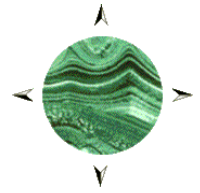


Malachite Resources NL

ABN 86 075 613 268

Suite 1502, Tower B, 799 Pacific Highway, Chatswood NSW 2067
P O Box 5218, West Chatswood NSW 1515
Tel. (02) 9411 6033 Fax (02) 9411 6066



ASX Announcement

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ELSMORE TIN PROJECT TO UNDERPIN MALACHITE'S FUTURE GROWTH

SUMMARY

- In response to the crisis in financial markets and the rapidly changing investment environment, Malachite is accelerating its plans to generate a sustaining cash flow within a short timeframe by developing a tin mining operation in northern NSW.
- The Company is targeting a semi-consolidated alluvial tin deposit, known as the Karaula Lead, located at the Newstead Prospect, part of Malachite's wholly owned Elsmore Tin Project.
- Drilling by Malachite has shown that the Karaula Lead contains a large volume of mineralised paleo-alluvium with widely variable grades, in the range 0.2 to 17kg of Sn/m³.
- A bulk sampling program is set to commence next week with a view to confirming that, overall, tin is present in economic amounts.
- The size and type of operation envisaged would be within Malachite's financial and technical capacity and the Company plans to draw on production plant and operating expertise from the local sapphire mining industry.
- The outlook for tin prices continues to be better than for most other metals, with tin currently at approximately \$A24,000/t.



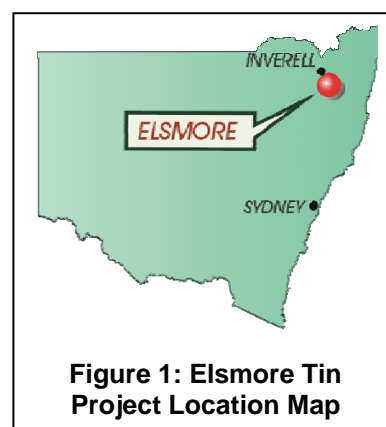
INTRODUCTION

Malachite Resources NL (ASX:MAR) advises that it is making good progress with its tin exploration program at Elsmore and the Company proposes to give this work highest priority, with a view to moving as rapidly as possible to cash flow generation from tin mining.

This report provides an update on the work completed so far and sets out future plans for evaluation and development at Elsmore. In essence, Malachite believes there is an excellent opportunity to generate a modest but very timely and useful cash flow from Elsmore, sufficient to cover overheads and support the Company until the nearby, much larger and longer life Conrad silver-tin-copper-lead-zinc-indium mine can be brought on stream.

BACKGROUND

The Elsmore Tin Project is located in northern NSW, about 20km east of the town of Inverell (Fig. 1). The project consists of two exploration licences (EL6196 and EL7177) located south and east of the village of Elsmore (Fig. 2). Together these licences cover about 400km² of prospective ground in an area well known for historic tin production. The northern part of EL6196 surrounds but does not include the Elsmore Tin Mine (Fig. 2), which was the first commercial tin mine in NSW and continued to produce tin on and off from 1871 until the 1990s. Malachite has evaluated the remaining tin potential of the Elsmore Tin Mine and has concluded that insufficient payable “ore” can be identified to justify its purchase and redevelopment. While there is reasonable exploration potential at the Elsmore Mine, the property is unlikely to be more prospective than the ground Malachite already holds in the surrounding area, including Sheep Station Hill (the eastern part of the Elsmore Mine greisen system) and the Newstead Prospect area, a few kilometres to the southeast (Fig. 2). Accordingly, the Company’s efforts of late have focussed mainly on the Newstead Prospect (so-called, but not actually located on the current Newstead rural property), situated within Malachite’s EL6196 (Fig. 2).



