

# Malachite Resources Limited

ABN 86 075 613 268

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CHATSWOOD NSW 2067

P O Box 5218  
WEST CHATSWOOD 1515

Tel. (02) 9411 6033  
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## Non-Renounceable Rights Issue Offer Document

For

A non-renounceable *pro rata* offer of New Shares at an issue price of 5 cents each on the basis of 1 New Share for every 8 Shares held on the Record Date to raise up to the sum of \$3,500,000 approximately.

Funds are to be applied principally to advancement of the Lorena Gold Project towards feasibility and development.

**This document is important and requires your immediate attention.**

It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

**This document is not a prospectus.**

This Offer opens on 15 June 2011  
and  
**closes at 5.00pm Sydney time on 29 June 2011**

Valid acceptances must be received before that time.

**Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your entitlement.**

**This issue is not underwritten.**

Additional information about the Company may be found at the Company's website:

[www.malachite.com.au](http://www.malachite.com.au)

This Offer Document is dated 31 May 2011.



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## Non-Renounceable Rights Issue Invitation from the Chairman

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Dear Shareholder

It is with pleasure that I invite you to participate in the Company's new Rights Issue, which is being made to provide funds to advance our exciting Lorena Gold Project towards feasibility and development as an open pit gold mine. Full details of the Offer are set out in the main body of this document and you will find an illustrated update on Lorena in a report that is being released separately to the ASX.

The recent granting of five new mining leases at Lorena was a critical watershed for the project and for Malachite. With those additional leases we now have more than sufficient land area on which to develop a viable mine at Lorena, as well as additional exploration ground that we have a high confidence will deliver additional resources for the Lorena project.

When Malachite acquired Lorena it had a JORC resource of 78,000 ounces of gold contained within about 273,000 tonnes at a grade of 8.9g/t Au, which is a remarkable grade for an open pit resource. Our objective is to boost the contained gold resource to over 150,000 ounces as a base on which to develop a mine producing 50,000 ounces of gold per annum. The best target for expanding the resource was interpreted to be at depth below the existing ore body. The first phase of drilling by Malachite during April this year confirmed this and showed that the resource is completely open below about 85m from the surface (see Figure 1 on page 14). The April drilling could not trace the resource below 85m because the small size of ML7147 (then the only ground on which drilling could take place) did not allow drill collars to be stepped back far enough to follow the dipping lodes to greater depth. The grant of the new mining leases solves that problem, so the next phase of drilling will be able to follow the high grade trend shown in Figure 1 to much greater depth, with a likely commensurate increase in the defined mineral resource.

Once drilling resumes at Lorena I believe we can look forward to a flow of new results that should lead to a significant boost to the mineable gold resource. Funding that drilling and resource expansion work is the prime reason we are inviting you now to support your Company and take up your entitlement under the Offer. For a more detailed description of the proposed application of the funds to be raised under the Offer please see section 3.0.

Against a background of financial uncertainties in Europe and the United States, gold and silver have enjoyed strong support and price growth, which most commentators predict will continue. The recent correction in the rapidly rising silver price, where the market had clearly gone too far too soon, now seems to be behind us and as I write we are seeing gold and silver prices of around \$US1530 and \$US38 per ounce respectively. These are attractive prices for a producer of these metals and augur well for both Lorena in the short term and our Conrad Silver Project in the medium and longer term. For Malachite the outlook is enhanced even more by the high grade of the existing gold resource at Lorena, which is some three to four times that of most Australian open pit gold mines, implying scope for a low cost, high margin operation at Lorena.

For these reasons I urge you to recognise that Malachite is on the cusp of an exciting new stage in its growth and development as a mining company. I invite you therefore to take up your entitlement under the Offer and help us uncover and release to Shareholders the wealth we believe to be buried at Lorena.

Yours faithfully,



**G.G. LOWDER**  
Chairman



## **1.0 IMPORTANT INFORMATION**

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

### **1.1 Eligibility**

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's entitlement to participate in the Offer.

### **1.2 Overseas Shareholders**

No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia, New Zealand and Singapore. The distribution of this Offer Document in jurisdictions outside Australia, New Zealand and Singapore may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Offer Document does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document.

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an existing holder of Shares pursuant to Section 273(1)(cd) of the *Securities and Futures Act*, Chapter 289 of Singapore (the "SFA") or (ii) otherwise pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

### **1.3 Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

### **1.4 Not a Prospectus**

This document is not a prospectus and does not contain all of the information that an investor would find in a prospectus or which may be required to make an informed investment decision regarding, or about the Rights attaching to, the New Shares offered by this Offer Document.

## 2.0 DETAILS OF THE OFFER

### 2.1 The Offer

The Company hereby makes a non-renounceable *pro rata* offer of New Shares at an issue price of 5 cents each on the basis of 1 New Share for every 8 Shares held on the Record Date (“**the Offer**”). This represents a slightly greater than 20% discount to the volume-weighted-average-price of Malachite shares on the ASX for the 30 days up to the date on which this Rights Issue was announced to the ASX.

