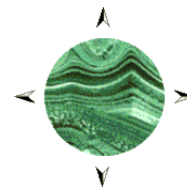


# Malachite Resources Limited

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ASX Announcement

Code: MAR

29 September 2010

## MALACHITE TO ACQUIRE HIGH GRADE GOLD PROJECT

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### SUMMARY

- Malachite has agreed, subject to shareholder approval, to acquire a 100% interest in the LORENA GOLD PROJECT, located near Cloncurry in NW Queensland.
  - An interim measured resource of 177,800 tonnes grading 9.8g/t Au, containing approximately 56,000 ozs of gold, has been estimated at Lorena by the current owners.
  - An additional inferred resource of 95,000 tonnes grading 7.2g/t Au, or about 22,000ozs of contained gold, has also been estimated.
  - Parts of the known resource contain very high grades and there is strong evidence for extensions to the known ore grade mineralisation at depth and along strike.
  - Economic evaluation of Lorena will commence immediately after Completion, leading to a feasibility study for development of the project as an open pit gold mine producing 25,000 ozs of gold p.a.
  - Significant copper mineralisation is also present, with up to 10m @ 1.4% Cu intersected in Malachite's due diligence drilling.
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Malachite Resources Limited (ASX: MAR) advises that it has signed a conditional Share Sale Agreement with the shareholders of Volga Elderberry Pty. Limited ("VEPL"), which is the sole owner of the **LORENA GOLD PROJECT**, located near Cloncurry in northwest Queensland.

Commenting on the acquisition, Malachite Managing Director, Garry Lowder, observed:

*"This is a landmark event for Malachite and it will make us a much bigger company. The potential to expand the resource looks excellent and with such high grades a gold mine at Lorena should be able to generate high operating margins and strong cash flows."*

Pursuant to the agreement, Malachite will acquire all of the shares in VEPL and thereby gain 100% ownership of the project. Acquisition terms are summarised below and completion of the sale is subject to satisfaction of a number of Conditions Precedent.

Dr Lowder added:

*"Lorena certainly has some remarkable grades, such as the 4.6m @ 69g/t Au we got from sampling A Lode in the pit. Individual 1m gold assays in drill holes are as high as 200g/t Au and with up to 10m @ 1.4% Cu intersected in our due diligence drilling, Lorena may develop into an exciting copper play as well."*

Malachite has conducted detailed technical due diligence investigations at Lorena, including mapping, sampling and assaying of lode exposures in the existing pit and the drilling of four reverse circulation percussion drill holes. Financial and legal due diligence investigations of VEPL have also been undertaken.

#### **ABOUT LORENA**

The Lorena gold deposit is situated about 15km east of Cloncurry in northwest Queensland (Fig. 1) and only about 2km from the Flinders Highway, near its junction with the Landsborough Highway (Fig. 2). The project lies within one granted mining lease (ML7147), on which the known deposit is located, and five adjoining mining lease applications (MLAs 90192 to 90196), grant of which is expected soon; together the ML and MLAs cover approximately 2.5km<sup>2</sup> (Fig. 2). The tenement package also includes two Exploration Permit for Minerals Applications (EPMA 18189 and EPMA 18307) in the Lorena vicinity that cover approximately 16km<sup>2</sup> (Fig. 2). The ML/MLAs are situated on a pastoral lease owned by BHP Billiton Limited, whose rail siding/load-out facility for concentrates from the Cannington Silver Mine is located about 2km to the south of the Lorena mine. Land access agreements with BHP Billiton are already in place and native title and aboriginal cultural heritage requirements have been met.

Drilling by the current and previous owners has intersected high grade gold mineralisation in several lodes that are exposed in a small open pit dating from the 1990s (Figs. 3, 4 and 5). The best mineralisation found so far is contained within A Lode (Fig. 3 and Figure 6) that strikes SSE and is intersected by B Lode, striking WNW, within the existing pit. Sampling and assaying by Malachite during its Due Diligence technical appraisal returned a number of high to very high grade gold assays for exposures of these and other lodes in the existing pit (Fig. 3). For example, continuous rock chip sampling by Malachite across an incomplete exposure of A Lode in the bottom of the pit (beneath a shotcreted pit wall, Fig. 4) delineated a zone averaging 29.9g/t Au over 10.9m true width (Fig. 4). Included within this, on the footwall side, is a very high grade gold zone comprising 4.6m @ 69.2g/t Au; this zone is open to the north (i.e. further into the unexposed footwall; Fig. 4). On the hanging wall side there is a copper-gold zone comprising 3.8m @ 1.34% Cu and 1.39g/t Au, which is open to the south (i.e. further into the unsampled hanging wall; Fig. 4).

