

MALACHITE RESOURCES

LIMITED



QUARTERLY REPORT

30 SEPTEMBER 2012

HIGHLIGHTS

ASX Code: MAR



As at 30 September 2012

Issued Shares: 804.3 million

ABN: 86 075 613 268

Directors

Garry Lowder
Russell Meares
James Dean
Terry Cuthbertson
Andrew McMillan

Top Shareholders

Olhoc Pty Limited
Trandara Pty Ltd
Eldorado Mining Limited

Head Office

Malachite Resources Limited
Suite 2, Level 10,
8-10 Loftus Street
SYDNEY NSW 2000

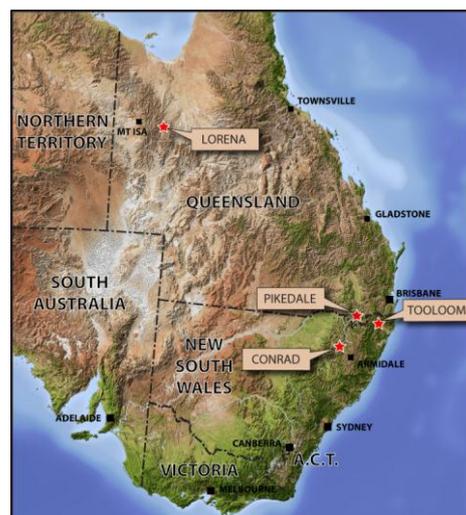
T: 61 (0)2 9251 0032

F: 61 (0)2 9475 0439

E: info@malachite.com.au

W: www.malachite.com.au

- ✓ Encouraging results continue to flow from low cost exploration at the Lorena Gold Project with the discovery of two new prospects, the **Lady Mary** and **Bloodwood Prospects**, which are only some 5km from the Lorena mine site.
- ✓ **The Bloodwood Prospect is a prospective zone of alteration and mineralisation demonstrating IOCG deposit characteristics.** The presence of anomalous gold values in BLEG samples suggests the potential for parallel mineralised zones, increasing the potential for a significant mineralised system.
- ✓ **The Lady Mary Prospect is a promising gold-rich, copper-gold find with some very high gold assays in surface sampling, including one dump sample assaying 102g/t Au and another of 38.9g/t Au.**
- ✓ **Discussions held with a number of parties interested in funding the development of the Lorena Gold project.** This may involve the production of a bulk gold-bearing sulphide concentrate initially, which has the benefit of being a low capital expenditure start up route.
- ✓ **Successful completion of a private placement raising \$1.049 million.**
- ✓ **A 1 for 9 non-renounceable pro-rata rights issue offered to shareholders** to enable the Company to carry out exploration and continue funding the feasibility study work for the development of the Lorena gold project.





LORENA GOLD PROJECT

During the quarter, the Company was focused on attracting funding for the development of the Lorena Gold Project and at the same time carrying out feasibility work that would assist in that funding. The Company also carried out exploration on its nearby EPMs which have yielded significant initial results by identifying two new prospects, the **Lady Mary** and **Bloodwood** Prospects. These two prospects, in conjunction with the previously reported Copperhead Prospect, continue to demonstrate the potential for gold and copper-gold discoveries in close proximity to the Lorena Gold Mine. In conjunction with targeting additional resources from the new high grade gold zone identified beneath the known resource at Lorena (as reported last quarter), additional resources from the nearby EPMs will significantly transform the project by increasing the mine life from the proposed initial two-year open cut mining operation identified from the current resource.

NEW MINERALISED ZONES DISCOVERED

During the quarter, the Company continued a program of prospecting and sampling on its two EPMs (EPM18189 and newly granted EPM18908). The program has been successful with the discovery of two new prospects, the Lady Mary and the Bloodwood Prospects (refer Figure 1). The Company is encouraged by the high gold and copper assays reported from the rock chip sampling at Lady Mary Prospect and the zone of mineralisation found at the Bloodwood Prospect. Both prospects are approximately 3km from the Company's previously reported Copperhead Prospect and about 5km from the Lorena Gold Mine.

All three prospects are on (or close to) the geological contact between the Mt Norna Quartzite and the Toole Creek Volcanics, which is important because there are a number of significant Cu-Au deposits in the broader Cloncurry region which are also close to (or at) the base of the Toole Creek Volcanics. The Company has approximately 7km of this geological contact on its two EPMs.

