QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2020

Malachite Resources Limited (Malachite or Company) **(ASX: MAR)** is pleased to provide an update on its activities for the September 2020 Quarter. The Company's focus for the reporting period was the advancement of the Company's Jejevo and Kolosori Nickel Projects, located in the Solomon Islands.

ASX Code: MAR

Issued Shares: 127,956,634

ABN: 86 075 613 268

Directors
Terry Cuthbertson
James Dean
Geoff Hiller
Rob Thomson

Top Shareholders
Terry Cuthbertson
Michael John McCahill <ATF MJ McCahill TA/C>
Sean McCahill Properties Ltd
James Dean

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30 October 2020

HIGHLIGHTS FOR THE SEPTEMBER 2020 QUARTER

Jejevo Nickel Project

- Share Purchase Agreement executed to formalise the Company's acquisition of the remaining 85% interest in Sunshine Minerals Limited which will secure an 80% interest (local landowners 20%) in the prospecting licence tenement PL 01/18 which the Jejevo Nickel Project is located within[1].
- Geological consultants Mining One engaged to design and remotely supervise infill and extensional drilling program at Jejevo.
- 64-hole drilling program at Jejevo to commence soon.
- Mining One creating block models for resource estimates and mining studies leveraging historical work undertaken by previous owners.
- Significant historical drilling intercepts include[2]:
  - **JSC030: 13m @ 2.04% Ni** from surface, incl. **11m @ 2.18% Ni** from 2m
  - **JSD049: 9m @ 1.98% Ni** from 1m, incl. **6m @ 2.26% Ni** from 2m
  - **JSD062: 12m @ 1.93% Ni** from surface, incl. **9m @ 2.04% Ni** from 3m

Kolosori Nickel Project

- Share Purchase Agreement executed to formalise the acquisition of an 80% interest in Kolosori Nickel (SI) Limited (local landowners 20%)[3].
- KNL currently owns PL 05/19, which comprises the Kolosori Nickel Project located on Santa Isabel Island in the Solomon Islands.
- Drilling at Kolosori (PL 05-19) expected to commence after initial Jejevo exploration program.

Lorena Gold Project

- Deed of Release entered to resolve the long running dispute in respect of the Lorena Gold Project on commercial terms satisfactory to Malachite[4].

[1] ASX Announcement – Malachite Formalises Acquisition of Sunshine Minerals, Solomon Islands Nickel, 21 August 2020
[2] ASX Announcement - Drilling To Commence At Solomon Islands Nickel Project, 12 October 2020
[3] ASX Announcement - Malachite Secures 80% Interest In The Kolosori Nickel Project, 26 October 2020
[4] ASX Announcement - Agreement to Resolve Lorena Gold Dispute, 28 July 2020

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SOLOMON ISLANDS NICKEL

JEJEVO NICKEL PROJECT (80%)

The Company executed a Share Purchase Agreement (Agreement) to formalise its acquisition of the remaining 85% interest in Sunshine that it did not already own[5].

Malachite previously acquired 15% of Sunshine, a private company incorporated in the Solomon Islands. Sunshine owns 80% of Sunshine Nickel Limited (SNL) which holds prospecting licence tenement PL 01/18 located on the south coast of Santa Isabel Island in the Solomon Islands. The remaining 20% of SNL is owned by local landowners (Landholders). The Jejevo Nickel Project is located within the PL 01/18 project area.

Jejevo Project Overview

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

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

Key Terms of the Share Purchase Agreement to acquire Sunshine

The key terms of the Agreement include:

a) 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 Malachite (Upfront Consideration Shares);
b) 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 Malachite (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
c) All Malachite shares issued to the vendors are subject to voluntary escrow arrangements as follows:
    i. For the Upfront Consideration Shares, an escrow period applies from completion until the earlier of: (a) the date 12 months from completion; or (b) the date 10 business days after the Mines Department grants SNL a mining lease for PL 01-18; and
    ii. For the Deferred Consideration Shares, an escrow period applies from the date the Deferred Consideration Shares are issued until the earlier of: (a) the date 12 months from the Deferred Consideration issue date; or (b) to the date 10 business days after the Mines Department grants SNL a mining lease for PL 01-18.

