

MALACHITE RESOURCES LIMITED
(ABN 86 075 613 268)

RIGHTS ISSUE PROSPECTUS

For a pro rata, renounceable rights issue of 1 New Share and 1 New Option for every 4 Shares held at the Record Date and subscribed for, to raise approximately \$3.5 million, before issue costs (“the Offer” or “the Rights Issue”).

AND

The issue of 114,969,739 New Options

The Offer is fully underwritten by Patersons Securities Limited (ABN 69 008 896 311)

Important Notice

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered under this Prospectus should be considered speculative.

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SUMMARY OF IMPORTANT DATES

Announcement of Issue	2 September 2011
Lodgement Date (Prospectus lodged with ASIC)	6 September 2011
Trading of rights commences	9 September 2011
Record Date	15 September 2011
Trading of rights closes	28 September 2011
Trading of Rights Share commences on a deferred settlement basis	29 September 2011
Closing Date	6 October 2011 or such other date agreed in writing by the Company and the Underwriter
Shortfall Notice Deadline Date (notice of the Shortfall Securities and Certificate)	No later than 7 October 2011
Shortfall Settlement Date	No later than 13 October 2011
Allotment of Shortfall Securities and New Options	14 October 2011
Allotment of Underwriter Options	14 October 2011
Despatch Date	14 October 2011

This timetable is indicative only and subject to change. The Company in consultation with the Underwriter reserves the right to vary the above dates, subject to the Listing Rules and the Corporations Act.

IMPORTANT NOTES

Understanding this Prospectus

This Prospectus is dated 6 September 2011 and was lodged with ASIC on that date.

Neither ASIC nor ASX take responsibility for the content of this Prospectus. The Directors of the Company reserve the right to close the Offer earlier than the timetable or vary any of the important dates set out in this Prospectus without prior notice, including extending the closing date of the Rights Issue. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Company will apply to ASX for the New Shares and New Options to be granted Official Quotation within seven days of the date of this Prospectus. Application to ASX for Official Quotation of the Long Options will not be made until such time as all New Options have either been exercised or expire.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Refer to Section 2.13 for treatment of International Shareholders. Applications for New Shares, New Options and Shortfall Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or an Application Form which accompanies this Prospectus.

No person has been authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation that is not contained in this Prospectus may not be relied upon as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. Except as required by law, and only to the extent so required, neither the Company, nor any other person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Prospectus.

This Prospectus should be read in its entirety. The risks associated with investing in the Company are significant and potential investors should carefully consider those risks and seek professional advice before deciding whether to invest.

If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser. In particular, it is important that you consider the risk factors (see Section 5 of this Prospectus) that could affect the performance of the Company before making an investment decision.

Subject to the requirements of the Corporations Act and the Listing Rules, the Company reserves the right to vary the timetable summarised on page 3 of the Prospectus.

The projects referred to in this Prospectus are at an exploration stage only and as a consequence, investment in the securities offered by this Prospectus is speculative in nature.

Some words and expressions used in this Prospectus have defined meanings which are explained in Section 8.

Additional copies of this Prospectus are available from the registered office of the Company during normal business hours. A copy of the Prospectus can be downloaded from the website of the Company at www.malachite.com.au, or the website of ASX at www.asx.com.au. Any person accessing the electronic version of the Prospectus for the purposes of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Prospectus available on the Company's website does not include an Entitlement and Acceptance Form. Eligible Shareholders wishing to take up their Entitlement should complete the paper copy of the personalised Entitlement and Acceptance Form which accompanies a paper copy of this Prospectus.

The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus. Any person may obtain a hard copy of the Prospectus free of charge by contacting the Company (or downloading it from the Company's website).

INVESTMENT HIGHLIGHTS AND RISKS

Investment Highlights

The Company has two main projects, the Lorena Gold Project that it acquired in February this year and the Conrad Silver Project.

Lorena Gold Project.

The Lorena Gold Project, which is located some 15km east of Cloncurry in Queensland, has a JORC Measured Resource Estimate of 177,800 tonnes at 9.8g/t Au for 56,000 gold ounces and an Inferred Resource Estimate of 95,000 tonnes at 7.2g/t Au for 22,000 gold ounces giving a total resource estimate of 78,000 ounces of gold. In April 2011, the Company conducted a drill program which confirmed the high grade nature of the deposit and identified the potential for additional resources down plunge.

In May 2011, the Company was granted 5 additional mining leases adjacent to the acquired lease to allow exploration drilling and potential for open cut mining. After analysis of the April 2011 drilling results Malachite has recently commenced 2,500 metres of reverse circulation percussion drilling to test primarily for resource extensions down plunge.

The majority of proceeds raised from the Rights Issue will be spent on further exploration at Lorena including drilling of up to 5,000 metres over the next 9 months, aiming to grow the gold resource estimate to at least 150,000 ounces of gold. Upon the Company achieving at least 150,000 ounces of gold in resource estimate, the Company intends to commence feasibility study work on a 50,000 ounce per annum gold operation.

The Company recently announced the discovery of a previously unrecorded prospect, which the Company has named the Copperhead Prospect, located 5 kilometres south west of the Lorena Gold Project on EPM 18189 (which is 100% owned by Malachite). Importantly, assays returned from surface outcrop sampling were significant for both copper and gold. The prospect also occurs in the same geological formation that hosts the Lorena Gold Project.

Additional value adding activities planned for the 2012 Financial Year at Lorena include:

- mapping and soil sampling on the newly acquired mining leases (extensions along strike) at Lorena; and
- mapping and rock chip and soil sampling at the new Copperhead prospect.

Conrad Silver Project.

Malachite acquired a 100% interest in the Conrad Silver Project in 2002.

Since that date, a 19 million ounces of silver-equivalent resource has been defined by some 25,000 metres of drilling, mostly diamond drilling. The metal value contained in the resource comprises approximately Silver (55%), Tin (20%) and Copper-lead-zinc (25%).

The Company is completing a scoping study at Conrad to best define the approach to develop the project and target value adding exploration or development activities.

Key Risks

Shareholders and prospective investors should be aware that subscribing for New Shares, Shortfall Securities and New Options in the Company involves a number of risks. The risk factors set out in Section 5 of this Prospectus, and other general risks applicable to all investments in listed securities, may in the future affect the value of the Shares. Accordingly, an investment in Malachite should be considered highly speculative. As many of these risks are outside the control of the Malachite and/or its Directors, there can be no guarantee that Malachite can achieve its objectives.

We note the following major specific risks:

Speculative nature of investment in an exploration company

Mineral exploration is a high risk activity, with no guarantee of success.

Commodity and currency price volatility

Commodity prices are subject to influencing factors beyond our control and can be subject to significant fluctuations that could have a materially adverse affect on our operations and financial position.

Native title and Aboriginal heritage claims

In applying for certain tenements and carrying out exploration and/or mining operations, we must observe native title legislation (where applicable) and Aboriginal Heritage legislation which protects Aboriginal sites and objects of significance.

Tenure and access

Our tenements are subject to numerous State and Territory specific legislative conditions. The renewal of the term of a granted tenement is also subject to discretion of the relevant Minister and may not be granted or may be granted subject to adverse conditions.

Environmental risks

Mining is an industry that has become subject to increasing environmental responsibility and liability. We adopt practices which we believe are appropriate to minimise the potential of causing environmental damage in all our operations, but no assurance can be made that we will not be affected by environmental claims or issues in the future.

General economic factors

Our future possible revenues, operating costs, Share price and returns to Shareholders may be affected by a wide range of economic and business risk factors.

Exploration, development, mining and processing risks

There can be no assurance that exploration of the project areas described in this Prospectus, or any other projects that may be pursued in the future, will result in discovery of an economic mineral deposit.

While the Directors will make every effort to reduce the above risks through their experience in the exploration and mining industry, the fact remains that a commercially viable mineral discovery is very much the exception rather than the rule and success can never be guaranteed. Until we are able to realise value from our Projects, we are likely to incur ongoing operating losses and as a result the Company may seek additional funding by further capital raisings which will potentially result in further dilution for shareholders.

Further detail on the Risk Factors is set out in Section 5 of this Prospectus

1. CHAIRMAN'S LETTER

Dear Shareholder

It is with pleasure that I invite you to participate in the Company's new Rights Issue, which is underwritten by Patersons Securities Limited and is being made principally to provide funds to advance our Lorena Gold Project. As you are aware, the Company recently raised \$1 million by way of an issue of convertible notes. Those funds are being employed to implement the recently commenced drilling program at Lorena. The funds raised by the Company under this Rights Issue will provide additional funding for exploration at Lorena, allow the continuation of scoping studies at Conrad, and provide for working capital.

It was disappointing that the previous rights issue announced in May this year did not meet the minimum raising commitment of \$1 million.

The directors are of the view that this was mainly due to an adverse market sentiment for equity in companies such as ours brought about by macro factors beyond our control. It is noteworthy that the assets of Malachite have not changed and that the key commodity prices of our principal assets are higher than they were when the recent rights issue was offered.

