ASX Announcement **ASX Code: MAR** **30 September 2020**

FINANCIAL REPORT YEAR ENDED 30 JUNE 2020

Malachite Resources Limited (ASX: MAR) is pleased to release its statutory Financial Report for the Year Ended 30 June 2020.

Authorised by the Board.

For further information, please contact:

Andrew J. Cooke
Company Secretary
acooke@malachite.com.au

MALACHITE RESOURCES LIMITED

A.B.N 86 075 613 268

CONSOLIDATED FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

This financial report is for the consolidated entity consisting of Malachite Resources Limited and its subsidiaries. The financial report is presented in Australian currency.

Malachite Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Malachite Resources Limited
Level 4
283 George Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities is included in the review of operations in the directors' report.

The financial report was authorised for issue by the directors on 30 September 2020. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at a minimum cost to the company. All ASX releases, financial reports and other information are available on our website: www.malachite.com.au.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Malachite Resources Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2020.

DIRECTORS

The names and positions of the directors of the consolidated entity during the financial year and up to the date of this report, unless otherwise stated, are:

Terry Cuthbertson
Non-executive Chairman

Mr Cuthbertson is a Chartered Accountant and holds a Bachelor of Business Degree with extensive corporate finance expertise, having advised several businesses and government organisations in relation to mergers, acquisitions and financing. He was formerly a Partner of KPMG Corporate Finance and NSW Partner in Charge of Mergers and Acquisitions, where he coordinated government privatisations, mergers, divestitures and public offerings on the ASX for the New South Wales practice. He is the Non-executive Chairman of ASX listed MNF Group Limited, and Austpac Resources NL and non-executive director of Mint Payments Limited. He was previously the Chairman of ASX listed Lark Distilling Co. Ltd (resigned 20 May 2019) and a non-executive director of Isentric Limited (resigned 31 May 2019).

James Dean ACIP
Non-executive Director

Mr Dean is a Corporate Advisor and Professional Investor with over 29 years professional experience in the finance industry and investment in mining, construction equipment, property development, feature film and biotech. Most of his experience has been related to evaluating the operational and financial performance of numerous businesses and then aptly negotiating and matching risk profiles with investment criteria. For more than 23 years he has held fiduciary positions with regard to shareholders and beneficiaries of various investment vehicles. He is extensively travelled and possesses a worldwide network of business collaborators.

Geoff Hiller (appointed 4 October 2019)
Director and CEO

Mr Hiller is mining/civil engineer with over 25 years of mining industry experience including feasibility, financing, development and construction of projects. Mr Hiller holds a Bachelor of Engineering Mining (Hons) from the University of Melbourne, a Bachelor of Civil Engineering (Hons) from the University of Sydney and MBA from the Australian Graduate School of Management (University of New South Wales). Mr Hiller is currently the Chief Executive Officer of Malachite Resources Limited and a Non-Executive Director of Austpac Resources NL.

The directors have been in office since the start of the financial year to the date of this report except for Mr Geoff Hiller who was appointed on 4 October 2019.

COMPANY SECRETARY

Andrew J. Cooke LLB

Mr Cooke is a lawyer with over 30 years' experience in law, corporate finance and as a Company Secretary of listed resource companies. He is responsible for corporate administration together with stock exchange and regulatory compliance.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr T Cuthbertson	16	16	4	4	-	-
Mr J Dean	16	15	4	4	-	-
Mr G Hiller (appointed 4 October 2019)	13	13	-	-	-	-

DIRECTORS' INTERESTS

The following tables set out the number of securities held by directors in the Company as at 30 June 2020.

	Ordinary Shares	
	Direct	Indirect
Mr T Cuthbertson	-	7,651,151
Mr J Dean	-	8,531,538
Mr G Hiller (appointed 4 October 2019)	-	2,655,416

	Series E Converting Notes		Face value
	Direct	Indirect	$
Mr T Cuthbertson	-	2,966	296,600
Mr J Dean	-	1,129	112,900
Mr G Hiller (appointed 4 October 2019)	-	344	34,400

The following table sets out the number of securities held by directors in the Company at the reporting date, which reflects shares issued from the conversion of Series E notes and from participation in the Company's Share Purchase Plan after the end of the financial year.

	Ordinary Shares	
	Direct	Indirect
Mr T Cuthbertson	-	12,409,489
Mr J Dean	-	9,819,786
Mr G Hiller (appointed 4 October 2019)	-	4,091,166
Mr R Thomson (appointed 3 September 2020)	-	-

All Series E converting notes held by the directors in the Company were converted into shares in August 2020.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was the operation, development and exploration of mineral deposits.

No significant changes in the nature of the principal activities occurred during the financial year.

OPERATING RESULTS

The loss of the Group for the financial year after providing for income tax amounted to $5,303,447 (2019: $6,456,735).

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2020 (2019: Nil).

REVIEW OF RESULTS AND OPERATIONS

During the Period the Group's main business activity has been focused on an investment in Sunshine Minerals Limited and the Lorena Gold Project ("Lorena Project").

LORENA

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

The Lorena Project 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"). The joint venture interests in the Project are Volga 55%, CGR 30% and OPS 15% for the open cut operation.

In December 2018, Chinova Resources Pty Ltd (Chinova) withdrew a working capital financing facility, which they had previously extended to joint venture participants to fund ongoing operations. Since then Volga has 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.

Chinova 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. Volga has been unable to confirm its financial position in relation to the loan, as it relates to historical joint venture expenditure.

During the Period, the operational performance at the Lorena Project was well below the Lorena joint venturer's expectations.

The Company did not receive any revenue from gold sales or any distributions from the Lorena Project during the period. The Company understands that the proceeds from the sales from any gold produced from the Lorena Project were applied to the funding of operating costs, capital costs and servicing of working capital loans.

During the Period the Company was in discussions with the joint venture partners to resolve the dispute which includes the renegotiation of the Lorena joint venture terms. On 28 July 2020, the Company announced to the ASX that it had entered into a Deed of Release to resolve the long running dispute in respect of the Lorena Project on commercial terms satisfactory to the Company.

SOLOMON ISLANDS NICKEL

Jejevo Nickel Project

In December 2019, the Company 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 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.

Under the terms of the subscription agreement, the Company had the right to earn a 15% equity interest in Sunshine in two tranches; the first tranche is a 7.5% equity interest by spending A$100,000 on the project and the second tranche a further 7.5% equity interest by spending an additional A$125,000 on the project.

During the Period the Company met its total expenditure commitments and earned a 15% equity interest in Sunshine.

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 of the Company is to do sufficient work to confirm a 2012 JORC Resource at the earliest opportunity.

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

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.

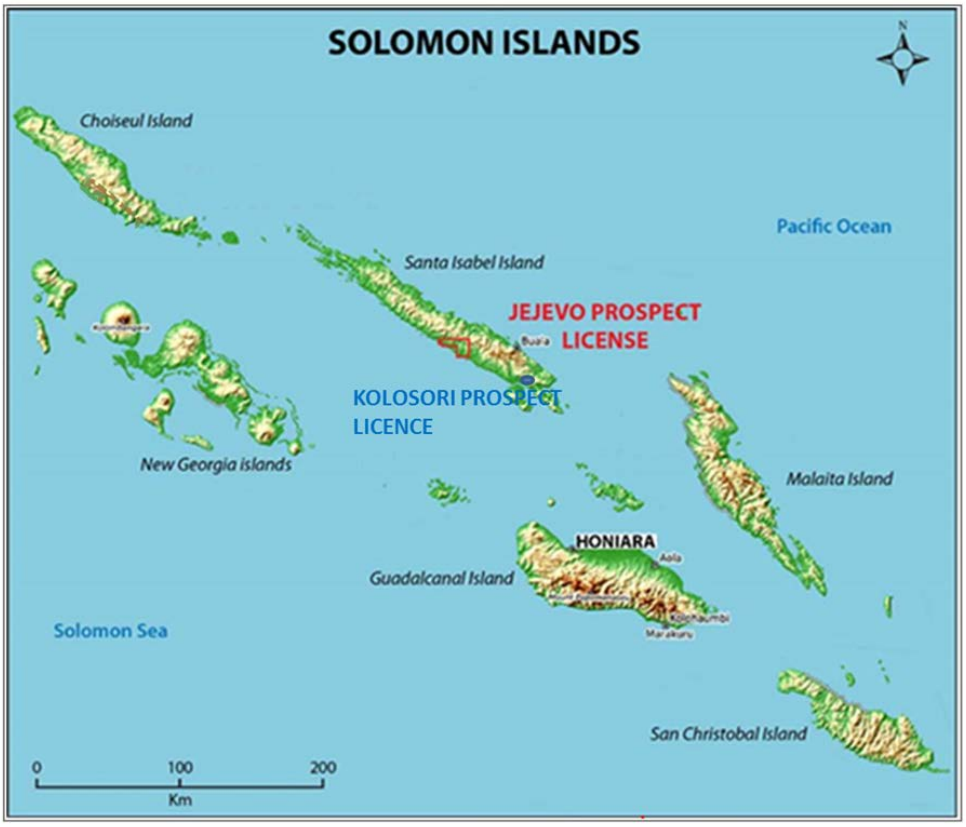
On 15 July 2020 the Company announced to the ASX that it had signed a Term Sheet to acquire the remaining 85% interest in Sunshine Mineral Limited that it does not already own.

