



**ASX Announcement**

**ASX Code: MAR**

**26 February 2019**

## **Lorena Gold Mine Update**

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Malachite Resources Limited (ASX Code: MAR) (“Malachite”) advises operational performance at the Lorena Gold Mine (“Lorena Project”) during the course of January 2019 has continued well below expectations. Malachite’s interest in the Lorena Project is held by its wholly-owned subsidiary, Volga Elderberry Pty Ltd (“Volga”).

Malachite further advises that Volga has issued a Dispute Notice to the other joint venture parties in accordance with the terms of the Joint Venture Deed.

The Project is located about 15km east of Cloncurry in northwest Queensland and is a joint venture between Volga, Cloncurry Gold Recovery Management Pty Ltd (“CGR”) and Ore Processing Services Pty Ltd (OPS). CGR is the manager of a joint venture between Chinova Resources Pty Ltd (70%) and BIM Gold Pty Ltd (30%). BIM Metals Pty Ltd is the Joint Venture Manager.

Each party’s interest in the Open Cut operations at Lorena is as follows:

<b>Joint Venture Participant</b>	<b>Equity Interest in Open Cut - Lorena Gold Project</b>
Volga	55%
CGR	30%
OPS	15%

The head grade, metallurgical recoveries and plant usage were all lower than forecast over the month of January continuing the trend observed during the December quarter even though the operation has moved into processing of the expected higher grade sulphide ore.

### **Mining**

In January 2019, ore delivered from the pit above 1 g/t totalled 32,852 tonnes of low grade material at 1.69g/t Au and 17,882 tonnes at 9.54 g/t Au for a month total of 50,734 tonnes at weighted average grade of 4.46 g/t Au. In addition, there was 4,236 tonnes of copper ore mined and stockpiled separately.

Higher than anticipated water flow rates in the pit required additional dewatering facilities and hindered pit production.

During January, the operations continue to experience difficulties with variable distribution of grade inside the mineralised zone. As a result the overall average grade of ore delivered for processing was lower than anticipated throughout the month.

### **Processing**

The site processed 4,650 t of ore at an average rate of 23 t/hr during January 2019. Plant utilisation was well under target at 29% due to the stop/start of the processing plant from working capital

constraints impacting on cyanide purchases. The feed grade processed through the plant averaged 1.92 g/t gold with an average recovery of 45.3 %. This was below forecast and largely a function of the stop/start of the processing plant. The site poured 174 ounces of gold for January 2019.

#### Monthly Mining physicals – January 2019:

Lorena EX-Pit	Jan-18	Feb-18	Mar-18	Apr-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	YTD	PTD
Fresh Ore (BCM)	3,493	10,282	23,880	21,564	633	1,669	7,856	5,584	7,291	6,386	88,638	88,638
<b>Total Ore Tonnes</b>	<b>8,775</b>	<b>25,830</b>	<b>59,991</b>	<b>54,172</b>	<b>1,588</b>	<b>4,188</b>	<b>21,996</b>	<b>15,634</b>	<b>20,415</b>	<b>17,882</b>	<b>230,471</b>	<b>230,471</b>
<b>Average Ore Grade g/t</b>	<b>2.42</b>	<b>2.42</b>	<b>2.42</b>	<b>3.71</b>	<b>10.12</b>	<b>5.28</b>	<b>3.39</b>	<b>2.01</b>	<b>3.99</b>	<b>9.54</b>	<b>3.58</b>	<b>3.58</b>
Copper Ore (Tonnes)	-	-	-	-	-	-	-	-	92	4,236	4,328	4,328
Mineralised Waste (tonnes)	1,155	298	-	-	-	-	-	-	-	32,852	34,305	35,954
NAF Waste (BCM)	95,662	84,630	98,101	80,532	19,152	41,471	47,568	22,697	14,875	23,626	528,314	774,688
PAF Waste (BCM)	32,688	18,812	7,015	14,148	396	5,240	26,186	7,565	38,472	21,564	172,086	420,110
Oxide (BCM)	-	-	-	-	-	-	-	-	-	-	-	2,680
<b>Total Waste (BCM)</b>	<b>129,505</b>	<b>103,739</b>	<b>105,117</b>	<b>94,680</b>	<b>19,548</b>	<b>46,710</b>	<b>73,754</b>	<b>30,262</b>	<b>53,439</b>	<b>82,278</b>	<b>739,032</b>	<b>1,005,855</b>
<b>Total Waste &amp; Ore (BCM)</b>	<b>132,998</b>	<b>114,021</b>	<b>128,997</b>	<b>116,244</b>	<b>20,181</b>	<b>48,379</b>	<b>81,610</b>	<b>35,846</b>	<b>60,730</b>	<b>88,664</b>	<b>827,670</b>	<b>1,094,493</b>
<b>Miscellaneous</b>											-	-
TSF & Construction BCM	796	1,533	-	6,876	-	-	792			1,368	11,364	39,653
Rehandle BCM	6,110	72	1,390	-	-	-	396	1,764	-	1,584	11,316	13,459