Some excellent gold intersections have been recorded in recent diamond drilling by VEPL and these results are set out in Table 1. As part of its Due Diligence investigations Malachite completed four reverse circulation percussion drill holes at Lorena, the results of which are set out in Table 2. These holes were drilled in part as a check of existing holes and in part to ascertain ore continuity down dip and along strike. The two check holes satisfactorily matched previous results, while the other two holes, drilled along strike to the southeast of VEPL's LDD14, reported relatively weak gold mineralisation but intersected stronger than expected copper mineralisation, with associated gold (Table 2).

Preliminary conceptual modelling of the deposit indicates that most of the known gold mineralisation can be mined by open pit with attractive operating parameters. Metallurgical test work carried out by VEPL has found that the gold is amenable to better than 80% recovery by treatment on-site using a combination of flotation and cyanidation. Some of the high grade material may be amenable to simple gravity concentration on site and then sale as direct shipping ore.

The Company engaged Behre Dolbear Australia Pty. Limited ("BDA") to provide an independent technical report on Lorena to the Directors. A synopsis and summary of the key findings of the BDA report will be made available to shareholders in the near future as part of the Notice for a General Meeting of the Company to be held to allow approval of the Lorena transaction by shareholders.

#### **ACQUISITION TERMS**

Key components of the Lorena acquisition terms are as follows:

1. A conditional Share Sale Agreement ("SSA") has been signed by Malachite and the existing VEPL shareholders ("Sellers").
2. Pursuant to the SSA, the Sellers will vend VEPL into Malachite for shares, giving them in aggregate approximately a two thirds stake in the enlarged company.

3. No VEPL shareholder or associate will acquire more than a 20% shareholding in Malachite.
4. There is no cash consideration.
5. Completion of the acquisition is subject to a number of conditions precedent, the key ones being:
  - a. Completion of final due diligence investigations;
  - b. The grant of five mining lease applications at Lorena to VEPL<sup>1</sup>; and
  - c. Approval of the transaction by the shareholders of Malachite.
6. Once all conditions precedent have been satisfied, Completion of the acquisition will require Malachite to issue 350,000,000 new Malachite shares to the Sellers, priced at 6c each, and the Sellers to transfer all of their shares in VEPL to Malachite.
7. The Sellers have also been given a right to avoid dilution that could occur in the future as a result of the issue of shares to Nanyang Mining Resources Investment Pty. Limited (“Nanyang”) pursuant to the terms of a \$1 million convertible note held by Nanyang, or due to the exercise of options held by Nanyang.
8. This right is in the form of an option to subscribe, in cash and at the same price as shares issued to Nanyang, for sufficient new shares to maintain the Sellers *pro rata* interest.
9. After Completion, the Sellers will be invited to nominate two of their number for appointment to the Malachite Board.
10. All of the existing Malachite directors will remain on the Board, at least for the time being.

The acquisition cost of Lorena to Malachite can be assigned to three components of value. The first of these is the potential for economic extraction by open pit mining of the known resources within ML7147, together with the existing mine infrastructure at the site. The second part of the value relates to the excellent exploration potential of the project, both within ML7147 and, especially, within the ground covered by the MLAs and EPMAAs. The balance of the acquisition cost can be assigned to the business opportunity that Lorena represents for Malachite, allowing the Company to advance rapidly to producer status.

#### **ABOUT VEPL**

Volga Elderberry Pty. Limited is a private company that owns the tenements at Lorena as well as additional tenements at Volga, Mt Lidster and Mt Cobalt, also in the northwest Queensland region. Malachite has previously explored at Volga and Mt Lidster, in joint venture with VEPL. Under the terms of the acquisition, all but the Lorena tenements will be excised from VEPL’s ownership, leaving only the Lorena Gold Project and its associated assets within VEPL, allowing Malachite to concentrate its efforts at Lorena.