Bloodwood Prospect

Follow-up prospecting and BLEG¹ stream sediment sampling at the Bloodwood Prospect has discovered a new outcropping zone of copper-gold alteration and mineralisation in the Lorena district, with dimensions of at least 260m x 30m. This zone displays characteristics indicative of the Iron Oxide Copper Gold (IOCG) style of mineralisation.

As reported to the ASX on 29th October 2012, stream sediment sampling using the BLEG technique located several strong gold anomalies in creeks in the southern section of the Table Mountain area on EPM 18908 (refer Figure 1), with a peak value of 107ppb Au (strongly contrasting with the regional background in the area of 2-3ppb Au in BLEG samples). Follow-up prospecting and the results received for a suite of 34 follow-up BLEG stream sediment samples have now confirmed the initial BLEG anomaly, and anomalous BLEG samples in the smaller creeks upstream of the original sample site have identified the probable source of the gold in the BLEG samples. The likely source is a new zone of mineralisation which outcrops on a ridge at the head of this drainage system. In the follow-up program, a repeat BLEG sample collected at the original site returned 13ppb Au, while BLEG samples in the creeks draining the western and southern sides of the ridge returned anomalous values of 17, 22, 28 and 30ppb Au (Figure 2).

¹ BLEG is the acronym for Bulk Leach Extractable Gold and is a laboratory analytical technique used to determine the easily-extractable gold content of larger soil and stream sediment exploration samples.



The zone is hosted by foliated and sheared dolerites and meta-basalts of the Toole Creek Volcanics. The alteration suite is characterised by epidote-K feldspar-silica-magnetite, while the mineralisation consists of veins and stockworks of calcite-siderite-quartz-chalcopyrite-magnetite. Both these mineral assemblages are typical of the IOCG (Iron Oxide Copper Gold) deposit type. In addition, gossans with boxworks, malachite and copper oxide minerals are present in the surface exposures of the Bloodwood zone.

The discovery of the Bloodwood zone of alteration and mineralisation is further evidence of the success of the Company's methodical exploration programs in the Lorena district, which surprisingly appears to have been subject to minimal previous exploration. The BLEG technique in stream sediment sampling has been very effective in locating previously unknown mineralisation in these programs.

The potential for parallel mineralised zones is suggested by the presence of anomalous gold values in BLEG samples collected from the creeks 100m west of the outcropping zone. These areas will be investigated in the next field program.

