

malachite resources

QUARTERLY REPORT for the period ending 31 December 2019

OVERVIEW

ASX Code: MAR

Issued Shares: 1,387,823,262

ABN: 86 075 613 268

Directors

Terry Cuthbertson
James Dean
Geoffrey Hiller

Top Shareholders

Mr Lindsay Jones
Morrison Charity Trustee Ltd

Head Office

Malachite Resources Limited
Level 4
283 George St
SYDNEY NSW 2000

T: +61 (0)2 9251 0032

E: info@malachite.com.au

W: www.malachite.com.au

31 January 2020

Solomon Islands Nickel

- Malachite to acquire an interest in the Jejevo Nickel Project in the Solomon Islands.
- Malachite executed a subscription agreement to acquire up to 15% of Sunshine Minerals Limited (“Sunshine”), a private company incorporated in the Solomon Islands. Sunshine owns 80% of Sunshine Nickel which holds a prospecting licence containing the Jejevo Nickel Project located on the south coast of Santa Isabel Island. The remaining 20% of Sunshine Nickel is owned by local land owners.
- The Jejevo Nickel Project is an advanced stage direct shipping ore nickel laterite project with excellent potential for development. The project was previously drilled in 2013 and the initial objective is to do sufficient work to confirm a 2012 JORC Resource at the earliest opportunity.
- The Jejevo Nickel Project has a number of positive aspects including its close proximity to the coast, no processing requirements, low capital route to direct shipping ore production and local landowner support. It is envisaged that mining of the project could potentially commence within 2 years.

Lorena Gold Project:

- Malachite previously issued a Dispute Notice to its joint venture partners regarding numerous matters including past joint venture expenditures and information regarding an approved program and budget in respect of ongoing operations. This dispute has not been resolved.
- Malachite is currently in discussion with the JV partners to resolve the dispute which includes the renegotiation of the Lorena JV terms. Malachite considers that there has been some progress in this matter during the quarter and is hopeful for a resolution in the short term.

Lorena Exploration:

- No exploration was undertaken during the quarter.

Authorised by Mr. Terry Cuthbertson and Mr. Geoffrey Hiller



Solomon Islands Nickel

During the quarter the Company entered into a Share Subscription Agreement with Sunshine Minerals Limited to acquire an interest in the Jejevo Nickel Project in the Solomon Islands.

Malachite executed a subscription agreement to acquire up to 15% of Sunshine Minerals Limited (“Sunshine”), a private company incorporated in the Solomon Islands. Sunshine owns 80% of Sunshine Nickel which holds PL 01/18 located on the south coast of Santa Isabel Island. The remaining 20% of Sunshine Nickel is owned by local land owners.

The Jejevo Nickel Project is located within the PL 01/18 project area.

The Jejevo Nickel Project is an advanced stage direct shipping ore nickel laterite project with excellent potential for development. The project was previously drilled in 2013 and the initial objective is to do sufficient work to confirm a 2012 JORC Resource at the earliest opportunity.

The Jejevo Nickel Project has a number of positive aspects including its close proximity to the coast, no processing requirements, low capital route to direct shipping ore production and local landowner support. It is envisaged that mining of the project could potentially commence within 2 years.

The key terms of the acquisition are summarised below:

- Malachite pays \$75k in two tranches to Sunshine to extend an exclusivity period to 31 March 2020 – these funds will be allocated to due diligence and corporate costs. The first tranche of A\$25k is payable upon signing of the subscription agreement. The second tranche of A\$50k is conditional on:
 - Solomon Islands mines department board approval to retain PL01/18 for its full term to 9 July 2021; and
 - Technical confirmation of geological data carried out by Sumitomo on PL01/18

- Malachite can elect to earn its 15% interest as follows:
 - a) a 7.5% shareholding in Sunshine by spending A\$100k on work principally progressing the Jejevo geological data to 2012 JORC; and
 - b) a further 7.5% shareholding in Sunshine by spending a further A\$125k on work principally associated with progressing the Jejevo geological data to JORC and advancing technical work in preparation for a mining lease application.

Malachite will seek regulatory approvals as required.



Lorena Gold Project

MLs 7147, 90192 – 90196

The Company's Lorena Gold Project ("Lorena Project") is located about 15km east of Cloncurry in northwest Queensland..

The Project is a joint venture between Malachite 55%, Cloncurry Gold Recovery Management Pty Ltd ("CGR") 30% and Ore Processing Services (OPS) 15%. CGR is the manager of a joint venture between Chinova Resources Pty Ltd (70%) ("Chinova") 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").

The Company advises operational performance at the Lorena Project during the quarter continued to be well below expectations.



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 remains 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.

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 renegotiation of the Lorena JV terms. Progress continues to be made during the quarter and the Company is hopeful for a resolution in the short term.

Processing

Due to the ongoing dispute, the joint venture manager has not provided Malachite with operation reports during the quarter. We understand that processing operations continued during the quarter.

Chinova has provided the Company with details of gold sales from the project during the quarter, which are as follows:

Month	Gold Sales (ounces)
October 2019	677
November 2019	576
December 2019	448
Total	1,701

Malachite did not receive any revenue from these gold sales or any distributions from the project. Malachite understands that the proceeds from these sales were applied to the funding of operating costs, capital costs and servicing of working capital loans.

Exploration

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

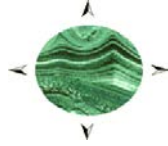
Project	Location	Tenement	MAR Interest
---------	----------	----------	--------------

Beneficial Interest in Farm-In or Farm-Out Acquired/Disposed of during the Quarter

Project	Location	Tenements	MAR Interest
---------	----------	-----------	--------------

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

Level 4, 283 George St Sydney NSW 2000
Tel. (02) 9251 0032 www.malachite.com.au

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-Dec-19

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 6 months \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers*		
1.2 Payments for		
(a) exploration and evaluation	(4)	(13)
(b) development		
(c) production		
(d) staff costs	(1)	(1)
(e) administration	(109)	(212)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid		(190)
1.6 Income taxes paid (received)		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(114)	(412)
2. Cash flows related to investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments	(105)	(105)
(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:		
	-	
2.6 Net cash from / (used in) investing activities	(105)	(105)

* The Company did not receive any proceeds from the sales of gold or distributions from the Lorena Gold Project Joint Venture during the quarter. The Company is in dispute with its joint venture partners in relation to numerous issues relating to the Lorena Gold Project.

+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 6 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		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	-	(37)
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	-	(37)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	361	696
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(114)	(412)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(105)	(105)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	(37)
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	142	142

5. 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	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	142	361
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)	142	361

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
18

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
65	65
500	500
5,696	5,696

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	75
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	75

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: 31-Jan-20

Print name: Andrew J Cooke

Authorised by Mr. Terry Cuthbertson and Mr. Geoffrey Hiller

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.