The introduction of the convertible noteholders has provided the funds to enable us to carry out the next phase of exploration work at Lorena which is not only the main focus of the Company but is also likely to add value to this Company in the short term by helping transform the Company from an explorer to a developer. The Company has recently commenced the next phase at Lorena with a 2,500 metre reverse circulation percussion drill program to test for extensions down plunge to the known resource. The majority of funds raised will be spent on further drilling of up to 5,000 metres.

As announced previously, the recent granting of five new mining leases at Lorena was a critical watershed for the project and for Malachite. Those additional leases have provided us with additional land area on which to develop a viable mine at Lorena, as well as additional exploration ground that we believe may 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 of resource at a grade of 8.9g/t Au, which is a comparatively high grade for an open pit resource. Our objective is to boost the contained gold resource sufficiently to allow the development of a mine producing 50,000 ounces of gold per annum. The Company's geologists currently consider that the best target for expanding the gold resource is along strike from, and at depth below, the existing ore body. The first phase of drilling by Malachite took place during April this year and the results confirmed that the resource is open along strike to the southeast and at a depth below about 90m from the surface (see Figure 1 on page 21). The April drilling could not trace the resource below 90m 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 along strike and to greater depth. The grant of the new mining leases solved that problem, so the current phase of drilling will be able to follow the ore body trend shown in Figure 1 to the southeast and to greater depth, with a possible commensurate increase in the defined

mineral resource.

I believe we can look forward to a flow of encouraging new results from the resumption of drilling at Lorena, which should lead on to a significant boost to the resource. Funding the ongoing exploration and resource expansion and economic evaluation 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 2.18 and Section 3.

Against a background of financial uncertainties in Europe and the United States, gold and silver have enjoyed strong support and price growth. In the last month or so the trading ranges for gold and silver have been approximately US\$1600 - \$1900 per ounce and US\$38 - \$43 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 further by the comparatively high grade of the existing gold resource at Lorena, implying scope for a low cost, high margin mining operation.

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.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'G G Lowder', with a long, sweeping horizontal stroke extending to the right.

G G LOWDER
Chairman

2. DETAILS OF THE OFFER

This Section provides an overview of the Rights Issue. Before deciding whether to subscribe for New Shares and New Options under this Prospectus, you should read this Prospectus in its entirety.

2.1. The Offer

The Offer being made in this Prospectus comprises a renounceable Rights Issue and an offer of New Options to Patersons Securities Limited, as follows:

Rights Issue

Eligible Shareholders are offered the right to subscribe for new, fully paid ordinary shares in the Company ("New Shares"), at a price of 2.5 cents per share, on the basis of 1 New Share for every 4 Shares held at the Record Date.

Upon successfully subscribing for New Shares you will also be issued, with 1 free attaching option to subscribe for 1 fully paid ordinary share in the Company, exercisable at 5.0 cents on or before 15 June 2012 ("New Option"), on the basis of 1 New Option for each New Share issued.

For every New Option that is exercised, the holder will receive in addition to 1 new fully paid ordinary share arising from that exercise, a further 1 free attaching option to subscribe for 1 fully paid ordinary share in the Company, exercisable at 10.0 cents on or before 31 December 2014 ("Long Option").

Where fractions arise in the calculation of entitlements, they will be rounded up to the next whole number.

The number of New Shares to which an Eligible Shareholder is entitled is shown on the personalised Entitlement and Acceptance Form that accompanies the copy of the Prospectus sent to each Eligible Shareholder.

Only Eligible Shareholders are entitled to participate in the Rights Issue. Please refer to Section 7 for information about how to sell or take up your rights.

The Rights Issue will close on 6 October 2011 or such later date as the Directors may determine ("the Closing Date"). Notice of any decision to extend the period of the Rights Issue must be given at least 6 business days prior to the Closing Date by an announcement to ASX.

All New Shares issued pursuant to the Rights Issue under this Prospectus will rank equally with existing shares in the Company. The terms and conditions of the New Shares and the New Options are set out in Section 6.1.

New Options to Underwriter

In consideration for Patersons Securities Limited underwriting the Rights Issue, the Company has agreed to issue Patersons Securities Limited 114,969,739 Underwriter

Options. The Underwriter has the discretion to direct the Company to issue some or all of these New Options directly to sub-underwriters.

The terms of the New Options are set out in Section 6.2.

2.2. The Company's Placement Capacity

Upon completion of the Rights Issue, the Company will have, in accordance with Listing Rule 7.1, the capacity to issue up to 81,113,244 securities without having to obtain shareholder approval. It is therefore proposed that of the 114,969,739 Underwriter Options to be issued to the Underwriter, 81,113,244 will be issued within the Company's 15% capacity under Listing Rule 7.1 and the issue of the remainder will be subject to the prior approval of shareholders at a General Meeting of the Company. We have agreed to use our reasonable endeavours to hold a General Meeting, as soon as practicable after completion of the Rights Issue. In the event shareholder approval is not obtained by 30 November 2011, we will pay the Underwriter a cash payment of \$236,995.47 by 7 December 2011.

At the General Meeting referred to above, we will also seek ratification by shareholders of the issue of the convertible notes described within Section 2.15 of this Prospectus and the issue of shares which are to be issued to the convertible note holders upon conversion of the convertible notes.

2.3. Underwriting

The Rights Issue is fully underwritten by Patersons Securities Limited. A summary of the significant terms of the Underwriting Agreement is set out in Section 6.7 of this Prospectus.

2.4. Eligibility of Shareholders for the Offer

The Rights Issue Offer is made only to those Shareholders whose registered address is in Australia, New Zealand or Singapore as at 5.00pm (Sydney time) on the Record Date ("Eligible Shareholders").

Shareholders whose registered address is not in Australia, New Zealand or Singapore, or who become registered holders of Shares in the Company after the Record Date, are not eligible to participate in the Offer.

An Entitlement and Acceptance Form setting out Eligible Shareholders' Entitlements accompanies the hard copy of this Prospectus distributed to Eligible Shareholders.

Eligible Shareholders who do not take up their Entitlement in full may, as a result of this Rights Issue, have their percentage shareholding in the Company diluted.

Eligible Shareholders are also invited to apply for Shortfall Securities arising out of any existing Shareholders not taking up all or part of their Entitlement, by completing the section of the personalised Entitlement and Acceptance Form which deals with Shortfall Securities. Section 7.3 of this Prospectus provides further information regarding Applications for Shortfall Securities.

2.5. Public Offer

Members of the public who are not Eligible Shareholders whose registered address is in Australia may subscribe for Shortfall Securities under this Prospectus by submitting a properly completed Application Form. Members of the public whose registered address is not in Australia, may not subscribe for Shortfall Securities. The Entitlements of Eligible Shareholders will be satisfied in full prior to any Shortfall Securities being allotted to members of the public in respect of such Applications. Upon Entitlements of Eligible Shareholders being satisfied, Shortfall Securities will be allotted between Eligible Shareholders who have applied for Shortfall Securities, members of the public who submit a valid Application Form and sub-underwriters (at the discretion of the Underwriter).

An Application Form will be included in the Prospectus that is available on the Company's website.

2.6. Eligible Shareholder Entitlements

The Entitlement of each Eligible Shareholder is shown on the personalised Entitlement and Acceptance Form.

2.7. Closing Dates and Payment for Securities

The Closing Date for acceptance of Entitlement and Acceptance Forms and Application Forms is 5:00pm (AEST) on 6 October 2011.

Cheques must be drawn in Australian currency on an Australian bank and made payable to 'Malachite Resources Limited – Share Purchase Account and crossed 'Not Negotiable'. Shareholders are asked not to forward cash or postal notes by mail. Receipts for payment will not be issued.

Eligible Shareholders may submit payments for New Shares applied for using BPAY®. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form. If you make payment by BPAY®, you do not need to return your Entitlement and Acceptance Form.

Members of the general public may not make payment for Shortfall Securities via BPAY®.

2.8. Allotment of Securities

The New Shares and New Options will be allotted and issued and holding statements dispatched no more than 6 Business Days after the Closing Date.

Until the allotment and issue of the New Shares and New Options under this Prospectus, Application monies will be held by the Company in trust in a separate bank account maintained for that purpose only. Any interest earned on Application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place.

2.9. ASX Quotation

On or within 7 days of the date of this Prospectus we will make application for the New Shares and the New Options issued pursuant to the Offer to be granted quotation on the Official List of the ASX.

If ASX does not grant Official Quotation of the New Shares and the New Options within 3 months after the date of the Prospectus then the New Shares and New Options will not be allotted and Application monies will be repaid in full without interest.

Quotation of the New Shares and the New Options on the Official List of the ASX does not in any way indicate an endorsement by the ASX of the Company, our projects or the New Shares and New Options. The ASX takes no responsibility for the contents of this Prospectus.

2.10. CHESS System

We participate in the Clearing House Electronic Subregister System ("CHESS"). ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532) ("ASTC"), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Shareholders will not receive certificates for their New Shares and New Options but will receive a statement of their holdings indicating the allotment of their New Shares and New Options pursuant to their acceptance of the Offer made under this Prospectus.

Shareholders who are broker-sponsored will receive a CHESS statement from ASTC.

