

malachite resources

QUARTERLY REPORT for the period ending 30 June 2018

OVERVIEW

ASX Code: MAR

Issued Shares: 1,362,362,787

ABN: 86 075 613 268

Directors

Terry Cuthbertson

James Dean

Andrew McMillan

Top Shareholders

Mr Lindsay Jones

Olhoc Pty Ltd

Morrison Charity Trustee Ltd

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31 July 2018

- **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%).
 - Lower grade material was processed during the quarter while the processing plant was overcoming some start up challenges. By month end the plant was achieving name plate capacity and the metallurgical recovery was improving toward its design criteria.
 - At the date of this report, the processing plant was running at just above its design throughput rate at around 26tph with a utilisation of some 90% and the gold metallurgical recovery ranged over the last week between 71% to 79% compared to its design criteria of 75%.
 - In July medium grade material (around 4g/t Au) started to be fed into the processing plant with the expectation that higher grade material (above 6g/t Au) will commence in the last quarter of the year.
 - At the end of the quarter approximately 122,000 tonnes of ore remained stockpiled on the ROM pad ready for processing (approximately five to six months of ore processing). As a result mining of ore was temporarily suspended to resume later in the year which also allows for a review of a cut back to the open cut to mine up to an additional 9,000 ozs of gold.
 - Malachite engaged a structural geological consultant to assist in targeting the best drilling locations to test for extensions of the Lorena deposit at depth. Based on 3D modelling, a drilling program has been designed with approximately 8 to 10 holes.
 - The Company has a 70% joint venture interest in any resources below the open cut.



Lorena Gold Project

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

The Company's Lorena Gold Project ("Project") is located about 15km east of Cloncurry in northwest Queensland. Commissioning of the Project was primarily completed during the previous quarter and during this quarter, the operator of the Project has been focussing on getting the processing plant to perform to its design criteria. Over this period there were a number of operating challenges, as with any new mineral processing plant. At the time of this report, the processing plant was running at just above its design throughput rate and gold recovery was around its design criteria of 75%.

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%). Chinova Resources Pty Ltd holds a number of projects in the Mt Isa Inlier including the Osborne and Merlin projects, and is also actively exploring in this area.

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	55%
CGR	30%
OPS	15%

CGR, OPS, and BIM Gold are currently funding the joint venture's ongoing working capital requirements in relation to the project in proportion to each joint venture party's interest on an interest bearing loan basis.

Upon completion of the Stage 1 Open Cut operation, Malachite will retain a 70% interest in any additional resources within the Lorena Gold Project mining leases.

Mining

The joint venture parties completed an assessment of the exploration carried out earlier in the year to determine whether modification of the pit design should be undertaken to increase the mineable resource within the pit. An updated resource block model, incorporating these recent exploration results, was completed during the quarter. A preliminary re-design of the pit, based on this updated block model, has shown that a cut back to the south east corner of the pit could deliver an additional 9,000 ozs of gold at an average grade of between 4.0 and 4.5g/t Au. At this stage the economics of carrying out the cut back are encouraging and further work is being done to confirm the viability of revising the pit design for mining purposes to access these additional ounces.

In May, the decision was made to temporarily suspend mining operations from the pit with the aim of resuming mining activities later in the year. This decision was made primarily on the basis that sufficient ore had been stockpiled on the ROM (Run of Mine) pad to provide feed to the processing plant for approximately six months and to determine whether a re-design of the pit was required as noted above. As at 30 June 2018, there was 122,431 tonnes of ore grading 3.93g/t Au which includes 55,547 tonnes at 5.74g/t. The 55,547 tonnes of higher grade material will be processed first and this commenced in July 2018.

Table 1 below provides the mining information up to 30 June 2018.



ROM stockpile in background behind processing plant – photo taken from tailings dam wall



Mining ore – Lorena open cut – operations temporarily suspended until later this year

Mining from the open cut is expected to be re-commence later this year in order to provide high grade feed to the processing plant once the 55,547 tonnes of higher grade ore has been fed from the ROM.

