



malachite
resources

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Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Limited

25 May 2016

ASX Appendix 5B Query

Malachite Resources Limited (ASX Code: MAR) (“Malachite” or the “Company”) refers to:

- a) its Appendix 5B Consolidated Statement of Cashflows for the Quarter ended 31 March 2016 which was released by the ASX on 2 May 2016; and
- b) the ASX query in relation to the above dated 20 May 2016.

Malachite confirms the following as reported in its Appendix 5B:

- negative net operating cash flows for the quarter of \$138,000;
- cash at the end of the quarter ended 31 March 2016 of \$21,000; and
- estimated cash outflows for the quarter ended 30 June 2016 of \$100,000.

Malachite also confirms the following as reported as a footnote to Section 4 of the Appendix 5B:

- since the end of the quarter ended 31 March 2016 the Company received a \$75,000 loan from key management and \$99,000 for the sale of non-core tenements.

Malachite also confirms that the Board is currently reviewing a number of funding and development alternatives to provide the Company with adequate working capital to fund its ongoing operations and to advance the development of the Lorena Gold Project which is located about 15km east of Cloncurry in northwest Queensland.

On 7 March 2016 Malachite announced that it had entered into a non-binding heads of agreement with Ore Processing Services Pty Ltd (OPS) to establish and operate a mobile mineral processing plant at the Company’s Lorena Gold Project.

If these arrangements proceed as contemplated OPS will take responsibility for the supply, commissioning and operation of the whole mineral processing plant, which will be constructed as modular units for ease of transport.

The Board believes that the agreement reached with OPS establishes a sound platform for development of the Lorena Gold Project and for achieving gold production at the earliest opportunity. Further, the Board anticipates that funding options for the Company will be firmed up as the arrangements with OPS are advanced.

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Malachite responds to the specific questions put to it by the ASX as follows:

1. Malachite expects that it will continue to have negative operating cash flows until such time as commercial production is achieved from the Lorena Gold Project;
2. Malachite has initiated steps to raise further cash to fund its operations which it believes are likely to be successful. Currently the Company is in dialogue with third parties who have expressed an interest in supporting the Company to develop the Lorena Gold Project;
3. Malachite does expect to be able to continue its operations and to meet its business objectives on the basis that the funding and development alternatives currently being reviewed by the Company will be successfully implemented. The Board notes that the current market environment is particularly difficult for junior resource companies and there can be no assurance that suitable funding will be identified however it believes that agreement with OPS and the relatively high grade of the resource at the Lorena Gold Project position the Company well in terms of securing suitable funding to continue its operations and advance the development of the Lorena Gold Project.
4. Malachite confirms that it is in compliance with ASX Listing Rule 3.1 and that there is no information that should be given to the ASX about its financial condition in accordance with that Rule that has not already been released to the market.

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



20 May 2016

Mr Andrew Cooke
Company Secretary
Malachite Resources Limited
Suite 2, Level 10
8-10 Loftus Street
Sydney NSW 2000

By email

Dear Mr Cooke

Malachite Resources Limited (the “Entity”): ASX Appendix 5B Query

I refer to the Entity’s quarterly report in the form of Appendix 5B for the period ended 31 March 2016 lodged with ASX Market Announcements Platform on 29 April 2016 (the “Appendix 5B”).

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of \$138,000;
- cash at the end of the quarter of \$21,000; and
- estimated cash outflows for the next quarter of \$100,000.

It is possible to conclude on the basis of the information provided in the Appendix 5B that if the Entity were to continue to expend cash at the rate for the quarter (and at the rate estimated for the next quarter) indicated by the Appendix 5B, the Entity may not have sufficient cash to continue funding its operations. In view of that, please respond to each of the following questions:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?

Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30am AEST on Wednesday, 25 May 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.



If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Violetta Codreanu

Adviser, Listings Compliance (Sydney)