The Agreement is subject to conditions precedent, including:

a) Sunshine entering into an agreement with SNL and the Landholders, on terms satisfactory to Malachite, for the provision of funding by Malachite 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
b) the shareholders of Malachite 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. On 14 October 2020, the shareholders of Malachite approved the transaction at a General Meeting of the Company.

[5] ASX Announcement - Malachite Formalises Acquisition of Sunshine Minerals, Solomon Islands Nickel, 21 August 2020

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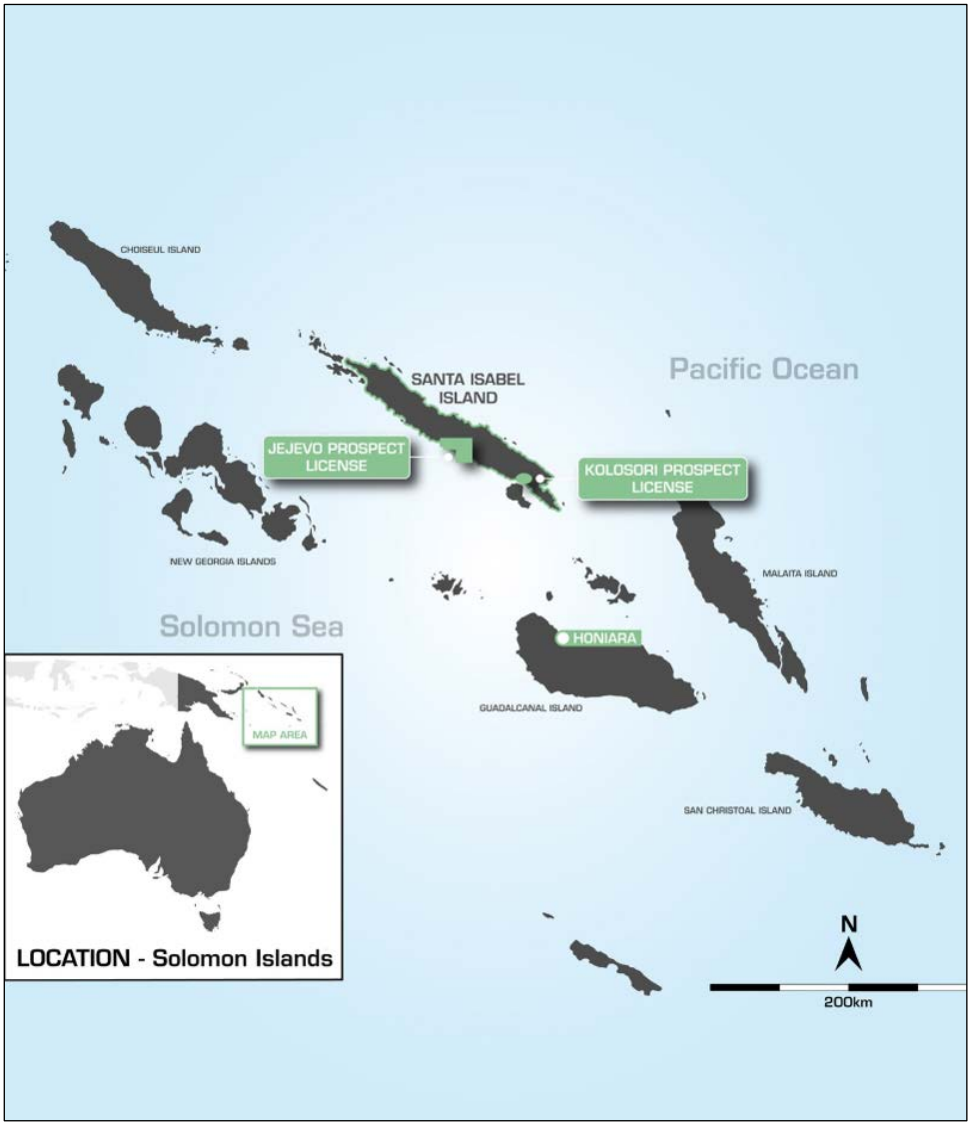


