

malachite resources

QUARTERLY REPORT for the period ending 31 March 2016

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 April 2016

- Lorena Gold Project:
 - The Company entered into a non-binding heads of agreement with Ore Processing Services Pty Ltd (OPS) to establish and operate a modular mineral processing plant to produce gold on site at the Lorena Gold Project.
 - OPS and Malachite are using their best endeavours to complete documentation by the end of May 2016.
- Corporate:
 - Agreement with all of the Company's Convertible Noteholders to extend the term of the existing Convertible Notes to 1 July 2017.
 - The Company was issued 77,056,191 Silver Mines Ltd shares as part consideration for the sale of the Conrad Silver Project. The Company will retain an ongoing interest in the Conrad Silver Project by receiving a one per cent net smelter return on all metals produced from the Conrad Silver Project.
 - The Company sold non-core Tooloom MLs 1237, 1238 & 1385 in northern NSW to Tooloom Creek Pty Limited.



Lorena Gold Project

MLs 7147, 90192 – 90196

On 7 March 2016, the Company announced that it had entered into a heads of agreement with Ore Processing Services Pty Ltd (OPS) to establish and operate a modular mineral processing plant to produce gold on site at the Company's Lorena Gold Project, which is located about 15km east of Cloncurry in northwest Queensland.

OPS will take responsibility for the supply, commissioning and operation of the whole mineral processing plant, which will be constructed as modular units which can be easily relocated to and from site. The main advantage of this approach is a lower construction cost as these units can be constructed off-site and transported to site fully commissioned. It is expected that the commissioning on site can be achieved in a couple of weeks. Given the short life of the initial campaign from the open cut, the mobile plant provides flexibility to remain on site if more resources are identified, or to relocate the mobile processing capability to other regional opportunities or other projects within Australia. OPS and Malachite will be working together to take advantage of these modular processing units as part of a longer term strategy. OPS and Malachite are currently reviewing another project in Queensland which could potentially use the concentrator module once the Lorena open cut campaign has been completed.

OPS is associated with ammjohn Pty Ltd, a contract Engineering Company which has extensive experience in project management, project construction and engineering for mining and industrial projects. This association provides OPS with the expertise and technical backing to provide a complete solution for the mineral processing requirements for the Lorena Gold Project.

OPS has completed a technical review of the project and carried out site inspections. The non-binding heads of agreement is subject to a number of conditions precedent including:

- Completion of appropriate environmental approvals to allow a CIL plant on site;
- Completion of confirmatory design test work on the CIL circuit;
- Malachite raising working capital for preparatory work to commence mining;
- OPS raising funding for their OPS plant modules;
- Completion of formal documentation.

It is intended that a mining contractor will be engaged to deliver ore to a mobile crushing system for processing through the OPS plant modules.

OPS will receive lease fees for provision of the mobile processing plant modules, a management fee in relation to the operation of the ore processing plant and earn a 30% equity interest in the Lorena Gold Project once operations commence.

OPS is currently in the process of raising its own funding for the plant modules as anticipated under the heads of agreement. Malachite expects that funding arrangements for both OPS and Malachite will be at a stage so that formal documentation can be completed by the end of May.

The Company will provide further project development details at the earliest opportunity.

It is expected that the Lorena Gold Project will produce around 30,000 to 35,000 ozs of recovered gold in the eighteen months of production from an open cut operation.

Malachite believes that 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. The Company also



believes that there are considerable regional opportunities which it will be able to pursue once the plant is operating to enhance the commercial return from project.

Corporate

Existing Convertible Notes

On 15 March 2016, the Company announced that it had reached agreement with all of its Convertible Noteholders to extend the term of the existing Notes to 1 July 2017.

Noteholders have also agreed to the capitalisation and deferment of interest subject to the proviso that the Company may, at its discretion, elect to pay interest rather than capitalise the interest if adequate working capital is available for this purpose.

A Convertible Note Rollover Fee of 1.75% of the face value of the Notes is payable to all Noteholders on 5 May 2016. All other key terms of the existing Notes remain unchanged.

Sale of Conrad Silver Project

During the quarter, the Company was issued 77,056,191 Silver Mines Ltd shares as part consideration for the sale of the Conrad Silver Project. The Company will retain an ongoing interest in the Conrad Silver Project by receiving a one per cent net smelter return on all metals produced from the Conrad Silver Project. This ongoing interest is subject to finalising the sale and purchase agreement with Silver Mines Limited.

Sale of Tooloom MLs (ML 1237, ML 1238, ML 1385)

During the quarter, the Company sold non-core MLs 1237, 1238 & 1385 (Tooloom MLs) in northern NSW to Tooloom Creek Pty Limited for cash of \$50,000. The Company will be entitled to recover its environmental bond of \$50,000 once the MLs have been transferred. The application for the transfer of the MLs has been submitted Tooloom Creek Pty Limited is associated with Tooloom Gold Pty Limited who had the right to mine for alluvial gold on the Tooloom MLs.

The Company retains EL6263.



Tenements

Project	Tenement Number
QUEENSLAND <i>Lorena</i>	ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML 90196 EPM 18189, EPM 18908
NEW SOUTH WALES <i>Conrad (subject to sale to Silver Mines Limited)</i>	ML 5992, ML 6040, ML 6041 EPL 1050 EL 5977
NEW SOUTH WALES <i>Tooloom</i>	ML 1237, ML 1238, ML 1385 (<i>subject to sale to Tooloom Creek Pty Limited</i>) 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

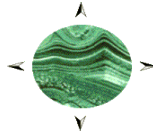
Project	Location	Tenement	MAR Interest
NIL			

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 or visit the Company's website at www.malachite.com.au



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 March 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 \$A'000	Year to date (9 months) \$A'000
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	(34)	(198)
	(38)	(225)
	(44)	(247)
	-	2
	(22)	(152)
	(138)	(820)

Net Operating Cash Flows

Cash flows related to investing activities

- 1.8 Payment for purchases of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.9 Proceeds from sale of:
 - (a) prospects
 - (b) equity investments
 - (c) other fixed assets
- 1.10 Loans to other entities
- 1.11 Loans repaid by other entities
- 1.12 Other -Security deposits

	50	450
	-	
	50	450
	(88)	(370)

Net investing cash flows

- 1.13 Total operating and investing cash flows (carried forward)

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(88)	(370)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares		
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings	15	65
1.17 Repayment of borrowings	(6)	(18)
1.18 Dividends paid		
1.19 Other (provide details if material)- Borrowing costs - Capital raising costs	-	(17)
Net financing cash flows	9	30
Net increase (decrease) in cash held	(79)	(340)
1.20 Cash at beginning of quarter/year to date	100	361
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	21	21

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

	\$A'000
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	Nil
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	Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities Other Loans	65	65
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter *

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	25
4.3 Production	
4.4 Administration	75
Total	100

* Since quarter end the Company has received \$75,000 loan from key management and \$99,000 for 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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	21	100
Deposits at call	-	-
Bank overdraft	-	-
Other - 30 day bank bills	-	-
Total: cash at end of quarter (item 1.22)	21	100

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 of quarter

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 Preference +securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	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				
(b) Decreases through returns of capital, buy-backs, redemptions				

Malachite Resources Limited
Appendix 5B
31 March 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 1 July 2017; Interest rate - 15% per annum.

Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
		\$	\$
43.0	-	-	-
	-	-	-

7.6 Changes during quarter
 (a) Increases through issues
 (b) Decreases through returns of capital, buy-backs, redemptions

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 April 2016

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.