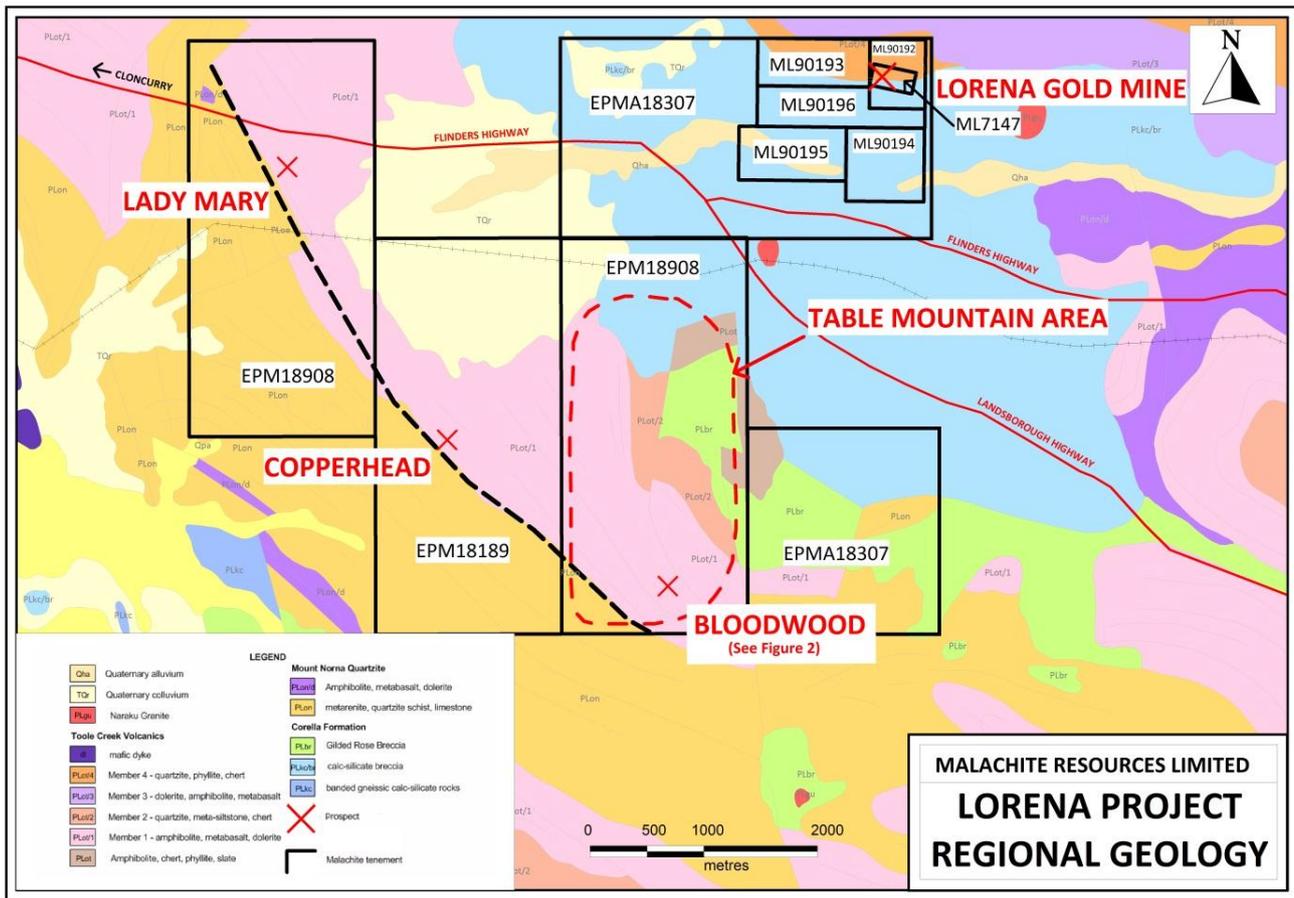


Figure 1: Lorena Gold Project – Regional Geology, Prospects and Malachite Tenement Plan