Figure 1 - Jejevo and Kolosori Project Location Map

In August this year the Company engaged the services of Mining One to carry out geological work on the Company's nickel projects in the Solomon Islands.

Since being engaged, Mining One has completed a review of the existing drilling data on the Jejevo tenement. As part of that process Mining One has carried out a gap analysis to identify what is required to allow that drilling data to comply with the 2012 JORC guidelines. Mining One has proposed an initial 64-hole drilling program at Jejevo that includes a combination of confirmatory holes (twin), infill holes and exploration holes.

Mining One is currently completing 3D geological modelling for the Jejevo deposit which will be updated to include information from the validation and extensional drilling programs; this should enable a 2012 JORC resource to be estimated.

As reported on 12 October 2020 Drilling at Jejevo is expected to commence soon with an initial 64-hole drill program for approximately 1,300m of drilling. The program will consist of 25 holes for confirmatory (twin) purposes (395m), 15 holes for infill (306m) and 24 holes for exploration (600m). The confirmatory and infill holes will be completed first to allow Mining One to prepare a 2012 JORC compliant resource estimate whilst exploration drilling will seek to identify areas for possible extensions to the Jejevo deposit (Figure 2).

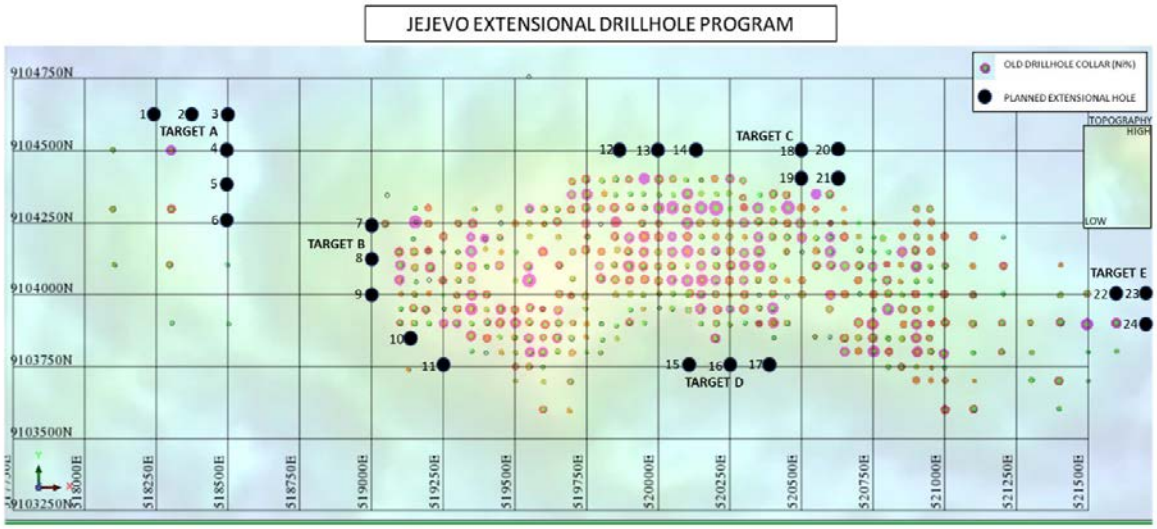


Figure 2 - Jejevo Extensional Drill Program

There are also targets for future exploration programs that exist on ridges to the east and west of the currently defined Jejevo deposit (Figure 3).

