

MALACHITE RESOURCES LIMITED

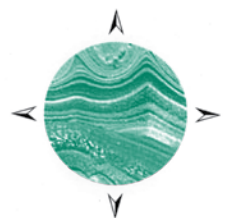


ABN 86 075 613 268

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR ATTENTION

This document does not take into account your individual circumstances. If you are in doubt about how to deal with it, please consult your financial or other professional adviser.



NOTICE OF GENERAL MEETING

NOTICE is given that a General Meeting of the Company will be held at:

Suite 1502, Level 15

Tower B

799 Pacific Highway

Chatswood NSW

at **10.00 a.m. on Wednesday 26 May 2010.**

1. Approve Issue of the first Convertible Note to Nanyang Mining Resources Investment Pty Ltd

To consider, and if thought fit, to pass the following resolution:

“That, for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the issue of shares by the Company to the parties as specified in section 1 of the Explanatory Memorandum annexed to and forming part of this Notice of Meeting, be approved”

The company will disregard any votes cast on Resolution 1 by:

- Nanyang Mining Resources Investment Pty Ltd; and
- any associate Nanyang Mining Resources Investment Pty Ltd.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Approve Proposed Issue of a second Convertible Note to Nanyang Mining Resources Investment Pty Ltd

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the Company:

“That for the purpose of Listing Rule 7.1 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the proposed issue by the Company of a Convertible Note to Nanyang Mining Resources Investment Pty Ltd as specified in Section 1 of the Explanatory Memorandum annexed to and forming part of this Notice of Meeting, be approved.”

The company will disregard any votes cast on Resolution 2 by:

- Nanyang Mining Resources Investment Pty Ltd; and
- any associate Nanyang Mining Resources Investment Pty Ltd.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Dated at Sydney, on the 22nd day of April 2010

By order of the Board



Andrew J. Cooke
Company Secretary

PROXIES

- A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy or not more than two proxies to attend and vote instead of the shareholder.
- Where two proxies are appointed:
 - i. a separate proxy Form, should be used to appoint each proxy;
 - ii. the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.
- A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held eg “the Chair of the Meeting”.
- In the case of shareholders who are individuals, the Proxy Form must be signed:
 - i. if the shares are held by one individual, by that shareholder;
 - ii. if the shares are held in joint names, by any one of them.
- In the case of shareholders who are companies, the Proxy Form must be signed:
 - i. if it has a sole director who is also sole secretary, by that director (and stating the fact next to, or under the signature on the Proxy Form);
 - ii. in the case of any other company by either two directors or a director and secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.

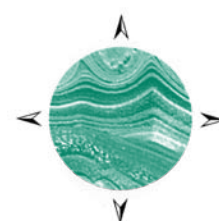
- If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other

authorisation (or a certified copy of it), as well as the Proxy form, must be received by the Company by the time and at the place specified below.

- A Proxy Form accompanies this notice. To be effective, your proxy must be received by the Company **no later than 48 hours before the time for the holding of the meeting:**
 - i. by **facsimile:** on 1 800 783 447 (within Australia) or +61 3 9473 2555 (from outside Australia) ;
or
 - ii. by **mail:**
Computershare Investor Services
GPO Box 242 Melbourne
Victoria 3001 Australia ;
or**iii. Lodge your vote online:**
www.investorvote.com.au using the Control Number and your SRN/HIN which are provided on the front side of your Proxy Form.

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

In accordance with the *Corporations Act 2001 (Cth)*, the directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the register of members as at 7.00pm on Monday 24 May 2010.



EXPLANATORY STATEMENT

EXPLANATORY STATEMENT

This Explanatory Statement contains an explanation of, and information about, the resolution to be considered at the General Meeting. It is given to Malachite Resources Limited's Shareholders to help them determine how to vote on the matters set out in the accompanying Notice of Meeting.

Shareholders should read this Explanatory Statement in full, because individual Sections may not give a comprehensive review of the proposals contemplated in this Explanatory Statement. This Explanatory Statement forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

Words or expressions used in the Notice of Meeting and in this Explanatory Statement are defined in the Glossary.

If you are in doubt about what to do in relation to the proposal, you should consult your financial or other professional adviser.

Resolutions 1 and 2.

Approve the issue of and the proposed issue of Convertible Notes to Nanyang Mining Resources Investment Pty Ltd

On 13 April the Company announced to the ASX that it had secured major new funding to reactivate drilling at the Conrad Silver Project. The new funding is being provided by the issue of two convertible notes to the Company's largest shareholder, Nanyang Mining Resources Investment Pty Ltd ("Nanyang").