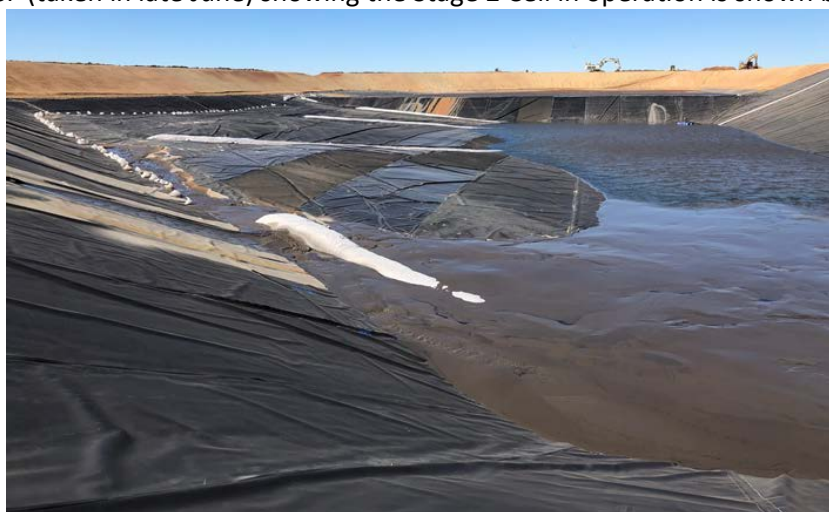


Lorena EX-Pit	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trucked YTD
Fresh Ore (BCM)	-	-	-	-	3,493	10,282	23,880	21,564	-	-	59,220
Ore Tonnes (SG-2.8) (t)	-	-	-	-	9,781	28,790	66,865	60,379	-	-	165,815
Mineralised Waste (BCM)	-	-	-	1,649	1,155	298	-	-	-	-	3,102
NAF Waste (BCM)	7,291	34,622	87,061	117,400	95,662	84,630	98,101	80,532	-	-	605,299
PAF Waste (BCM)	-	-	564	15,556	32,688	18,812	7,015	14,148	-	-	88,783
Oxide (BCM)	-	2,680	-	-	-	-	-	-	-	-	2,680
Total Waste (BCM)	7,291	37,302	87,625	134,605	129,505	103,739	105,117	94,680	-	-	699,863
Total Waste & Ore (BCM)	7,291	37,302	87,625	134,605	132,998	114,021	128,997	116,244	-	-	759,083
Miscellaneous											
Clay (TSF & Construction BCM)	-	22,171	4,506	1,612	796	1,533	-	6,876	-	-	37,493
Rehandle (BCM)	-	-	1,393	750	6,110	72	1,390	-	-	-	9,715

Table 1 - Mining physicals to the end of June 2018.

The second stage (Cell 2) at the Tailings Storage Facility (TSF) was completed and commissioned during June. The decant return pump was also upgraded, which will be complimented by flocculant addition at each discharge spigot to improve the clarity of water returning to the plant and to protect the pumps from damage.

A photo of the TSF (taken in late June) showing the Stage 2 Cell in operation is shown below.



Cell 2 of the Lorena Tailings dam

Production

As reported in June, the operator of the Project has been focussed on achieving design criteria from the processing plant. Over the quarter there were a number of operating challenges, as one would expect with any new mineral processing plant. These challenges included issues with the on-site power generators, the leased secondary crusher (now changed from an impact crusher to a cone crusher to achieve the optimal sizing to feed the ball mill), maintaining design slurry density parameters, and bringing all six of the CIL tanks on line. During this time lower grade ore and B lode ore were utilised for the processing plant feed while the plant’s performance was being optimised. The Company is pleased to report that these challenges have been largely overcome and that the processing plant is now running consistently at its nameplate capacity of 25 tonnes per hour. Higher grade ore from A lode is being processed from July onwards. At the date of this report, the processing plant was running at just above its design throughput rate at around 26tph with a utilisation of some 90% and the gold recovery ranged between 71% to 79% compared to its design criteria of 75% over the last week. Improvements



in the recovery have been the result of increased flotation of the sulphides and increasing the oxygen and amount of cyanide in the leach tanks.