Shareholders registered under the Issuer Sponsored subregister will receive a statement from Computershare Investor Services Pty Ltd.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any month in which the balance of their shareholding or option-holding changes. Shareholders may also request a statement at any other time, although a charge may be made for this additional service.

2.11. Rights Trading

The Rights are renounceable. This provides Eligible Shareholders who do not wish to subscribe for some or all of the Rights an opportunity to sell those Rights.

Trading of Rights will commence on 9 September 2011 and will cease on close of trading on 28 September 2011. Rights to which Eligible Shareholders are entitled may be sold between those dates should Eligible Shareholders choose not to accept their full Entitlement.

2.12. Rights and Liabilities attaching to the New Shares and New Options

From allotment, the New Shares issued pursuant to this Prospectus, will rank equally in respect of dividends and in all other respects (e.g. voting, bonus issues) as existing Shares.

A summary of the rights and liabilities attaching to the New Shares and New Options is set out in Sections 6.1 and 6.2 of this Prospectus.

2.13. International Shareholders

This Offer does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Shareholders who do not have a registered address in Australia, New Zealand or Singapore are not eligible to participate in the Offer. The laws of jurisdictions outside of Australia, New Zealand and Singapore may restrict the distribution of this Prospectus. Anyone who comes into possession of this Prospectus outside Australia, New Zealand or Singapore should seek advice on and observe any such restrictions. A failure to comply with those restrictions may constitute a violation of applicable securities laws.

We are of the view that it is unreasonable to extend the Rights Issue to Shareholders with registered addresses outside Australia, New Zealand or Singapore, having regard to:

- the small number of Shareholders with registered addresses outside Australia, New Zealand and Singapore;
- 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, this Offer will not be made to International Shareholders. This Prospectus is sent to International Shareholders for information purposes only. In order for a Shareholder to participate in the Offer, the Shareholder must be resident in Australia, New Zealand or Singapore at the Record Date.

In particular, this Prospectus does not constitute an offer for sale of the New Shares or New Options or any right to a security into the United States or to U.S. persons. The New Shares and New Options 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. persons 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 participation in the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form or payment by BPAY® 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 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 Prospectus, the Prospectus is provided for information purposes only.

We have appointed Patersons Securities Limited, on normal commercial terms, as nominee for the International Shareholders to arrange for the sale of the Entitlements which would have been offered to them. We will transfer the Entitlements of the International Shareholders to the Nominee who will account to our registry who will then dispatch the funds (if any) to each individual International Shareholder. The nominee will have the absolute and sole discretion to determine the timing and the price at which the Entitlements may be sold and the manner of any such sale. Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements that would have been offered to International Shareholders or to sell them at a particular price.

If in the reasonable opinion of the nominee, there is no viable market for the Entitlements or a surplus over the expenses of sale cannot be obtained for the Entitlements that would have been offered to the International Shareholders, then the Entitlements will be allowed to lapse and will form part of the Shortfall.

2.14. Singaporean Shareholders

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Shares and New Options may not be circulated or distributed, nor may any New Shares or New Options 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:

- a) to holders of Shares pursuant to Section 273(1)(cd) of the Securities and Futures Act, Singapore (the SFA);
- b) to an institutional investor under Section 274 of the SFA;
- c) to a relevant person or person pursuant to Section 275(1) or Section 275 (1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or
- d) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

2.15. Convertible Notes

We entered into Convertible Note Subscription Agreements with Sun Biomedical Limited (ASX: SBN) on 29 July 2011 and Heavy Duty Superannuation Pty Ltd as trustee for the Heavy Duty Superannuation Fund on 29 August 2011 to the total value of \$1,000,000.

The convertible notes issued pursuant to the convertible note agreements have the following terms:

- a) Sun Biomedical Limited has been issued with 5 notes each having a face value of \$100,000. Sun Biomedical Limited was also issued 1,250,000 fully paid ordinary shares upon subscribing for the notes.
- b) Heavy Duty Superannuation Pty Ltd as trustee for the Heavy Duty Superannuation Fund has been issued with 5 notes each having a face value of \$100,000. Heavy Duty Superannuation Pty Ltd as trustee for the Heavy Duty Superannuation Fund was also issued 1,250,000 fully paid ordinary shares upon subscribing for the notes.
- c) Conversion of the notes is subject to the Company being entitled to issue shares upon conversion of the notes in accordance with Listing Rule 7.1.
- d) The convertible notes have a conversion price which is the lesser of \$0.05 or a 20% discount to the 30 day volume weighted average price of the Company's shares at the time of conversion.
- e) Interest is payable on the notes at a rate of 12% per annum (payable quarterly in arrears on the last day of each quarter);
- f) the maturity date of the notes is 12 months from the date of the agreement. The holder is restricted from converting or redeeming the notes within the first 6 months of the agreement (unless there is an event of default or a takeover event);
- g) An additional 250,000 fully paid ordinary shares will be issued for no additional consideration upon for each converted note into ordinary shares of the Company; and
- h) The agreements are subject to obtaining all requisite regulatory and shareholder approvals including approvals required under the ASX Listing Rules and the Corporations Act (if any) that are required for it to comply with its obligations under the agreement.

The terms of each Convertible Note Agreement entitle the holder to nominate a director for appointment to the Company's board and also requires the parties to enter into good faith discussions regarding terms and conditions for the holders to potentially invest in or acquire one or more projects currently owned by Malachite, with the exception of the Lorena Gold Project.

Sun Biomedical Limited and Heavy Duty Superannuation Pty Ltd have indicated that they will not seek to have a representative nominated to the Board until after the completion of the Rights Issue.

2.16. Position of Option Holders

The terms of the options that are issued as at the date of this Prospectus do not entitle holders to participate in the Offer.

In order to participate in the Offer, a holder of options must, to the extent eligible under the terms of such options, promptly exercise the options so that, upon exercise, shares are allotted on or before 15 September 2011.

Where a pro-rata issue is made (except a bonus issue) to the holders of underlying securities, the exercise price of an Option will be reduced according to the following formula:

- the new exercise price of the Option is equal to the old exercise price of the Option, less a value attributed to the right as calculated in accordance with a formula;
- that formula (for valuing the right) is:

$$\frac{E[P - (S + D)]}{N + 1}$$

where:

- “E” = the number of Shares into which one Option is exercisable;
Note: E is one, unless the number has changed because of a bonus issue.
- “P” = the average market price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date (calculated in accordance with Listing Rule 6.2.2.2);
- “S” = the subscription price for a security under the pro rata issue;
- “D” = the dividend due but not yet paid on existing Shares (except those to be issued under the pro rata issue);
- “N” = the number of Shares with rights or entitlements that must be held to receive a right to one new security.

2.17. Issue Expenses

The estimated expenses of the Rights Issue including the underwriting fees, professional fees, registry services and printing and postage are approximately \$350,000.

2.18. Application of Funds Raised

The purpose of the Offer is to raise funds for further exploration and evaluation of the Company's Projects and working capital, as follows:

Use of Funds	Amount \$
Lorena Project	1,435,000
Conrad Project	75,000
Pikedale Project	100,000
Other Projects	50,00
Working Capital	739,243
Conversion of Loans to equity*	745,190
Costs of the Offer	350,000
TOTAL	3,494,433

**If there is insufficient Shortfall to convert the loans to equity, the loans will be repaid in cash (Refer to Section 6.10)*

The above use of funds is based on the Company's existing tenement portfolio, and in accordance with prudent management of the tenement portfolio, we will continue to monitor the prospectivity of our tenements and will assess new opportunities as and when they arise. Accordingly, funds may from time to time be applied toward existing and new tenements as management shall determine from time to time.

Shareholders are strongly urged to read Section 3 of this Prospectus carefully so as to better understand the purpose of the Offer, how the funds to be raised under the Rights Issue will be applied, the key assumptions involved and the potential impact the new funding will have on the Company's future growth and enterprise value.

3. PURPOSE AND EFFECT OF THE OFFER

This Rights Issue is being undertaken principally to fund further exploration and evaluation of the Company's key Projects, with first priority to be given to the Lorena Gold Project.

Lorena is Malachite's main focus at the present time, as it is believed to represent the best opportunity available for the Company to move from pure exploration to development. For this reason, the first priority for new funds raised by the Offer is to advance Lorena towards development as quickly as possible. Application of funding to the Company's other projects will have lower priority, but will be at least sufficient to maintain the Company's tenements at Conrad, Pikedale and elsewhere in good standing and thus 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, working capital needs and the possible establishment of joint ventures.