Kolosori Nickel Project

In February 2020, the Company entered into a memorandum of understanding (MOU) with Kolosori Nickel (SI) Limited (KNL). KNL holds PL 05/19, which holds the main part of the Kolosori Nickel Project that is also on Santa Isabel Island in the Solomon Islands. PL 05/19 is to the east of the Jejevo tenement. Under the MOU, Malachite has exclusivity to carry out due diligence and consider a transaction with KNL.

The resource at Kolosori is at a similar stage to that at Jejevo and the initial objective would be to carry out sufficient work to confirm a 2012 JORC Resource at the earliest opportunity. The remaining 20% of KNL is held by local landowners.

On 1 September 2020 the Company announced to the ASX that it had signed a Term Sheet to acquire an 80% interest in KNL.



DIRECTORS' REPORT (CONTINUED)

CORPORATE

On 16 April 2020 the Company held a general meeting of shareholders. All of the resolutions set out in the Notice of Meeting were passed.

The resolutions passed related to the following:

- The conversion of the principal of the Series A and D convertible notes into ordinary shares;
- The issue of Series E converting notes to the value of the unpaid interest on the Series A and D convertible notes;
- The conversion of unpaid director fees to 31 December 2019 into ordinary shares;
- The conversion of half of the unpaid consulting fees to the CEO to 31 December 2019 into ordinary shares;
- The issue of ordinary shares in lieu of Series A convertible note roll over fees; and
- The consolidation of the issued capital of the Company on a 100:1 basis.

As a result of the above the Company has 68,022,604 shares and 12,158 Series E Converting Notes on issue as at 30 June 2020.

The key terms of the Series E Converting Notes are as follows:

- issue price of $100 each;
- maturity date of 31 March 2021;
- interest rate of 4% per annum payable in shares; and
- upon maturity or at the election of the noteholder prior to maturity, the conversion of the notes into shares at a share price of the higher of the 30-day VWAP prior to the conversion date or $0.035 each.

Subsequent to the year end all the Series E converting notes were converted into ordinary shares.

FINANCIAL PERFORMANCE

During the 2020 financial year the consolidated net loss of $5.303 million (2019: loss of $6.457 million) reflected:

- Impairment of the Lorena Gold Project of $4.25 million based on poor performance to date from the open cut operations, the ongoing dispute with joint venture parties and uncertainty relating to the amount that may be recoverable from the project as a whole;
- Expenses of $0.290 million for corporate administration; and
- Expenses of $0.588 million for interest on convertible notes.

FINANCIAL POSITION

Total equity increased from $0.603 million as at 30 June 2019 to $0.689 million as at 30 June 2020 as a result of a net loss of $5.303 million and a net increase in contributed equity of $5.390 million.

The write down of the Lorena Project was a result of gold production from the open cut being materially lower than forecast as noted in the review of operations above.

At 30 June 2020, the Group had liabilities in respect of Series E Converting Notes with a total value of $1.228 million comprising a face value of $1.216 million and accrued interest of $0.012 million, an unsecured loan held by OPS of $0.635 million, and unsecured loans held mainly by Key Management Personnel (KMP) of $0.145 million.

CASH FLOWS

Cash flows from operating activities was negative $0.517 million (2019: negative $1.460 million). During the Period the Group:

- Made an investment in Sunshine Minerals of $0.202 million; and
- Received Net Proceeds from unsecured loans of $0.0440 million.

Cash at 30 June 2020 was $0.028 million (2019: $0.696 million).

IMPACT OF COVID 19

The Company has considered the impact of COVID-19 on its activities. The inability of management and consultants to visit the Solomon Islands and Queensland has impacted on some of the Company's activities.

Sunshine Minerals has local staff who have successfully been able to carry out the Company's required activities in the Solomon Islands since the COVID 19 pandemic.

Given the restrictions on travel internationally and mindful of the spread of the virus within the local communities, the Company will consider field activities where prudent.

GOING CONCERN

The Group experienced operating losses of $5.303 million and negative cash flows from operations of $0.517 million during the period ended 30 June 2020.

At 30 June 2020, the Group has current liabilities amounting to $2.636 million (30 June 2019: $7.409 million), comprising Series E Converting Notes with a total value of $1.228 million (including accrued interest of $0.012 million), an unsecured loan from OPS of $0.5 million and unsecured loans of $0.145 million mainly from Key Management Personnel.

The Group's cash position at balance date was $0.028 million, which will not be sufficient to fund the Group's forecast cash outflows from operations for the period to 30 September 2021.

The Group currently relies on its investment in Sunshine Minerals and resolving the Lorena Gold Project dispute 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 (subsequent to the Period the Company formalised an agreement to acquire the remaining 85% of Sunshine Minerals it did not already own);
- achieving a positive outcome in respect of the dispute with the Lorena joint venture partners relating to the Lorena Gold Project (subsequent to the Period, the Company entered into a Deed of Release to resolve the dispute);
- raising equity or debt through the capital markets (subsequent to the Period the Company reached an agreement with the Series E Noteholders to convert their notes into shares, carried out a share placement, and completed a share purchase plan);
- the possibility of successfully sourcing an alternative project in which the Group might participate (subsequent to the Period the Company entered into a Terms Sheet to acquire 80% of KNL); 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.

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 30 June 2020. 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.

GOING CONCERN (CONTINUED)

The financial report for the year ended at 30 June 2020 contains an independent auditor's 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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year except for a share consolidation on a 100:1 basis effective 1 May 2020.

AFTER BALANCE DATE EVENTS

Acquisition of Sunshine Minerals Limited

On 15 July 2020 the Company announced to the ASX that it had executed a Term Sheet to acquire the remaining 85% interest in Sunshine Minerals Limited that it does not already own. On 21 August 2020, the Company advised that it had executed a Share Purchase Agreement (Agreement) formalising the acquisition.

The key terms of the Agreement include:

- An initial payment of $850,000 to the remaining 85% shareholders in Sunshine by the issue of up to 10,617,954 fully paid ordinary shares in the Company at a deemed issue price of $0.08 (Upfront Consideration Shares);
- A further payment of $1,105,000 to the remaining 85% shareholders in Sunshine by the issue of up to 13,803,340 fully paid ordinary shares in the Company at a deemed issued price of $0.08 (Deferred Consideration Shares) (less any clawback or reduction for adjustments) upon the valid application for a mining lease for PL 01-18 being submitted to the Mines Department ; and
- All shares issued to the vendors are subject to voluntary escrow arrangements.

The Agreement is subject to conditions precedent, including:

- Sunshine entering into an agreement with Sunshine Nickel Limited (SNL) and the Landholders, on terms satisfactory to the Company, for the provision of funding by the Company to the Landholders (to be repaid from SNL's cash flows and sale proceeds) for their portion of exploration and development costs relating to the Jejevo Nickel Project; and
- the shareholders of the Company approving the transactions contemplated by the Agreement in a general meeting, including a resolution authorising the allotment and issue of the Upfront Consideration Shares and Deferred Consideration Shares to the Vendors in accordance with the ASX Listing Rules and the Corporations Act.

The Agreement is subject to standard warranties and representations for transactions of this nature.

Acquisition of Kolosori Nickel (SI) Limited

On 1 September 2020 the Company announced to the ASX that it had signed a Term Sheet to acquire an 80% interest in Kolosori Nickel (SI) Limited (KNL).

The key terms of the proposed acquisition of KNL are summarised below:

- Payment of $750,000 by the issue of 9,375,000 fully paid ordinary shares in the Company at a deemed issue price of $0.08 (Upfront Consideration Shares);
- Payment of $1,250,000 (less any debts not disclosed to the Company in the Term Sheet) by the issue of up to 15,625,000 fully paid ordinary shares in the Company at a deemed issued price of $0.08 upon the granting of a mining licence for PL 05-19 by the Mines Department and confirmation of a resource with a minimum of 6 million tonnes @ 1.6%Ni including 3.9 million tonnes @ 1.7% Ni to 2012 JORC (Deferred Consideration Shares);
- The Upfront Consideration Shares and the Deferred Consideration Shares are subject to certain clawback or reductions for adjustments; and
- All shares issued to the vendors to be subject to voluntary escrow arrangements.

