



**malachite**  
**resources**

**ASX Announcement**

**ASX Code: MAR**

**26 October 2016**

## **MALACHITE SECURES FINANCING FOR LORENA GOLD PROJECT**

Malachite Resources Limited (ASX Code: MAR) (“Malachite” or the “Company”) is pleased to advise that it has entered into a Financing Terms Sheet with ResCap Investments Pty Ltd (“ResCap”) in respect of a \$5 million facility for the purpose of funding its obligations to bring the Lorena Gold Project into production. ResCap is an experienced lender and investor to mid-tier producers (and emerging producers) within the resources industry.

This facility will enable Malachite to fund preparatory project site works in the order of \$2.5 million and any working capital that may be required. This funding enables Malachite to satisfy one of the major condition precedents to the Heads of Agreement entered into earlier this year with Ore Processing Services Pty Ltd (“OPS”) (“Malachite Heads of Agreement”) whereby OPS has the obligation to establish and operate a mineral processing plant at Lorena. Under the OPS agreement Malachite will retain a 70% interest in the Lorena Gold Project.

On 20 September 2016 Malachite announced that OPS had entered into a binding agreement to acquire the plant and equipment from MKS Precious Metals (Australia) Pty Ltd previously constructed on the Lorena Gold Project site (“Lorena Concentrator Plant”). The acquisition is conditional on completion of financing amongst other conditions precedent. When OPS completes this acquisition it will then be required to both complete the Lorena Concentrator Plant and supply a modular CIL circuit to provide a complete mineral processing plant capable of producing gold dore on site. OPS have advised that their efforts to procure their financing of the Lorena Gold Project are well advanced.



*Lorena Concentrator Plant*

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Malachite believes that securing this financing from ResCap in conjunction with the acquisition of the existing Lorena Concentrator Plant by OPS is the best path to achieving the earliest possible and most cost effective gold production from the Lorena project.

**Summary of Key Terms of the ResCap Transaction:**

- The facility is offered in two tranches with the first Tranche, (A) of \$500,000 to be drawn down not later than 31 March 2017 and the second Tranche, (B) of \$4,500,000 to then be repaid with 18 months of the initial Advance of Tranche B;
- The interest rate on the loan will be 9.0% per annum;
- ResCap will have first ranking security over all of the assets of the Company and receive a guarantee from subsidiaries of the Company;
- As per the terms and conditions of the facility, Malachite will:
  - (i) Upon draw down of Tranche A pay \$15,000 and issue shares in Malachite to ResCap equal to 10% of the fully diluted capital of Malachite;
  - (ii) Upon draw down of Tranche B pay \$325,000 and issue shares in Malachite to ResCap equal to an additional 20% of the fully diluted capital of Malachite; and
  - (iii) Seek shareholder and regulatory approval (if required under ASX listings rules) to issue 30% of the fully diluted capital in Malachite;
- A termination fee of \$300,000 is payable to ResCap in the event that Malachite executes the transaction documentation but proceeds with another financing proposal;
- Conditions Precedent apply to the drawdown of both Tranche A and Tranche B. The conditions precedent include, but not limited to, the following:
  - (i) Confirmation of OPS's capacity to meet their costs of construction pursuant to the Malachite Heads of Agreement and to fund the purchase and completion of the Lorena Concentrator Plant;
  - (ii) Joint Venture and Project Due Diligence;
  - (iii) Appointment of ResCap nominated Directors to the Board of Malachite;
  - (iv) Desktop study by OPS confirming capacity to bring the plant and circuit into production within a mutually agreed time line, and not later than 30 September 2017; and
- Execution of long form Transaction documentation with standard terms and conditions for a secured loan facility of this nature.

Malachite will seek all relevant approvals from existing shareholders, convertible noteholders and regulatory authorities to implement this financing transaction as required under ASX listing rules and Australian Corporations Law.

For further information, please contact Malachite Resources Limited 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)