As at the Record Date, the Company had on issue 556,609,356 Shares. A maximum number of 69,576,170 New Shares will be issued under the Offer. Where the determination of the entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share.

The Offer is not renounceable. This means that Eligible Shareholders who do not wish to subscribe for some or all of their Rights are not able to transfer or sell their Rights to another person. Shareholders who do not exercise their Rights will be diluted with respect to their interest in the Company.

If fully subscribed the Company will raise gross proceeds of \$3,478,809 through the Offer, before deducting expenses of approximately \$15,000.

In addition to applying for their Rights, Eligible Shareholders may apply for further New Shares out of any Shortfall.

The Offer is made on the basis that, should there be a remaining Shortfall after completion of the Rights Issue, the Directors will have the right to place all or part of that remaining Shortfall to selected investors without further approval from Shareholders within 3 months after the close of the Offer at not less than the Offer price. Any participation by Directors in the placement of the Shortfall will, however, require Shareholder approval.

### 2.2 Purpose of the Offer

**The Offer contained in this document is being made principally to provide funding for the advancement of the Company’s Lorena Gold Project towards feasibility and development.**

Following the recent grant of five new mining leases at Lorena, the Company is now in a position to move ahead with its plans to make Lorena Malachite’s first operating mine. The aim is to expand the identified mineral resources sufficiently to allow definition of a mineable reserve on which to base a final feasibility study, with a view to commencing gold production in 2013 at the rate of 50,000 ounces of gold per annum.

**The new capital raised by this Offer will be applied primarily for that purpose.**

For a more detailed description of the proposed application of the funds to be raised under the Offer please see section 3.0.

### 2.3 Underwriting

The Offer is not underwritten.

## 2.4 Minimum Subscription

The Offer is subject to a minimum subscription of \$1,000,000. If that sum is not raised pursuant to the Offer, or by placements made at not less than the issue price by the Closing Date, all subscription monies that are received under the Offer will be returned to subscribers without interest as soon as practicable after the Closing Date.

## 2.5 Strategy in the Event that Funds Raised are Less Than \$3,500,000

If the Rights Issue is less than fully subscribed the Directors propose to raise additional funds by placements to sophisticated investors. Until that happens, activities would be scaled back to match available funding, with Lorena continuing to receive the highest priority for expenditure.

## 2.6 Directors' Participation

The Directors propose to take up part or all of their entitlements under the Offer. In doing so, any unsecured loans to the Company from Directors will be applied in partial or full satisfaction, as the case may be, of the subscription payable by the relevant Director. Subject to Shareholder approval, any outstanding Directors' loan balances will subsequently be applied to further subscriptions under the Shortfall Facility (see Section 2.9 below).

As at the date of this Offer Document outstanding loans from Directors consist of the following:

<b>DIRECTOR'S NAME</b>	<b>AMOUNT OF EXISTING LOAN</b>	<b>NUMBER OF SHARES HELD</b>
Joel N. Bidois	\$300,000	90,781,905
James A. Dean	\$50,000	7,936,508
Garry G. Lowder	\$170,000	7,181,244

## 2.7 Timetable

<b>Offer Document lodged with ASX</b>	<b>31 May 2011</b>
<b>Existing Shares are quoted on an "Ex" basis</b>	<b>2 June 2011</b>
<b>Record Date</b> (date for determining entitlements of Eligible Shareholders to participate in the Offer)	<b>8 June 2011</b>
<b>Offer Document Despatched to Eligible Shareholders</b> (expected date of despatch of Offer Document and Entitlement and Acceptance Forms)	<b>15 June 2011</b>
<b>Opening Date</b>	<b>15 June 2011</b>
<b>Closing Date*</b>	<b>29 June 2011</b>
<b>Securities quoted on a deferred settlement basis**</b>	<b>30 June 2011</b>
<b>Company to notify ASX of undersubscriptions (if any) **</b>	<b>4 July 2011</b>

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<b>Allotment Date and deferred settlement trading ends**</b>	<b>7 July 2011</b>
<b>Trading commences for New Shares on ASX**</b>	<b>8 July 2011</b>
<b>Anticipated despatch date of holding statements for New Shares</b>	<b>12 July 2011</b>

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\* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

\*\* These dates are indicative only.

## **2.8 Entitlements and acceptance**

The entitlement of Eligible Shareholders to participate in the Offer was determined on the Record Date. Your entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

## **2.9 Ability for Shareholders to Participate in any Shortfall**

Eligible Shareholders in addition to applying for their Rights may, by completing the relevant box in the Entitlement and Acceptance Form and including the appropriate Application Monies, apply for such further number of New Shares out of any Shortfall which the Eligible Shareholder may specify in the Entitlement and Acceptance Form.