AFTER BALANCE DATE EVENTS (CONTINUED)

The Agreement is subject to conditions precedent, including:

- The parties entering into a formal share sale agreement;
- The Company entering into an agreement with KNL and the Landholders, on terms satisfactory to Malachite, for the provision of funding by the Company to the Landholders (to be repaid from KNL's cash flows and sale proceeds) for their portion of exploration and development costs relating to the Kolosori Nickel Project; and
- the shareholders of the Company approving the transactions contemplated by the Term Sheet in a general meeting, including a resolution authorising the allotment and issue of the Upfront Consideration Shares and Deferred Consideration Shares to the KNL shareholders in accordance with the ASX Listing Rules and the Corporations Act.

Lorena Dispute Resolution

On 28 July 2020, the Company announced to the ASX that it had entered into a Deed of Release to resolve the long running dispute in respect of the Lorena Project on commercial terms satisfactory to the Company.

Key elements of the dispute resolution agreement include:

- The Company has entered into a Share Sale Agreement (Agreement) with Lorena Gold Mine Pty Ltd and Ore Processing Services Pty Ltd (OPS). Under the Agreement Lorena Gold Mine Pty Ltd will acquire 100% of the issued capital of Volga Elderberry Pty Ltd (Volga). The Deed of Release is conditional on the Share Sale Agreement completing;
- The Company has received an initial payment of $50,000 and will receive a further $130,000 within 90 days subject to agreed adjustments;
- Conditions precedent include the Company entering into an agreement to receive a 2% Net Smelter Return on gold produced from future underground operations at Lorena;
- The Lorena joint venture parties have entered into a Deed of Release in respect of obligations and liabilities arising out of the Lorena Gold Project; and
- The Company has also entered into a Deed of Debt Forgiveness with Ore Processing Services Pty Ltd pursuant to which outstanding loan liabilities to OPS have been forgiven. The loan amount that was forgiven by OPS is $637,342.47 at the time the Deed of Debt Forgiveness was entered.

The Company will seek shareholder and any necessary regulatory approvals for the proposed sale of Volga.

The Company will retain 100% of EPM 18908 which holds the Bloodwood copper/gold and Lady Mary gold prospects where encouraging exploration was previously undertaken by the Company. The Company is now able to focus on this tenement given an agreement has been entered to resolve the dispute.

Conversion of Series E converting notes

On 3 August 2020, the Company announced the conversion of all Series E Converting Notes (principal and interest) into ordinary shares. The Company issued 15,400,703 shares at $0.08 per share upon the conversion.

Capital Raising

On 17 August 2020, the Company completed a share placement raising $625,000 by the issue of 20,833,334 ordinary shares at $0.03 per share.

In August 2020, the Company carried out a Share Purchase Plan (SPP) for existing shareholders at $0.03 per share. The SPP raised $611,000 and 20,366,659 shares were allotted on 7 September 2020.

Appointment of Director

On 3 September 2020, the Company confirmed the appointment of Mr. Robert Thomson as an independent non-executive Director of the Company.

DIRECTORS' REPORT (CONTINUED)

AFTER BALANCE DATE EVENTS (CONTINUED)

Mr Thomson is a Mining Engineer with extensive experience (gold and base metals) in site operations, the development of exploration projects into sustainable mining operations and businesses in Asia, Africa and Australia.

Mr Thomson has previously been closely involved in various capacities such as CEO/Executive Director and Site General Manager/Project Director in various companies advancing exploration projects through various stages including feasibility works, government approvals, financing, development, construction of infrastructure and processing plants, commissioning and sustainable operations. These include:

- Finder's Wetar Island 25,000 tpa copper cathode project in Indonesia;
- Kingsgate's 125,000+ ozpa Chatree Stage 1 open-cut gold mine in Thailand;
- Oxiana's 125,000+ ozpa Sepon Stage 1 open-cut CIL gold mine in Laos; and
- Climax Mining's Didipio 150,000+ oz (gold equivalent) gold/copper project in the Philippines which was successfully merged into Oceana Gold.

No other matters or circumstances have arisen since the end of the financial year 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.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group's main focus is progressing the nickel opportunities in the Solomon Islands and reviewing its exploration properties in Queensland.

The Company will also progress other possible opportunities in the exploration / mining sector.

ENVIRONMENTAL REGULATIONS

The Group's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decisions in what are generally known as the "Mabo" and "Wik" cases and any laws of the Commonwealth or of a State or Territory regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined in some parts of the Group's interests and certain mining titles may be affected by native title. The Group does not believe the Lorena Gold Project mining leases are affected by native title.

The Group has an environmental rehabilitation policy that is applied to each tenement upon grant. The policy has been adhered to and no breaches have occurred during the period.

SHARE OPTIONS

The Company or its controlled entities did not issue or grant any options over unissued shares during or since the end of the financial year.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

In accordance with the Constitution of Malachite Resources Limited each director and officer was indemnified on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by them as officers of Malachite Resources Limited or a related body corporate. The consolidated entity has not indemnified or agreed to indemnify the auditor of the consolidated entity against any liabilities incurred as auditor.

Insurance Policies

Until April 2020, the consolidated entity has paid premiums in respect of directors' and executive officers' liability and legal expenses insurance contracts. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the parent entity.

Directors have not included details of the nature of the liabilities covered, or the amount of the premium paid, as such disclosure is prohibited under the terms of the insurance contract.

The Company is in the process of reinstating director and officer insurance.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

a) Principles used to determine the nature and amount of remuneration
b) Details of remuneration
c) Share based compensation
d) Additional information
e) Other transactions of Key Management Personnel
f) Equity instrument disclosures relating to Directors and Key Management Personnel

The information provided in this remuneration report has been audited in accordance with the requirements of the *Corporations Act 2001*.

a) Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and amount of emoluments of board members and senior executives of the consolidated entity is as follows:

The objective of the entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

REMUNERATION REPORT (CONTINUED)

Alignment to shareholders' interests:

- attracts and retains well qualified and suitably experienced applicants
- has the goal of economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and, in the longer term, payment of dividends and delivering an adequate return on assets as well as focusing the executive on key non-financial drivers of value.
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short (STI) and long-term (LTI) incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Executive remuneration includes a base salary that is set with reference to the market, a short term incentive that comprises of an at risk bonus payable to reflect performance and a long term incentive that provides scope for equity participation over the longer term.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also drawn on external sources of information to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 per annum and was approved by shareholders at the AGM on 30 November 2015.

b) Details of remuneration

Cash remuneration packages are set at levels that are intended to attract and retain executives capable of managing and enhancing the consolidated entity's operations. Remuneration of individual non-executive Directors is determined by the Board and may be varied from time to time but always such that the aggregate (currently $129,662 per annum see table below) is within the maximum amount (currently $300,000 per annum) for which prior approval of the shareholders has been received.

Remuneration of Directors

Remuneration fees received in their capacity as Directors are provided in the table below. Mr Cuthbertson and Mr Dean converted their fees that were accrued to 31 December 2019 into shares at $0.001 (Pre-consolidation 100:1) per share.

2020 **Directors**	**Directors fees**
Mr T Cuthbertson	61,101
Mr J Dean	39,420
Mr G Hiller (appointed 4 October 2019)	29,141
	129,662

REMUNERATION REPORT (CONTINUED)

b) Details of remuneration (Continued)

Details of the nature and amount of each element of the emoluments of each of the directors and the key management personnel of Malachite Resources Limited during the year ended 30 June 2020 are set out below.

2020	Salary & Fees	Accrued Salary & Fees	Total
Directors	$	$	$
Mr T Cuthbertson	30,552	30,549	**61,101**
Mr J Dean	19,709	19,711	**39,420**
Mr G Hiller (appointed 4 October 2019)	-	29,141	**29,141**
Other key management personnel of the group			
Mr G Hiller	70,677	100,244	**170,921**
Total Key Management Personnel	**120,938**	**179,645**	**300,583**

2019	Salary & Fees	Accrued Salary & Fees	Total
Directors	$	$	$
Mr T Cuthbertson	-	61,101	**61,101**
Mr J Dean	-	39,420	**39,420**
Mr A McMillan (resigned 11 February 2019)	-	24,286	**24,286**
Other key management personnel of the group			
Mr G Hiller	100,816	87,986	**188,802**
Total Key Management Personnel	**100,816**	**212,793**	**313,609**

Key management personnel are the same for the Group and the Company.
There is no link between key management personnel remuneration and the share price or dividends.
There is no relationship between the performance of the Group and remuneration over the past five years.
All of the top paid executives are shown above.