The geology¹ of the Newstead Prospect area is very similar to that at the Elsmore Mine, with primary tin mineralisation widely developed in granite, greisen veins and irregular greisen bodies, and secondary tin occurring in a variety of alluvial or other surface deposits, including semi-consolidated paleo-alluvials and laterite. Shafts and adits in hard rock are present at Newstead but most of the historic mining in this area has focussed on alluvial deposits. Judging by the number of diggings and surface workings within it (Fig. 3), the so-called Karaula Lead appears to have been the main target for historic mining at Newstead, although some production came from a deep lead (“the Black Lead”). Recognising this, Malachite’s recent exploration has focussed on the Karaula Lead and it is this body of secondary tin mineralisation that is thought to offer the best chance of early commercial tin production.

To date the Company has conducted three drilling programs on the Karaula target. The first comprised a series of auger drill holes that, due to the limitations of the rig, did not exceed

¹ A Glossary of technical terms is attached in the Appendix

three metres in depth. The results from that program were encouraging so a follow up 176 hole program of air core drilling (which is similar to percussion drilling but uses a cutting bit rather than a hammer bit) was carried out. Again, results were encouraging and form the basis for a proposed bulk sampling program to follow in the near future. Finally, six of the air core holes were twinned with shallow diamond drill holes to provide intact sample material for closer study.

