALES<br><i>Conrad</i>  | ML 5992, ML 6040, ML 6041<br>EPL 1050<br>EL 5977                                  |
| NEW SOUTH WALES<br><i>Tooloom</i> | ML 1237, ML 1238, ML 1385<br>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     |          |          |              |



## Competent Persons Statement

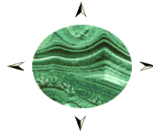
The information in this report that relates to Exploration Results is based on information compiled by Mr Russell Meares, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Meares is a part-time employee of Malachite Resources Limited. Mr Meares has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Meares consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Exploration results are based on standard industry practices, including sampling, assay methods, and appropriate quality assurance/quality control (QA/QC) measures.

## 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)

**Table 1 - Lady Mary Drill Hole Details**

| Drill Hole No. | Drill Collar |             |         | Drill Hole |             |               |      |
|----------------|--------------|-------------|---------|------------|-------------|---------------|------|
|                | Northing GDA | Easting GDA | RL mASL | Hole Type  | Total Depth | Azimuth (mag) | Dip  |
| LERC 01        | 7708407      | 457374      | 225m    | RC         | 66m         | 239°          | -60° |
| LERC 02        | 7708388      | 457324      | 225m    | RC         | 42m         | 059°          | -60° |
| LERC 03        | 7708462      | 457341      | 225m    | RC         | 60m         | 239°          | -50° |
| LERC 04        | 7708477      | 457377      | 225m    | RC         | 114m        | 239°          | -60° |
| LERC 05        | 7708282      | 457282      | 225m    | RC         | 60m         | 239°          | -50° |
| LERC 06        | 7708097      | 457521      | 225m    | RC         | 66m         | 239°          | -50° |
| LERC 07        | 7708198      | 457510      | 225m    | RC         | 78m         | 255°          | -50° |
| LERC 08        | 7708301      | 457471      | 225m    | RC         | 72m         | 239°          | -50° |



## Malachite Resources Limited

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### Appendix 5B

#### Mining exploration entity quarterly report

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

Rule 5.3

Name of entity

**Malachite Resources Limited**

ACN or ARBN

**075 613 268**

Quarter ended ("current quarter")

**31 December 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<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
|   |                            |                                       |
|   | (114)                      | (164)                                 |
|   | (68)                       | (187)                                 |
|   | (126)                      | (203)                                 |
|   | 2                          | 2                                     |
|   | (55)                       | (130)                                 |
| <b>Net Operating Cash Flows</b>   | <b>(361)</b>               | <b>(682)</b>                          |
|   |                            |                                       |
| <b>Cash flows related to investing activities</b>   |                            |                                       |
| 1.8 Payment for purchases of: <ul style="list-style-type: none"> <li>(a) prospects</li> <li>(b) equity investments</li> <li>(c) other fixed assets</li> </ul> |                            |                                       |
| 1.9 Proceeds from sale of: <ul style="list-style-type: none"> <li>(a) prospects</li> <li>(b) equity investments</li> <li>(c) other fixed assets</li> </ul>    | 275                        | 400                                   |
| 1.10 Loans to other entities  |                            |                                       |
| 1.11 Loans repaid by other entities   |                            |                                       |
| 1.12 Other -Security deposits   | -                          |                                       |
| <b>Net investing cash flows</b>   | <b>275</b>                 | <b>400</b>                            |
|   |                            |                                       |
| <b>1.13 Total operating and investing cash flows (carried forward)</b>  | <b>(86)</b>                | <b>(282)</b>                          |

**Malachite Resources Limited**  
**Appendix 5B**  
**31 December 2015**

|  | Current<br>quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|--|-------------------------------|---------------------------------------|
| <b>1.13 Total operating and investing cash flows (brought forward)</b>               | (86)                          | (282)                                 |
| <b>Cash flows related to financing activities</b>                                    |                               |                                       |
| 1.14 Proceeds from issues of shares  | -                             |                                       |
| 1.15 Proceeds from sale of forfeited shares  |                               |                                       |
| 1.16 Proceeds from borrowings  | 50                            | 50                                    |
| 1.17 Repayment of borrowings   | (6)                           | (12)                                  |
| 1.18 Dividends paid  |                               |                                       |
| 1.19 Other (provide details if material)- Borrowing costs<br>- Capital raising costs | -                             | (17)                                  |
| <b>Net financing cash flows</b>  | 44                            | 21                                    |
| <b>Net increase (decrease) in cash held</b>  | (42)                          | (261)                                 |
| 1.20 Cash at beginning of quarter/year to date                                       | 142                           | 361                                   |
| 1.21 Exchange rate adjustments to item 1.20  |                               |                                       |
| <b>1.22 Cash at end of quarter</b>   | 100                           | 100                                   |

**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
- 3.2 Credit standby arrangements

| Amount<br>available<br>\$A'000 | Amount<br>used<br>\$A'000 |
|--------------------------------|---------------------------|
| 50                             | 50                        |
| -                              | -                         |

**Estimated cash outflows for next quarter \***

|                                | \$A'000   |
|--------------------------------|-----------|
| 4.1 Exploration and evaluation |           |
| 4.2 Development                |           |
| 4.3 Production                 |           |
| 4.4 Administration             | 75        |
| <b>Total</b>                   | <b>75</b> |

\* Since quarter end the Company has received \$50,000 from the sale of non-core tenements.

**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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 100                        | 142                         |
| Deposits at call                                 | -                          | -                           |
| Bank overdraft                                   | -                          | -                           |
| Other - 30 day bank bills                        | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>100</b>                 | <b>142</b>                  |

**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 Interests in mining tenements<br>relinquished, reduced or lapsed |                    |                                  |                            |
| 6.2 Interests in mining tenements<br>acquired or increased           |                    |                                  |                            |

**Issued and quoted securities at end of current quarter**

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

|  | Total number  | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|---------------|---------------|---|--|
| 7.1 <b>Preference +securities (description)</b>                  |               |               |   |  |
| 7.2 Changes during quarter                                       |               |               |   |  |
| (a) Increases through issues                                     |               |               |   |  |
| (b) Decreases through returns of capital, buy-backs, redemptions |               |               |   |  |
| 7.3 <b>Ordinary securities</b>                                   | 1,132,914,821 | 1,132,914,821 |   |  |
| 7.4 Changes during quarter                                       |               |               |   |  |
| (a) Increases through issues-                                    |               |               |   |  |
| Rights Issue   |               |               |   |  |
| Share Purchase Plan  |               |               |   |  |
| Share Placement  |               |               |   |  |
| Exercise of Options  |               |               |   |  |
| Repayment Convertible note                                       |               |               |   |  |
| Rollover Fees for Convertible Notes                              | 7,347,530     | 7,347,530     |   |  |
| (b) Decreases through returns of capital, buy-backs, redemptions |               |               |   |  |

**Malachite Resources Limited**  
**Appendix 5B**  
**31 December 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) |
|--------------|---------------|---------------------------------------|--|
|              |               | \$                                    | \$                                       |
| 43.0         | -             | -                                     | -  |
| 6.0          | -             | -                                     | -  |

**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  
29-Jan-16

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.