REMUNERATION REPORT (CONTINUED)

b) Details of remuneration (Continued)

The outstanding accrual for Directors fees is set out in the table below.

Directors' fee accrual

	Opening balance 01.07.2019	Accrual/(paid) current year	Converted to shares	Closing balance 30.06.2020
Directors				
Mr T Cuthbertson	316,047	61,101	(346,599)	30,549
Mr J Dean	204,257	39,420	(223,966)	19,711
Mr G Hiller (appointed 4 October 2019)	-	29,141	-	29,141
Mr A McMillan (resigned 11 February 2019)	196,026	(50,000)	(146,026)	-
	716,330	79,662	(716,591)	79,401

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
Mr T Cuthbertson	100%	100%	-	-	-	-
Mr J Dean	100%	100%	-	-	-	-
Mr A McMillan (resigned 11 February 2019)	-	100%	-	-	-	-
Other key management personnel of the group						
Mr G Hiller	100%	100%	-	-	-	-

c) Share based compensation

Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan"). The Plan is administered by the Board. Only eligible persons (and their associates) may be invited to participate in the Plan. Eligible persons include full time employees of the Company, permanent part-time employees, qualifying contractors and persons who may be a director, alternate director or company secretary of the Company or an entity in the Group. The Plan is designed to provide long term incentives for executives to deliver shareholder value.

Options are granted under the plan for no consideration. Options granted under the Plan carry no dividend or voting rights. Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the Company. The exercise price is determined by the Directors at the time of issuing an invitation to participate in the Plan.

All options granted to Directors are approved by Shareholders. Benefits are payable (or vest) upon expiry of vesting periods. No options are currently issued under the Employee Option Plan.

d) Additional information

The Group's main project has just started operating and as a result, it does not yet have earnings from mining. In view of that, shareholder wealth is based on the market's view of the value of future production, the Group's potential for future discovery success, and the quality and experience of its people. This is reflected in market capitalisation, which is also influenced by factors outside the Group's control, such as commodity prices and general market behaviour.

Accordingly, remuneration policy for key management personnel is based primarily on the extent to which the corporate exploration and evaluation objectives are met, recognising that the timeframe for success commonly exceeds one year.

REMUNERATION REPORT (CONTINUED)

e) Other transactions of Key Management Personnel

Unsecured Loans

The Group had an opening balance of $101,000 in unsecured loans and accrued interest of $11,805 from Key Management Personnel. During the period, $36,000 of unsecured loans and $6,359 of accrued interest were repaid and $80,000 of unsecured loans acquired with 10% interest rate by the Group in cash. The Group had $145,000 in unsecured loans with accrued interest of $14,992 from Key Management Personnel at 30 June 2020.

f) Equity instrument disclosures relating to Directors and Key Management Personnel

The number of shares in the Company held during the financial year by each director of Malachite Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Shares (Post-Consolidation on 100:1 basis)	Number held 1 July 2019	Subscribed	Sold	Shares issued upon conversion of Notes and in lieu of fees	Number held 30 June 2020
2020					
Mr T Cuthbertson	202,818	-	-	7,448,334	7,651,152
Mr J Dean	510,170	-	-	8,021,368	8,531,538
Mr G Hiller	234,470	-	-	2,420,946	2,655,416

AUDITORS

Non-audit Services

No amounts paid or payable to the auditor for non-audit services provided during the year.

Auditor's independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* can be found on the next page.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Terry Cuthbertson

Non-Executive Chairman

Sydney, 30 September 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 AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 30th day of September 2020

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
Fax (02) 9299 8104
Email admin@mnsa.com.au

Malachite Resources Limited
ABN 86 075 613 268
and Controlled Entities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Revenue from continuing operations	**5**	8,327	19,052
Accounting and audit expense		(49,541)	(78,845)
Corporate expenses		(289,792)	(295,227)
Depreciation and amortisation expense	**6**	(9,781)	(12,096)
Employee benefits expense		(130,319)	(137,290)
Evaluation and Exploration expenditure reversed/expensed	**6**	6,083	(408,768)
Impairment of exploration assets and other receivables		(4,250,000)	(4,564,818)
Finance costs	**6**	(588,424)	(978,743)
Occupancy expenses		-	-
Loss before income tax expense		(5,303,447)	(6,456,735)
Income tax expense	**7**	-	-
Net loss for the year	**19**	(5,303,447)	(6,456,735)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(5,303,447)	(6,456,735)
Loss for the year is attributable to owners of the Company		(5,303,447)	(6,456,735)
Total comprehensive loss is attributable to owners of the Company		**(5,303,447)**	**(6,456,735)**
Basic/diluted (loss) per share (cents per share)	**28**	(23.0)	(46.9)

The above consolidated statement of 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 30 JUNE 2020

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	8	27,998	695,947
Trade and other receivables	9	8,920	71,819
TOTAL CURRENT ASSETS		**36,918**	**767,766**
NON-CURRENT ASSETS			
Receivables	11	387,759	387,259
Property, plant and equipment	12	41,794	51,575
Exploration and evaluation expenditure	13	2,548,023	6,805,104
Investments	14	310,062	-
TOTAL NON-CURRENT ASSETS		**3,287,638**	**7,243,938**
TOTAL ASSETS		**3,324,556**	**8,011,704**
CURRENT LIABILITIES			
Trade and other payables	15	627,229	1,301,017
Borrowings	16	2,008,418	6,108,107
TOTAL CURRENT LIABILITIES		**2,635,647**	**7,409,124**
TOTAL LIABILITIES		**2,635,647**	**7,409,124**
NET ASSETS		**688,909**	**602,580**
EQUITY			
Contributed equity	17	62,696,576	57,306,800
Reserves	18	2,207,581	2,207,581
Accumulated losses	19	(64,215,248)	(58,911,801)
TOTAL EQUITY		**688,909**	**602,580**

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 YEAR ENDED 30 JUNE 2020

Consolidated Group	Contributed Equity $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2018	**57,233,872**	**(52,455,066)**	**2,207,581**	**6,986,387**
Total comprehensive loss for the year	-	(6,456,735)	-	(6,456,735)
Shares issued during the year	75,000	-	-	75,000
Shares issue cost	(2,072)	-	-	(2,072)
Balance at 30 June 2019	**57,306,800**	**(58,911,801)**	**2,207,581**	**602,580**
Total comprehensive loss for the year	-	(5,303,447)	-	(5,303,447)
Shares issued during the year	5,414,410	-	-	5,414,410
Shares issue cost	(24,634)	-	-	(24,634)
Balance at 30 June 2020	**62,696,576**	**(64,215,248)**	**2,207,581**	**688,909**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers		131	124,196
Payments to suppliers and employees		(312,135)	(520,025)
Exploration and evaluation expenditure		(20,319)	(356,041)
Interest received	**5**	8,327	16,146
Interest paid		(192,627)	(724,573)
Net cash (used in) operating activities	**27 (b)**	(516,623)	(1,460,297)
CASH FLOWS FROM INVESTING ACTIVITIES			
Refund of security bonds		6,580	20,632
Payment of Investments		(201,906)	-
Net cash (used in)/provided by investing activities		(195,326)	20,632
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible notes		-	2,625,000
Repayment of convertible notes		-	(390,000)
Repayment of unsecured loans		(36,000)	(166,831)
Proceeds from unsecured loans		80,000	-
Equity raising expenses		-	(4,094)
Net cash provided by financing activities		44,000	2,064,075
NET INCREASE/(DECREASE) IN CASH HELD		(667,949)	624,410
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		695,947	71,537
CASH AT THE END OF THE FINANCIAL YEAR	**27 (a)**	27,998	695,947

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Malachite Resources Limited and its subsidiaries.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Malachite Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of Malachite Resources Limited also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements, are disclosed in note 3.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2019 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2019.

Significant Matters relating to the ongoing viability of operations

Consistent with the nature of the Group’s activities and its ongoing investment of funds into projects the Group has experienced operating losses of $5.303 million and negative cash flows from operations of $0.517 million during the period ended 30 June 2020.

At 30 June 2020, the Group has current liabilities amounting to $2.636 million (30 June 2019: $7.409 million), comprising Series E Converting Notes with a total value of $1.228 million (including accrued interest of $0.012 million), an unsecured loan from OPS of $0.5 million and unsecured loans of $0.145 million mainly from Key Management Personnel.