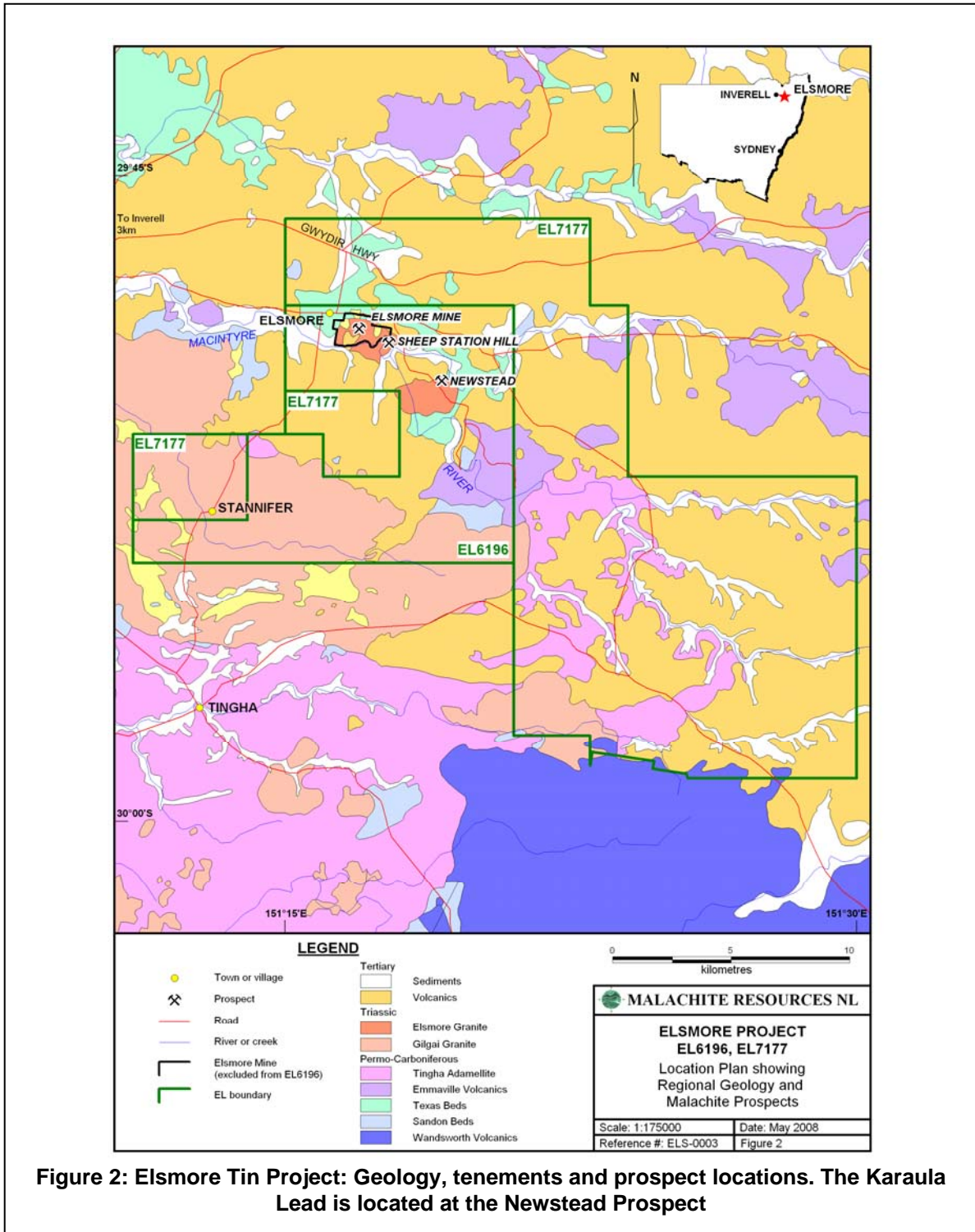


Figure 2: Elsmore Tin Project: Geology, tenements and prospect locations. The Karaula Lead is located at the Newstead Prospect

