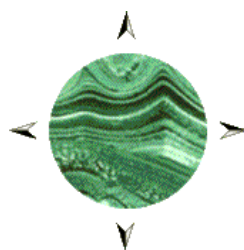


# **MALACHITE RESOURCES LIMITED**

**A.B.N 86 075 613 268**



## **INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

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This Interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**DIRECTORS' REPORT**

**DIRECTORS' REPORT**

Your directors present their report on the consolidated entity consisting of Malachite Resources Limited ("Malachite") and the entities it controlled (together, the 'Group') at the end of, or during, the half-year ended 31 December 2019 ("Period").

**DIRECTORS**

The names of the Malachite Resources Limited's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr T Cuthbertson (Non-Executive Chairman)  
Mr J. Dean (Non-Executive Director)  
Mr G Hiller (Executive Director) (Appointed 4 October 2019)

**REVIEW OF RESULTS AND OPERATIONS**

During the Period the Group's main business activity was an investment in Sunshine Minerals Limited and the Lorena Gold Project ("Lorena" or "Project").

**SUNSHINE MINERALS**

During the Period 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.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**DIRECTORS' REPORT (CONTINUED)**

**REVIEW OF RESULTS AND OPERATIONS (CONTINUED)**

**LORENA**

**Lorena Gold Project – (ML7147, MLs 90192 to 90196, EPM 18189, EPM18908)**

The Lorena Gold Project ("Project") is near Cloncurry in northwest Queensland. It is a joint venture between Volga Elderberry Pty Ltd ("Volga"), a wholly owned subsidiary of Malachite Resources Ltd, Cloncurry Gold Recovery Management Pty Ltd as manager for and on behalf of the Cloncurry Gold Recovery Joint Venture ("CGR") and Ore Processing Services Pty Ltd ("OPS"). CGR is a joint venture between Chinova Resources Pty Ltd (70%) ("Chinova") and BIM Gold Pty Ltd (30%). The joint venture interests in the Project are Volga 55%, CGR 30% and OPS 15% for the open cut operation. BIM Metals Pty Ltd is the joint venture manager of the Project.

Since open cut operations commenced in mid- 2018, the Project has not met expectations in terms of gold grade mined, ore tonnes processed, grade recovered and gold sold.

In late 2018, Volga initiated a Dispute Resolution process in accordance with the terms of the Joint Venture Deed dealing with numerous matters, which principally relate to achieving a reconciliation of historical expenditure of the joint venture, the contribution obligations of each parties to the joint venture (including cash calls made by the Manager to the joint venturers) and the future conduct of the joint venture. Until a reconciliation is finalised, Volga is unable to confirm its financial position in relation to the joint venture and any past or future cash calls.

Chinova Resources has provided loan funds to the joint venture on Volga's behalf on the basis that the loan balance is to be repaid, as a priority, from Volga's share of funds that would normally be remitted to Volga from the sale of gold produce by the Lorena Gold Project. Until a reconciliation is finalised, Volga is unable to confirm its financial position in relation to the loan, as it relates to historical joint venture expenditure.

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

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

Due to the ongoing dispute, the joint venture manager has not provided Malachite with operation reports since early 2019. The Group understands that processing operations are continuing at Lorena.

During the Period the Lorena Gold Project had gold sales of 4,773 ounce, which was well below expectations.

**FINANCIAL PERFORMANCE**

During the Period the consolidated net loss of the Group was \$0.707 million (2018: loss of \$5.709 million) which reflected:

- Expenses of \$0.216 million for corporate administration; and
- Expenses of \$0.491 million for financing.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**DIRECTORS' REPORT (CONTINUED)**

**REVIEW OF RESULTS AND OPERATIONS (CONTINUED)**

**CASH FLOWS**

During the Period, the Group had negative cash flow from operations of \$0.406 million (2018: negative cash flow of \$0.730 million).

During the Period the Group:

- repaid an unsecured loan of \$0.036 million; and
- investment in relation to Sunshine Nickel SI \$0.112 million.

Cash at 31 December 2019 was \$0.142 million (2018: \$1.544 million).

**FINANCIAL POSITION**

Total equity increased from \$0.603 million as at 30 June 2019 to \$0.658 million as at 31 December 2019 as a result of a net loss of \$0.707 million, and shares issued of \$0.762 for conversion of consultant fees and accrued directors fees.

At 31 December 2019, the Group had liabilities in respect of unsecured Convertible Notes of \$5.696 million, an unsecured loan held by OPS of \$0.613 million, and unsecured loans held by Key Management Personnel (KMP) of \$0.065 million.

