

malachite resources

QUARTERLY REPORT for the period ending 31 March 2019

OVERVIEW

ASX Code: MAR

Issued Shares: 1,387,823,262

ABN: 86 075 613 268

Directors

Terry Cuthbertson
James Dean

Top Shareholders

Mr Lindsay Jones
Olhoc Pty Ltd
Morrison Charity Trustee Ltd

Head Office

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30 April 2019

Lorena Gold Project:

- The joint venture interests in the Project are Malachite 55%, Cloncurry Gold Recovery Management Pty Ltd ("CGR") 30% and Ore Processing Services Pty Ltd ("OPS") 15% for the open cut operation. CGR is the manager of a joint venture between Chinova Resources Tennant Creek Pty Ltd (70%) and BIM Gold Pty Ltd (30%). BIM Metals Pty Ltd is the joint venture manager of the Project.
- In January 2019, ore delivered from the pit totalled 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.
- The feed grade processed through the plant averaged 1.92 g/t gold with an average recovery of 45.3 %.
- The site poured 174 ounces of gold for January 2019.
- Malachite previously issued a Dispute Notice to its joint venture partners regarding numerous matters including past joint venture expenditures and the lack of an approved program and budget in respect of ongoing operations. This dispute has not been resolved.
- The joint venture manager has not provided joint venture parties with production reports for February or March 2019.

Lorena Exploration:

- No exploration was undertaken during the quarter



Lorena Gold Project

MLs 7147, 90192 – 90196 (Malachite 55% interest in open cut)

The Company's Lorena Gold Project ("Lorena Project") is located about 15km east of Cloncurry in northwest Queensland. The Company advises operational performance at the Lorena Project during the quarter were well below expectations.

The Project is a joint venture between Malachite, Cloncurry Gold Recovery Management Pty Ltd ("CGR") and Ore Processing Services (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. Malachite's interest in the Lorena Project is held by its wholly-owned subsidiary, Volga Elderberry Pty Ltd ("Volga").

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

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

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.

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.

Higher than anticipated water flow rates in the pit required additional dewatering facilities and hindered pit production as a result of water flowing into the pit from a major rain event in late January. We understand that mining was suspended following the rain event with an expectation that mining will recommence later in the year.

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.

The joint venture manager has not provided joint venture parties with reports for February or March 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
Total Ore Tonnes	8,775	25,830	59,991	54,172	1,588	4,188	21,996	15,634	20,415	17,882	230,471	230,471
Average Ore Grade g/t	2.42	2.42	2.42	3.71	10.12	5.28	3.39	2.01	3.99	9.54	3.58	3.58
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
Total Waste (BCM)	129,505	103,739	105,117	94,680	19,548	46,710	73,754	30,262	53,439	82,278	739,032	1,005,855
Total Waste & Ore (BCM)	132,998	114,021	128,997	116,244	20,181	48,379	81,610	35,846	60,730	88,664	827,670	1,094,493
Miscellaneous												
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
Total & Average Grade of Stocks	127,163	4.20
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

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 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.

Malachite 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. Malachite has also requested detailed project information and presentations so that it can properly assess project returns. Malachite 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. Malachite is reviewing these forecasts in the context of ongoing operations and the dispute in relation to the treatment of historical expenditure.

Malachite has made a recommendation to the Joint Venture Committee that operations should be suspended while outstanding issues are resolved however this recommendation was rejected by the other joint venturers.

Malachite is currently in discussion with the JV partners to resolve the dispute which includes the possible renegotiation of the Lorena JV terms.

Exploration – Lorena Deeps Drilling

No further exploration of the Lorena Deeps prospect was undertaken during the quarter.

Tenements

Project	Tenement Number
QUEENSLAND	
<i>Lorena (55%) open cut</i>	ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML
<i>Lorena (70%) resources beneath the open cut</i>	90196
<i>Lorena EPMs (100%)</i>	EPM 18189, EPM 18908

Exploration/Mining Tenements Acquired/Disposed of during the Quarter

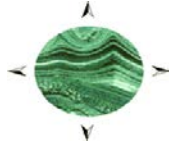
Project	Location	Tenement	MAR Interest
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Beneficial Interest in Farm-In or Farm-Out Acquired/Disposed of during the Quarter

Project	Location	Tenements	MAR Interest
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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

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Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Malachite Resources Limited

ACN or ARBN

075 613 268

Quarter ended ("current quarter")

31-Mar-19

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 9 months \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(21)	(283)
(b) development		(145)
(c) production		(1)
(d) staff costs		(379)
(e) administration	(118)	
1.3 Dividends received (see note 3)		
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	(228)	(424)
1.6 Income taxes paid (received)		
1.7 Research and development refunds		
1.8 Other (provide details if material)		5
Lorena JV Management Fee		110
1.9 Net cash from / (used in) operating activities	(364)	(1,111)
2. Cash flows related to investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other:		
Tenement security deposit refunded	10	25
	-	
2.6 Net cash from / (used in) investing activities	10	25

+See chapter 19 for defined terms
1 September 2016

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 9 months \$A'000
3. Cash flows related to financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(4)
3.5 Proceeds from borrowings	-	2,630
3.6 Repayment of borrowings	(90)	(511)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(90)	2,115

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,544	71
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(364)	(1,111)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	10	25
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(90)	2,115
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	1,100	1,100

5. Reconciliation of cash	Current quarter \$A'000	Previous quarter \$A'000
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		
5.1 Bank balances	1,100	1,544
5.2 Call deposits		
5.3 Bank overdraft		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,100	1,544

6. Payments to directors of the entity and associates of the directors

- 6.1 Aggregate amount of payments to the parties included in item 1.2
6.2 Aggregate amount of loans to the parties included in item 2.3
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to the parties included in item 1.2
7.2 Aggregate amount of loans to the parties included in item 2.3
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
140	140
500	500
5,274	5,274

8.1 Loan facilities

8.1 OPS Loan

8.2 Credit standby arrangements

8.3 Other - Convertible Notes (includes unpaid interest)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities .

Facility description	Lender	Interest rate	Secured/unsecured
Loan facilities	Key management personnel	12%	unsecured
OPS Loan	Ore Processing Services Pty Ltd	9%	unsecured
Convertible A notes	Note holders	15%	secured
Convertible D notes	Note holders	17.5%	secured

9. Estimated cash outflows for next quarter *	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	90
9.6 Other (provide details if material)	225
9.7 Total estimated cash outflows	315

10. Changes in interests in mining tenements	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

+See chapter 19 for defined terms

1 September 2016

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Company Secretary)

Date:

30-Apr-19

Print name:

Andrew J Cooke

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.