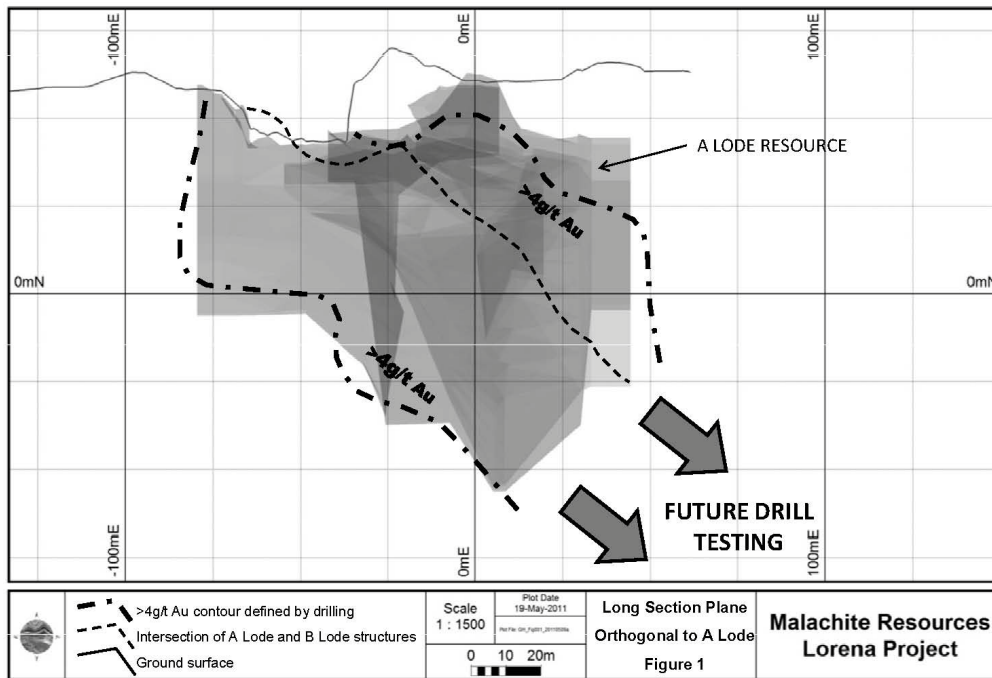
LORENA GOLD PROJECT – WORK PROGRAM FOR THE BALANCE OF 2011-2012

On 10 February 2011 we completed the acquisition of the Lorena Gold Project, which is located near Cloncurry, in northwest Queensland. On 20 May, 2011, we announced that five additional contiguous mining lease applications adjoining the Lorena mine had been approved.

The work program planned for Lorena for the balance of 2011 and into 2012 is expected to be drilling-intensive. Its 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 with a targeted production rate of 50,000 ounces of gold per annum.

The initial part of the 2011 drilling program, involving approximately 2,000 metres of reverse circulation percussion ("RCP") drilling, was completed by late April, 2011. This drilling took place wholly within ML7147, as at that time we were 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 we are longer confined to ML7147. Furthermore, grant of the additional mining leases means that, subject to the terms of the leases, exploration and drilling of new targets within them can take place when appropriate.

The results of the April 2011 drilling helped delineate the shape and plunge of the high grade core of the Lorena ore body, which has assisted with effective planning of the next drilling phase. Figure 1 is reproduced from the Company's 19 May 2011 ASX release and shows that high grade core zone of A Lode, which is open at depth as it plunges to the southeast.



After analysis of the April 2011 drilling results we have recently commenced 2,500 metres of reverse circulation percussion drilling to test for resource extensions down plunge and along strike to the southeast.

We also recently announced the discovery of a previously unrecorded prospect, which the Company has named the Copperhead Prospect, located 5 kilometres south west of the Lorena Gold Project on EPM 18189 (which is 100% owned by Malachite). Importantly, assays returned from surface outcrop sampling were significant for both copper and gold. The prospect also occurs in the same geological formation that hosts the Lorena Gold Project.

Additional value adding activities planned for FY2012 at Lorena include:

During 2012, we propose to complete mapping and soil sampling on the newly acquired mining leases (extensions along strike) at Lorena and mapping, soil and rock chip sampling at the new Copperhead prospect.

There are also 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. We 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 has been granted by the Queensland Government as dollar for dollar matching funding for direct drilling costs of the proposed two deep diamond drill holes at Lorena.

CONRAD SILVER PROJECT – WORK PROGRAM FOR 2011-2012

Conrad is located about 25km south of Inverell in northern New South Wales. The potential value of Conrad has increased significantly in recent times, in line with increases in the price of silver. Silver and tin are the two main economic components

of the Conrad Lode, respectively representing about 55% and 20% of the total metal value; the balance is made up by copper, lead and zinc. We have spent over \$9 million to date on the acquisition, exploration and evaluation of the Conrad mineral system, which, based on results so far, 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) in indicated and inferred mineral resources. The known resources are open at depth and along strike.

Before committing to further drilling expenditure at Conrad, we decided that it would be more cost effective to undertake a preliminary mining scoping study to assess the potential viability of mining at Conrad, on the reasonable assumption that the resource base can be increased to meet the minimum target when required.

Accordingly, we have commissioned a recognised mining engineering consultancy firm to undertake this work, looking at possible mining methods, likely operating costs and potential cash flows. The expected outcome of this work will provide a clearer picture of what is required to develop an operation at Conrad. That in turn will provide for more clearly targeted exploration, geotechnical and metallurgical work to progress the development of the project.

OTHER PROJECTS – WORK PROGRAM FOR 2011-2012

At the Pikedale Project, which is located about 30km west of Stanthorpe in southern Queensland, the principal focus for field work in 2011-2012 will be the Lickhole Prospect, located in the north-central part of Malachite's EPM18166. An initial program of reverse circulation percussion drilling is planned for Lickhole, subject to funding priorities. Malachite has been granted \$53,500 under the Queensland Government's Collaborative Drilling Initiative to assist with funding the Pikedale drilling on a dollar for dollar matched funding basis.

Only limited exploration activity is planned for the Company's other projects in 2011-2012, with the aim being to maintain the tenements in good standing so that these projects represent assets for the future.

The Elsmore Project is currently the subject of an Option and Purchase Agreement that was entered into with Elsmore Resources Limited in May 2011. The option grants Elsmore Resources Limited an exclusive option to purchase all of Malachite's right, title and interest in the Elsmore tenements for \$1,350,000. The option has a term of 180 days expiring on 27 November 2011.

COMPETENT PERSON STATEMENT:

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

4. EFFECT OF THE OFFER ON THE COMPANY

4.1 The effect of the Offer on the Company's issued share capital will be as follows:

Malachite Resources Limited Capital Structure

Shares

Number of Existing Shares (prior to the Rights Issue)	Number of New Shares to be Issued Under this Prospectus	Total Shares on issue upon completion of the Offer
559,109,356*	139,777,339	698,886,695*

*Assuming no existing options are exercised prior to the Record Date.

Unlisted Options

Expiry Date	Exercise Price	Number
21 April 2013	10 cents	2,000,000
25 November 2013	20 cents	6,750,000
30 November 2011	30 cents	2,740,000
22 November 2012	43.1 cents	6,460,000
29 October 2012	11.1 cents	7,500,000
30 November 2012	11.1 cents	14*
28 February 2013	10 cents	8,765,000
TOTAL		34,215,014

* These options are the options that were issued to vendors during the Company's acquisition of the Lorena Gold Project (refer to Section 3) earlier this year. Upon exercise the Company may be required to issue up to 14,925,000 Shares. As disclosed in the Company's Notice of 2010 Annual General Meeting, the purpose of the issue of these options was to provide the Lorena Gold Project vendors with the right to avoid any dilution that might occur as a result of Nanyang Resources Investment Pty Ltd exercising the options that were granted to it in early 2010. Shareholders approved the issue of these options at the Company's 2010 Annual General Meeting.

Listed Options

New Options to be Issued Under this Prospectus	New Options to be issued to Underwriter and sub-underwriters	Total Listed Options upon completion of the Offer and the issue of New Options to the Underwriter and sub-underwriters
139,777,339	114,969,739*	254,747,078

*The issue of 33,856,495 of these options is subject to prior shareholder approval which will be sought by the Company as soon as practicable after the completion of the Rights Issue. In the event Shareholder approval is not obtained by 30 November 2011, the Company will be required to pay the Underwriter a cash fee of \$236,995.47 by 7 December 2011. Refer to Section 6.7 of this Prospectus for more details.

If all of the New Options referred to in the New Options table above are exercised, then 254,747,078 Long Options will also be issued. The holders of Long Options will be entitled to subscribe for one fully paid Share exercisable at 10 cents on or before 31 December 2014. The Long Options will not be issued until such time as the Company has prepared a disclosure document for the purposes of complying with the Corporations Act in respect of the grant of the Long Options. We intend to issue such a document at such time as all the New Options have either been exercised or expire.

Application will be made to ASX for quotation of the Long Options.

Convertible Notes

Holder	Number of Convertible Notes	Face Value of each Note	Conversion Price	Minimum Number of Shares to be issued upon conversion	Number of bonus Shares to be issued to holder upon conversion of notes.
Sun Biomedical Limited	5	\$100,000	The lesser of \$0.05 or a 20% discount to the volume weighted average price of the Company's Shares at the time of conversion	2,000,000 Shares per note	250,000 Shares per note
Heavy Duty Superannuation Pty Ltd atf the Heavy Duty Superannuation Fund	5	\$100,000	The lesser of \$0.05 or a 20% discount to the volume weighted average price of the Company's Shares at the time of conversion	2,000,000 Shares per note	250,000 Shares per note

Cash Position

Completion of the Offer will also have the effect of increasing the Company's cash reserves by approximately \$2,395,000 (after deducting estimated costs of the Rights Issue and taking into account the conversion of loans into equity by the sub-underwriters as set out in Section 6.10), providing funds to advance the objectives of the Company as set out in Section 3 of this Prospectus.