Processing Monthly Physicals	April & May	Jun-18	FY18 Total
Crushed Tonnes (dmt)	16,974	16,001	32,975
Tonnes Processed (dmt)	16,372	9,965	26,337
Feed Rate (wmt/op.hr)	17.7	22.5	19.5
Mill Run Time	923	444	1,367
Mill Utilisation (%)	61%	69%	64%
Gold Head Grade (g/t)	2.44	2.63	2.51
Combined Tail Grade (g/t)	1.16	1.04	1.12
Gold Recovery %	52.3%	60.5%	55.4%
Total Gold Production (oz)	671	508	1,179
Gold Poured (Oz)	255	255	510.0
Gold in Circuit @ Month End (Oz)	416	669	

Note: Red is estimated and awaiting lab results

Table 2 - Processing physicals to the end of June 2018.

The forecast production over the next quarter, processing ore currently sitting on the ROM pad, is 45,000 tonnes @ 4.0g/t Au to recover some 4,300 ozs of gold.

The head grade in the last quarter of the year is expected to be higher (over 6g/t Au) when higher grade ore from the pit is mined.

During the quarter, Project processing costs were \$2.96m and administration costs were \$0.67m. Gold sales for the period were 446 ozs of gold for revenue of \$0.759m.



Aerial View of Lorena Processing Plant



Exploration - Lorena near surface

As previously reported (ASX Announcement: Lorena Gold Project - Update, 19 June 2018), the planned reverse circulation drilling program was undertaken by the Lorena Joint Venture for a total of 2,190m of drilling in 17 holes, during the course of February and March 2018.

The drilling was designed to test conceptual targets for gold mineralisation; in shears parallel to the main A-lode that is currently being mined, A-lode mineralisation below the current pit, up dip projections of high-grade mineralisation and potential extensions to A and B-lodes to the NW. A secondary aim was to update the reserve block model, allowing time for a review of the pit design, prior to the completion of mining.

Details and assay intercept reports for holes LMR107 to LMR116 were previously reported on 10 April 2018, under the title “Significant Exploration Results-Lorena”.

Drillholes LMR117 to LMR120 reported gold intersections and these are reported in Table 1.

Drillholes LMR121 to LMR123 were drilled to test structural targets defined in Sub Audio Magnetic (SAM) data to the north of the pit. No mineralisation or encouraging alteration was intersected in these holes.

The drilling details and assay intercept reports for >0.5g/t Au for holes; LMR107 to LMR123 are presented in Table 3. The drillhole locations are shown in Figure 1.

Lorena Drilling Summary Table 3

HOLE ID	ML ID	MGA Z54 East	MGA Z54 North	MG A Z54 RL	Dip	Azimuth	EO H (m)	Intercept Depth: From (m)	Intercept Depth: To (m)	Au intercept at 0.5g/t Au cut-off
LMR107	ML7147	463410	7708982	195	-61	55	102			No significant assays
LMR108	ML7148	463463	7708867	195	-58	59	72	17	19	2m @ 1.31g/t Au
								35	40	5m @ 3.81g/t Au
								42	48	6m @ 12.86g/t Au
LMR109	ML7149	463422	7708873	195	-71	52	126	89	91	2m @ 1.42g/t Au
LMR110	ML90192	463503	7708833	192	-72	42	78	48	57	9m @ 11.32g/t Au
								59	60	1m @ 0.72g/t Au
LMR111	ML90192	463505	7708836	192	-55	42	60			No significant assays
LMR112	ML90192	463413	7708795	206	-57	47	168	153	157	4m @ 1.67g/t Au
LMR113	ML90192	463399	7708813	207	-57	47	174	148	149	1m @ 1.24g/t Au
LMR114	ML90192	463325	7708847	209	-64	46	186	144	146	2m @ 2.91g/t Au
								150	151	1m @ 0.62g/t Au
LMR115	ML90192	463330	7708853	209	-59	46	12			Failed pre-collar
LMR116	ML90192	463335	7708857	209	-58	44	168	134	135	1m @ 1.69g/t Au
LMR117	ML90192	463396	7708812	207	-65	56	168	90	92	2m @ 3.65g/t Au
LMR118	ML90192	463376	7708824	207	-59	45	168	146	149	3m @ 1.91g/t Au
								153	155	2m @ 1.72g/t Au
LMR119	ML90192	463352	7708836	208	-65	46	174	151	152	1m @ 1.64g/t Au
LMR120	ML90192	463354	7708838	207	-60	46	168	142	143	1m @ 1.88g/t Au
LMR121	ML7149	463269	7709030	216	-71	30	114			No significant assays
LMR122	ML7149	463337	7709004	216	-75	195	168			No significant assays
LMR123	ML90192	463540	7708986	210	-55	235	84			No significant assays