The Group’s cash position at balance date was $0.028 million, which will not be sufficient to fund the Group’s forecast cash outflows from operations for the period to 30 September 2021.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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 (subsequent to the Period the Company formalised an agreement to acquire the remaining 85% of Sunshine Minerals it does not already own);
- achieving a positive outcome in respect of the dispute with the Lorena joint venture partners relating to the Lorena Gold Project (subsequent to the Period, the Company entered into a Deed of Release to resolve the dispute);
- raising equity or debt through the capital markets (subsequent to the Period the Company reached an agreement with the Series E Noteholders to convert their notes into shares, carried out a share placement, and completed a share purchase plan);
- the possibility of successfully sourcing an alternative project in which the Group might participate (subsequent to the Period the Company entered into a Terms Sheet to acquire 80% of KNL); 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.

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 30 June 2020. 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.

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Malachite Resources Limited ("company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. Malachite Resources Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Investments in subsidiaries are accounted for at cost in the individual financial statements of Malachite Resources Limited.

b) Cash and cash equivalents

For the purpose of the cash flows statements, cash and cash equivalents includes:
- cash on hand and at call deposits with banks or financial institutions; and
- investments in money market instruments with less than 90 days to maturity that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

c) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and all other short-term employee benefit obligations are presented as other payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share based compensation

Share based compensation benefits are provided to employees via the Malachite Resources Limited Employee Option Plan. Information relating to the plan is set out in note 29.

The fair value of options granted under the Malachite Resources Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditure comprises direct costs and depreciation and does not include general overheads or administrative expenditure not having a nexus with a particular area of interest.

These costs are only carried forward where there is current or planned activity and rights of tenure, and one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

- exploration and evaluation activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, but, nevertheless, active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off, in full, in the year in which the decision to abandon the area is made or where it fails to meet the conditions outlined above for the carry-forward of these costs as an asset.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources and the Group's impairment policy (note 1(g)).

e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Malachite Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Income Tax (Continued)

The head entity, Malachite Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amount, Malachite Resources Limited also recognises the current liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets and liabilities arising under tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution (or distribution from) wholly-owned tax consolidated entities.

i) Trade payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

j) Borrowings

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible notes

On issuance of the convertible notes, where the conversion is a fixed number of shares for a fixed value there is an equity component, otherwise the whole instrument is a financial liability.

When it is determined that the whole instrument is a financial liability and no equity instrument is identified, the conversion option is separated from the host debt and classified as a derivative liability. The carrying value of the host contract, at initial recognition is determined as the difference between the consideration received and the fair value of the embedded derivative. The host contract is subsequently measured at amortised cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at the end of each reporting period through the consolidated statement of comprehensive income. The convertible note and the derivative are presented as a single number on the consolidated statement of financial position within interest-bearing loans and borrowings.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Borrowings (continued)

When it is determined that the instrument contains an equity component based on the terms of the contract, on issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

k) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non‑current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position (notes 9 and 11).

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designed as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

l) Leases

Except for short term leases and leases of low value assets, the Group applies a single recognition and measurement approach for all leases representing the right to use the underlying asset Right-of-Use recognised at the commencement date of the lease and corresponding lease liabilities measured at the present value of lease payments over the lease term are recognised in the statement of financial position. Depreciation charges of Right-of-Use assets, and interest expenses on the lease liability replaces straight line operating expenses.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Loss per share

(i) Basic loss per share is calculated by dividing:

- the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares.

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on plant and equipment is calculated on a diminishing value basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Motor Vehicles	5-6 years
Plant and equipment	4-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1g).

o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Revenue Recognition

(i) Interest income

Interest income is recognised on a time proportion basis, taking into account the interest rates applicable to financial assets.

(ii) Other income

Other income is measured at the fair value of the consideration received or receivable.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

q) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

s) Parent entity financial information

The financial information for the parent entity, Malachite Resources Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Interests in Joint Arrangements

The Group is in a joint venture for the Lorena Gold Project Joint Venture (LGPJV) and funding arrangement with Cloncurry Gold Recovery Management Pty Ltd (CGR) and Ore Processing Services Pty Ltd (OPS) for the Lorena Gold Project. CGR is the manager of a joint venture between Chinova Resources Tennant Creek Pty Ltd (Chinova) (70%) and BIM Gold Pty Ltd (BIM) (30%).

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements. The information for the joint operations is disclosed in note 10.

The consolidated entity has a 55% interest in unincorporated joint operations of the Lorena Gold Project Joint Venture at 30 June 2020.

The key terms of the joint venture are:

- the joint venture interests in the Project are Volga 55%, CGR 30% and OPS 15% for the open cut operation; and
- Volga retains a 70% interest in any additional resources not within the open cut operation and within the Lorena Gold Project mining leases.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

The Group has 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. Volga has been unable to confirm its financial position in relation to the joint venture and any past or future cash calls.

During the Period the Company was in discussions with the joint venture partners to resolve the dispute which includes the renegotiation of the Lorena joint venture terms. On 28 July 2020, the Company announced to the ASX that it had entered into a Deed of Release to resolve the long running dispute in respect of the Lorena Project on commercial terms satisfactory to the Company.

u) Inventories

Inventories are stated at the lower of cost and net realisable value on a first in first out basis. Cost comprises direct materials and the cost of mining and stockpiling the gold from the joint operations. Cost is determined on an average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not yet been applied in the Financial Statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

The Company has adopted AASB 16: Leases from 1 July 2019 (applicable to annual reporting periods commencing on or after 1 January 2019). This Standard:

- replaces AASB 117 Leases and some lease-related Interpretations;

- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases; and

- requires new and different disclosures about leases.

This Standard requires retrospective restatement, as well as new and different disclosures. There is no impact on the Company’s financial statements.

There are no other standards that are not yet effective and are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board and the financial risks faced by the Group other than liquidity risk are considered minimal at this stage.

Cash is held at one of the big four banks in Australia that is exposed to variable rates. This is managed through holding the cash in a high interest bearing account and is transferred to ordinary account as required.

The Group holds the following financial instruments:

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	27,998	695,947
Trade and other receivables	8,920	71,819
	36,918	**767,766**
Financial liabilities		
Trade and other payables	627,229	1,301,017
Borrowings	2,008,418	6,108,107
	2,635,647	**7,409,124**

a) Market risk

(i) Interest rate risk

The Group's and Parent's main interest rate risk arises from cash and cash equivalents and deposits with banks.

Sensitivity

At 30 June 2020, if interest rates had changed by lower/higher 100 base points from the year-end rates with other variables held constant, post-tax loss for the year would have been $280 lower/higher (2019: change of 100 bps: $6,959 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

(ii) Foreign Exchange Risk

The Group operates domestically and is not exposed to significant foreign exchange risk.

(iii) Price Risk

The Group is not exposed to equity securities price risk. The Group is indirectly exposed to commodity price rise to the extent of its operations which are undertaken in the mineral sector.

b) Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity Risk

The Group manages liquidity risk by monitoring actual cash flows and maintaining sufficient cash to fund operations. Surplus funds are generally only invested in short term deposits with Australian Banks.

The Group's position with respect to going concern is outlined in note 1 (a).

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Consolidated	**Less than 6 Months**	**6-12 Months**	**Between 1 and 2 Years**	**Between 2 and 5 Years**	**Over 5 Years**	**Total contractual cash flows**	**Carrying amount (assets)/liabilities**
	$	$	$	$	$	$	$
2020							
Non-derivatives							
Non-interest bearing	435,134	192,095	-	-	-	627,229	627,229
Fixed rate							
Borrowings	2,008,418	-	-	-	-	2,008,418	2,008,418
Total Non-derivatives	2,443,552	192,095	-	-	-	2,635,647	2,635,647

Consolidated	**Less than 6 Months**	**6-12 Months**	**Between 1 and 2 Years**	**Between 2 and 5 Years**	**Over 5 Years**	**Total contractual cash flows**	**Carrying amount (assets)/liabilities**
	$	$	$	$	$	$	$
2019							
Non-derivatives							
Non-interest bearing	492,060	808,957	-	-	-	1,301,017	1,301,017
Fixed rate							
Borrowings	6,108,107	-	-	-	-	6,108,107	6,108,107
Total Non-derivatives	6,600,167	808,957	-	-	-	7,409,124	7,409,124

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Capital risk management

The Group has no long term debt therefore capital is raised as and when it is required to do further exploration and development activities.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group holds embedded derivatives on convertible notes which are valued based upon a valuation technique as discussed in note 16.

As the inputs are not based on observable market data, the instrument is included in level 3 of the fair value hierarchy.

Exploration and evaluation expenditure

Certain exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions regarding future commodity prices and level of demand for these commodities, production rates, metallurgical recovery and cost of production, which will affect the viability of the operations. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to the consolidated statement of comprehensive income. Carried forward exploration and evaluation expenditures amounting to $2,548,023 are disclosed in note 13 and relate primarily to capitalisation and evaluation costs from activities in Queensland.