In the event all of the New Options are exercised, the Company will raise an additional \$12,737,354.

4.2 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Company's Shares on the ASX, during the three months immediately preceding the lodgement of this Prospectus with ASIC and the respective dates of those sales are set out below:

Highest: 6.0 cents on 1 August 2011.

Lowest: 3.2 cents on 12 July 2011.

The last market sale price prior to the date of lodgement date of this Prospectus with ASIC was \$0.04 on 5 September 2011.

4.3 Financial Statements

Set out below is a *pro forma* Statement of Financial Position for the Company after taking into account the effect of the Rights Issue. This statement is based on the accounts of the Company as at 31 December 2010, which were subject to Audit Review and lodged with the ASX on 11 March 2011.

The *pro forma* Consolidated Statement of Financial Position illustrates the effect of:

- A: The acquisition of Lorena Gold Project in February 2011, the redemption of the Nanyang Convertible Note by the issue of Shares and the drawdown of the new Convertible Note facilities effected in August/September 2011; and
- B: The Rights Issue is based on the following assumptions:
1. All Shareholders are Eligible Shareholders;
 2. As the Offer is fully underwritten, the Rights Issue will result in the Company issuing an additional 139,777,339 New Shares and 139,777,339 New Options;
 3. The issue of 114,969,739 Underwriter Options to the Underwriter and Company introduced sub-underwriters;
 4. No outstanding existing Options are exercised by the Record Date;
 5. The activities of the Company since 31 December 2010 are not recognised in the *pro forma* Statement of Financial Position.

MALACHITE RESOURCES LIMITED					
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
	Actual	Pro Forma	Note	Pro Forma	Note
	31 December	Post Lorena		Post Rights	
	2010	Post Convertible		Issue	
	\$	Notes			
CURRENT ASSETS					
Cash and cash equivalents	371,226	1,443,027	¹	4,587,460	⁵
Receivables	66,129	66,129		66,129	
TOTAL CURRENT ASSETS	437,355	1,509,156		4,653,589	
NON-CURRENT ASSETS					
Receivables	222,173	222,173		222,173	
Investments	-	-		-	
Plant and equipment	575,648	796,103	²	796,103	
Exploration and evaluation expenditure	14,086,168	34,793,912	³	34,793,912	
TOTAL NON-CURRENT ASSETS	14,883,989	35,812,188		35,812,188	
TOTAL ASSETS	15,321,344	37,321,344		40,465,777	
CURRENT LIABILITIES					
Payables	1,406,193	1,406,193	⁴	1,406,193	
TOTAL CURRENT LIABILITIES	1,406,193	1,406,193		1,406,193	
NON CURRENT LIABILITIES					
Payables	-	-		-	
TOTAL NON CURRENT LIABILITIES	-	-		-	
TOTAL LIABILITIES	1,406,193	1,406,193		1,406,193	
NET ASSETS	13,915,151	35,915,151		39,059,584	
EQUITY					
Contributed equity	27,856,273	49,856,273		53,000,706	⁶
Option Expense Reserve	1,270,983	1,270,983		1,270,983	
Accumulated Losses	(15,212,105)	(15,212,105)		(15,212,105)	
TOTAL EQUITY	13,915,151	35,915,151		39,059,584	

Notes to Pro Forma Balance Sheet:

1. Included funds in the amount of \$1million from Convertible Notes issued in July and August 2011 together with the Lorena Security Deposit of \$71,801.
2. Lorena Plant and Equipment in the amount of \$220,455 added.
3. Capitalised exploration value of Lorena in the amount of \$20,707,744 added (for purposes of this Pro Forma no value has been attributed to the options that were issued as part of the consideration for the acquisition of Lorena).
4. Nanyang Convertible Note in the amount of \$1million redeemed in May 2011 and new Convertible Notes drawdown in July and August 2011 in the aggregate amount of \$1million.
5. Proceeds of Rights Issue in the amount of \$3,494,433 added less estimate of costs associated with the Rights Issue in the amount of \$350,000.
6. The estimated costs of the Rights Issue, amounting to approximately \$350,000, are recognised as a decrease in Contributed Equity.

5. RISK FACTORS

5.1 Introduction

This Section identifies the areas the Directors regard as the major risks associated with an investment in the Company. Potential investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Accordingly, the New Shares and the New Options to be issued under this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares and New Options. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares and New Options in the Company.

The following summary, which is not exhaustive, represents some of the major risk factors potential investors need to be aware of as they may in the future materially affect the financial performance of the Company and the value of New Shares and the New Options to be issued under this Prospectus. Potential investors should read the whole of this Prospectus in order to appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for New Shares and the New Options.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of more specific risks associated with the Company's business and its involvement in the exploration and mining industry. These risk factors are largely beyond the control of the Company and its directors because of the nature of the proposed business of the Company.

5.2 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 and into 2012, 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.
- The current interpretation of the plunge of the ore body may be incorrect, or that plunge may change as the depth increases, making discovery of additional resources more difficult or more costly.
- 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 our intention to seek a joint venture partner to assist in funding further exploration and evaluation of the Conrad project. Specific risks relating to Conrad include but are not limited to:

- 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 amounts of the contained metals to render the project economic.
- Regulatory barriers may restrict access to or advancement of the project, causing extended delays.

5.3 Other Projects

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

5.4 Commodity and Currency Price Volatility

Commodity prices are subject to influencing factors beyond the control of Malachite and can be subject to significant fluctuations. Some of these influencing factors include:

- world demand for particular commodities;
- the level of production costs in major commodity producing regions; and
- expectations regarding inflation, interest rates and US dollar exchange rates.

Any significant and/or sustained fluctuation in exchange rates or commodity prices could have a materially adverse affect on our operations and financial position.

Factors affecting commodity prices include:

- supply and demand fluctuations for specific commodities;
- hoarding and selling of gold by central banks across the world
- changes in investor sentiment toward gold;
- speculative trading;
- technological advancements;
- gold lending rates;
- forward selling activities; and
- macro-economic factors such as inflation and interest rates.

5.5 Native Title and Aboriginal Heritage

In applying for certain tenements and carrying out exploration and/or mining operations, we must observe native title legislation (where applicable) and Aboriginal Heritage legislation which protects Aboriginal sites and objects of significance.

In certain circumstances the consent of registered native title claimants must be obtained prior to carrying out certain activities on land to which their claim relates. It is possible that the conditions imposed by native title claimants on such consent may be on terms unacceptable to the Company.

5.6 Tenure and Access

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved.

Our tenements are subject to numerous State and Territory specific legislative conditions. The renewal of the term of a granted tenement is also subject to discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising our projects. The imposition of new conditions or the inability to meet those conditions may adversely affect our operations, financial position and/or performance.

5.7 Economic Factors

Our future possible revenues, operating costs, Share price and returns to Shareholders may be affected by changes in factors such as:

- local and world economic conditions;
- inflation or inflationary expectations;
- currency movements;
- interest rates;
- supply and demand;
- levels of tax, taxation law and accounting practice;
- government legislation or intervention;
- industrial disruption; and
- natural disasters, social upheaval or war in Australia or elsewhere.

These factors are beyond the control of the Company and its Directors.

5.8 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company is substantially dependent upon our senior management, key personnel and consultants. There can be no assurance given that there will be no detrimental impact on the Company if one, or a number of, those employees or consultants cease their employment or engagement with the Company.

5.9 Currency Fluctuations

The future value of our Shares and options may fluctuate in accordance with movements in foreign currency exchange rates.

5.10 Taxation

Our 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.

There may be tax implications arising from the acquisition of Securities, any possible receipt of dividends (both franked and un-franked) and the disposal of Securities. All prospective investors should carefully consider these tax implications and if uncertain as to the relevant taxation issues, obtain further advice from a qualified professional adviser. Tax liabilities are the responsibility of each individual investor and we will not be responsible for any tax or related penalties incurred by investors.

5.11 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 we have or may acquire an interest, or that production and marketing of any materials discovered by the Company will prove to be economic.

Should a discovery be made, there is no guarantee that it will be commercially viable for a host of factors beyond our control, for example, the economics of mining operations. While the Directors will make every effort to reduce the above risks through their experience in the exploration and mining industry, the fact remains that a commercially viable mineral discovery is very much the exception rather than the rule and success can never be guaranteed. Until we are able to realise value from our projects, we are likely to incur ongoing operating losses.

In summary, mineral exploration, project development and mining by their nature contain elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable Ore Reserves;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;

- design and construction of efficient mining and processing facilities within capital expenditure budgets;
- securing and maintaining title to tenements;
- obtaining consents and approvals necessary for the conduct of exploration and mining; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees.