**GOING CONCERN**

At 31 December 2019, the Group has current liabilities amounting to \$6.894 million (30 June 2019: \$7.409 million).

The Group's cash position at balance date was \$0.142 million which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 30 June 2021.

The Group currently relies on the investment in Sunshine Minerals and the Lorena Gold Project for its continuing viability and for its ability to continue as a going concern and to meet its debts and commitments.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful with some or all of the following:

- the continued investment in Sunshine Minerals;
- achieving a positive outcome in respect of the dispute with the Lorena joint venture partners relating to the Lorena Gold Project;
- renegotiating the terms of the Convertible Notes (refer After Balance Date Events);
- raising equity or debt through the capital markets; or
- entering into a corporate transaction.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The Group has also been successful in the past in extending the term of the Convertible Notes and raising additional funds when required.

On that basis the directors believe it is reasonable to expect that the Group will be successful in some of the above matters and, accordingly, have prepared the financial report on a going concern basis.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**DIRECTORS' REPORT (CONTINUED)**

**GOING CONCERN (CONTINUED)**

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2019. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The financial report for the period ended at 31 December 2019 contains an independent auditor's review report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

**AFTER BALANCE DATE EVENTS**

Subsequent to the balance date, the Company negotiated the terms of the Series A and Series D convertible notes such that the total principal amount of \$4.450 million would be converted into 4.45 billion ordinary shares of the Company at \$0.001 per share and that the unpaid interest amount of \$1.246 million as at 31 December 2019 would be transferred into 1.246 million Series E converting notes with the following terms:

- no further interest will accrue on the Series A and Series D Notes after 31 December 2019;
- issue price of \$1.00 each;
- maturity date of 31 March 2021;
- interest rate of 4% per annum; and
- a conversion price the higher of the 30-day VWAP prior to the conversion date or \$0.00035 each.

The above is subject to shareholder approval which is being sought in an Extraordinary General Meeting of the Company on 16 April 2020.

At the EGM, shareholder approval is also being sought for the issue of ordinary shares at \$0.001 per share to pay consulting fees and director's fees totalling \$762,659.

There are no other matters or circumstances that have arisen since 31 December 2019 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

Signed in accordance with a resolution of the directors.



On behalf of the Directors

Terry Cuthbertson

Non-Executive Chairman

Sydney, 13 March 2020



**MALACHITE RESOURCES LIMITED ABN 86 075 613 268  
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C  
OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF MALACHITE RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019 there have been no contraventions of:

- a. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b. any applicable code of professional conduct in relation to the review.

*MNSA Pty Ltd*

MNSA Pty Ltd

**Mark Schiliro**  
Director

Sydney  
Dated this 13<sup>th</sup> March 2020

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**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

	Note	2019 \$	Half-year 2018 \$
<b>Revenue from continuing operations</b>	<b>2</b>	5,101	8,153
Accounting and audit expense		(19,942)	(53,845)
Corporate expenses		(121,687)	(144,970)
Depreciation and amortisation expense		(5,151)	(6,370)
Employee benefits expense		(60,349)	(76,540)
Evaluation and Exploration expenditure expensed	<b>3</b>	(13,631)	(358,920)
Finance costs		(491,188)	(511,792)
Impairment write down of investment		-	(4,564,818)
<b>Loss before income tax</b>		(706,847)	(5,709,102)
Income tax expense		-	-
<b>Net loss for the period</b>		(706,847)	(5,709,102)
<b>Other comprehensive income</b>			
Other comprehensive income/(loss)		-	-
<b>Total comprehensive loss for the period</b>		(706,847)	(5,709,102)
<b>Total comprehensive loss attributable to members of the Company</b>		(706,847)	(5,709,102)
		Cents per share	Cents per share
Basic and diluted (loss) per share		(0.05)	(0.41)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2019**