Share-based payment transactions

The Group measures the cost of equity settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimate and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Note 29 details the assumptions that have been used in determining the fair value of the options that have been granted.

4 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 regular basis.

Lorena

The development of the Group's main mining project, the Lorena Gold Project ("Lorena") near Cloncurry in northwest Queensland.

Other Tenements

Carrying out exploration and seeking further development of other tenements.

Segment assets

Information about reportable segments

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

Exploration	**2020 $**	**2019 $**
Lorena	2,548,023	6,805,104
	2,548,023	6,805,104

	Lorena $	**Other Tenements $**	**Corporate $**	**Total $**
2020				
Revenue from continuing operations	7,214	-	1,113	**8,327**
Accounting and audit expense	-	-	(49,541)	**(49,541)**
Corporate expenses	(24,751)	(267)	(264,774)	**(289,792)**
Depreciation and amortisation expense	(7,203)	-	(2,578)	**(9,781)**
Employee benefits expense	-	-	(130,319)	**(130,319)**
Evaluation and Exploration expenditure reversed	6,083	-	-	**6,083**
Impairment of Lorena Gold Project	(4,250,000)	-	-	**(4,250,000)**
Finance costs	-	-	(588,424)	**(588,424)**
Loss before income tax expense	(4,268,657)	(267)	(1,034,523)	**(5,303,447)**
Income tax expense	-	-	-	**-**
Net loss for the year	(4,268,657)	(267)	(1,034,523)	**(5,303,447)**

4 SEGMENT INFORMATION (CONTINUED)

2019	Lorena $	Other Tenements $	Corporate $	Total $
Revenue from continuing operations	11,294	-	7,758	**19,052**
Accounting and audit expense	-	-	(78,845)	**(78,845)**
Corporate expenses	(58,182)	(263)	(236,782)	**(295,227)**
Depreciation and amortisation expense	(8,892)	-	(3,204)	**(12,096)**
Employee benefits expense	-	-	(137,290)	**(137,290)**
Evaluation and Exploration expenditure expensed	(408,768)	-	-	**(408,768)**
Impairment of Lorena Gold Project	(4,564,818)	-	-	**(4,564,818)**
Finance costs	-	-	(978,743)	**(978,743)**
Loss before income tax expense	(5,029,366)	(263)	(1,427,106)	**(6,456,735)**
Income tax expense	-	-	-	**-**
Net loss for the year	(5,029,366)	(263)	(1,427,106)	**(6,456,735)**

5 REVENUE

	2020 $	2019 $
From continuing operations and other income		
Exploration expenses recovered	-	2,906
Interest	8,327	16,146
	8,327	19,052

6 EXPENSES

The loss before income tax includes the following expenses:

	2020	2019
Depreciation of non-current assets:		
- Property, Plant & equipment	8,078	10,023
- Motor vehicles	1,703	2,073
Total Depreciation	9,781	12,096
(Reversal)/Write off of exploration expenditure	(6,083)	408,768
Finance costs	588,424	978,743

7 INCOME TAX

	2020 $	2019 $
a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax amount in the financial statements as follows:		
Loss from ordinary activities	(5,303,447)	(6,456,735)
Prima facie income tax benefit calculated at 27.5% (2019: 27.5%) of taxable loss	**(1,458,448)**	**(1,775,602)**
Non-deductible items		
Movement in unrecognised temporary differences	980,871	1,276,550
Taxable losses not recognised	477,577	499,052
Income tax expense	-	-
b) Franking account balance	230	230
c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised.	55,059,465	49,756,018
Potential tax benefit at 27.5%	15,141,353	13,682,905

The Tax losses may be carried forward indefinitely subject to the condition imposed by Law.

8 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**27,998**	**695,947**

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

GST receivables	-	52,276
Prepayments	8,920	19,543
	8,920	**71,819**

a) Impaired receivables

The creation and release of the provision for impaired receivables is included in 'Impairment of exploration assets and other receivables' in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash.

There are no impaired receivables for the Group or Parent and there were no receivables past due for the Group or Parent.

b) Interest rate risk

Information about the Group's exposure to interest rate risk in relation to receivables is provided in note 2.

c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is their carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

10 JOINT OPERATIONS

Information on Joint Operations

The consolidated entity had a 55% interest in unincorporated joint operations of the Lorena Gold Project Joint Venture at 30 June 2020.

The key terms of the joint venture are:

- the joint venture interests in the Project are Volga 55%, CGR 30% and OPS 15% for the open cut operation; and
- Volga retains a 70% interest in any additional resources not within the open cut operation and within the Lorena Gold Project mining leases.

Further, the Group had a funding arrangement with Chinova Resources Tennant Creek Pty Ltd (Chinova) and BIM Gold Pty Ltd (BIM), to fund the Group's portion of cash calls. Any amounts paid by Chinova and BIM on behalf of the Group became a non-recourse unsecured loan advance and are only recoverable from the Group's share of profit from the sale of gold doré produced by the LGPJV.

In December 2018, Chinova Resources Pty Ltd (Chinova) withdrew a working capital financing facility, which they had previously 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 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 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. Volga has been unable to confirm its financial position in relation to the loan, as it relates to historical joint venture expenditure.

The Group's net expenses from the Project are being carried by CGR, OPS and BIM and are non-recourse unsecured loan advance with interest rate at 9%, and only recoverable from the Group's share of gold produced. As the Group's share of the Projects revenue at 30 June 2020 is expected to be less than the Group's share of the Projects expense which are non-recourse to the Group, the Group's investment in the Joint Venture at 30 June 2020 is $Nil.

11 TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Tenement security deposits	387,759	387,259

12 PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
Plant and equipment		
at cost	336,207	336,207
accumulated depreciation	(302,233)	(294,155)
	33,974	42,052
Motor Vehicles		
at cost	50,536	50,536
accumulated depreciation	(42,716)	(41,013)
	7,820	9,523
Total property, plant and equipment	41,794	51,575

Movement in property, plant and equipment	**Motor Vehicles** $	**Property, Plant & Equipment** $	**Total** $
2020			
Balance at 01 July 2019	9,523	42,052	51,575
Depreciation Expense	(1,703)	(8,078)	(9,781)
Balance at 30 June 2020	7,820	33,974	41,794
2019			
Balance at 01 July 2018	11,596	52,075	63,671
Depreciation Expense	(2,073)	(10,023)	(12,096)
Balance at 30 June 2019	9,523	42,052	51,575

13 EXPLORATION AND EVALUATION EXPENDITURE

	2020 $	2019 $
Costs carried forward in respect of areas of interest in exploration and evaluation phases	2,548,023	6,805,104
Movement for year		
Balance at beginning of year	6,805,104	11,365,373
Received interest from security deposit	-	4,549
Impairment Lorena gold project	(4,250,000)	(4,564,818)
Reversal of security deposit	(7,081)	-
Balance at end of year	2,548,023	6,805,104

13 EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

The Group has reviewed its exploration assets for impairment at reporting date in accordance with the accounting policy stated in note 1 (g). As a result of this review and having regards to the current market conditions the following impairments have been made to the carrying value of assets

Impairment of costs carried forward in respect of areas of interest in exploration and evaluation phases	**2020**	**2019**
	$	**$**
Lorena	11,369,922	11,369,922
Reversal of security deposit	(7,081)	-
Lorena - impaired	(8,814,818)	(4,564,818)
	2,548,023	6,805,104

The Group impaired the value of the Lorena project by $4.25 million from its value of $6.805 million as at 30 June 2020. This was due to the assumed under performance of the Lorena operation based on an assessment of the lower than expected gold sales over the period and the inability to resolve the ongoing dispute.

14 INVESTMENTS

Investment in Sunshine Minerals Limited	310,062	-

15 CURRENT LIABILITIES

Trade and other payables		
Trade creditors	114,329	408,232
Other creditors	512,900	892,785
	627,229	1,301,017

16 BORROWINGS

Current		
Unsecured Converting Notes (a)	1,227,925	-
Unsecured Convertible Notes (b)	-	5,416,737
Unsecured loans (c)	780,493	691,370
	2,008,418	6,108,107

a) Unsecured converting note
The Series “E” Converting Notes have a face value of $1,215,800 and capitalised interest of $12,125 as at 30 June 2020. The interest rate of Series “E” is 4% per annum payable in shares with maturity date of 31 March 2021.

b) Unsecured convertible notes (Series A and D)
On 30 April 2020, the principal of $4,450,000 was converted into fully paid ordinary shares and the accrued interest of $1,215,800 was converted into Series “E” Converting Notes.