ASX Listing Rule 7.1 limits the number of equity securities that a company may issue without member approval to 15% of the issued capital of the company in any 12 month period (subject to certain exceptions, including where prior shareholder approval is obtained).

If the issue of the securities has the prior approval of the shareholders in accordance with the proposed resolution, the issue will not be included in the 15% limit on the Company to raise funds without shareholder approval.

ASX Listing Rule 7.4 allows an issue of securities to be subsequently approved by shareholders and treated as having been made with approval of shareholders for the purpose of ASX Listing Rule 7.1.

Pursuant to **Resolution 1**, the Company is seeking subsequent shareholder approval for the issue of the first Convertible Note to Nanyang in the amount of \$1,000,000 under ASX Listing Rule 7.4 to refresh the Company's capacity to issue up to 15% of its issued shares, if required, in the next 12 months without the need to obtain shareholder approval.

Pursuant to **Resolution 2**, the Company is seeking shareholder approval under ASX Listing Rule 7.1 for the proposed issue of the second Convertible Note to Nanyang so that this number of securities is not included in the 15% calculation set out in ASX Listing Rule 7.1.

Together the issue of these two Convertible Notes (together referred to as the "Notes") to Nanyang will raise \$4,000,000.

The Notes are convertible into ordinary shares in the capital of the Company. The number of shares into which these Notes may be converted will depend on a number of factors:

- The period that the Notes remain on issue as this would determine the interest payable on the Notes. Interest is to be satisfied by the issuance of shares (refer to paragraph 3 of the terms of the Notes below).
- Whether the Company elects to satisfy its obligation to pay the face value of the Notes, in whole by the issuance of shares, or as to 50% by the issuance of shares (refer to paragraph 6 of the terms of the Notes below).
- The volume weighted average price at which the Company's shares are traded on the Australian Securities exchange over the 30 trading days prior to the due date for payment of principal and interest (refer to paragraphs 3 and 7 of the terms of the Notes below).

If the 30 day volume weighted average price at which the Company's shares were traded was \$0.065 (which is the volume weighted average price as at 21 April 2010), the principal amount of the Notes will be converted into 68,376,069 shares in the Company which represents 38.81% of the Company's current issued capital.

If the relevant calculation would result in the Noteholder acquiring a relevant interest in more than 20% of the Company's issued capital, the Company may elect to seek further Shareholder approval to permit this to occur, or to satisfy the excess by the payment of cash (refer to paragraph 9 of the terms of the Note below).

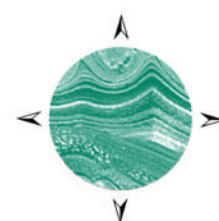
The purpose of the issue is to fund further exploration, evaluation and predevelopment studies of the Company's projects (for further details see paragraph 14 of the terms of the Note below).

The first Convertible Note will be issued and allotted by the Company upon the receipt in full and cleared funds of \$1,000,000 from Nanyang as subscription monies by not later than 15 May 2010.

The second Convertible Note will be issued and allotted within three months of the date of the General Meeting and subject to the receipt in full and cleared funds of \$3,000,000 from Nanyang as subscription monies by not later than 30 June 2010.

The Notes are to be issued on the following terms and conditions:

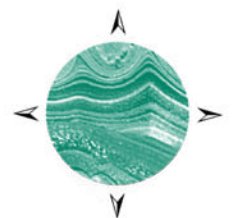
1. If not earlier converted, the face value of the first Convertible Note will be repaid in Australian Dollars in full without deduction or counter claim as to its face value of \$1,000,000 on the first anniversary of the date of this first Convertible Note.
2. If not earlier converted, the face value of the second Convertible Note will be repaid in Australian Dollars in full without deduction or counter claim as to \$1,000,000 on the first anniversary of the date of this Second Convertible Note and as to \$2,000,000 on the second anniversary of the date of this Second Convertible Note
3. Interest will accrue on the full face value of the Notes at the rate of 10% per annum and will be paid to Nanyang in Australian Dollars in full and without deduction or counter claim six monthly in arrears (the first such payment being on the date which is six months from the date of the issue of the second Convertible Note) or on the date of conversion of these Notes. Interest will be satisfied by issuing that number of ordinary shares in the Company being the amount payable divided by 90% of the volume weighted average price of ordinary shares in the Company traded on the Australian Securities Exchange over the 30 trading days prior to the due date for payment.
4. The Notes are unsecured.