	Note	31 December 2019 \$	30 June 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		142,033	695,947
Trade and other receivables		18,423	71,819
<b>TOTAL CURRENT ASSETS</b>		<b>160,456</b>	<b>767,766</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	7	387,259	387,259
Property, plant and equipment		46,425	51,575
Exploration and evaluation expenditure	3	6,805,104	6,805,104
Investments	4	152,673	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,391,461</b>	<b>7,243,938</b>
<b>TOTAL ASSETS</b>		<b>7,551,917</b>	<b>8,011,704</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5	519,427	1,301,017
Borrowings	6	6,374,098	6,108,107
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,893,525</b>	<b>7,409,124</b>
<b>TOTAL LIABILITIES</b>		<b>6,893,525</b>	<b>7,409,124</b>
<b>NET ASSETS</b>		<b>658,392</b>	<b>602,580</b>
<b>EQUITY</b>			
Contributed equity	9	58,069,459	57,306,800
Reserves		2,207,581	2,207,581
Accumulated losses		(59,618,648)	(58,911,801)
<b>TOTAL EQUITY</b>		<b>658,392</b>	<b>602,580</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2018</b>	<b>57,233,872</b>	<b>2,207,581</b>	<b>(52,455,066)</b>	<b>6,986,387</b>
Loss for the period	-	-	(5,709,102)	(5,709,102)
Other comprehensive income/(loss)	-	-	-	-
Shares issued during the period	75,000	-	-	75,000
Shares issue cost	(2,073)	-	-	(2,073)
<b>Balance at 31 December 2018</b>	<b>57,306,799</b>	<b>2,207,581</b>	<b>(58,164,168)</b>	<b>1,350,212</b>
<b>Balance at 1 July 2019</b>	<b>57,306,800</b>	<b>2,207,581</b>	<b>(58,911,801)</b>	<b>602,580</b>
Loss for the period	-	-	(706,847)	(706,847)
Other comprehensive income/(loss)	-	-	-	-
Shares issued during the period	762,659	-	-	762,659
<b>Balance at 31 December 2019</b>	<b>58,069,459</b>	<b>2,207,581</b>	<b>(59,618,648)</b>	<b>658,392</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

	Note	2019 \$	Half-year 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from joint venture		131	121,000
Payments to suppliers and employees		(211,300)	(344,585)
Exploration and evaluation expenditure		(7,494)	(325,401)
Interest received		4,970	3,604
Interest paid		(192,001)	(185,061)
Net cash used in operating activities		(405,694)	(730,443)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from refund of security bond		-	15,181
Payment of Investments		(112,220)	-
Payment of security bonds		-	(4,549)
Net cash (used in)/provided by investing activities		(112,220)	10,632
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible note		-	2,596,169
Repayment of convertible note		-	(300,000)
Repayment of unsecured loan		(36,000)	(100,000)
Transaction costs paid for shares issue		-	(4,094)
Net cash (used in)/provided by financing activities		(36,000)	2,192,075
NET INCREASE/(DECREASE) IN CASH HELD		(553,914)	1,472,264
CASH AT THE BEGINNING OF THE FINANCIAL PERIOD		695,947	71,537
CASH AT THE END OF THE FINANCIAL PERIOD		142,033	1,543,801

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This general purpose financial report is for Malachite Resources Limited and its controlled entities (together, the "Group") in respect of the interim half-year reporting period ended 31 December 2019 and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

In the half-year ended 31 December 2019, the Company adopted new accounting standards and interpretations, including AASB 16 (Leases) effective from 1 July 2019. It has been determined that there is no material impact to the Group as a result of adopting AASB 16 Leases on the financial statements. Otherwise the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

*Significant matters relating to the ongoing viability of operations*

**GOING CONCERN**

At 31 December 2019, the Group has current liabilities amounting to \$6.894 million (30 June 2019: \$7.409 million).

The Group's cash position at balance date was \$0.142 million which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 30 June 2021.

The Group currently relies on the investment in Sunshine Nickel and the Lorena Gold Project for its continuing viability and for its ability to continue as a going concern and to meet its debts and commitments.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful with some or all of the following:

- the continued investment in Sunshine Minerals;
- achieving a positive outcome in respect of the dispute with the Lorena joint venture partners relating to the Lorena Gold Project;
- renegotiating the terms of the Convertible Notes (refer After Balance Date Events);
- raising equity or debt through the capital markets; or
- entering into a corporate transaction.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The Group has also been successful in the past in extending the term of the Convertible Notes and raising additional funds when required.

On that basis the directors believe it is reasonable to expect that the Group will be successful in some of the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2019. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The financial report for the period ended at 31 December 2019 contains an independent auditor's review report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

	<b>31 December 2019 \$</b>	<b>31 December 2018 \$</b>
<b>2 REVENUE</b>		
<b>From continuing operations and other income</b>		
Interest	5,101	8,153

**3 EXPLORATION AND EVALUATION EXPENDITURE**

Costs carried forward in respect of areas of interest in exploration and evaluation phases	6,805,104	6,805,104
Movement for period		
Balance at beginning of period	6,805,104	11,365,373
Current period expenditure	13,631	358,920
Expenditure expensed in current period	(13,631)	(358,920)
Transfer to tenement security deposit	-	4,549
Impairment write down of investment	-	(4,564,818)
<b>Balance at end of period</b>	<b>6,805,104</b>	<b>6,805,104</b>