In the event that there is no Shortfall, the Application Monies relating to the Shortfall will be returned to the Eligible Shareholder as soon as practicable following the Closing Date without interest. In the event that applications from Eligible Shareholders to participate in the Shortfall exceeds the Shortfall, those applications will be scaled back *pro rata* in proportion to each applicant's shareholding as at the date of such scaling back, including New Shares allotted or to be allotted, and such number of New Shares produced from such scaling back will be issued to each such Eligible Shareholder.

In the event of a scaling back of applications to participate in the Shortfall as described in the preceding paragraph, Application Monies relating to Shares applied for but not issued will be returned to Shareholders as soon as practicable following the Closing Date without interest.

## **2.10 Opening and Closing Dates**

The Offer opens on the Opening Date, namely 15 June 2011. The Company will accept Entitlement and Acceptance Forms until 5.00pm Sydney time on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

## **2.11 Issue and despatch**

The expected dates for the issue of New Shares offered by this Offer Document and despatch of holding statements is specified in the timetable set out in Section 2.7.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do

so at their own risk.

## **2.12 ASX listing**

Application will be made to the ASX for official quotation of the New Shares. If the ASX does not grant quotation to the New Shares, the Company will repay, as soon as practicable, without interest, all application monies received pursuant to the Offer.

## **2.13 Overseas Shareholders**

**This Offer Document and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.**

The Company is of the view that it is unreasonable to extend the Rights Issue to Ineligible Shareholders, having regard to:

- the small number of Ineligible Shareholders;
- the number and value of the New Shares which would be offered to Ineligible Shareholders; and
- the cost of complying with the legal requirements and requirements of the regulatory authorities, in the respective overseas jurisdictions.

Accordingly, the Rights Issue is not being extended to any Shareholder whose registered address is outside Australia, New Zealand or Singapore. The Company reserves the right to treat as invalid any Entitlement and Acceptance Form that appears to have been submitted by an Ineligible Shareholder.

In particular, this Offer Document does not constitute an offer for sale of the New Shares or any Right to a security into the United States or to U.S. residents. The New Shares and Rights have not been, and will not be, registered under the U.S. Securities Act and must not be offered or sold within the United States or to U.S. residents unless they are registered under the U.S. Securities Act or an exemption from the registration required of the U.S. Securities Act is available.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia, New Zealand and Singapore are responsible for ensuring that taking up any Rights under the Rights Issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed. Where the Offer has been dispatched to a Shareholder domiciled outside Australia, New Zealand or Singapore and where the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by this Offer Document, the Offer Document is provided for information purposes only.

## **2.14 Taxation implications**

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

## **2.15 Risk factors**

Malachite is subject to a number of risks and other factors that may impact both on its future performance and the market price at which its Shares trade. Broadly, these risks can be classified as risks general to investing in the stock market and risks specific to an investment in Malachite.

The New Shares issued under this Offer do not carry any guarantee of profitability, dividends or the price at which they trade on ASX. The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors of which investors need to be aware. However, before taking up any Rights or investing in Malachite, the Directors strongly recommend investors examine the contents of this Offer Document in its entirety and information about the Company and its projects and consult their professional advisers before deciding whether to subscribe for New Shares pursuant to this Offer.

### **General Risks**

As with all stock market investments, there are risks associated with an investment in Malachite. Share prices may rise or fall and the price of Shares might trade below or above the issue price for the New Shares under this Prospectus.

General factors that may affect the market price of Malachite Shares include:

- economic conditions in both Australia and internationally;
- investor sentiment and local and international share market conditions;
- changes in interest rates and the rate of inflation;
- changes in metal prices;
- changes to government regulation, policy or legislation;
- changes in exchange rates; and
- the nature of competition in the industry in which Malachite operates.

### **Specific risks relating to Malachite**

#### ***Lorena Gold Project***

The Lorena Gold Project in broad terms consists of the exploration, evaluation and possible development of a gold deposit located approximately 15km east of Cloncurry in northwest Queensland. It is proposed to continue resource definition and further exploration drilling at Lorena during the second half 2011, with a view to expanding the total resource and converting part of it to a mineable reserve. A mining feasibility study is expected to follow the resource upgrade. Specific risks relating to Lorena include but are not limited to:

- The existing resource may not extend to depth or along strike sufficiently to allow definition of a gold deposit that can be mined economically at the rate proposed.
- Expected repetitions or additional deposits on the adjoining tenements may not be found or if found may not be economic to mine.
- Further metallurgical investigations may reveal problems in obtaining sufficient

recovery of gold to render the project economic.

- A mining proposal for Lorena may encounter regulatory barriers which may restrict access to or advancement of the project, causing extended delays.
- Development delays may occur due to shortages of skilled and unskilled labour.
- Delays or increased costs may result from heavy rain that commonly falls in the region during the tropical 'wet season'.