16 BORROWINGS (CONTINUED)

c) Unsecured loans
The Group had an balance of $135,000 in unsecured loans from Directors and $10,000 from a third party.
The Group reached agreement with the loans from Key Management Personnel to extend the term of the existing loan to 1 October 2020. Unsecured loans totalling $65,000 have an interest rate of 12% per annum with interest paid at maturity and unsecured loans totalling $70,000 have an interest rate of 10% per annum with interest paid quarterly in arrears.

The Group has an unsecured loan from OPS of $500,000 with accrued interest of $135,493 on 30 June 2020, which had a maturity date of 31 January 2019. Subsequent to the year end, the Company has entered into a Deed of Debt Forgiveness with Ore Processing Services Pty Ltd pursuant to which outstanding loan liabilities to OPS have been forgiven.

d) Joint Operations
As detailed in Note 10, Chinova 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. Volga has been unable to confirm its financial position in relation to the loan, as it relates to historical joint venture expenditure.

17 CONTRIBUTED EQUITY

	2020 $	2019 $
68,022,604 fully paid ordinary shares (2019: 13,878,233 consolidated on 100:1 basis)	62,696,576	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 $
2019				
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
15 October 2018	Transaction costs relating to share issues			(2,072)
30 June 2019	Balance at end of year	1,387,823,262		57,306,800
2020				
1 July 2019	Opening balance	1,387,823,262		57,306,800
30 April 2020	Shares issued for Directors fees	716,590,296	$0.001	716,590
30 April 2020	Shares issued for consultant fees	192,094,520	$0.001	192,094
30 April 2020	Conversion of convertible note	4,450,000,000	$0.001	4,450,000
30 April 2020	Convertible note rollover fees	55,725,470	$0.001	55,725
30 April 2020	Shares consolidation on a 100:1 basis	(6,734,210,944)		
	Transaction costs relating to share issues			(24,634)
30 June 2020	Balance at end of year	68,022,604		62,696,576

b) The Group's objective when managing capital is to safeguard its ability to continue as a going concern (refer to note 1(a), 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.

18 RESERVES

Share based payments reserve	2020 $	2019 $
Balance at beginning of year	2,207,581	2,207,581
Movements	-	-
Balance at end of year	2,207,581	2,207,581

19 ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(58,911,801)	(52,455,066)
Loss for the period	(5,303,447)	(6,456,735)
Accumulated losses at the end of financial year	(64,215,248)	(58,911,801)

20 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

The directors of Malachite Resources Limited during the year were:
Mr Terry Cuthbertson – Non-Executive Director
Mr James Dean – Non-Executive Director
Mr Geoffrey Hiller – Director (appointed on 4 October 2019)

b) Other key management personnel

Mr Geoffrey Hiller – Chief Executive Officer

c) Key Management Personnel compensation

Short-term employee benefits	300,583	313,609
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	-
	300,583	313,609

Detailed remuneration disclosures can be found in section (a) – (f) of the remuneration report contained in the Directors Report.

d) Related party transactions

Unsecured loans		
Terry Cuthbertson	79,334	70,813
Geoffrey Hiller	70,411	41,992

Converting/Convertible Notes		
Terry Cuthbertson	299,659	632,766
James Dean	65,648	127,924
Geoffrey Hiller	34,747	81,234
Andrew McMillan (resigned 11 February 2019)	-	220,682

21 AUDITORS' REMUNERATION

Remuneration of the auditor of the Group for: Audit services	**2020** **$**	**2019** **$**
Audit and review of financial reports – current year	40,000	40,000
Audit and review of financial reports – prior year	-	31,920
	40,000	71,920

22 CONTINGENT LIABILITIES

There are no material contingent liabilities for the year ended 30 June 2020 (2019: Nil).

23 COMMITMENTS FOR EXPENDITURE

a) Capital Expenditure Commitments

There are no capital commitments at the end of the financial year ended 30 June 2020 (2019: Nil).

b) Lease Commitments

There are no lease commitments at the end of the financial year ended 30 June 2020 (2019: Nil)

c) Tenement Commitments

Tenement Expenditure required under tenement licence		
Not later than one year	10,000	27,000
Later than 1 year but not later than 2 years	58,000	56,000
Later than 2 years	-	29,000
	68,000	112,000

24 RELATED PARTY TRANSACTIONS

a) Parent entity

The parent entity within the Group is Malachite Resources Limited.

b) Key management personnel

Disclosures relating to key management personnel are set out in note 20.

25 INVESTMENT IN CONTROLLED ENTITY

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest 2020 %	Ownership interest 2019 %
Conrad Silver Mines Pty Ltd	Australia	Ordinary	100	100
Volga Elderberry Pty Ltd	Australia	Ordinary	100	100

26 EVENTS SUBSEQUENT TO REPORTING DATE

Acquisition of Sunshine Minerals Limited

On 15 July 2020 the Company announced to the ASX that it had executed a Term Sheet to acquire the remaining 85% interest in Sunshine Minerals Limited that it does not already own. On 21 August 2020, the Company advised that it had executed a Share Purchase Agreement (Agreement) formalising the acquisition.

The key terms of the Agreement include:

- An initial payment of $850,000 to the remaining 85% shareholders in Sunshine by the issue of up to 10,617,954 fully paid ordinary shares in the Company at a deemed issue price of $0.08 (Upfront Consideration Shares);
- A further payment of $1,105,000 to the remaining 85% shareholders in Sunshine by the issue of up to 13,803,340 fully paid ordinary shares in the Company at a deemed issued price of $0.08 (Deferred Consideration Shares) (less any clawback or reduction for adjustments) upon the valid application for a mining lease for PL 01-18 being submitted to the Mines Department; and
- All shares issued to the vendors are subject to voluntary escrow arrangements.

The Agreement is subject to conditions precedent, including:

- Sunshine entering into an agreement with Sunshine Nickel Limited (SNL) and the Landholders, on terms satisfactory to the Company, for the provision of funding by the Company to the Landholders (to be repaid from SNL's cash flows and sale proceeds) for their portion of exploration and development costs relating to the Jejevo Nickel Project; and
- the shareholders of the Company approving the transactions contemplated by the Agreement in a general meeting, including a resolution authorising the allotment and issue of the Upfront Consideration Shares and Deferred Consideration Shares to the Vendors in accordance with the ASX Listing Rules and the Corporations Act.

The Agreement is subject to standard warranties and representations for transactions of this nature.

26 EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

Acquisition of Kolosori Nickel (SI) Limited

On 1 September 2020 the Company announced to the ASX that it had signed a Term Sheet to acquire an 80% interest in Kolosori Nickel (SI) Limited (KNL).

The key terms of the proposed acquisition of KNL are summarised below:

- Payment of $750,000 by the issue of 9,375,000 fully paid ordinary shares in the Company at a deemed issue price of $0.08 (Upfront Consideration Shares);
- Payment of $1,250,000 (less any debts not disclosed to the Company in the Term Sheet) by the issue of up to 15,625,000 fully paid ordinary shares in the Company at a deemed issued price of $0.08 upon the granting of a mining licence for PL 05-19 by the Mines Department and confirmation of a resource with a minimum of 6 million tonnes @ 1.6%Ni including 3.9 million tonnes @ 1.7% Ni to 2012 JORC (Deferred Consideration Shares);
- The Upfront Consideration Shares and the Deferred Consideration Shares are subject to certain clawback or reductions for adjustments; and
- All shares issued to the vendors to be subject to voluntary escrow arrangements.

The Agreement is subject to conditions precedent, including:

- The parties entering into a formal share sale agreement;
- The Company entering into an agreement with KNL and the Landholders, on terms satisfactory to Malachite, for the provision of funding by the Company to the Landholders (to be repaid from KNL's cash flows and sale proceeds) for their portion of exploration and development costs relating to the Kolosori Nickel Project; and
- the shareholders of the Company approving the transactions contemplated by the Term Sheet in a general meeting, including a resolution authorising the allotment and issue of the Upfront Consideration Shares and Deferred Consideration Shares to the KNL shareholders in accordance with the ASX Listing Rules and the Corporations Act.

Lorena Dispute Resolution

On 28 July 2020, the Company announced to the ASX that it had entered into a Deed of Release to resolve the long running dispute in respect of the Lorena Project on commercial terms satisfactory to the Company.