**4 INVESTMENTS**

Investments in Sunshine Nickel SI	152,673	-
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**5 CURRENT LIABILITIES**

<b>Trade and other payables</b>		
Trade creditors	238,805	408,232
Other creditors	280,622	892,785
	<b>519,427</b>	<b>1,301,017</b>

**6 BORROWINGS**

<b>Current</b>		
Unsecured loan (a)	613,055	590,370
Unsecured loan (b)	65,000	101,000
Convertible Note (c)	5,696,043	5,416,737
	<b>6,374,098</b>	<b>6,108,107</b>

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

**6 BORROWINGS (CONTINUED)**

- a) The Group has an unsecured loan from OPS of \$500,000 with accrued interest of \$113,055 on 31 December 2019, which had a maturity date of 31 January 2019. Malachite has taken legal advice with respect to its obligations under the loan in the context of a review of historical joint venture expenditure. Malachite is currently renegotiating the loan as part of the renegotiation of the Lorena JV terms.
- b) The Group had an opening balance of \$65,000 in unsecured loans from Directors. The Group reached agreement with the loans from Key Management Personnel to extend the term of the existing loan to 1 October 2020. The unsecured loans have an interest rate of 12% pa with interest paid at maturity.
- c) Convertible notes

The Convertibles Notes (Series A and D have a face value of \$4,450,000 and capitalised interest of \$1,246,043 as at 31 December 2019.

The Series "A" Convertibles Notes have a face value of \$1,825,000 and accrued interest of \$984,064 as at 31 December 2019.

The Series "D" Convertibles Notes have a face value of \$2,625,000 and accrued interest of \$261,979 as at 31 December 2019.

Subsequent to the balance date, the Company negotiated the terms of the Series A and Series D convertible notes such that the total principal amount of \$4.450 million would be converted into 4.45 billion ordinary shares of the Company at \$0.001 per share and that the unpaid interest amount of \$1.246 million as at 31 December 2019 would be transferred into 1.246 million Series E converting notes with the following terms subject to shareholder approval:

- no further interest will accrue on the Series A and Series D Notes after 31 December 2019;
- issue price of \$1.00 each;
- maturity date of 31 March 2021;
- interest rate of 4% per annum; and
- a conversion price the higher of the 30-day VWAP prior to the conversion date or \$0.00035 each.

**7 RECEIVABLES**

	<b>31 December 2019 \$</b>	<b>30 June 2019 \$</b>
Tenement Security Deposits	387,259	387,259

**8 CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31 December 2019 (June 2019: nil).

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

**9 CONTRIBUTED EQUITY**

	31 December 2019 \$	30 June 2019 \$
2,150,482,542 fully paid ordinary shares (30 June 2019: 1,387,823,262)	58,069,459	57,306,800

Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value,

a) Movement in ordinary share capital

		Number of shares	Issue price \$	Share capital \$
1 July 2018	Opening balance	1,362,362,787		57,233,872
15 October 2018	Conversion of convertible note	25,460,475	\$0.00295	75,000
	Transaction costs relating to share issues			(2,072)
30 June 2019	Balance at end of year	1,387,823,262		57,306,800
<b>1 July 2019 to 31 December 2019</b>				
1 July 2019	Opening balance	1,387,823,262		57,306,800
31 December 2019	Conversion of consultant fees owing*	192,094,520	\$0.001	192,094
31 December 2019	Conversion of directors fees owing*	570,564,760	\$0.001	570,565
31 December 2019	Balance at end of period	2,150,482,542		58,069,459

\* The conversion of consulting fees and directors fees into shares is in accordance with Chapter 2E of the Corporations Act. The consultant fees are payable to an entity associated with Mr Hiller and director fees are payable to Mr Cuthbertson and Mr Dean. The issue of the shares is subject to shareholder approval, which is being sought in an Extraordinary General Meeting (EGM) of the Company on 16 April 2020. Full details are provided in the notice of meeting of the EGM.

b) The Group's objective when managing capital is to safeguard its ability to continue as a going concern (refer to note 1), so that it can continue to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on a regular basis in order to achieve the objectives. The Group's strategy has remained unchanged from the prior year.

**10 SEGMENT INFORMATION**

The economic entity operates in two segments within mineral exploration and development in Australia. The Group has two reportable segments, as described below, for which the Board of Directors (the chief operating decision maker) reviews internal management reports on a monthly basis.

*Lorena*

The Group's interest in the Lorena Gold Project ("Lorena") near Cloncurry in northwest Queensland.

*Other Tenements*

Carrying out exploration and seeking further development of other tenements.