#### **HISTORY**

The Lorena project was discovered in the early 1980s by a prospector and a small open pit was developed, extending around 130m east-west and to a depth of approximately 20m (Fig. 5). Parcels of high grade ore were direct-shipped for toll treatment to various sites, including the Selwyn carbon-in-leach (“CIL”) plant some 120km south and Ravenswood CIL plant some 750km east of Lorena. Historical records show the treatment of around 18,000t at a grade of approximately 17g/t Au and recovery of approximately 8,000ozs. A small heap leach operation was also established on site to treat the lower grade ore. The Lorena property was explored by Cyprus Gold Australia Corp. (“Cyprus”) and Amalg Resources Pty. Limited (“Amalg”) prior to 2000. VEPL acquired Lorena in 2009 and since then has spent a considerable sum in environmental remediation, safety management, site infrastructure and diamond drilling.

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<sup>1</sup> It should be noted that grant of the MLAs is a condition precedent to Completion because without them development of Lorena as an open pit mine is not economically viable and the value inherent in the known resources could not be realised.

### **GEOLOGY AND EXPLORATION**

There have been three phases of exploration drilling to date: 52 reverse circulation percussion holes were drilled by Cyprus and Amalg prior to 2000 and 13 diamond core holes have been drilled by VEPL in more recent times. Rock chip and soil geochemistry has also been undertaken by previous explorers in parts of the area covered by the MLAs.

The mineralisation at Lorena is contained within siltstones and meta-volcanics of the Toole Creek Volcanics, part of the Proterozoic Soldiers Cap Group, just to the north of their contact with the older Corella Formation calcareous meta-sedimentary rocks and breccias. Mineralisation is developed within steeply south-dipping shear zones, up to 12m wide, that strike east-west and northwest-southeast within ML7147 (Fig. 6). The shear zones comprise sedimentary units, breccias and fault gouge with quartz-carbonate-sulphide pods. These sulphide-rich pods contain arsenopyrite, pyrite, pyrrhotite, chalcopyrite and bismuthinite. There is a strong but not exclusive association between gold and arsenopyrite, although the highest grades of gold do correlate well with abundant arsenopyrite. Minor copper mineralisation, as chalcopyrite, occurs within the main gold zones and much stronger copper mineralisation is also present in what may be separate, sub-parallel structures that also carry some gold (see Fig. 4 for example).

No exploration has been carried out by VEPL on the ground covered by the MLAs, pending grant of title, but the historic information clearly indicates excellent exploration potential in this area, with highly anomalous gold in soil and rock chip samples.

### **RESOURCE ESTIMATION**

Resource estimates have been carried out in the past by both Cyprus and Amalg, and more recently by VEPL. VEPL's resource estimate was assessed and reviewed by their independent consultant (please refer to Competent Person Statement below). The VEPL estimate used a 2D section-based model and comprises a measured resource, for 'A Lode' only, totalling 177,800 tonnes @ 9.8g/t Au, for approximately 56,000 ounces of contained gold. An additional inferred resource of 95,000 tonnes grading 7.2g/t Au, for approximately 22,000 ounces of contained gold, has been estimated by VEPL for 'B Lode'.

Malachite's technical advisor, BDA, has reviewed these estimates and believes them to be reasonable, although BDA have suggested that some of the 'A Lode' resource might be better categorised as 'indicated' rather than 'measured'. There is strong evidence that both resource blocks are open along strike and at depth and future drilling will target these potential extensions.

### **FUTURE PLANS**

Malachite is very keen to bring Lorena to production in the shortest timeframe possible and the economic evaluation necessary for that to happen will commence immediately after Completion. This work is expected to include planning and implementation of infill drilling within the existing resource to upgrade its quality and quantity and to delineate a mining reserve that will be the basis of a feasibility study. While that is taking place, additional mining scoping studies will be completed, together with refinement of the metallurgical flow sheet. Revision of the existing environmental approvals will also be required to recognise the specific details of the proposed mine development and operation. These issues are not regarded as major barriers to development of the mine, as currently envisaged. Mine planning operations will extend to adjoining parts of the area presently covered by the MLAs, as ML7147 is by itself too small to allow development of an open pit mine. Sterilisation drilling<sup>2</sup> will be undertaken at proposed mine infrastructure sites.