ROM Stocks - 31st January 2019	Tonnes	Au g/t
Medium Grade (Oxides)	39,376	3.63
Low Grade (Oxides)	20,888	2.55
Old Heap Leach (Oxides)	19,463	3.20
Low Grade 2-5g/t (Fresh)	3,938	2.36
High Grade 5g/t + (Fresh)	22,768	7.57
Crushed Low Grade (1-2g/t)	9,896	2.36
Crushed High Grade (5g/t +)	10,834	6.53
<b>Total &amp; Average Grade of Stocks</b>	<b>127,163</b>	<b>4.20</b>
Mineralised Waste 1-2g/t (Fresh)	32,852	1.69

#### Monthly Processing physicals:

Processing Monthly Physicals	Comissioning		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	YTD	PTD Total
	April & May-18	Jun-18									
Crushed Tonnes (dmt)	16,974	16,001	18,606	14,925	13,768	22,605	17,920	13,466	18,032	119,322	152,297
Tonnes Processed (dmt)	16,372	9,965	15,453	10,225	12,794	16,535	11,145	6,169	4,650	76,971	103,309
Feed Rate (dmt/op.hr)	17.7	22.5	27	23	27	27	27	30	23	26.2	24.7
Mill Run Time	923	444	576	435	469	612	418	236	194	2,941	4,308
Mill Utilisation (%)	65%	73%	91%	69%	77%	91%	64%	36%	29%	78%	72%
Gold Head Grade (g/t)	2.44	2.66	3.21	3.43	3.41	3.86	3.31	1.94	1.92	3.25	3.06
Tail Grade (g/t)	1.16	1.28	0.94	0.83	0.82	1.04	1.85	1.11	1.10	1.08	1.11
Gold Recovery %	52%	52%	71%	76%	76%	73%	44%	43%	43%	65%	62%
Total Gold Production (oz)	670	442	1,128	855	1,065	1,499	523	165	123	5,358	6,470
Gold Poured (Oz)	254	172	799	1,111	563	1,134	616	559	174	4,957	5,383
Gold in Circuit (Oz)	416	687	1,016	760	1,262	1,627	1,534	1,139	1,088		

Note: Numbers in red still to be finalised by assay results

## **Joint Venture Matters and OPS Loan**

As previously reported, Chinova Resources Pty Ltd (Chinova) has withdrawn a working capital financing facility, which had previously been extended to joint venture participants to fund ongoing operations.

Volga has repeatedly requested that the Joint Venture Manager provide detailed information in relation to project cash calls issued by the Joint Venture Manager to Chinova and paid by Chinova on behalf of the Company. Volga has also requested detailed project information and presentations presented to joint venture partners so that it can properly assess project returns. Volga is unable to properly assess its position in relation to the joint venture and future cash calls until this information is provided by the Joint Venture Manager. The Joint Venture Manager has provided a cashflow forecast which is less favourable than originally anticipated. However, Volga is reviewing these forecasts in the context of ongoing operations and the dispute in relation to the treatment of historical expenditure.

Malachite has received a notice on behalf of OPS requiring payment of an outstanding loan amount (being \$574,342.49 as at 20 February 2019). Malachite is taking legal advice with respect to its obligations under the loan in the context of a review of historical joint venture expenditure.

Volga has initiated a Dispute Resolution process in accordance with the terms of the Joint Venture Agreement dealing with numerous matters, which principally relate to achieving a reconciliation of historical joint venture expenditure and the future conduct of the joint venture.

## **Further Information**

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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)