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

**10 SEGMENT INFORMATION (CONTINUED)**

**Segment assets**

**Information about reportable segments**

The key segment assets as reported to the Board are as follows:

	31 December 2019	30 June 2019
	\$	\$
<b>Exploration</b>		
Lorena	6,805,104	6,805,104
Other Tenements	-	-
	<u>6,805,104</u>	<u>6,805,104</u>

	Lorena	Other Tenements	Corporate	Total
	\$	\$	\$	\$
31 December 2019				
<b>Revenue from continuing operations</b>	4,067	-	1,034	5,101
Accounting and audit expense	-	-	(19,942)	(19,942)
Corporate expenses	(19,028)	-	(102,659)	(121,687)
Depreciation and amortisation expense	(3,791)	-	(1,360)	(5,151)
Employee benefits expense	-	-	(60,349)	(60,349)
Evaluation and Exploration expenditure expensed	(13,631)	-	-	(13,631)
Finance costs	-	-	(491,188)	(491,188)
Loss before income tax	(32,383)	-	(674,464)	(706,847)
Income tax expense	-	-	-	-
Net loss for the period	(32,383)	-	(674,464)	(706,847)

	Lorena	Other Tenements	Corporate	Total
	\$	\$	\$	\$
31 December 2018				
<b>Revenue from continuing operations</b>	4,549	-	3,604	8,153
Accounting and audit expense	-	-	(53,845)	(53,845)
Corporate expenses	(4,414)	-	(140,556)	(144,970)
Depreciation and amortisation expense	(4,681)	-	(1,689)	(6,370)
Employee benefits expense	-	-	(76,540)	(76,540)
Evaluation and Exploration expenditure expensed	(358,920)	-	-	(358,920)
Finance costs	-	-	(511,792)	(511,792)
Impairment write down of investment	(4,564,818)	-	-	(4,564,818)
Loss before income tax	(4,928,284)	-	(780,818)	(5,709,102)
Income tax expense	-	-	-	-
Net loss for the period	(4,928,284)	-	(780,818)	(5,709,102)

**Malachite Resources Limited**  
**ABN 86 075 613 268**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR 31 DECEMBER 2019**

**11 EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the balance date, the Company negotiated the terms of the Series A and Series D convertible notes such that the total principal amount of \$4.450 million would be converted into 4.45 billion ordinary shares of the Company at \$0.001 per share and that the unpaid interest amount of \$1.246 million as at 31 December 2019 would be transferred into 1.246 million Series E converting notes with the following terms:

- no further interest will accrue on the Series A and Series D Notes after 31 December 2019;
- issue price of \$1.00 each;
- maturity date of 31 March 2021;
- interest rate of 4% per annum; and
- a conversion price the higher of the 30-day VWAP prior to the conversion date or \$0.00035 each.

The above is subject to shareholder approval which is being sought in an Extraordinary General Meeting (EGM) of the Company on 16 April 2020.

At the EGM, shareholder approval is also being sought for the issue of ordinary shares at \$0.001 per share to pay consulting fees and director's fees totalling \$762,659.

There are no other matters or circumstances that have arisen since 31 December 2019 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



**Malachite Resources Limited**  
**ABN 86 075 613 268**  
**and Controlled Entities**

**DIRECTORS' DECLARATION**

In the directors' opinion:

- 1) The financial statements and notes, as set out on pages 7 to 16, are in accordance with the Corporations Act 2001 and:
  - a) Comply with Australian Accounting Standards AASB134: Interim Financial Reporting, the Corporations Regulations 2001; and
  - b) Give a true and fair view of the Group's consolidated financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- 2) In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Terry Cuthbertson

Non-Executive Chairman

Sydney, 13 March 2020



**MALACHITE RESOURCES LIMITED ABN 86 075 613 268  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
MALACHITE RESOURCES LIMITED**

**Report on the Half-year Financial Report**

We have reviewed the accompanying half-year financial report of Malachite Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Half-year Financial Report*

The directors of Malachite Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Malachite Resources Limited's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Malachite Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Malachite Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Malachite Resources Limited's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our conclusion, we draw your attention to Note 1 in the financial report which indicates that the consolidated entity has current liabilities amounting to \$6.893 million which exceeds its current assets by \$6.733 million, and a positive cash position of \$0.142 million, as at 31 December 2019. As of that date, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity's ability to successfully achieve positive cash flows from the Lorena Gold Project, which is currently in dispute with Joint Venture parties, the continued financial support of convertible note holders and the raising of additional funds or through corporate transaction. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

MNSA Pty Ltd

MNSA Pty Ltd

**Mark Schiliro**

Director

Sydney

Dated this 13<sup>th</sup> March 2020

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