Malachite also plans to commence further exploration at Lorena once the MLAs and EPMA's are granted. This will involve geological mapping and geochemical surveying of the MLA and EPMA areas to define additional drill targets, together with the application of appropriate geophysical techniques. After that, reconnaissance exploration drilling will test extensions of the Lorena lodes at depth and immediately along strike, as well as any new targets defined by exploration on the MLA and EPMA areas.

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<sup>2</sup> i.e. drilling to confirm that proposed infrastructure sites are not underlain by economic mineralisation.

Subject to confirmation of an adequate mineable reserve, completion of a final feasibility study and obtaining the necessary finance, the Company aims to develop an open pit gold mine at Lorena producing around 25,000 ounces of gold per annum as an initial target. There is good scope to expand production as additional resources and reserves are delineated and if all goes well, gold production could commence before the end of 2011.

#### **GENERAL MEETING**

A general meeting of the Company will be held as soon as possible to allow shareholders to consider and if thought fit approve the acquisition of Volga Elderberry Pty limited and the Lorena Gold Project. A Notice of Meeting will be despatched to shareholders in the near future. The Notice will contain a summary of the report prepared for the Company by its independent technical advisors, Behre Dolbear Australia Pty Limited, including key findings of the BDA investigation and important supporting information about the project.

For further information please telephone Garry Lowder on 02 9411 6033 or email the company at [info@malachite.com.au](mailto:info@malachite.com.au) and visit the website: [www.malachite.com.au](http://www.malachite.com.au)



G. G. LOWDER

Managing Director

29 September 2010

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#### **COMPETENT PERSON STATEMENTS:**

*The information in this report that relates to Exploration Results is based on information compiled by Dr Garry Lowder and Mr Michael Donnelly, who are full time employees of the Company and are respectively a Fellow and a Member of the Australasian Institute of Mining and Metallurgy. Dr Lowder and Mr Donnelly have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities 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 Donnelly consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.*

*The information in this report that relates to Mineral Resources is based on information compiled by Dr Keith W. Hannan, who is a Member of the Australian Institute of Geoscientists and an independent consulting geologist, operating under the trading name Geochem Pacific Pty. Limited. Dr Hannan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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.' Dr Hannan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

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**TABLES OF DRILL HOLE DATA****Table 1: Results of Diamond Core Drilling at Lorena by VEPL**

| Hole No. (LDD-) | Total Depth (m) | Azimuth (deg MGA) | Dip (deg) | Collar Coordinates MGA (UTM Zone 54) |          | From (m) | To (m) | Intercept Length [Approx. True Width] (m) | Grade g/t Au | Comments   |
|-----------------|-----------------|-------------------|-----------|--------------------------------------|----------|----------|--------|---|--------------|--|
|                 |                 |                   |           | Easting                              | Northing |          |        |   |              |  |
| 01              | 35.7            | 036               | -50       | 463431                               | 7708936  | 10.0     | 25.0   | 15.0 [13]                                 | 18.8         | To determine A Lode dip & down-dip continuity            |
| 02              | 50.8            | 036               | -70       | 463430                               | 7708936  | 12.0     | 23.0   | 11.0 [7]                                  | 8.0          | To determine A Lode dip & down-dip continuity            |
|                 |                 |                   |           |                                      |          | 30.0     | 37.0   | 7.0 [5]                                   | 6.9          |  |
| 03              | 35.4            | 161               | -60       | 463432                               | 7708932  |          |        |   |              | To test narrow splay off A Lode – no significant assays  |
| 04              | 76.0            | 006               | -60       | 463309                               | 7708920  | 35.0     | 39.0   | 4.0 [4]                                   | 7.5          | Twin of earlier RC hole LRC19 (3m @ 14.9 g/t Au)         |
| 05              | 100.0           | -                 | -90       | 463434                               | 7708994  |          |        |   |              | Vertical geotechnical hole; no significant assays        |
| 06              | 61.6            | 059               | -50       | 463430                               | 7708928  | 25.7     | 28.0   | 2.3 [2]                                   | 14.1         | To determine A Lode dip & down-dip continuity            |
| 07              | 92.2            | 059               | -70       | 463430                               | 7708928  | 26.0     | 33.0   | 7.0 [5]                                   | 20.0         | To determine A Lode down-dip continuity                  |
| 08              | 62.0            | 007               | -55       | 463407                               | 7708948  | 5.0      | 16.4   | 11.4 [6]                                  | 8.2          | Twin of earlier RC hole LRC01 (7m @ 9.5 g/t Au)          |
| 09              |                 |                   |           |                                      |          |          |        |   |              | Hole not drilled   |
| 10              | 83.0            | 225               | -50       | 463484                               | 7708938  | 51.0     | 64.0   | 13.0 [5]                                  | 3.3          | Test of A Lode   |
| 11              | 107.0           | 223               | -50       | 463406                               | 7709002  |          |        |   |              | No significant assays; closes off A Lode at northern end |
| 12              | 57.1            | 225               | -50       | 463430                               | 7708991  |          |        |   |              | Hole abandoned due to drilling problems                  |
| 13              | 29.2            | 225               | -50       | 463470                               | 7708957  |          |        |   |              | Hole abandoned due to stuck rods                         |
| 14              | 104.2           | 045               | -85       | 463464                               | 7708893  | 39.3     | 65.5   | 26.2 [13]                                 | 21.1         | Oblique intersection of A Lode, testing ore variability  |