EXPLANATORY STATEMENT continued

5. The Noteholder may demand immediate repayment of these Notes together with all accrued interest and the Company must immediately make the total payment so requested in cash upon the occurrence of any of the following events:
 - a. the Company fails to pay or repay the Notes and all interest accrued on the Notes when due and payable by it, or the Company fails to issue the shares on the conversion of the Note ("Shares") in accordance with clause 6.
 - b. the Company fails to perform any other undertaking or obligation of it under the Notes and that failure is not remediable;
 - c. if the failure described in clause 5(b) is remediable, and the Company does not remedy the failure, within five Business Days after receipt by the Company of a notice from the Noteholder specifying the failure;
 - d. if for any reason shareholder approval of the convertibility of these Notes is not obtained as required by clause 8, by 30 June 2010;
 - e. a judgment in an amount exceeding \$500,000.00 is obtained against the Company and is not set aside or satisfied within 15 business days;
 - f. a distress, attachment, execution or other process is issued against, levied or entered upon an asset of the Company in an amount exceeding \$500,000.00 and is not set aside or satisfied within 15 business days;
 - g. any of the following occur:
 - (i) an application is made;
 - (ii) an order is made; or
 - (iii) a resolution is passed or any steps are taken to pass a resolution,
 for the winding up of the Company;
 - h. any of the following occur:
 - (i) an administrator is appointed, or any steps are taken to appoint an administrator; or
 - (ii) a resolution to appoint an administrator is passed, or any steps are taken to pass a resolution to appoint an administrator,
 to the Company;
 - i. the Company is deregistered, or any steps are taken to deregister it or the Company;
 - j. the Company suspends payment of its debts generally;
 - k. the Company is:
 - (i) unable to pay its debts when they are due; or
 - (ii) deemed to be unable to pay its debts under applicable legislation;
 - l. the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, any of its or their creditors;
 - m. the Company ceases to carry on business.
6. Subject to paragraphs 8 and 9, the Company will satisfy its obligation to pay the whole face value of the Notes in accordance with paragraph 2 either by issuing such number of ordinary shares in its capital as shall be calculated in accordance with paragraph 7, or, at the Company's election, at least 50% of any such amount due in shares, with the balance being paid in cash. For the sake of clarity it is noted that not more than 50% of the amount due may be repaid in cash.
7. The number of shares to be issued on the conversion of the Notes will be the amount payable divided by the Conversion Price, where the Conversion Price is the lower of \$0.18 or 90% of the volume weighted average price of ordinary shares in the Company traded on the Australian Securities Exchange over the 30 trading days prior to the due date for payment.

8. It shall be a condition precedent to the convertibility of the Notes that Company shareholder approval has been obtained to such convertibility for the purpose of Listing Rule 7.1 of the Listing Rules of the Australian Securities Exchange. The Company covenants to use its best endeavours to obtain such shareholder approval by not later than 30 June 2010.
9. If, on any date that shares are to be issued pursuant to the Notes, the Noteholder would, as a result of the issuance of such shares, increase its relevant interest in the shares in the Company to more than 20%, the Company may at its election:
 - a. only issue such number of shares as shall increase the Noteholder's relevant interest in the Company to 20% and pay the balance in cash; or
 - b. seek shareholder approval for the issuance of such excess number of shares, in which case the Company will notify the Noteholder in writing and the relevant payment date will be postponed for a period of 10 weeks from the date of such notice.
10. Each Share issued pursuant to the Notes will rank equally in all respects with the then existing ordinary shares of the Company on issue.
11. The Company shall forthwith issue the Shares pursuant to and in accordance with the terms of the Notes and must apply to the ASX for quotation of all of the Shares issued on exercise of the Notes. Any such application is to be made in accordance with the requirements of the Listing Rules.
12. The Noteholder will not be entitled to attend or vote at any meeting of the members of the Company unless it, in addition to being the holder of the Notes is a member of the Company.
13. The Notes are not transferable.
14. The Company undertakes and agrees to use the proceeds raised from the issuance of the Notes to fund further exploration, evaluation and predevelopment studies of the Company's projects, beginning with the Conrad Silver Mine Project, pursuant to and in accordance with a program and budget approved by the Company's directors.
15. In the event that the directors of the Company determine that the Company requires further funding, the Company will negotiate in good faith with the Noteholder to give the Noteholder a first opportunity to provide such funding to the Company on commercial terms, whether by way of the issuance of further convertible note, ordinary shares or some other means until the total of all funding provided by the Noteholder (excluding funding provided during the calendar year 2009) equals \$10,000,000.
16. The Noteholder shall have no rights to dividends in respect of the Notes and shall have no interest in the shares the subject of the Notes unless and until the Notes have been converted and the shares issued.
17. The Company will not apply to the ASX for quotation of the Notes.



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