Key elements of the dispute resolution agreement include:

- The Company has entered into a Share Sale Agreement (Agreement) with Lorena Gold Mine Pty Ltd and Ore Processing Services Pty Ltd (OPS). Under the Agreement Lorena Gold Mine Pty Ltd will acquire 100% of the issued capital of Volga Elderberry Pty Ltd (Volga). The Deed of Release is conditional on the Share Sale Agreement completing;
- The Company has received an initial payment of $50,000 and will receive a further $130,000 within 90 days subject to agreed adjustments;
- Conditions precedent include the Company entering into an agreement to receive a 2% Net Smelter Return on gold produced from future underground operations at Lorena;
- The Lorena joint venture parties have entered into a Deed of Release in respect of obligations and liabilities arising out of the Lorena Gold Project; and
- The Company has also entered into a Deed of Debt Forgiveness with Ore Processing Services Pty Ltd pursuant to which outstanding loan liabilities to OPS have been forgiven. The loan amount that was forgiven by OPS is $637,342.47 at the time the Deed of Debt Forgiveness was entered.

The Company will seek shareholder and any necessary regulatory approvals for the proposed sale of Volga.

26 EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

The Company will retain 100% of EPM 18908 which holds the Bloodwood copper/gold and Lady Mary gold prospects where encouraging exploration was previously undertaken by the Company. The Company is now able to focus on this tenement given an agreement has been entered to resolve the dispute.

Conversion of Series E converting notes

On 3 August 2020, the Company announced the conversion of all Series E Converting Notes (principal and interest) into ordinary shares. The Company issued 15,400,703 shares at $0.08 per share upon the conversion.

Capital Raising

On 17 August 2020, the Company completed a share placement raising $625,000 by the issue of 20,833,334 ordinary shares at $0.03 per share.

In August 2020, the Company carried out a Share Purchase Plan (SPP) for existing shareholders at $0.03 per share. The SPP raised $611,000 and 20,366,659 shares were allotted on 7 September 2020.

Appointment of Director

On 3 September 2020, the Company confirmed the appointment of Mr. Robert Thomson as an independent non-executive Director of the Company.

Mr Thomson is a Mining Engineer with extensive experience (gold and base metals) in site operations, the development of exploration projects into sustainable mining operations and businesses in Asia, Africa and Australia.

Mr Thomson has previously been closely involved in various capacities such as CEO/Executive Director and Site General Manager/Project Director in various companies advancing exploration projects through various stages including feasibility works, government approvals, financing, development, construction of infrastructure and processing plants, commissioning and sustainable operations. These include:

- Finder's Wetar Island 25,000 tpa copper cathode project in Indonesia;
- Kingsgate's 125,000+ ozpa Chatree Stage 1 open-cut gold mine in Thailand;
- Oxiana's 125,000+ ozpa Sepon Stage 1 open-cut CIL gold mine in Laos; and
- Climax Mining's Didipio 150,000+ oz (gold equivalent) gold/copper project in the Philippines which was successfully merged into Oceana Gold.

27 NOTES TO STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2020 **$**	**2019** **$**
Cash	27,998	695,947

27 NOTES TO STATEMENT OF CASH FLOWS (CONTINUED)

b) Reconciliation of operating profit after income tax to net cash flows from operating activities.

	2020 **$**	**2019** **$**
Operating loss after income tax	(5,303,447)	(6,456,735)
Non cash		
Depreciation	9,781	12,096
Impairment of assets	4,250,000	4,564,818
Capitalised interest	306,311	310,095
Other non-cash transactions	3,449	-
Changes in assets and liabilities		
Decrease/(Increase) in receivables	52,276	66,231
Decrease/(Increase) in prepayments	10,623	6,616
Increase/(decrease) in payables	154,384	36,582
Net cash inflow/(outflow) from operating activities	(516,623)	(1,460,297)

28 LOSS PER SHARE

Basic/diluted loss per share (cents per share)	(23.0)	(46.9)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	22,864,331	13,761,712

The weighted number of ordinary shares for the period ending 30 June 2019 has been restated to reflect the 100:1 consolidation which occurred during the current period.

29 SHARE-BASED PAYMENTS

a) Options issued to Employees and Directors

(i) Employee Option Plan

No options were granted to Employees for the year ended 30 June 2020 (2019: Nil).

(ii) Directors Options

No options were granted to Directors for the year ended 30 June 2020 (2019: Nil).

b) Shares issued for services under a share based payment arrangement during the year.

No shares issued for services under a share based payment arrangement during the year ended 30 June 2020 (2019: Nil).

Shares issued for accrued directors' fees.

c) Options issued for services under a share based payment arrangement during the year.

No options issued for services under a share based payment arrangement during the year ended 30 June 2020 (2019: Nil).

30 PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of Financial Position	**2020** **$**	**2019** **$**
Current assets	36,489	765,187
Non-current assets	12,234,698	11,925,325
Total assets	12,271,187	12,690,512
Current liabilities	2,610,146	7,384,723
Non-current liabilities	249,224	249,224
Total liabilities	2,859,370	7,633,947
Net Assets	9,411,817	5,056,565
Equity		
Contributed equity	62,696,576	57,306,800
Option reserve expense	2,207,581	2,207,581
Accumulated losses	(55,492,340)	(54,457,816)
Total equity	9,411,817	5,056,565
Loss for the year	(1,034,524)	(1,427,106)
Total comprehensive income	(1,034,524)	(1,427,106)

b) Guarantees entered into by the parent entity

The parent entity did not have any financial guarantees as at 30 June 2020.

c) Contingent liability of parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020.

Malachite Resources Limited
ABN 86 075 613 268
and Controlled Entities

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Malachite Resources Limited, the directors of the company declare that:

1) The financial statements and notes, as set out on pages 17 to 48, are in accordance with the Corporations Act 2001 and:
   a) Comply with Australian Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b) Give a true and fair view of the Company's consolidated financial position as at 30 June 2020 and of its performance for the year ended on that date; and

2) In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3) This declaration has been made after receiving the declarations required to be made in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board

Terry Cuthbertson

Non-Executive Chairman

Sydney, 30 September 2020

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

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Malachite Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Material Uncertainty Regarding to 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 $2,635,647 which exceeds its current assets by $2,598,729 as at 30 June 2020 and during the year had net cash outflows from operation of $516,623. As at 30 June 2020, 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 successful completion of some or all of the following:

- the continued investment in Sunshine Minerals (subsequent to the Period the Company formalised an agreement to acquire the remaining 85% of Sunshine Minerals it does not already own);
- achieving a positive outcome in respect of the dispute with the Lorena joint venture partners relating to the Lorena Gold Project (subsequent to the Period, the Company entered into a Deed of Release to resolve the dispute);
- raising equity or debt through the capital markets (subsequent to the Period the Company reached an agreement with the Series E Noteholders to convert their notes into shares, carried out a share placement, and completed a share purchase plan);
- the possibility of successfully sourcing an alternative project in which the Group might participate (subsequent to the Period the Company entered into a Terms Sheet to acquire 80% of KNL); or
- entering into a 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.

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Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the Ethical Requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Recoverability of capitalised Exploration and evaluation expenditure	
As at 30 June 2020, the carrying value of capitalised Exploration and evaluation expenditure was \$2.5M as disclosed in note 13. During the year, impairment of \$4.25M was recognised. The assessment of the carrying value of capitalised Exploration and evaluation expenditure requires management to make significant accounting judgements and estimates in producing the discounted cash flow model used to determine whether the assets require impairment in accordance with Australian Accounting Standard AASB 136 Impairment. The Directors have considered the carrying value of the Lorena project and determined the carrying value is accurate and no further impairment is required.	We have evaluated the appropriateness of management's judgements that there is no additional facts or circumstances that suggest the carrying amount of Exploration and evaluation expenditure exceeds its recoverable amount. Based on our procedures, we noted that the capitalised Exploration and evaluation expenditure asset is fairly stated.

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Going Concern

Following operating losses and cash flow deficits there is a heightened degree of judgement as to the group's ability to repay loans and liabilities throughout the going concern assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.

We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by:

- comparing the cash flow forecasts with the Board approved budget, and obtaining explanations for any significant differences;
- assessing the historical accuracy of forecasts prepared by management;
- comparing the gold price assumptions used in these forecasts to third party forecasts and publicly available forward curves;
- testing the mechanical accuracy of the model used;
- agreeing the group's committed debt facilities and repayments to supporting documentation;
- performing stress tests for a range of reasonably possible scenarios (including gold price) on management's cash flow for the going concern period;
- challenging management's plans for mitigating any identified exposures, including their ability to amend the terms of their existing financing arrangements, obtain additional sources of financing or undertake additional asset disposals; and
- considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear.

We have determined that there are material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

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Other Information

The directors of Malachite Resources Limited are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards.*

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

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MNSA

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion the remuneration report of Malachite Resources Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Malachite Resources Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Director

Sydney

Dated this 30th day of September 2020

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