Assay intersections in Table 1 are length weighted averages of assays on half drill core (HQ-size) calculated with a 0.5g/t Au lower cut-off, a 2m minimum down-hole length and allowing up to 1.5m internal dilution within the interval.

**Table 2: Results of Due Diligence Drilling by Malachite at Lorena**

| Hole No.<br>LRMC- | Total Depth (m) | Azimuth (deg MGA) | Dip (deg) | Collar Coordinates MGA (UTM Zone 54) |          | From (m) | To (m) | Intercept Length [Approx. True Width] (m) | Grade g/t Au | Comments  |
|-------------------|-----------------|-------------------|-----------|--------------------------------------|----------|----------|--------|---|--------------|---|
|                   |                 |                   |           | Easting                              | Northing |          |        |   |              |   |
| 053               | 133             | 044               | -69       | 463440                               | 7708865  | 73       | 83     | 10 [7]                                    | 1.6          | Also intersected 10m @ 1.39% Cu from 73m        |
|                   |                 |                   |           |                                      |          | 96       | 98     | 2 [1]                                     | 0.6          | Also 2m @ 1.14% Cu from 96m                     |
| 054               | 103             | 074               | -60       | 463444                               | 7708866  | 84       | 86     | 2 [1]                                     | 0.5          | Also 2m @ 1.41% Cu from 84m                     |
| 055               | 103             | 006               | -60       | 463411                               | 7708888  | 68       | 75     | 7 [4]                                     | 9.3          | Twin of earlier RC hole LRC13 (14m @ 9.3g/t Au) |
|                   |                 |                   |           |                                      |          | 79       | 82     | 3 [2]                                     | 1.6          |   |
| 056               | 127             | 045               | -61       | 463415                               | 7708888  | 73       | 78     | 5 [4]                                     | 3.3          |   |
|                   |                 |                   |           |                                      |          | 82       | 91     | 9 [7]                                     | 5.2          |   |
|                   |                 |                   |           |                                      |          | 97       | 99     | 2 [2]                                     | 0.7          | Also intersected 5m at 1.46% Cu from 94m        |