### ***Conrad Silver Project***

The Conrad Silver Project consists of the exploration, evaluation and possible development of a polymetallic (silver-tin-copper-lead-zinc) mineral deposit located approximately 25km south of Inverell in northern New South Wales. It is proposed to carry out additional scoping studies in 2011 with a view to better assessment of the project's potential economic viability. It is also the Company's intention to seek a joint venture partner to fund further exploration and evaluation of the Conrad project. Specific risks relating to Conrad include but are not limited to:

- The proposed joint venture may not eventuate.
- Future drilling may fail to intersect the anticipated extensions to the known resource.
- The average grade of the identified resource may not be high enough to support economic mining.
- Metallurgical investigations may reveal problems in recovering sufficient of the contained metals to render the project economic.
- Regulatory barriers may restrict access to or advancement of the project, causing extended delays.

### ***Other Projects***

All of Malachite's other projects are at the exploration stage only and thus all the inherent risks of exploration remain for each of them.

### ***Price Fluctuations***

Gold, silver and other metal prices have a substantial impact on the exploration for, and development and operation of, mining projects and consequently on the value of the Company's Shares.

### ***Currency Fluctuations***

The future value of the Company's Shares and options may fluctuate in accordance with movements in foreign currency exchange rates.

### ***Taxation***

The Company's profitability may be affected by changes in Australian and State government taxation laws and policies, including royalties payable in respect of mining operations in New South Wales and Queensland.

### ***Speculative Nature of Exploration and Mining***

Exploration for and mining of minerals is highly speculative and no assurance can be given that

production will be obtained from the areas in which the Company has or may acquire an interest, or that production and marketing of any materials discovered by the Company will prove to be economic.

***Environmental Risks***

Environmental risks are inherent in mining operations. The Company adopts practices which it believes are appropriate to minimise the potential of causing environmental damage in all its operations, but no assurance can be made that the Company will not be affected by environmental claims or issues in the future.

***Development Risk / Profitability***

The Company's commercial viability will be dependent upon the successful development and operation of the Lorena Gold Project together with any other activity that the Company may undertake. No assurances can be given that the Company will be able to initiate or sustain successful mining operations at Lorena or that operations will achieve commercial viability. Equally, no representation as to future profitability or dividends can be given.

***Production and Cost Estimates***

By their very nature, production and cost estimates and assumptions are inherently subject to significant uncertainties. Actual results may materially differ from the Company's estimates and assumptions and may materially and adversely affect the Company's commercial viability and future results.

***Government and Regulatory Approvals***

There can be no assurance that all of the relevant approvals and permits necessary to conduct mining operations will be granted by the relevant State government and regulatory authorities or that they will remain in good standing where already granted.

***Ore Reserves and Mineral Resource Estimates***

Ore reserve and mineral resource estimates are expressions of judgment based on knowledge, experience and industry practice, and may require revision on actual production experience. The mineral resources estimates previously disclosed to the market for Lorena and Conrad are necessarily imprecise and depend to some extent on statistical inferences, which may prove unreliable or be revised in the light of additional information that comes to hand.

***Other Risk Factors***

Other risk factors include those normally found in conducting business including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company.

***Stock Market Risks***

The market price of shares in the Company may be significantly adversely affected by a variety

## Malachite Rights Issue – June 2011

of factors including (but not limited to) perceptions of, or variations in, general market conditions, operating performance, commodity prices, project and country risk, Board and management strength and expertise and a broad range of other factors which may or may not relate to the operations of the Company.

The above list of risk factors should not to be taken as exhaustive of the risks faced by the Company or its Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its Shares.

Before any decision is made to subscribe for New Shares in the Company, the above matters, and all other matters described in this document must be carefully considered. The New Shares to be allotted pursuant to this Offer Document should be regarded as speculative in nature and carry no guarantee with respect to the payment of dividends, return of capital or their market value. Investment in the Company is regarded as speculative and neither the Company nor any of its Directors guarantees that any specific objective of the Company will be achieved or that any particular performance of the Company or its Shares, including the New Shares offered by this Offer Document, will be achieved.

### **3.0 PROPOSED APPLICATION OF NEW CAPITAL**

**The prime purpose of this Rights Issue is to fund further exploration and evaluation at the Lorena Gold Project, with a view to moving it as rapidly as possible towards final feasibility and development as an open pit gold mine.**

It is proposed to apply at least 70% of the funding to be raised by the Offer (including the possible subsequent placement of any Shortfall) to advancing Lorena. Application of funding to the Company's other projects will be minimal, sufficient to maintain the tenements involved in good standing and retain them as assets for the future.

All of the Company's programs and expenditure levels are subject to review and amendment in the light of ongoing results, available funding and the possible establishment of joint ventures.