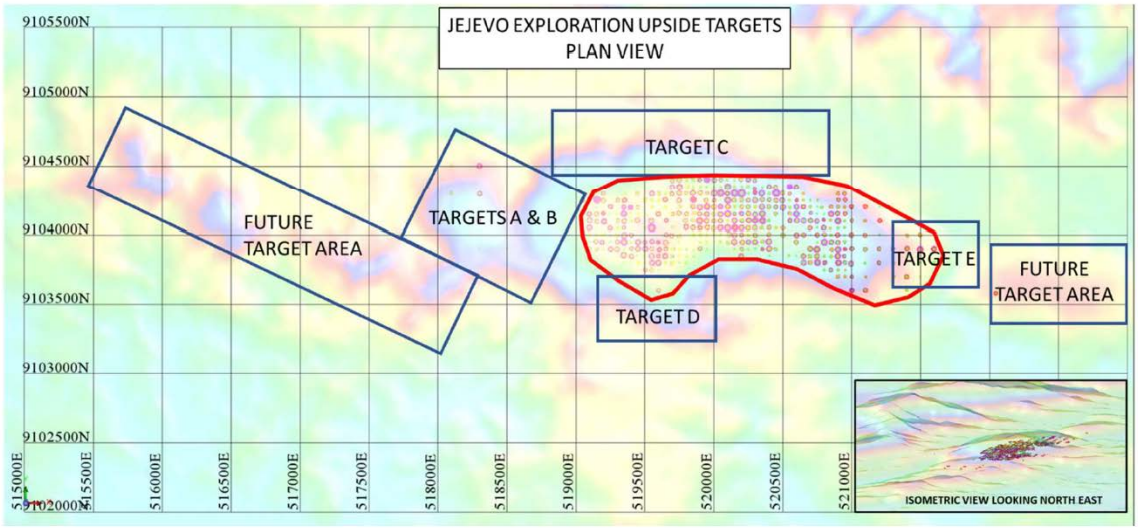


Figure 3 - Jejevo Regional Targets

Significant historical drilling intercepts include[6]:

- **JSC030: 13m @ 2.04% Ni** from surface, including **11m @ 2.18% Ni** from 2m
- **JSD049: 9m @ 1.98% Ni** from 1m, including **6m @ 2.26% Ni** from 2m
- **JSD062: 12m @ 1.93% Ni** from surface, including **9m @ 2.04% Ni** from 3m

[6] ASX Announcement - Drilling To Commence At Solomon Islands Nickel Project, 12 October 2020

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KOLOSORI NICKEL PROJECT (80%)

As announced on 26 October, Malachite executed a Share Purchase Agreement (Agreement) to formalise the acquisition of an 80% interest in Kolosori Nickel (SI) Limited ("KNL"), a company incorporated in the Solomon Islands[7]. The remaining 20% of KNL is held by traditional landowners. KNL currently owns PL 05/19, which comprises the Kolosori Nickel Project located on Santa Isabel Island in the Solomon Islands.

Malachite had previously announced on 1 September 2020 that it had entered into a Term Sheet in respect of this opportunity.

The Kolosori Nickel Project is an advanced stage direct shipping ore nickel laterite project with excellent potential for development. The 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. Malachite's initial objective will be to carry out sufficient work to confirm a 2012 JORC Resource at the earliest opportunity. It is envisaged that mining of the project could potentially commence within 2 years.

Key Terms of The Agreement to Acquire KNL

The key terms of the Agreement include:

a) Payment of $750,000 by the issue of 9,375,000 fully paid ordinary shares in Malachite (Upfront Consideration Shares);

b) Payment of $1,250,000 (less any debts not disclosed to Malachite in the Agreement) by the issue of up to 15,625,000 fully paid ordinary shares in Malachite 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);

c) The Upfront Consideration Shares and the Deferred Consideration Shares are subject to certain clawback or reductions for adjustments; and

d) All Malachite shares issued to the vendors to be subject to voluntary escrow arrangements as follows:

   a. For the Upfront Consideration Shares, the earlier of 12 months from their date of issue or 10 business days after the granting of a mining licence for PL 05-19; and

   b. For the Deferred Consideration Shares, 12 months from their date of issue.