THE KARAULA LEAD

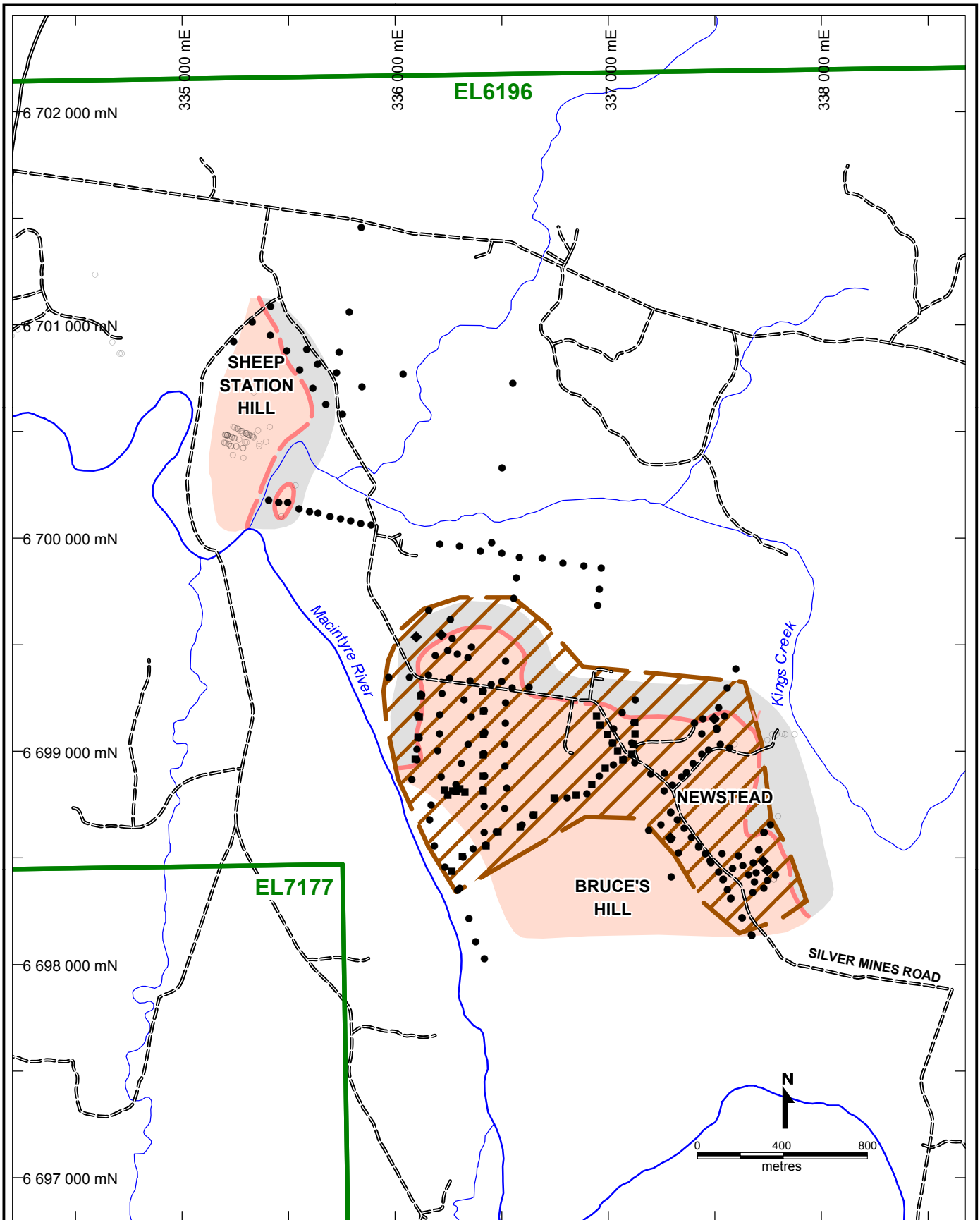


The Karaula Lead occurs as a blanket draped around the northern and eastern sides of Bruce's Hill at Newstead (Fig. 4). It consists of semi-consolidated alluvial material, ranging from gritty and pebbly material in the north (Fig. 5) to mainly sandy material in the east. It is sufficiently consolidated to form small bluffs and coherent outcrops (Figs. 6 and 7) but can generally be crumbled by hand when sampled. It has been mapped and/or drilled over an area of substantially more than 1km² (Fig. 4) and it appears to average around 5m in thickness, either from surface or immediately beneath a thin soil cover; it thus has a volume of at least 5

million cubic metres. The Karaula alluvial material is underlain by granite and greisen, both of which are commonly soft and weathered for several metres depth. The total thickness of alluvium and underlying soft rock can be as much as 25m and as much of the underlying *in situ* weathered rock is tin-bearing, the volume of potentially mineable material probably substantially exceeds 5 million cubic metres.

The origin of the Karaula Lead material is uncertain but it is thought that it may have been deposited in a lake environment, with the best tin grades perhaps concentrated around a paleo shore line near Bruce's Hill. Age relationships between the Karaula alluvium and the widespread Tertiary basalt lava flows that adjoin the deposit to the north and east (Fig. 4) are somewhat ambiguous. An early reverse circulation percussion drill hole east of Bruce's Hill (Fig. 4) intersected good grade alluvial material (5kg of Sn/m³) below the basalt (indicating alluvium older than the basalt). Elsewhere Malachite's more recent air core and diamond drilling has shown that tin-bearing alluvial material also overlies the basalt in some places. In view of this, it is believed that there is considerable potential for additional mineralised alluvium outside the limits shown in Figure 4, including material above and below the basalt cover and possibly within the volcanic sequence where sedimentation took place in periods of volcanic quiescence. If pre-basalt gullies and creek beds can be identified beneath the basalt, for example by using geophysical survey techniques, some high grade concentrations of tin may be found in settings similar to the very rich exposed gullies and creek beds that were mined in the early days of the Elsmore district.

Tin occurs within the Karaula alluvium as free grains of cassiterite, commonly between 0.1 and 2mm in size, but up to at least 1cm (see Page 1 & Fig. 8). The distribution of tin within the Karaula alluvium is very uneven and it is suspected that much of it is concentrated into irregular patches, streaks and seams, such as might have been reworked by wave action when the material was being deposited. Assay results for samples of Karaula Lead alluvium (and underlying soft mineralised greisen) vary widely, from below 100ppm Sn (i.e. below 0.2kg/m³) to as much as 0.88% Sn (17kg/m³). Some parts of the Karaula Lead are clearly quite rich (as is also implied by the distribution of old workings) and some parts of it are unlikely to attain an economic grade. Because of the patchy distribution of the tin, and the commonly coarse grain size of the cassiterite, it is difficult and perhaps misleading to quote average grades until larger scale sampling has been completed.