#### **LORENA GOLD PROJECT – WORK PROGRAM FOR 2011**

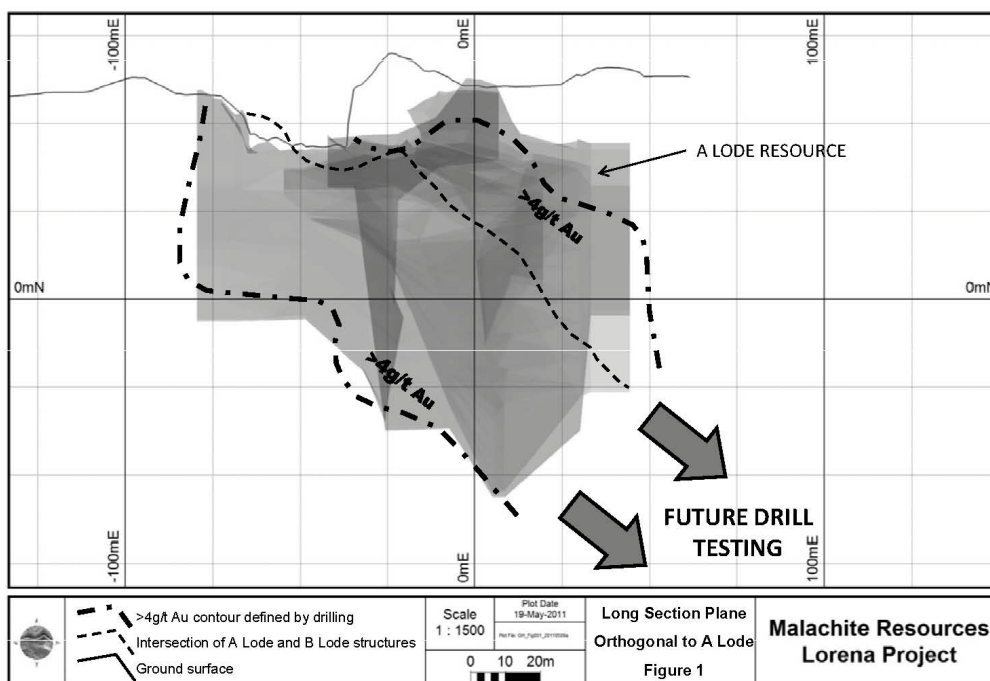
On 10 February 2011 the Company completed the acquisition of the Lorena Gold Project, which is located near Cloncurry, in northwest Queensland. On 20 May, 2011, the Company was notified that five additional mining lease applications at Lorena had been approved. With the initial acquisition and the subsequent grant of the new mining leases Malachite now has an outstanding opportunity to move rapidly from an exploration company, with no cash flow, to an emerging mining company, with potentially strong cash flow from a new gold mine at Lorena.

**For that to happen, the Company needs additional capital to fund drilling to increase the mineral resource inventory at Lorena and to convert at least part of that resource inventory into a mining reserve on which a final feasibility study can be based.**

The work program planned for Lorena in 2011 is for the most part, and subject to funding, drilling-intensive. The aim is to enhance the mineral resource size and quality to a point where a mineable reserve can be delineated and a feasibility study can commence for development of Lorena as an open pit gold mine producing up to 50,000 ounces per annum. The rationale for focussing on Lorena in this way is that it is believed to represent the fastest and most economical route to mineral production and substantial cash flow for the Company.

The initial part of the 2011 drilling program, involving approximately 2,000m of reverse circulation percussion ("RCP") drilling, was completed by late April, 2011. This drilling took place wholly within ML7147, as at that time the Company was still awaiting grant of new tenements over adjoining ground. Those new tenements (comprising five new mining leases covering 216 hectares) have now been granted and when drilling resumes the Company will no longer be confined to ML7147. The small size of ML7147 (8 hectares) has meant that up till now drill rigs could not be set back far enough from the ore body to be able to drill into it, at an angle, deeper than about 85m below surface. Furthermore, now that the new mining leases have been granted, exploration and drilling of attractive targets within them can take place. The primary aim of further drilling in 2011 is to boost the mineral resource to at least 150,000 ounces of contained gold.

The results of the April, 2011 drilling confirm the high grade nature of the Lorena deposit. Importantly, the recent drilling has helped delineate the shape and plunge of the high grade core of the Lorena ore body, which will significantly improve the effectiveness of the next phase of drilling. Figure 1 is reproduced from the Company's 19 May 2011 ASX release and shows that high grade zone of A Lode, which is open at depth as it plunges to the southeast.



In parallel with the proposed drilling, exploration to identify new targets will take place on the Company's new tenements nearby, including both the new Mining Leases and new Exploration Permits (one of which is already granted). This is likely to involve geological mapping and geochemical sampling of rock outcrops and soils in selected areas. Some of these target areas are known to contain gold-anomalous and base metal-anomalous gossan outcrops, as well as unconfirmed reports of relatively recent small scale alluvial gold production by dry-blowing.