Other factors that could affect our operations include:

- failure to achieve predicted grades in exploration and mining;
- poor performance levels from external contractors;
- operational and technical difficulties encountered in mining;
- difficulties in commissioning and operating plant and equipment;
- availability of suitable plant and expertise from contractors and consultants;
- mechanical failure or plant breakdown;
- unanticipated metallurgical problems which may affect extraction rates and costs;
- adverse weather conditions;
- industrial and environmental accidents;
- industrial disputes;
- availability of water and power; and
- unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment.

Consequently, there can be no assurance that through the projects we will be able to develop and commercialise mineral extraction from its tenements and generate positive cashflow to sustain our financial viability.

5.12 Environmental Risks

Environmental risks are inherent in mining operations. We adopt practices which we believe are appropriate to minimise the potential of causing environmental damage in all our operations, but no assurance can be made that we will not be affected by environmental claims or issues in the future.

We are strongly committed to conducting our operations in an environmentally responsible manner, applying the highest standards and industry best practice to all our field activities. Surface disturbance is kept to a minimum, but where it is necessary, full cognisance is given to the environmental impact of the work to be carried out. Relevant government approvals are obtained and measures are taken to minimise the environmental impact and to ensure that following the activities involved, the land is restored and rehabilitated to as close as possible to its original condition.

For example, if trenching is required for mapping and geochemical sampling, the trenches are back-filled after the work is finished, the top soil is replaced and the surface is seeded with vegetation (usually grass) similar to that which already adjoins the trench, or otherwise as the land owner requires. Where possible, previously

disturbed sites are re-visited periodically to ensure that the rehabilitation has been successful. A similar approach is taken to the rehabilitation of drill sites, where during drilling, temporary dams and erosion barriers are constructed to ensure that slimes and dirty water from the drilling do not escape into the surrounding area. Plastic sheeting and hessian are also placed on the ground beneath the drill rig to protect against drips and spillages of oil or other contaminants from the rig.

We are not aware of any complaints about our environmental practices from owners of land on which we have operated or from Government officers with regulatory responsibility.

5.13 Development Risk/Profitability

Our commercial viability will be dependent upon the successful development and operation of the Lorena Gold Project together with any other activity that we may undertake. No assurances can be given that we 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.

5.14 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 our estimates and assumptions and may materially and adversely affect our commercial viability and future results.

5.15 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.

5.16 Geopolitical

Politics on a global, regional or local scale could impact our operations, our access to certain countries and our right to continue operating in a particular country. Acts of terrorism or outbreak of war may disrupt or prevent us from operating its business programs.

5.17 Regulatory

Our activities will require compliance with various laws relating to the protection and rehabilitation of the environment, health and safety, culture and heritage and other matters.

In addition we are required to obtain numerous government permits, leases, licences and approvals in respect of our exploration and mining operations.

There is a risk that we may not obtain or may lose permits, leases, licences or approvals, essential to our operations.

We cannot predict how existing, or future laws and regulations may be interpreted by enforcement agencies or court rulings, whether additional laws and regulations will be adopted, or the effect such changes may have on our business or financial condition.

5.18 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.

5.19 Uninsured Loss and Liability

Exploration for and development of minerals involves hazards and risks that could result in us incurring losses and liabilities to third parties. There is a risk that we may not be insured against all losses or liabilities that could arise from our operations. If we incur losses or liabilities which are not covered by our insurance policies, the funds available for exploration and development will be reduced and the value and/or tenure of our assets may be at risk.

5.20 Stock Market Risks

The market price of our shares may be significantly adversely affected by a variety 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 our operations.

5.21 Funding Risk

Our ability to continue to explore is dependent upon our ability to raise funds as required from time to time. New funds for exploration are generally raised by way of the issue of new equity. Where these new funds are raised by the issue of new equity there may be dilution for existing Shareholders.

5.22 Occupational Health and Safety

There is an inherent risk of work place accidents occurring during the conduct of mining activity. We are totally committed to providing a safe and healthy work place for our employees and contractors. Our safety policy is displayed prominently at all operating sites. Hazardous activities are avoided wherever possible, but when necessary, all employees and contractors are provided with and required to wear personal protective equipment. Training is provided where it is needed and safety meetings are held at appropriate times in the course of our exploration activities. Our staff hold, or are encouraged to hold, current First Aid Certificates.

5.23 General Risks

There are risks involved with any investment in listed shares. The value of the New Shares and the New Options once listed on the ASX may rise or fall depending upon a range of factors and share conditions which are unrelated to the Company's future financial performance. Share market conditions are affected by many factors including, but not limited to:

- 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.

Some of these risks can be mitigated by the use of contingency plans and safeguards. However, many are outside the control of the Company and cannot be mitigated.

Like all businesses, we are affected by general economic conditions including the level of interest rates, inflation and consumer spending. Any prolonged downturn in economic activity could be expected to have a negative impact on the Company. As a company having a smaller market capitalisation, the market in the Company's securities may suffer periods of illiquidity.

5.24 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 our business or trade.

Before any decision is made to subscribe for New Shares, the above matters, and all other matters described in this document must be carefully considered. The New Shares and New Options to be allotted pursuant to this Prospectus 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 Malachite 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 securities, including the New Shares and New Options offered by this Prospectus will be achieved.

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

6. ADDITIONAL INFORMATION

6.1. Rights and Liabilities Attaching to the Securities

6.1.1. Rights attaching to the Shares

The rights attaching to ownership of the Shares arise from a combination of:

- the constitution of Malachite; and
- in certain circumstances, the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following is a summary of the more significant rights attaching to the Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Malachite's Shareholders.

Further details of the rights attaching to Shares are set out in the constitution of Malachite, a copy of which can be inspected at Malachite's registered office during normal business hours.

(a) Variation of rights

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied with the written consent of the holders of 75% of the shares of the class or by special resolution passed at a separate meeting of the holders of shares of the class. The rights conferred on the holders of any class of shares are to be taken as not having been varied by the creation or issue of further shares ranking equally with them.

(b) Voting rights

Subject to the constitution, every shareholder has one vote on a show of hands and one vote for each fully paid share on a poll. However, for each partly paid share each shareholder has on a poll, a fraction of a vote equivalent to the proportion which the amount paid (but not credited as paid) on the share bears to the total amounts paid and payable (excluding amounts credited). Amounts paid or credited as paid in advance of a call are ignored when calculating this fraction.

Shareholders may appoint a proxy, an attorney or, where a shareholder is a body corporate, a representative to attend and vote at general meetings on their behalf. There is no entitlement to vote in respect of partly paid shares on which calls due and payable have not been paid.

Except in the case of any resolution which as a matter of law requires a special majority, a resolution is taken to be carried if a majority of the votes cast on the resolution are in favour of it. At a general meeting a resolution must be decided on a show of hands unless a poll is demanded. Should there be an

equality of votes on a proposed resolution, the chairperson of the meeting, in addition to his or her deliberative vote has a casting vote.

(c) General meetings

The directors may resolve to call a general meeting whenever they think fit. The directors must convene an annual general meeting in accordance with the Corporations Act. Shareholders may also request or convene general meetings in accordance with the Corporations Act. Notice of general meetings must be given to every shareholder as required under the Corporations Act. The quorum for a general meeting is three shareholders present at the meeting and entitled to vote on a resolution at the meeting. If a quorum is not present within 30 minutes after the time appointed for the general meeting, the meeting will be dissolved where called at the request of shareholders or adjourned in any other case.

(d) Dividends

Subject to the Corporations Act, the directors may pay any interim and final dividends that, in their judgment, the financial position of the Company justifies. Subject to any rights or restrictions attached to any shares or class of shares, all dividends in respect of shares must be paid to the shareholders in proportion to the number of shares held by the shareholder, irrespective of the amounts paid or credited as paid on the share.

A shareholder is not entitled to a dividend on a share if a call has been made on the share and the call is due and unpaid.

(e) Capitalisation of profits

Subject to the Listing Rules, the rights or restrictions attached to any shares or class of shares and any special resolution of the Company, the directors may capitalise and distribute among the shareholders as would be entitled to receive dividends and in the same proportions, any amount:

- (i) forming part of the undivided profits of the Company;
- (ii) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the Company;
- (iii) arising from the realisation of any assets of the Company, or
- (iv) otherwise available for distribution as dividend.

(f) Winding-up

Subject to the Corporations Act, the constitution of the Company and to the rights or restrictions attached to any shares or class of shares, if the Company is wound-up and the property of the Company available is more than sufficient to pay all of the debts and liabilities of the Company and the costs, charges and expenses of winding-up, the excess must be divided among shareholders in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on their shares.

(g) Transfer of shares

A transfer of shares must be made in accordance with the Corporations Act, the constitution of the Company, the Listing Rules and the ASTC Settlement Rules.

A shareholder may transfer all or any of their shares by:

- an ASTC-regulated transfer within the meaning of the Corporations Regulations 2001; or
- a written transfer in any usual form or in any form approved by the directors.

The directors may decline to register a transfer or may request a holding lock be applied to prevent a transfer in accordance with the Listing Rules and the Corporations Act in certain circumstances, including where the transfer is not in registrable form or if the Company has a lien on any of the shares transferred.

6.2. Rights attaching to New Options

The following are the terms of the Options to be issued pursuant to this Prospectus.