 MALACHITE RESOURCES NL

**ELSMORE PROJECT
Newstead Prospect**

Scale: 1:25,000

Date: November 2008

Reference #: ELS-0006

Figure 4



Figure 5: Coarser grained variant of the Karaula Lead, with cassiterite (black grains) on surface



Figure 6: Small bluff of Karaula Lead



Figure 7: Outcrop of Karaula Lead



Figure 8: Coarse grained cassiterite on surface of Karaula Lead outcrop

BULK SAMPLING

To overcome what is effectively a “nugget effect” in the Karaula Lead deposit the Company plans to conduct larger scale sampling in the near future. In the first instance, a series of pits or short trenches up to 8m deep will be excavated on a 50 x 50m grid pattern and the material from each metre of each excavation will be carefully split down to a 20kg sub-sample. Those sub-samples will then be treated in a cone concentrator or similar gravity processing device to assess the grade of recoverable tin. The best areas identified in this way will then be re-sampled on a 25 x 25m grid to determine which parts of the deposit offer the best prospects for initial mining.

Depending on the results of that work, it may also be desirable to extract a limited number of much larger samples, of the order of 5 to 10 tonnes each, for treatment in a pilot scale gravity plant. The Company has made tentative arrangements with a local sapphire miner to use some his surplus pilot scale gravity plant to test these Karaula bulk samples if it is deemed appropriate.

It is expected that this work will give a realistic measure of recoverable tin grades in the Karaula deposit and provide a basis on which to design a treatment plant for commercial production.

POTENTIAL MINING OPERATIONS

The Karaula Lead occurs on freehold land, much of which is of low agricultural or grazing value due to spoil from old workings, regrowth timber and dense tea tree scrub. If mining takes place it would involve excavation of a pit several metres deep and washing of the alluvial material so mined in a simple gravity separation plant to recover tin and possibly other payable minerals (such as zircon and sapphire). The size and style of operation envisaged would be very similar to those currently in use for sapphire mining in the Inverell district. After processing, the waste would be returned to the pit and the mined land fully rehabilitated, generally to a condition better than existed pre-mining. It would make little difference to mining costs and treatment processes whether the material being mined was actual alluvium (i.e. transported) or soft, tin-bearing granite or greisen beneath the alluvium (i.e. *in situ*).

A production rate of around 500 m³ per day is envisaged initially to demonstrate economic viability and it is thought that capital costs for such an operation would not exceed \$1 million (based on a comparison with local sapphire mining at a similar scale). Conceptual modelling for this scale of operation suggests that a production grade in excess of 1kg of Sn/m³ would be needed to generate a satisfactory cash flow. Based on sampling and assay results to date, there seems to be a good chance that much of the Karaula Lead deposit will achieve this grade or better. However, it must be emphasised that at this stage grade remains the greatest risk factor in terms of the potential to develop commercial tin mining in the Karaula Lead at Newstead.

EXPLORATION FOR PRIMARY TIN IN HARD ROCK

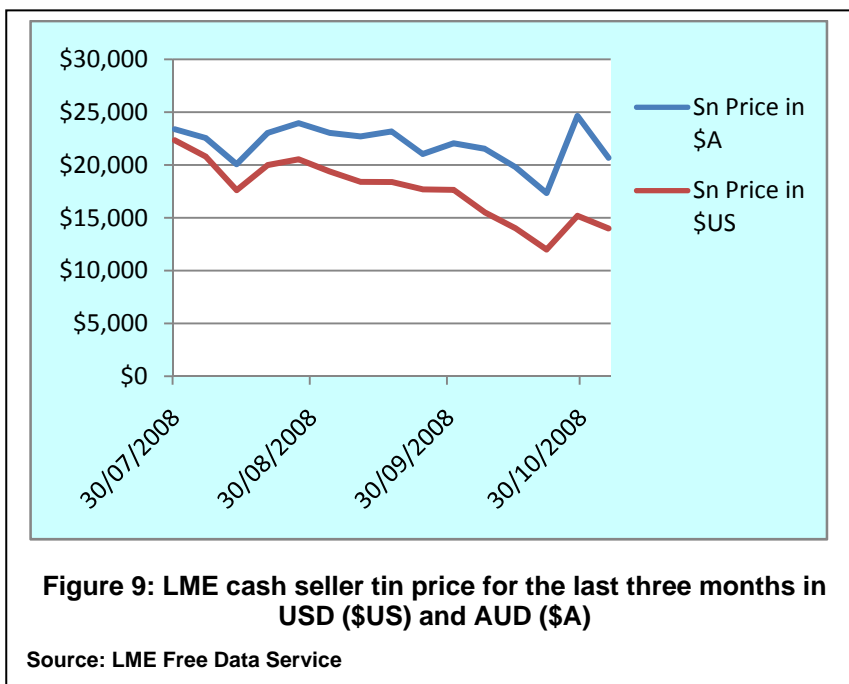
Considerable potential exists for economic tin mineralisation hosted by greisen at Newstead and at Sheep Station Hill, which is the eastern extension of the Elsmore Mine greisen system.