In addition to the resource drilling at Lorena, there are plans to drill two deeper diamond core holes (each roughly 300m deep) aimed at testing for extensions of the Lorena ore body at depths below likely future open pit mining and thus helping to assess the scope for future underground mining at Lorena. Malachite applied for funding from the Queensland Government, under the Collaborative Drilling Initiative of its Greenfields 2020 Program, for this more speculative, deeper drilling at Lorena. The application was successful and the sum of \$66,000 is to be provided by the Queensland Government as dollar for dollar matching funding for direct drilling costs of the proposed two deep diamond drill holes at Lorena.

As the drilling program progresses mineral resource estimates will be revised and upgraded to mineable reserve estimates. Considerable attention will also be given to metallurgical test work, pit optimisation modelling, engineering studies, waste rock characterisation studies and plant design. The results of these investigations will form the inputs to a final feasibility study, which is planned to commence before year-end, provided sufficient drilling has been completed by that time.

**CONRAD SILVER PROJECT – WORK PROGRAM FOR 2011**

Conrad is one of Malachite's key assets and is located about 25km south of Inverell in northern New South Wales. The notional value of Conrad has increased significantly in recent times, in line with strong increases in the prices of silver and tin, which are the two main economic components of the Conrad Lode, respectively representing 45-50% and 25-30% of the total metal value; the balance is made up by copper, lead, zinc and possibly indium (if it proves economic to recover). The Company has spent over \$9 million to date on the exploration and evaluation of the Conrad mineral system, where resources defined to date contain about 10 million ounces of silver, or about 19 million ounces of 'silver equivalent' (which takes account of the recovered value of the accessory metals).

## Malachite Rights Issue – June 2011

The known resources are open at depth and along strike. In addition, a number of high grade intersections have not yet been brought into the resource inventory because drill hole spacing is still too wide in their vicinity.

Assuming that the scoping work currently underway supports the potential economic viability of Conrad as a new mine, it is expected that the next step would be to gain access underground to provide a better understanding of lode geometry, grade variability and ground conditions for mining, and to allow more extensive bulk sampling for comprehensive grade distribution analysis and metallurgical studies. The Company proposes to seek a joint venture partner to help fund those further investigations at Conrad.

### **PIKEDALE PROJECT – WORK PROGRAM FOR 2011**

The Pikedale Project is located about 30km west of Stanthorpe in southern Queensland. The principal focus for field work at Pikedale in 2011 is the Lickhole Prospect, located in the north-central part of Malachite's EPM18166. At Lickhole, ironstone outcrops have been mapped sporadically over a strike length of approximately 1.6km and rock chip sampling of the ironstone outcrops has indicated that they are distinctly (and locally highly) anomalous in copper, zinc and silver, with maximum values (in different samples) of 7.93% Cu, 6.28% Zn and 71g/t Ag. In late 2010 the Company undertook a geophysical survey (IP) at Lickhole that detected two strong chargeability anomalies more or less beneath the ironstone outcrops. These anomalies are thought to reflect significant sulphide mineral accumulations and as such they represent attractive targets for drilling. Accordingly, an initial program of RCP drilling is planned for Lickhole, to take place, subject to funding and drill rig availability, in the third quarter of calendar 2011. Malachite has applied for a grant under the Queensland Government's Collaborative Drilling Initiative to assist with funding this drilling.

### **OTHER PROJECTS – WORK PROGRAM FOR 2011**

Only very limited exploration activity is planned for the Company's other projects in 2011. These comprise mainly tenements held by Malachite to the east and south of Inverell, including Elsmore, Kings Gap and Tingha, as well as the Tooloom Gold Project, in the far northeast of New South Wales, about 40km east of the Queensland town of Stanthorpe.

## 4.0 HOW TO PARTICIPATE

If you wish to take up your Rights:

### 4.1 Taking up Your Rights in Full or in Part

If you are an Eligible Shareholder and you wish to take up all or part of your Rights, you must accept the offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Offer Document. This form will detail your entitlement to New Shares under the Offer. You should complete the form in accordance with the instructions set out on the reverse side of the form.

### 4.2 Participating in the Shortfall Facility

If you are an Eligible Shareholder and you wish to take up all of your Rights and also participate in any Shortfall you must accept the Offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Offer Document and specify the number of Shares that you wish to apply for out of any Shortfall.

### 4.3 Applications

The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft for the appropriate Application Monies (including any participation in a Shortfall) calculated at 5 cents in aggregate for each New Share. Please ensure that the completed Entitlement and Acceptance Form, together with your cheque, is received by the Share Registry **no later than 5.00pm Sydney time on 29 June 2011 (or such later date as the Directors may advise):**

**Mailing address:**

**Computershare Investor Services Pty Limited  
GPO Box 2987  
ADELAIDE SA 5001**

Cheques should be made payable to "Malachite Resources Limited – Share Purchase Account" and crossed "Not Negotiable".