The Agreement is subject to conditions precedent, including:

a) Malachite entering into an agreement with KNL and the Landholders, on terms satisfactory to Malachite, for the provision of funding by Malachite 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

b) the shareholders of Malachite 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 KNL shareholders 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.

[7] ASX Announcement - Malachite Secures 80% Interest In The Kolosori Nickel Project, 26 October 2020

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LORENA GOLD PROJECT

MLs 7147, 90192 – 90196

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

The Project is a joint venture between Malachite 55%, Cloncurry Gold Recovery Management Pty Ltd ("CGR") 30% and Ore Processing Services (OPS) 15%. Malachite's interest in the Lorena Project is held by its wholly-owned subsidiary, Volga Elderberry Pty Ltd ("Volga").

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 Malachite.

Background

The Mining Licence and one exploration licence in respect of the Lorena Project are held by Volga.

As previously reported operational performance at the Lorena Project has been well below expectations and, in February 2019, Volga issued a Dispute Notice to the other joint venture parties in accordance with the terms of the Joint Venture Deed dealing with numerous matters, which principally related to achieving a reconciliation of historical joint venture expenditure, the conduct of the joint venture and Malachite's contribution to certain joint venture expenditure.

Also as previously reported, Malachite had received notice on behalf of OPS requiring payment of an outstanding loan amount (being $574,342.49 as at 20 February 2019).

Resolution of Dispute

Key elements of the dispute resolution agreement include:

- Malachite has entered into a Share Sale Agreement (Agreement) with Lorena Gold Mine Pty Ltd (previously and Ore Processing Services Pty Ltd (OPS). Under the Agreement Lorena Gold Mine Pty Ltd will acquire 100% of the issued capital of Volga. The Deed of Release is conditional on the Share Sale Agreement completing;
- Malachite 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 Malachite 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
- Malachite 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.

At the Company's General Meeting held on 14 October 2020, Malachite approved the resolution for the Company to sell Volga as per the Agreement. The Company is currently finalising the completion of the Agreement.

Malachite 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[8].

[8] ASX Announcement - Agreement to Resolve Lorena Gold Dispute, 28 July 2020

CORPORATE

Appointment of Director

During the quarter Mr. Robert Thomson was appointed as an independent non-executive Director of the Company.

Rob 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.

He also has extensive corporate and industry experience with local and international mining companies in senior executive roles and as a director of publicly listed companies on the Australian Stock Exchange and formerly on the AIM Exchange and the TSX Venture Exchange.

Rob has previously been closely involved in various capacities such as CEO/Executive Director and Site GM/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.

The Company believes that Rob's extensive project development knowledge and experience will substantially enhance the Company's ability to advance its Nickel interests in the Solomon Islands and manage its ongoing interests in Australia[9].

Capital Structure

On 3 August 2020, the Company's Series E converting notes were converted into 15,400,703 ordinary shares at 8c per share. Following this conversion, there are no longer any convertible notes issued by the Company.

The financial position of the Company was also significantly enhanced by a Placement which was undertaken in August 2020 raising $625,000 (by the issue of 20,833,334 ordinary shares at $0.03 per share) and a Share Purchase Plan which was concluded in early September 2020 which raised $611,000 (by the issue of 20,833,334 ordinary shares at $0.03 per share)[10].

At the General Meeting of the Company on 14 October 2020, approval was given by shareholders to issue 11.5 million options over ordinary shares. The options have a strike price of 6c and expiry of 30 September 2023.