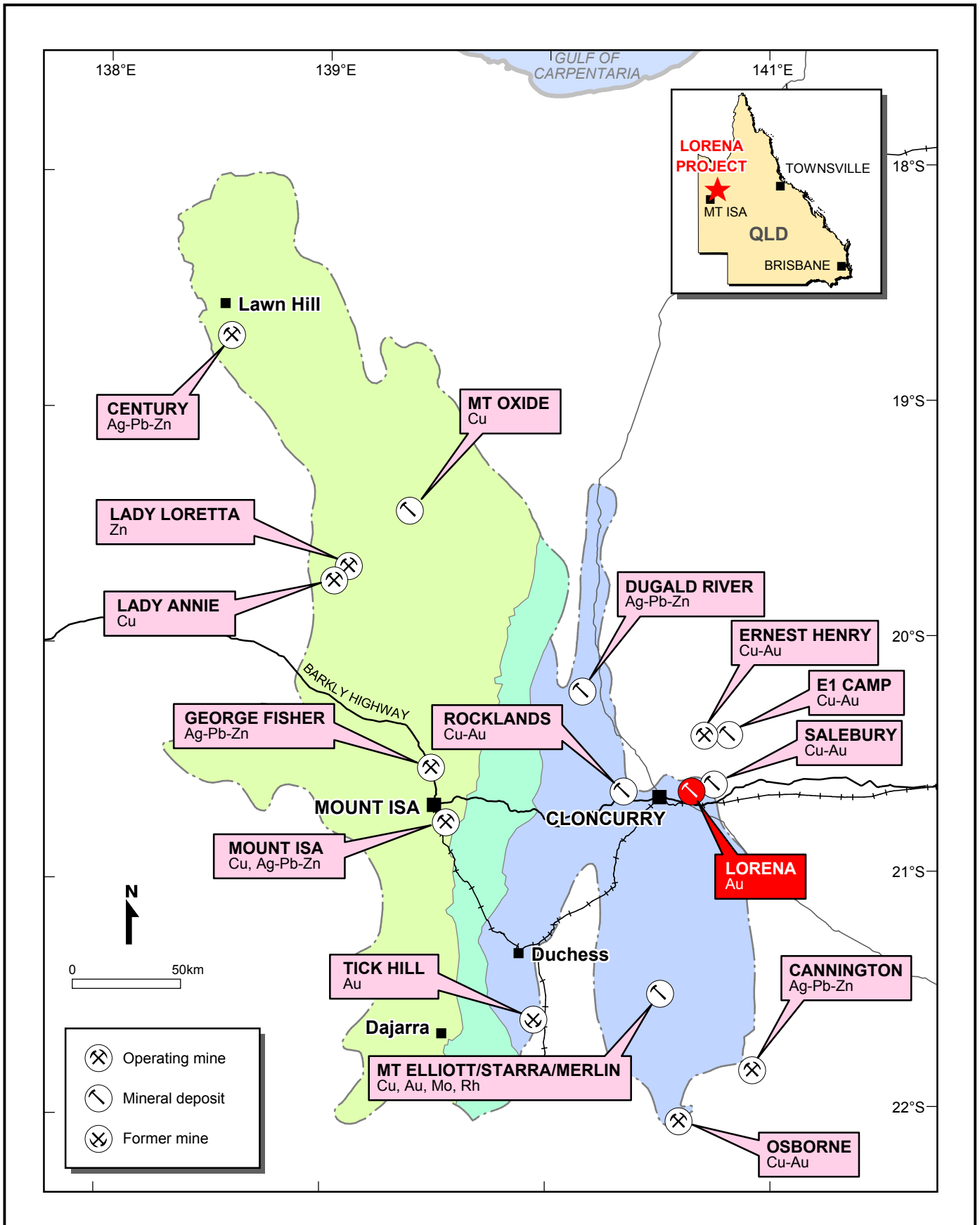
Assay intersections in Table 2 are from Malachite's August 2010 reverse circulation percussion drilling and were calculated with a 0.5g/t Au lower cut-off, a 2m minimum down-hole length and allowing 1m internal dilution within the interval.

**ABOUT MALACHITE** – Malachite Resources is a Sydney-based resources company that listed on the ASX in November 2002 and is an active explorer for gold, silver, tin, copper and associated base metals in eastern Australia. The Company's key assets are:

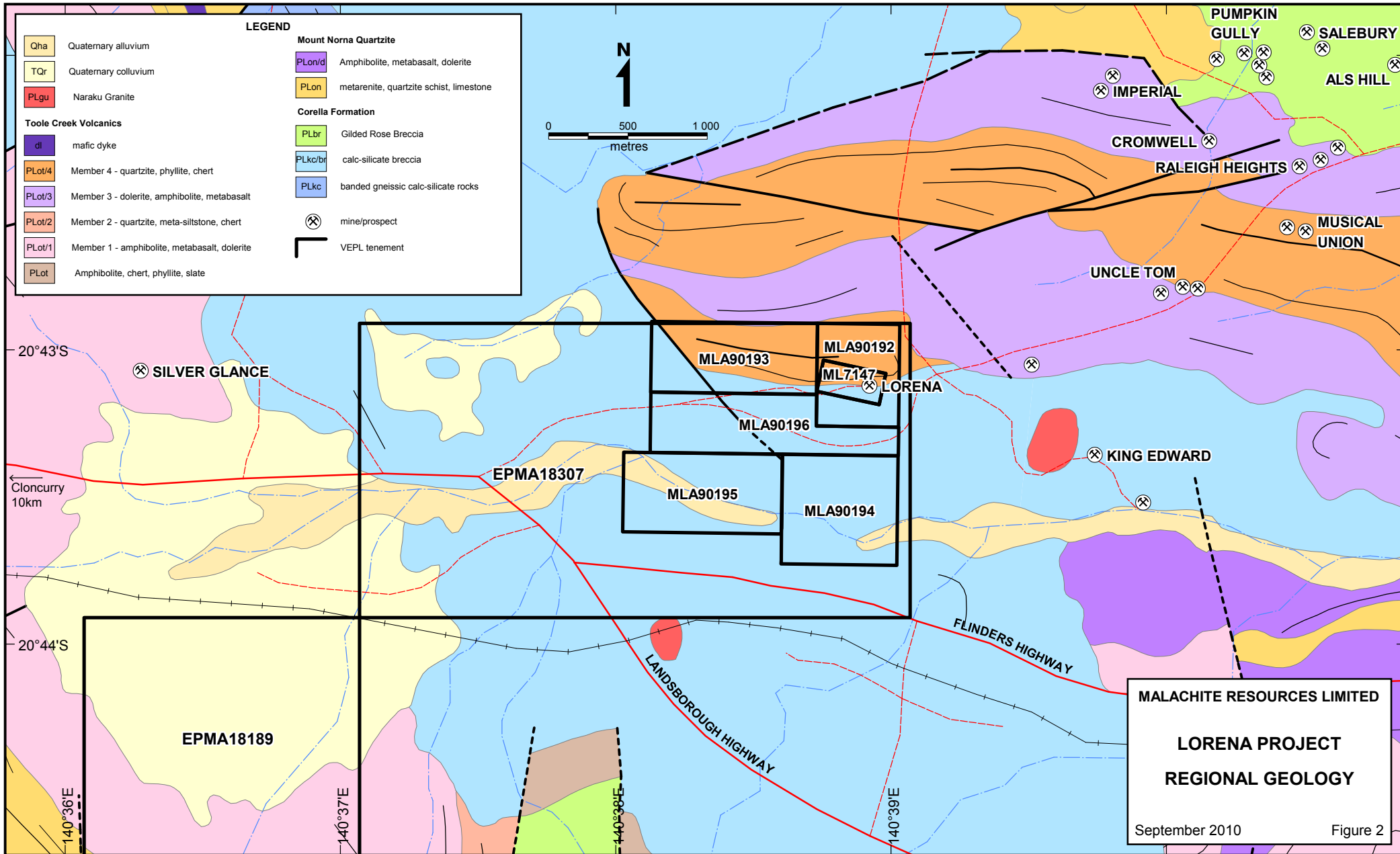
**CONRAD:** The Conrad Silver Project is located 25km south of Inverell in northern NSW. The Company is evaluating the scope to reopen the old Conrad mine, which has had two previous periods of production but has not operated for over 50 years. Drilling at Conrad by Malachite has intersected narrow high 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 50% of total recoverable metal value in the Conrad ore and tin, copper, lead and zinc make up the balance. The currently defined mineral resource at Conrad contains approximately 10Moz of silver, or 19Moz of silver equivalent. This resource remains open along strike and at depth.

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 paleo-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, determine an appropriate processing route and assess the economic viability of mining. Hard rock tin exploration is being conducted at Newstead and at Old Mill.