Alternatively, a BPAY® option is also available. If you are accepting all or part of your Entitlement and payment is being made by BPAY, you are not required to return the Entitlement and Acceptance Form. Your BPAY payment must be received by no later than 5.00pm Sydney time on 29 June 2011.

### 4.4 Acceptance of applications under the Offer

Completing and lodging an Entitlement and Acceptance Form for the Offer or making a payment by BPAY is an offer by you to Malachite Resources Limited to subscribe for the number of New Shares specified in the Entitlement and Acceptance Form at the Issue Price on the terms and conditions set out in this Offer and the Entitlement and Acceptance Form.

An application may be accepted in respect of the full amount, or any amount greater than the full amount if additional New Shares are applied for, or any amount less than that specified in the Entitlement and Acceptance Form, without further notice to the relevant Eligible Shareholder. Acceptance of an application will give rise to a binding contract with acceptance to take place after the quotation of the New Shares on ASX.

## Malachite Rights Issue – June 2011

No stamp duty, brokerage or commission is payable by applicants.

Completed Entitlement and Acceptance Forms and Application Monies will not be accepted at Malachite's registered office or business premises.

### **4.5 If You Do Nothing**

If you are an Eligible Shareholder and you do nothing by 5.00pm Sydney time on 29 June 2011, being the Closing Date, your Rights will form part of the Shortfall which may be taken up by other Shareholders who elect to participate in the Shortfall and you will not receive any benefit.

## 5.0 DEFINITIONS

**“Applicant”** refers to a person who submits an Entitlement and Acceptance Form;

**“Application”** refers to the submission of an Entitlement and Acceptance Form;

**“Application Moneys”** means the moneys received from persons applying for New Shares;

**“ASX”** means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited;

**“Closing Date”** means 5.00pm Sydney time 29 June 2011;

**“Company”** means Malachite Resources Limited ABN 86 075 613 268;

**“Directors”** means the directors of the Company;

**“Entitlement and Acceptance Form”** means the Entitlement and Acceptance Form accompanying this Offer Document;

**“Ineligible Shareholders”** means Shareholders with registered addresses outside Australia, New Zealand and Singapore;

**“Listing Rules”** means the Listing Rules of the ASX;

**“Lorena Gold Project”** means the wholly owned gold project located approximately 15km east of Cloncurry in northwest Queensland, including MLs 7147, 90192, 90193, 90194, 90195 and 90196, EPM18189 and EPMA 18307 and 18908.

**“Malachite”** means Malachite Resources Limited ABN 86 075 613 268;

**“New Share”** means a new Share proposed to be issued pursuant to this Offer;

**“Offer”** means the non-renounceable *pro rata* offer of New Shares at an issue price of 5 cents each on the basis of 1 New Share for every 8 Shares held on the Record Date pursuant to this Offer Document;

**“Offer Document”** means this Offer Document dated 31 May 2011;

**“Opening Date”** means 15 June 2011;

**“Record Date”** means the date for determining Entitlements under the Offer, being 7.00pm Sydney time on 8 June 2011;

**“Right”** means the right of an Eligible Shareholder to subscribe for New Shares;

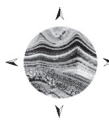
**“Section”** means a section of this Offer Document;

**“Share”** means an ordinary fully paid share in the capital of the Company;

**“Shareholder”** means a Shareholder whose details appear on the Company’s register of Shareholders as at the Record Date;

**“Shortfall”** means those new Shares not applied for by Eligible Shareholders pursuant to their Rights.

**“Shortfall Facility”** means the right for Eligible Shareholders to apply for Shares out of any Shortfall, as described in Sections 2.9 and 4.2.



# Malachite Resources Limited

ABN 86 075 613 268



**Please return completed form to:**  
Computershare Investor Services Pty Limited  
GPO Box 2987 Adelaide  
South Australia 5001 Australia  
Enquiries (within Australia) 1300 556 161  
(outside Australia) 61 3 9415 4000  
www.computershare.com/contact

Use a **black pen**.  
Print in **CAPITAL** letters  
inside the grey areas.

A	B	C
1	2	3

For your security keep your SRN/HIN confidential.

## Entitlement and Acceptance Form (including Additional Securities)

This personalised form can only be used in relation to the securityholding represented by the SRN or HIN printed above. This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, please consult your financial or other professional adviser.

### Non-Renounceable Entitlement Issue closing 5.00pm Sydney Time on 29 June 2011

Non-Renounceable Entitlement Issue of 1 New Share for every 8 Shares registered and entitled to participate at the record date at an issue price of A\$0.05 per New Share.