6.2.1. Interpretation

- (a) ASX means ASX Limited (ACN 008 624 691);
- (b) Board means the board of directors of the Company;
- (c) Business Day means a day not being a Saturday, Sunday or public holiday, on which banks are generally open for business in Victoria;
- (d) Corporations Act means the Corporations Act 2001 (Cth) as amended from time;
- (e) Listing Rules means the official listing rules of the ASX;
- (f) Long Option means an option granted upon the exercise of each New Option to subscribe for one fully paid ordinary share in the Company, exercisable at 10 cents on or before 31 December 2014;
- (g) New Option and New Options means the options to be issued to the Option holder on the terms detailed in these Terms of Options;
- (h) Official List has the meaning given to that term in the Listing Rules;
- (i) Quotation has the meaning given to that term in the Listing Rules;
- (j) Shareholder and Shareholders means a person who owns Shares in the capital of the Company, notwithstanding that those Shares may not be fully paid; and
- (k) Shares means fully paid ordinary shares in the capital of the Company.

6.2.2. Entitlement

- 6.2.2.1. Each New Option entitles the Option holder to subscribe for, and be allotted, one ordinary Share and one Long Option in the capital of the Company.
- 6.2.2.2. Shares issued on the exercise of New Options will rank equally with all existing Shares on issue, as at the exercise date, and will be subject to the provisions of

the Constitution of the Company and any escrow restrictions imposed on them by the ASX.

6.2.3. Exercise of New Option

- 6.2.3.1. The New Options are exercisable at any time from the date of issue.
- 6.2.3.2. The final date and time for exercise of the New Options is 5pm (Sydney time) on 15 June 2012. If such date falls on a day that is not a Business Day, the final date will be the next Business Day.
- 6.2.3.3. The exercise price of each New Option is \$0.05.
- 6.2.3.4. Each New Option is exercisable by the Option holder signing and delivering a notice of exercise of New Option together with the exercise price in full for each Share to be issued upon exercise of each New Option to the Company's Share Registry.
- 6.2.3.5. Remittances must be made payable to '**Malachite Resources Limited**' and cheques should be crossed 'Not Negotiable'.
- 6.2.3.6. All New Options will lapse on the earlier of the:
 - (a) receipt by the Company of notice from the Option holder that the Option holder has elected to surrender the New Option; and
 - (b) expiry of the final date and time for exercise of the New Option as set out in paragraph 6.2.3.2.
- 6.2.3.7. In the event of liquidation of the Company, all unexercised New Options will lapse.
- 6.2.3.8. For every New Option that is exercised, the Option holder will receive 1 Share and 1 Long Option.

6.2.4. Quotation

- 6.2.4.1. Subject to the requirements of the Listing Rules, the Company intends to apply to the ASX for Official Quotation of the New Options, Shares and Long Options. Application to the ASX for Official Quotation of the Long Options will not be made until such time as all New Options have either been exercised or expired.
- 6.2.4.2. If the Shares of the Company are quoted on the ASX, the Company will apply to the ASX for, and will use its best endeavours to obtain, quotation of all Shares issued on the exercise of any New Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

6.2.5. Participation in Securities Issues

Subject to paragraph 6.2.6 below, the holder is not entitled to participate in new issues of securities without exercising the New Options.

6.2.6. Participation in a Reorganisation of Capital

- 6.2.6.1. In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of an Option holder will be changed in accordance with the Listing Rules of the ASX applying to a restructure or reorganisation of the capital at the time of that restructure or reorganisation, provided always that the changes to the terms of the New Options do not result in any benefit being conferred on the Option holder which is not conferred on Shareholders of the Company.
- 6.2.6.2. In any reorganisation as referred to in paragraph 6.2.6.1, New Options will be treated in the following manner:
- (a) in the event of a consolidation of the share capital of the Company, the number of New Options will be consolidated in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
 - (b) in the event of a subdivision of the share capital of the Company, the number of New Options will be subdivided in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
 - (c) in the event of a return of the share capital of the Company, the number of New Options will remain the same and the exercise price will be reduced by the same amount as the amount returned in relation to each ordinary share;
 - (d) in the event of a reduction of the share capital of the Company by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled the number of New Options and the exercise price of each New Option will remain unaltered;
 - (e) in the event of a pro-rata cancellation of shares in the Company, the number of New Options will be reduced in the same ratio as the ordinary share capital of the Company and the exercise price of each New Option will be amended in inverse proportion to that ratio; and
 - (f) in the event of any other reorganisation of the issued capital of the Company, the number of New Options or the exercise price or both will be reorganised (as appropriate) in a manner which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders.

6.2.7. Adjustments to New Options and Exercise Price

- 6.2.7.1. Adjustments to the number of Shares over which New Options exist and/or the exercise price may be made as described in paragraph 6.2.6.1 to take account of changes to the capital structure of the Company by way of pro-rata bonus and cash issues.

6.2.7.2. The method of adjustment for the purpose of paragraph 6.2.7.1 shall be in accordance with the Listing Rules of the ASX from time to time, which, under Listing Rules 6.22.2 and 6.22.3, currently provide:

(a) **Pro Rata Cash Issues**

Where a pro-rata issue is made (except a bonus issue) to the holders of underlying securities, the exercise price of a New Option may be reduced according to the following formula:

$$O' = \frac{O - E[P - (S + D)]}{N + 1}$$

where:

O' = the new exercise price of the New Option.

O = the old exercise price of the New Option.

E = the number of underlying securities into which one New Option is Exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price for a security under the pro-rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro-rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

(b) **Pro-Rata Bonus Issues**

If there is a bonus issue to the holders of the underlying securities, on the exercise of any New Options, the number of Shares received will include the number of bonus Shares that would have been issued if the New Options had been exercised prior to the record date for bonus issues. The exercise price will not change.

6.2.8. Takeovers and Schemes of Arrangement

6.2.8.1. If during the currency of any New Options and prior to their exercise a takeover offer or a takeover announcement (within the meaning of the Corporations Act) is made to holders of Shares then within 10 Business Days after the Company becomes aware of the offer, the Company must forward a notice notifying the Option holder of the offer and from the date of such notification, the Option holder has 60 days within which to exercise the New Options notwithstanding any other terms and conditions applicable to the New Options or arrangement. If the New Options are not exercised within 60 days after notification of the offer, the New Options may be exercised at any other time according to their terms of issue.

6.2.8.2. If an offer for shares in the Company is made to Shareholders pursuant to a scheme of arrangement which has been approved in accordance with the

Corporations Act, the Option holder will be entitled to exercise New Options within the period notified by the Company.

6.2.9. Transfers

The New Options are freely transferable.

6.2.10. Notices

Notices may be given by the Company to the Option holder in the manner prescribed by the Constitution of the Company for the giving of notices to Shareholders and the relevant provisions of the Constitution of the Company will apply with all necessary modification to notices to be given to the Option holder.

6.2.11. Rights to Accounts

The Option holder will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meeting of Shareholders, however, if the Option holder is not a Shareholder, the Option holder will not have any right to attend or vote at these meetings.

6.3. Rights attaching to Long Options

6.3.1. Interpretation

- (a) ASX means ASX Limited (ACN 008 624 691);
- (b) Board means the board of directors of the Company;
- (c) Business Day means a day not being a Saturday, Sunday or public holiday, on which banks are generally open for business in Victoria;
- (d) Corporations Act means the Corporations Act 2001 (Cth) as amended from time;
- (e) Listing Rules means the official listing rules of the ASX;
- (f) Long Option and Long Options means the options to be issued to the Option holder on the terms detailed in these Terms of Options;
- (g) New Options means options in the Company having an exercise price of \$0.05 and an expiry date of 15 June 2012 each;
- (h) Official List has the meaning given to that term in the Listing Rules;
- (i) Quotation has the meaning given to that term in the Listing Rules;
- (j) Shareholder and Shareholders means a person who owns Shares in the capital of the Company, notwithstanding that those Shares may not be fully paid; and
- (k) Shares means fully paid ordinary shares in the capital of the Company.

6.3.2. Entitlement

- 6.3.2.1.1. Each Long Option entitles the Option holder to subscribe for, and be allotted, one ordinary Share in the capital of the Company.
- 6.3.2.1.2. Shares issued on the exercise of Long Options will rank equally with all existing Shares on issue, as at the exercise date, and will be subject to the provisions of the Constitution of the Company and any escrow restrictions imposed on them by the ASX.

6.3.3. Exercise of Long Option

- 6.3.3.1. The Long Options are exercisable at any time from the date of issue.
- 6.3.3.2. The final date and time for exercise of the Long Options is 5pm (Sydney time) on 31 December 2014. If such date falls on a day that is not a Business Day, the final date will be the next Business Day.
- 6.3.3.3. The exercise price of each Long Option is \$0.10.
- 6.3.3.4. Each Long Option is exercisable by the Option holder signing and delivering a notice of exercise of Long Option together with the exercise price in full for each Share to be issued upon exercise of each Long Option to the Company's Share Registry.
- 6.3.3.5. Remittances must be made payable to 'Malachite Resources Limited' and cheques should be crossed 'Not Negotiable'.
- 6.3.3.6. All Long Options will lapse on the earlier of the:
 - (a) receipt by the Company of notice from the Option holder that the Option holder has elected to surrender the Long Option; and
 - (b) expiry of the final date and time for exercise of the Long Option as set out in paragraph 6.3.3.2.
- 6.3.3.7. In the event of liquidation of the Company, all unexercised Long Options will lapse.
- 6.3.3.8. For every Long Option that is exercised, the Option holder will receive 1 Share.