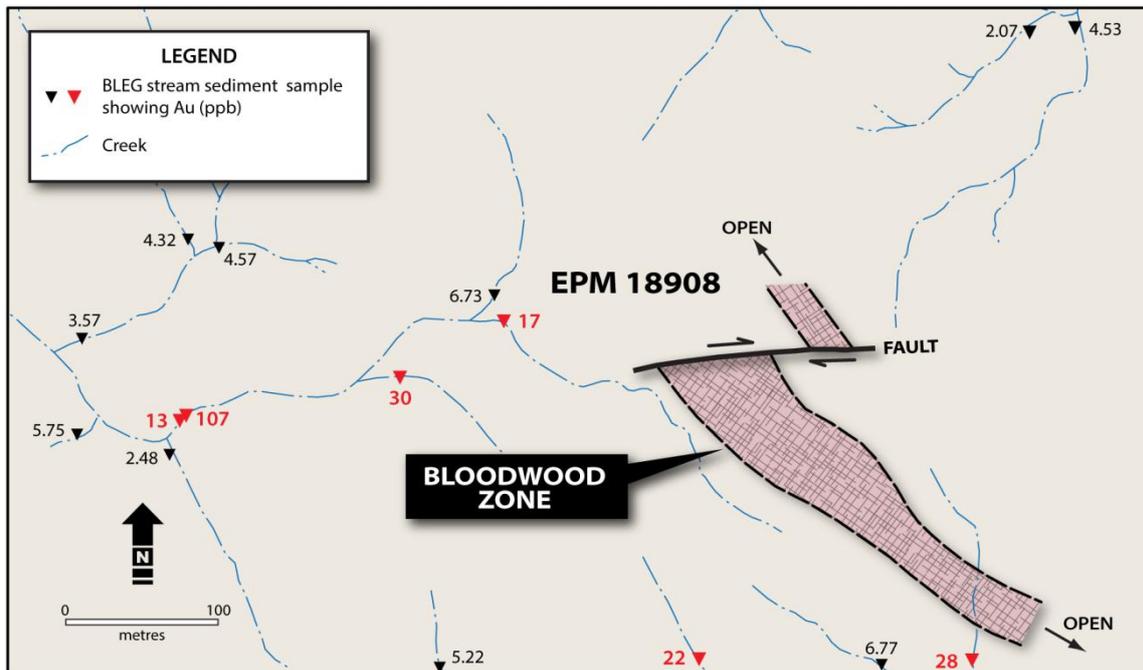


Figure 2: Bloodwood Prospect – Plan showing Altered/Mineralised Zone and BLEG Samples.

Lady Mary Prospect

On 4 September 2012, the Company advised that a new copper-gold prospect, called Lady Mary, had been identified at the Lorena Gold Project (Figure 1). Surface samples at Lady Mary were collected in two batches. The assays for the first batch of surface samples reported high copper values and some encouraging gold results. The second batch (announced 12 September 2012) was collected from a zone nearer to the Mt Norna Quartzite/Toole Creek Volcanic contact. Most of the second batch of samples contained gold, with the highest assays being 102g/t Au and 38.9g/t Au, while copper values were also high. The presence of visible gold in one of the second batch of surface samples is shown in the photo below.

The Company's geologists noted an association of the oxide copper and gold mineralisation seen on surface at Lady Mary with boxwork gossan textures (thought to be indicative of primary chalcopyrite at depth) and hematite (iron oxide). Such an association implies analogy with the Iron Oxide Copper Gold (IOCG) style of ore deposit, which is already well represented elsewhere in the Cloncurry region as noted previously.



Photo 1: Visible gold (circled) in a rock sample from Lady Mary; this sample assayed 102g/t Au and 5% Cu.

FEASIBILITY WORK PROGRESSES POSITIVELY

During the quarter, the Company and its consultants have progressed feasibility work with particular emphasis on the metallurgy and environmental considerations. Test work on the ore to establish crushing and grinding characteristics have been completed and these results will be incorporated in the design of the plant. A preliminary review of the mine and surrounding area by the Company's environmental consultants did not identify any issues that would hinder the development of the project.

The Company is investigating the possibility of initially producing a bulk gold-bearing sulphide concentrate because the main benefits of this approach are that it requires considerably less capital to build the plant and it can be brought into production much earlier. The Company is in discussion with a number of parties interested in funding the development of the project with this approach. With this in mind the Company is currently carrying out further test work on producing a bulk concentrate.

ONGOING EXPLORATION TO ADD VALUE TO THE PROJECT

The main exploration focus of the Company in the short term will be carrying out further exploration on the Lorena EPMs with particular follow up at the Bloodwood Prospect. In addition, exploration for parallel mineralised zones based on the BLEG results will be conducted.

CONRAD SILVER PROJECT

As reported last quarter, the Company has entered into an option agreement with Mancala, an experienced underground mining contractor, whereby Mancala has an exclusive six month period ending 30 November 2012 to evaluate the Conrad project. At the end of the option period, Mancala may elect to then carry out a feasibility study of the project at their cost to earn a 50% interest in the project.



During the quarter, Mancala was completing a trial (at Newcrest's Cadia Mine) of the proposed primary mining method at Conrad using the Mechanised Vertical Miner ("MVM"). An assessment of the feasibility of using the MVM as the main mining method at Conrad is ongoing. In addition, Mancala reviewed the Conrad resource, with particular emphasis on investigating the continuity of high grade shoots which are targeted for the use of the MVM.

CORPORATE

RETIREMENT OF DR GARRY LOWDER

On 27 September 2012, Dr Garry Lowder announced his retirement as Chairman and a Director effective 30 November 2012.

Garry was a founding shareholder and director of the Company and, as Managing Director, guided Malachite through its formative days as a junior exploration Company, leading it to an ASX listing in November, 2002.

Garry was the driving force behind the acquisition of the Lorena Gold Project in 2010, where feasibility study work for an initial mining operation is progressing well.

The Board wishes to express its sincere appreciation to Garry, who has made a substantial contribution to the Board and the development of the Company.