Drilling by Malachite in previous years has intersected tin grades in excess of 1% Sn at Newstead and as high as 7% Sn at Sheep Station Hill. However, the same drilling results indicate that the primary tin mineralisation is very patchy, commonly coarse grained, and thus difficult to assess by drilling. If pilot scale processing facilities are set up for testing Karaula paleo-alluvium it is probable that bulk samples of relatively soft, mineralised greisen will also be treated to determine likely mining grades for such material. The economics of mining *in situ* mineralised greisen are likely to be enhanced by the presence of a gravity separation plant on site, especially if capital costs have already been recovered from mining and treating the alluvial material first.

There are numerous recorded occurrences of tin in hard rock outside the immediate Elsmore and Newstead Prospect areas and the Company has recently begun a program of regional evaluation to assess the potential that these occurrences may have to add to the tin inventory held by the Company. Repetitions of Karaula style paleo-alluvial deposits are also possible.

OUTLOOK FOR TIN PRICES AND SUPPLY AND DEMAND

Tin, like other base metals, has experienced a significant decline in its United States dollar denominated price in recent months (Fig. 9), falling from \$US22,000/t in late July to a low of less than \$US11,000/t in late October before recovering to the current level of around \$US14,000/t.



However, due to currency realignment, the Australian dollar price of LME traded tin has been

relatively stable, maintaining a value in excess of \$A17,000 per tonne and mostly greater than \$A20,000/t (Fig. 9). Furthermore, the Australian spot price of tin, as quoted daily for example in the *Australian Financial Review*, is currently around \$A24,000 per tonne. This is important, because for Malachite it is the local (\$A) price that really matters, especially given the scope to acquire all the capital plant necessary for production from within Australia and most of it very locally at Inverell; some of it could even be acquired second hand from idle sapphire mining operations. Similarly, a skilled operational workforce would be available locally, many of them coming out of a declining sapphire mining industry.

According to the World Bureau of Metal Statistics, tin supply was in deficit up to August this year and information obtained separately by Malachite indicates that tin continues to be in critically short supply. China is the world’s dominant tin supplier, with Indonesia second, but China appears to have consumed all of its own production in 2008 and supplies from Indonesia have been restricted by tighter control of illegal mining. On this basis, the

supply/demand balance for tin looks like continuing to favour producers for some time to come. With the expanding use of tin in “high-tech” applications (e.g. plasma screens), the growing substitution of non-toxic tin for toxic lead in electronic solders (which accounts for more than half of all tin consumption these days), and a revitalisation of the tin-plate market, especially in Asia, the outlook for tin is very positive, notwithstanding the current world financial crisis.

FUNDING

At the end of September, 2008, Malachite had cash resources of \$2.485 million. Most of that sum remains and the Company has adopted measures to reduce expenditures and conserve cash. The ongoing evaluation of the Karaula Lead tin potential described above is a low cost exercise and the Company is confident that it can fund the proposed work adequately, while retaining sufficient cash to fund the current resource estimation work at Conrad (where all drilling has been completed and paid for) and also maintaining a satisfactory cash balance going into 2009.

If the outcome of the evaluation of tin mining potential in the Karaula Lead at Newstead is positive the capital cost of commencing production at demonstration plant scale is unlikely to exceed \$1 million. Some capital to fund that development, if it proceeds, may need to be raised at that time but the amount required should be quite modest.