The **TOOLOOM GOLD PROJECT** also in northeastern NSW, is based on a forgotten goldfield rediscovered by Malachite. 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. Current focus is on the **Joos Gully** prospect, where recent drilling has produced encouraging results, with gold assays up to 28g/t Au within quartz vein stockwork systems that are thought to contain coarse grained free gold.



|                    |                             |  |  |
|--------------------|-----------------------------|--|--|
| <b>LEGEND</b>      |                             | <b>MALACHITE RESOURCES LIMITED</b>   |  |
| ■ Town             | □ Younger cover sequence    | <b>LORENA GOLD PROJECT<br/>LOCATION AND MAJOR<br/>METALLIC MINERAL DEPOSITS<br/>OF THE MT ISA DISTRICT</b> |  |
| — Highway          | ■ Eastern Succession        |  |  |
| — Sealed road      | ■ Western Succession        |  |  |
| — Railway          | ■ Kalkadoon Leichhardt Belt |  |  |
|                    |                             |  |  |
| Scale: 1:2,500,000 |                             | Date: September 2010   |  |
|                    |                             | Figure 1   |  |



**MALACHITE RESOURCES LIMITED**

**LORENA PROJECT**

**REGIONAL GEOLOGY**

September 2010

Figure 2



# GOLD & COPPER ASSAYS FOR CONTINUOUS ROCK CHIP SAMPLING

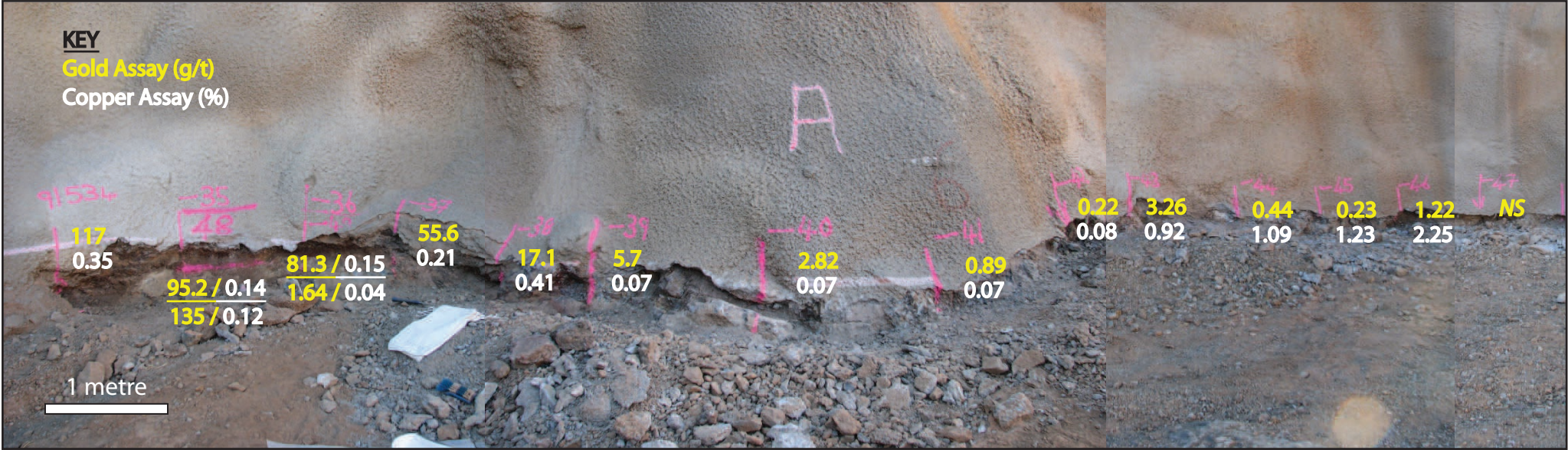


Photo-montage showing the base of the East Wall of Lorena Pit

**Figure 5: Lorena Gold Mine**

a and b: Aerial views of mining lease ML7147, showing open pit and old heap leach pads.

**a****b**

c: Lorena site office and sample preparation laboratory.



d: Lorena open pit; white arrows indicate locations of photos shown in Figure 6a (right arrow) and 6b (left arrow).



**Figure 6: Lorena Gold Mine****a: 'A Lode' exposure within open pit; blue dashed lines mark approximate margins of A Lode.****b: 'B Lode' exposure in open pit; blue dashed lines mark approximate margins of B Lode**