[9] ASX Announcement - Malachite Appoints Mr. Robert Thomson As Independent Non-Executive Director, 3 September 2020
[10] ASX Announcement – Malachite Raises $611,000 from Share Purchase Plan, 4 September 2020

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2020 SEPTEMBER QUARTER - ASX ANNOUNCEMENTS

This Quarterly Activities Report contains information extracted from ASX market announcements reported in accordance with the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("2012 JORC Code"). Further details (including 2012 JORC Code reporting tables where applicable) of exploration results referred to in this Quarterly Activities Report can be found in the following announcements lodged on the ASX:

12-Oct-2020	Drilling to Commence at Solomon Islands Nickel Project

These announcements are available for viewing on the Company's website under the News & Media tab. Malachite confirms that it is not aware of any new information or data that materially affects the information included in any original ASX announcement.

TENEMENTS

Project	Tenement Number
QUEENSLAND	
Lorena Gold Project	ML 7147, ML 90192 , ML90193, ML 90194, ML 90195, ML 90196, EPM 18189 (held by Volga and were sold subject to a deed of release and share sale agreement)
Bloodwood/Lady Mary EPM (100%)	EPM 18908 (held and retained by Malachite)

Exploration/Mining Tenements Acquired/Disposed of during the Quarter

Project	Location	Tenement	MAR Interest
Jejevo Nickel Project	Santa Isabel Island in the Solomon Islands	PL 01/18	Acquisition of 80% (subject to completion of Share Purchase Agreement)
Kolosori Nickel Project	Santa Isabel Island in the Solomon Islands	PL 05/19	Acquisition of 80% (subject to completion of Share Purchase Agreement)

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

Project	Location	Tenements	MAR Interest

Authorised by the Director and Chief Executive Officer.

Further Information

For further information, please contact the Company on info@malachite.com.au or visit the Company's website at www.malachite.com.au

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Malachite Resources Limited

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Rule 5.5

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity
Malachite Resources Limited

ACN or ARBN
075 613 268

Quarter ended ("current quarter")
30-Sep-20

Consolidated statement of cash flows	Current quarter $A'000	Year to date 3 months $A'000
1. Cash flows related to operating activities		
1.1 Receipts from customers*	50	50
1.2 Payments for		
(a) exploration and evaluation	(2)	(2)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(164)	(164)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid (received)		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(116)	(116)

* The Company did not receive any proceeds from the sales of gold or distributions from the Lorena Gold Project Joint Venture during the quarter.

2. Cash flows related to investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)		
(e) investments	(336)	(336)
(f) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(336)	(336)

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Consolidated statement of cash flows	Current quarter $A'000	Year to date 3 months $A'000
3. Cash flows related to financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt secuties)	1,336	1,336
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(63)	(63)
3.5 Proceeds from borrowings	96	96
3.6 Repayment of borrowings	(136)	(136)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	1,233	1,233

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	28	28
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(116)	(116)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(336)	(336)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,233	1,233
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	809	809

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1 Bank balances	809	28
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	**809**	**28**

6. Payments to directors of the entity and associates of the directors	Current quarter $A'000
6.1 Aggregate amount of payments to the parties included in item 1	21
6.2 Aggregate amount of loans to the parties included in item 2	0

Note: if any amounts are shown in items 6.1 and 6.2, your quarterly report must include a description of, and any explanation for, such payments

7. Financing facilities Note: the term "facility" includes all forms of financing arrangement available to the entity. Add notes as necessary for an understanding of the position.	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other		
7.4 **Total financing facilities**		
7.5 **Unused financing facilities**	-	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Facility description	Lender	Interest rate (pa)	Maturity Date

8.	**Estimated cash available for future operating activities**	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(116)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(116)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	809
8.5	Unused financing funding (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	809
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	7.0

8.8 If Item 8.7 is less than 2 quarters please provide answers to the following questions:

1. Does the entitiy expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entitiy taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entitiy expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement does give a true and fair view of the matters disclosed.

Date:	30 October 2020
Authorised by:	By the Audit Committee (Name of body or officer authorising release - see note 4)

Notes

1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committe - eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5 If this report has been authorised for release to the market by your board of directors and you wish to hold youself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and give a true and fair value of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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