For further information please visit the Company’s website: www.malachite.com.au
or contact: **Garry Lowder, Managing Director** at (02) 9411 6033
or by email at: glowder@malachite.com.au



G. G. LOWDER
Managing Director
5 November 2008

The information in this report that relates to Exploration Results is based on information compiled by Dr Garry Lowder and Mr Russell Meares, who are Fellows of the Australasian Institute of Mining and Metallurgy and are full time employees of the Company. Dr Lowder and Mr Meares have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.’ Dr Lowder and Mr Meares consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

ABOUT MALACHITE – Malachite Resources is a Sydney-based resources company that listed on the ASX in November 2002 and is an active explorer for silver, tin, gold, copper and associated base metals in eastern Australia. At the beginning of October, 2008 the Company had approximately \$2.5 million in cash and no debt. The Company’s key assets are:

The **CONRAD SILVER PROJECT**, which is located 25km south of Inverell, in northern NSW, where the Company is evaluating the scope to reopen the old **Conrad Silver Mine** near Inverell. Conrad has had two previous periods of production but has not operated for over 50 years. 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. At current prices, silver represents 40-50% of total recoverable metal value in the Conrad ore and tin accounts for about 25% of the value. An interim mineral resource containing 8.8Moz of silver, or 17.7Moz of silver equivalent, has been delineated at Conrad and drilling to add to and upgrade that resource was completed at the end of September, 2008. A new resource estimate will be produced by the end of the December Quarter, 2008.

Malachite also has excellent exposure to tin, through its **ELSMORE** Project, located 20km east of Inverell, where the Company is considering the possible development of a palaeo-alluvial tin deposit, known as the **Karaula Lead**, at the Newstead Prospect. The Karaula Lead appears to have the potential to support a small surface mining operation, which could be developed with low capital and operating costs and generate useful cash flow for the Company. Work is now underway to better quantify the Karaula Lead deposit and assess its economics.

The **VOLGA COPPER PROJECT**, located in northwest Queensland, east and northeast of Mt Isa, where the Company is exploring for copper-gold at the **Mt Lidster** and **Volga Elderberry** properties. Previous drilling at Mt Lidster and Volga has produced some encouraging high grade copper intersections.

The **TOOLOOM GOLD PROJECT** also in northeast NSW. Tooloom is a forgotten goldfield rediscovered by Malachite where numerous prospects have been identified, including a significant greenfields discovery called **Phoenix**. The company is systematically exploring Phoenix and the other prospects at Tooloom, which are intrusion-related and have major ore potential.

APPENDIX

GLOSSARY OF TECHNICAL TERMS

Adit	A horizontal mine entrance
Alluvium	Transported debris derived from the weathering and erosion of rock
Basalt	An eruptive igneous (volcanic) rock low in silica; Tertiary age basalt lava flows cover wide areas in the New England region of northern NSW
Cassiterite	The most common tin-bearing mineral, with the composition SnO ₂ ; pure cassiterite is about 78% tin by weight and has a specific gravity close to 7 (cf. quartz with SG of 2.65), making it very amenable to gravity-based methods of separation from ore
Deep lead	An old river or stream channel in a valley that has been buried beneath younger deposition, most commonly by the eruption of lava flows into the old valley
Granite	An igneous rock rich in quartz and feldspar that crystallised below the Earth's surface
Greisen	Granite that has been altered to a rock rich in quartz and mica as a result of hydrothermal processes associated with the deposition of minerals such as cassiterite
Hydrothermal	Essentially, relating to hot water
Igneous	Rocks that have formed by crystallisation from a molten state
Indium	A metallic element of high value due to its rarity and strong demand for use in "high-tech" applications such as plasma TV screens
Laterite	An iron-rich surface deposit formed by the <i>in situ</i> weathering and leaching of primary rocks
Lead	An old mining term (pronounced 'lede') that relates to alluvial deposits of various types
LME	London Metal Exchange
Nugget effect	A distortion of sampling results that arises due to the uneven distribution of coarse grained minerals, such as gold or cassiterite
Paleo	Geologically older than current day
Shaft	A vertical mine entrance
Sn	The chemical symbol for tin (from the Latin: <i>Stannum</i>)
Tertiary	A geological period lasting from about 65 million years ago until about 2 million years ago
Zircon	A valuable mineral with the formula ZrSiO ₄ ; commonly used in foundries