Intercepts calculated using a 0.5g/t Au cut-off and minimum dilution of 3m

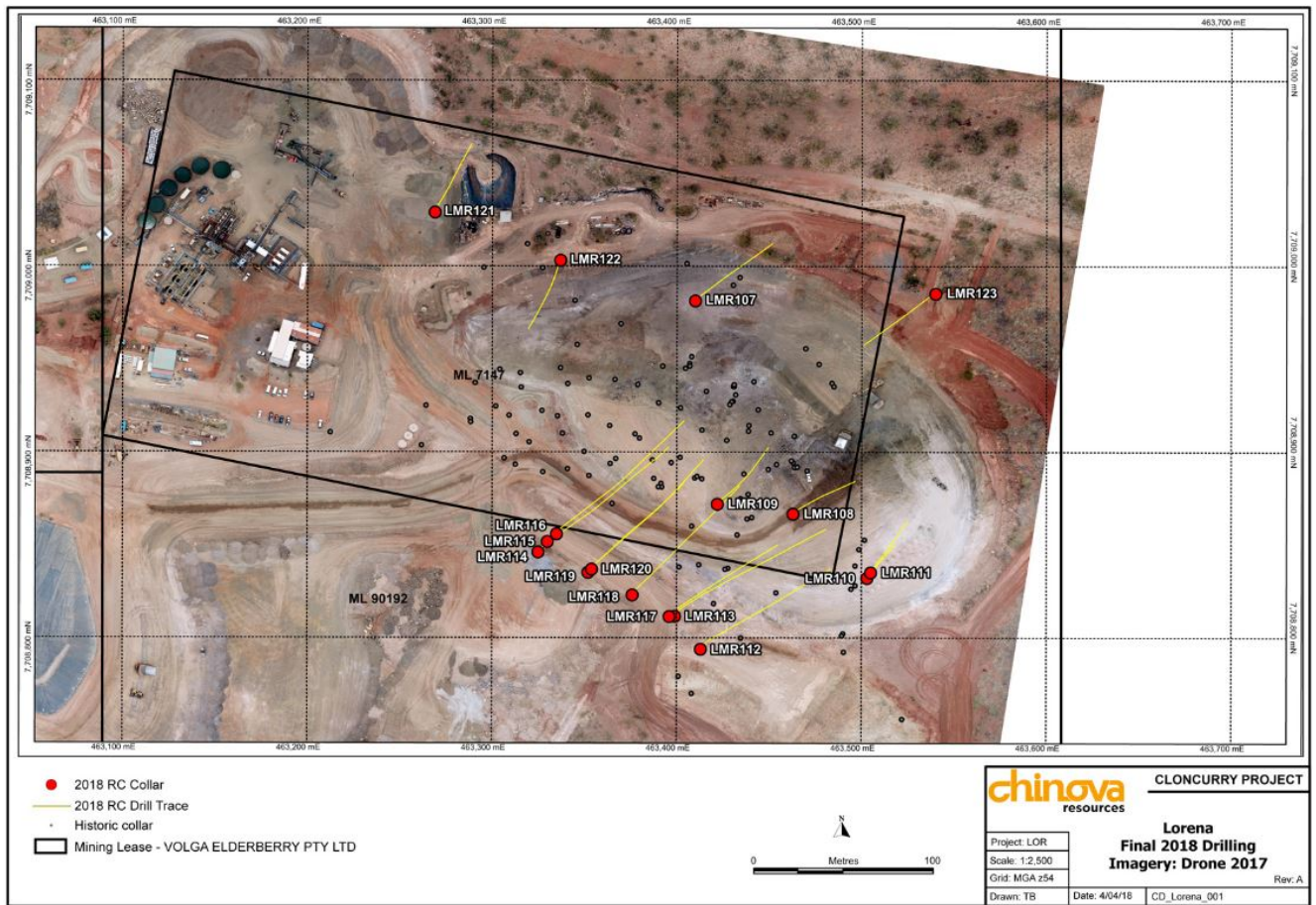


Figure 1: Drillhole Locations for the Feb/March 2018 program

Exploration – Lorena Deeps Drilling

Malachite engaged a structural geological consultant to assist in targeting the best drilling locations to test for extensions of the Lorena deposit at depth. Based on 3D modelling, a drilling program has been designed with approximately 8 to 10 holes to expand on the results of recent exploration, previous drilling (LMRD092 which reported 6m @ 10.90g/t Au from 224m downhole) and downhole geophysics (completed by Malachite in 2012). Decisions in relation to this drilling program are expected to be confirmed next quarter.

Corporate

Subsequent to the quarter the Company has reached agreement with OPS to extend the maturity date of the non secured loan provided by OPS to the Company for 6 months to 31 January 2018 on the same terms. Documentation is finalised and expected to be executed shortly.

During the quarter the Company issued 7,275,033 ordinary fully paid Malachite shares for the conversion of one Series A convertible note at an issue price of \$0.00495 per share.

The Company received management fees totalling \$220,000 during the quarter from the Lorena Joint Venture in accordance with the terms of the joint venture agreement between the parties.



Tenements

Project	Tenement Number
QUEENSLAND	
<i>Lorena (55%) open cut</i>	ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML 90196
<i>Lorena (70%) resources beneath the open cut</i>	
<i>Lorena EPMs (100%)</i>	EPM 18189, EPM 18908
NEW SOUTH WALES	
<i>Tooloom (100%)</i>	EL 6263

Exploration/Mining Tenements Acquired/Disposed of during the Quarter

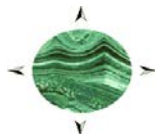
Project	Location	Tenement	MAR Interest
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Beneficial Interest in Farm-In or Farm-Out Acquired/Disposed of during the Quarter

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")

30-Jun-18

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration and evaluation	(8)	(23)
(b) development	(61)	(397)
(c) production		
(d) staff costs	-	
(e) administration	(70)	(340)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	
1.5 Interest and other costs of finance paid	(112)	(303)
1.6 Income taxes paid (received)		
1.7 Research and development refunds		
1.8 Other (provide details if material)	2	(87)
Lorena JV Management Fee	220	440
1.9 Net cash from / (used in) operating activities	(29)	(710)
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:		
Lorena security deposit	-	(364)
Lorena JV funding of security deposit	-	364
2.6 Net cash from / (used in) investing activities	-	-

+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 (12 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	-	(13)
3.5 Proceeds from borrowings	10	350
3.6 Repayment of borrowings	(35)	(75)
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	(25)	262

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	125	519
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(29)	(710)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(25)	262
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	71	71

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	71	125
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)	71	125

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

Current quarter \$A'000

- 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

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

Current quarter \$A'000

- 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

+See chapter 19 for defined terms
1 September 2016

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
240	240
500	500
3,054	3,054

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 notes	Note holders	15%	unsecured

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	150
9.6 Other (provide details if material) con note interest payments	120
9.7 Total estimated cash outflows	270


* Cash from Lorena management fee forecast to generate \$330,000 during the next quarter

10. Changes in interests in mining tenements	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end 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				

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 July 2018

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.