PLACEMENT AND RIGHTS ISSUE

The Company has successfully completed a private placement and has undertaken a 1 for 9 non-renounceable rights issue to raise approximately \$1.94 million in total.

Placement

A Placement of 1,049,140 fully paid ordinary shares in the Company at 1.0 cents per share, with one option attached to each two shares applied for, was completed on 28 September 2012 raising \$1,049,140.

The issue of these shares falls within the 15% capacity afforded by ASX Listing Rule 7.1. The options will be issued subject to shareholder approval at the Company's upcoming Annual General Meeting, which is to be held on Wednesday 28 November 2012. The options will be exercisable at 1.5 cents at any time until 31 March 2015.

Rights Issue

The Company is undertaking a non-renounceable pro-rata rights issue to acquire one new share for every nine shares (1 for 9) held in the Company to raise up to \$893,712. The new shares are being offered at 1.0 cents per share. Shareholders who subscribe for their rights will also be issued one option for every 2 new shares subscribed for. The options are exercisable at 1.5 cents per share at any time until 31 March 2015. The Company will apply for quotation of these options on the ASX.

The rights issue closes at 5pm (Sydney time) on 1 November 2012.



EXTENSION OF CONVERTIBLE NOTES

The company has entered into a Deed of Extension and Variation with its existing Convertible Noteholders to extend the maturity date of the existing Convertible Notes ("Notes"). The Notes have a total face value of \$1 million. Half of the original notes matured on 5 August and the other half on 6 September 2012. The details of the extensions of the Notes were released to the ASX on 26 September 2012. The key terms of the original notes have now been varied as follows:

- The maturity date of the Notes is extended by 7 months from the original maturity date;
- The Noteholders have an option to further extend the maturity date by two additional period of 3 months each; and
- Interest payable on the notes has been increased from 12% to 15% per annum for the initial 7 month extension and to 18% for each of the additional 3 month terms.

The remaining key terms of the Notes remain unchanged. The Notes have a conversion price which is the lesser of \$0.05 or a 20% discount to the 30 day volume weighted average price of the Company's shares at the time of conversion.

-Ends-

Dated: 30 October 2012

FURTHER INFORMATION

For further information, please contact the Company on (02) 9411 6033 or by email at info@malachite.com.au or visit the Company's website at www.malachite.com.au

About Lorena:

The Lorena Gold Project is wholly owned by Malachite and is located about 15km east of Cloncurry in northwest Queensland. Malachite is the holder of six mining leases (ML7147, MLs 90192-90196), two exploration permits (EPM18189 and EPM18908) and one EPM application at Lorena.

Lorena has a total JORC Mineral Resource in the Measured and Indicated categories containing approximately 56,000ozs of gold at a 2g/t cut-off grade. This is made up by a resource of 179,500t at 8.8g/t Au containing 50,700ozs of gold in the A Lode, and a resource of 23,700t at 7.8g/t Au containing 5,900ozs of gold in the B Lode. These resources are within a potential open pit mine and are open at depth. The gold-bearing ore is principally of massive and stringer sulphide type and copper-gold mineralisation occurs in conjunction with the gold ore body. Recent drill intersections including 5.9m @ 12.9g/t Au (located 100m down-plunge from the defined resources) demonstrate the potential for significantly increasing the Lorena resource Inventory.



About Conrad:

The Conrad Silver Project is located 25km south of Inverell in northern NSW. Drilling at Conrad by Malachite has intersected narrow high grade, massive sulphide, silver-rich base metal veins, like those mined in the past, and wide zones of lower grade, disseminated and stockwork veined, polymetallic mineralisation. The currently defined mineral resource at Conrad contains approximately 10 million ounces of silver, plus significant base metal credits. At current prices, silver represents 60% of total recoverable metal value in the Conrad ore and tin, copper, lead and zinc make up the balance. The resource remains open at depth.

COMPETENT PERSON STATEMENT:

The information in this report that relates to Exploration Results is based on information compiled by Mr Russell Meares, who is a non-executive Director of the Company and a former full time employee. Mr Meares is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Meares holds shares and options in the Company. Mr Meares consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Note: A separate Competent Person Statement in relation to Resources at the Company's Lorena Gold Project is contained in the Statement of Resources by Geos Mining, which was released to the ASX on 27 January 2012.