Receipt of the slip below by 5.00pm Sydney Time on 29 June 2011 with your payment, utilising the payment options detailed overleaf will constitute acceptance in accordance with the terms and conditions of the Offer Document dated 31 May 2011.

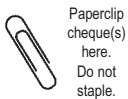
I/We enclose my/our payment for the amount shown below being payment of A\$0.05 per New Share. I/We hereby authorise you to register me/us as the holder(s) of the Shares allotted to me/us, and I/we agree to be bound by the Constitution of the Company.

A Securityholder Entitlement details	
Subregister	<input type="text"/>
Existing Shares entitled to participate at Record Date on 8/6/2011	<input type="text"/>
Entitlement to New Shares on a 1 for 8 basis	<input type="text"/>
Amount payable on full acceptance at A\$0.05 per New Share	<input type="text"/>
Entitlement Number	<input type="text"/>

131628 - V1

See back of form for completion guidelines

### ▼ PLEASE DETACH HERE ▼



Paperclip  
cheque(s)  
here.  
Do not  
staple.



**Malachite Resources Limited**

Please see overleaf for Payment Options

Ent:	Pay:
------	------



Billers Code:	<input type="text"/>
Ref No:	<input type="text"/>

**B** Number of New Shares applied for

**C** Number of additional Shares applied for

**D** Amount enclosed at A\$0.05 per New Share  
A\$

**E** Payment Details – Please note that funds are unable to be directly debited from your bank account

Drawer	Cheque number	BSB number	Account number	Cheque amount
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to Malachite Resources Limited - Share Purchase Account

**F** Contact Details  
Please provide your contact details in case we need to speak to you about this slip

Name of contact person

Contact person's daytime telephone number

# How to complete the Entitlement and Acceptance Form (including Additional Securities)

Please note that photocopies of this form will not be accepted. These instructions are cross-referenced to each section of the Entitlement and Acceptance Form.

**A** Details of your Entitlement based on your Securityholding at 7.00pm Sydney time on 8 June 2011 are shown in box A on the front of this Entitlement Form.

## **B** New Securities Applied for

You can apply to accept either all or part of your Entitlement. Enter in box B the number of New Shares you wish to accept from your Entitlement.

**Please ensure you complete Section B on the bottom of the form.**

## **C** Additional Securities Applied for

Enter the number of additional New Shares you wish to apply for (if any).

No Eligible Securityholder is assured of receiving any New Shares applied for in excess of their Entitlement and any amount by which applications from Eligible Securityholders exceed their Entitlements may be scaled back at Malachite Resources Limited discretion, in such manner as Malachite Resources Limited considers is reasonable in the circumstances.

**Please ensure you complete Section C on the bottom of the form.**

## **D** Acceptance Monies

Enter the total amount of acceptance monies payable. To calculate this amount, multiply the total number of New Shares applied for in box B, and if applicable, box C, by A\$0.05.

**Please ensure you complete Section D on the bottom of the form.**

## **E** Payment Details

You can apply for shares by utilising the payment options detailed below. **Please note that funds are unable to be directly debited from your bank account.**

By making your payment using either electronic means or by cheque, bank draft or money order, you confirm that you:

- agree to all of the terms and conditions as detailed in the Offer Document dated 31 May 2011

Your cheque, money order or bank draft must be made in Australian currency and drawn on an Australian branch of a financial institution. Such payment must be made payable to Malachite Resources Limited and crossed "Not Negotiable". Payments not properly drawn may be rejected.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Acceptance form being rejected. Paperclip (do not staple) your cheque(s) to the form where indicated. Cash will not be accepted. Receipt of payment will not be forwarded.

## **F** Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding the slip below.

The directors reserve the right to make amendments to this form where appropriate.

## Lodgement of Acceptance - Payment Options

If you are applying for shares and your payment is being made using BPAY®, you do not need to return the slip below. Your payment must be received by no later than 5.00pm (Sydney Time) on 29 June 2011. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order, the slip below must be received by Computershare Investor Services Pty Limited (CIS) Adelaide by no later than 5.00pm (Sydney Time) on 29 June 2011. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for securityholders in Australia. New Zealand holders will need to affix the appropriate postage. Return the slip below with cheque attached.

Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

## Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

**If you have any enquiries concerning this form or your entitlement, please contact CIS on 1300 556 161.**

This form may not be used to notify your change of address. For information, please contact CIS on 1300 556 161 or [www.computershare.com](http://www.computershare.com) (Certificated/Issuer Sponsored Holders only).

**CHES holders must contact their Controlling Participant to notify a change of address.**

131628 - V2

## Payment Options:



Billers Code:

Ref No:

Telephone & Internet Banking – BPAY

Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: [www.bpay.com.au](http://www.bpay.com.au)



**Malachite Resources Limited  
Computershare Investor  
Services Pty Limited  
GPO Box 2987  
Adelaide, South Australia 5001  
AUSTRALIA**