6.3.4. Quotation

- 6.3.4.1. Subject to the requirements of the Listing Rules, application will be made to ASX for official quotation of the Long Options after all New Options have either been exercised or expire. In addition, application will be made to ASX for official quotation of all Shares issued upon exercise of the Long Options.
- 6.3.4.2. If the Shares of the Company are quoted on the ASX, the Company will apply to the ASX for, and will use its best endeavours to obtain, quotation of all Shares issued on the exercise of any Long Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

6.3.5. Participation in Securities Issues

Subject to paragraph 6.3.6 below, the holder is not entitled to participate in new issues of securities without exercising the Long Options.

6.3.6. Participation in a Reorganisation of Capital

- 6.3.6.1.1. In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of an Option holder will be changed in accordance with the Listing Rules of the ASX applying to a restructure or reorganisation of the capital at the time of that restructure or reorganisation, provided always that the changes to the terms of the Long Options do not result in any benefit being conferred on the Option holder which is not conferred on Shareholders of the Company.
- 6.3.6.1.2. In any reorganisation as referred to in paragraph 6.3.6.1.1, Long Options will be treated in the following manner:
- (a) in the event of a consolidation of the share capital of the Company, the number of Long Options will be consolidated in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
 - (b) in the event of a subdivision of the share capital of the Company, the number of Long Options will be subdivided in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
 - (c) in the event of a return of the share capital of the Company, the number of Long Options will remain the same and the exercise price will be reduced by the same amount as the amount returned in relation to each ordinary share;
 - (d) in the event of a reduction of the share capital of the Company by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled the number of Long Options and the exercise price of each Long Option will remain unaltered;
 - (e) in the event of a pro-rata cancellation of shares in the Company, the number of Long Options will be reduced in the same ratio as the ordinary share capital of the Company and the exercise price of each Long Option will be amended in inverse proportion to that ratio; and
 - (f) in the event of any other reorganisation of the issued capital of the Company, the number of Long Options or the exercise price or both will be reorganised (as appropriate) in a manner which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders.

6.3.7. Adjustments to Long Options and Exercise Price

- 6.3.7.1. Adjustments to the number of Shares over which Long Options exist and/or the exercise price may be made as described in paragraph 6.3.7.2 to take account of changes to the capital structure of the Company by way of pro-rata bonus and cash issues.

6.3.7.2. The method of adjustment for the purpose of paragraph 6.3.7.1 shall be in accordance with the Listing Rules of the ASX from time to time, which, under Listing Rules 6.22.2 and 6.22.3, currently provide:

(a) **Pro Rata Cash Issues**

Where a pro-rata issue is made (except a bonus issue) to the holders of underlying securities, the exercise price of a Long Option will be reduced according to the following formula:

$$O' = \frac{O - E[P - (S + D)]}{N + 1}$$

where:

- O' = the new exercise price of the Long Option.
- O = the old exercise price of the Long Option.
- E = the number of underlying securities into which one Long Option is Exercisable.
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price for a security under the pro-rata issue.
- D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro-rata issue).
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

(b) **Pro-Rata Bonus Issues**

If there is a bonus issue to the holders of the underlying securities, on the exercise of any Long Options, the number of Shares received will include the number of bonus Shares that would have been issued if the Long Options had been exercised prior to the record date for bonus issues. The exercise price will not change.

6.3.8. Takeovers and Schemes of Arrangement

6.3.8.1. If during the currency of any Long Options and prior to their exercise a takeover offer or a takeover announcement (within the meaning of the Corporations Act) is made to holders of Shares then within 10 Business Days after the Company becomes aware of the offer, the Company must forward a notice notifying the Option holder of the offer and from the date of such notification, the Option holder has 60 days within which to exercise the Long Options notwithstanding any other terms and conditions applicable to the Long Options or arrangement. If the Long Options are not exercised within 60 days after notification of the offer, the Long Options may be exercised at any other time according to their terms of issue.

6.3.8.2. If an offer for shares in the Company is made to Shareholders pursuant to a scheme of arrangement which has been approved in accordance with the

Corporations Act, the Long Option holder will be entitled to exercise Long Options within the period notified by the Company.

6.3.9. Transfers

The Long Options are freely transferable.

6.3.10. Notices

Notices may be given by the Company to the Long Option holder in the manner prescribed by the Constitution of the Company for the giving of notices to Shareholders and the relevant provisions of the Constitution of the Company will apply with all necessary modification to notices to be given to the Long Option holder.

6.3.11. Rights to Accounts

The Option holder will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meeting of Shareholders, however, if the Option holder is not a Shareholder, the Option holder will not have any right to attend or vote at these meetings.

6.4. Malachite is a Disclosing Entity

We are a disclosing entity for the purposes of the Corporations Act and, as such, we subject to regular reporting and disclosure requirements. As a listed company, we are required to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

The ASX maintains records of company announcements for all companies listed on the ASX. Our announcements may be viewed on the ASX's website at www.asx.com.au.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at an office of ASIC.

6.5. Section 713 Prospectus

This Prospectus has been issued under the provisions of section 713 of the Corporations Act. Section 713 enables disclosing entities to issue prospectuses in relation to securities in a class of securities that has been quoted on the ASX at all times in the 12 month period preceding the date of the prospectus, or options to acquire such securities. Copies of documents lodged at ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The New Shares to be issued under this Prospectus are in a class of securities that has been continuously quoted on the ASX in the 12 month period preceding the date of this Prospectus.

The New Options to be issued under this Prospectus are options to acquire securities in a class of securities that has been continuously quoted on the ASX in the 12 month period preceding the date of this Prospectus.

As the New Shares form part of the same class as the Company's existing Shares and the New Options are options to acquire quoted securities of the Company, ASIC class orders 00/168 and 00/843 allow the Company to accept Entitlement and Acceptance Forms and Applications upon the lodgement of this Prospectus with ASIC.

The level of disclosure that applies to this Prospectus requires that it must contain all the information investors and their professional advisers would reasonably require to make an informed assessment of:

- a) the effect of the offer on the Company; and
- b) the rights and liabilities attaching to the securities being offered; and
- c) in the case of the New Options, the rights and liabilities attaching to the New Options themselves and the underlying securities.

The Prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in the Prospectus. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospectus of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, we believe that we have complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required us to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company. Information that is already in the public domain has not been reported in this Prospectus, other than that which is considered necessary to make the Prospectus complete.

6.6. Right to Obtain Copies of Documents

We will provide a copy of any of the following documents, free of charge, to any person who requests a copy of the document before the Closing Date:

- a) the annual financial report of the Company for the year ended 30 June 2010, being the annual financial report most recently lodged by the Company with the ASIC;
- b) the half year financial report of the Company for the period ending 31 December 2010 lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Prospectus; and
- c) any continuous disclosure notices (that is, documents in which the ASX was notified of information relating to the Company) given by the Company after 22 October 2010, being the date of lodgement of the 30 June 2010 annual financial report and before lodgement of a copy of this Prospectus with the ASIC. These documents are:

02/09/2011	Cleansing Statement – Convertible Noteholder Shares
02/09/2011	Corporate Profile Presentation
02/09/2011	Appendix 3B – Convertible Noteholder Shares
02/09/2011	Appendix 3B – Convertible Notes
02/09/2011	Appendix 3B –Rights Issue
02/09/2011	Reinstatement to Official Quotation
02/09/2011	Rights Issue to Raise \$3.5million
02/09/2011	Convertible Note Update
01/09/2011	Suspension from Official Quotation
30/08/2011	Trading Halt
29/08/2011	Convertible Note Update
25/08/2011	Drilling Resumes at Lorena Gold Project
05/08/2011	Cleansing Statement – sun Biomedical Limited Shares
05/08/2011	Appendix 3B – Sun Biomedical Limited Shares
05/08/2011	Appendix 3B – Sun Biomedical Limited Convertible Notes
01/08/2011	MTI: Convertible Note Agreement, Malachite Resources Limited
29/07/2011	Quarterly Cashflow Report - June 2011
29/07/2011	Quarterly Activities Report - June 2011
29/07/2011	Convertible Notes
14/07/2011	Exciting New Copper-Gold Find at Lorena
11/07/2011	Final Director`s Interest Notice - Joel Bidois
11/07/2011	Resignation of Director - Joel Bidois
30/06/2011	Rights Issue Not to Proceed
15/06/2011	Rights Issue Cleansing Statement - Despatch of Offer
15/06/2011	Change of Director`s Interest Notice - Joel Bidois
01/06/2011	Letter to Shareholders Re Rights Issue
31/05/2011	Lorena Gold Project Update
31/05/2011	Rights Issue Cleansing Statement
31/05/2011	Appendix 3B - Rights Issue
31/05/2011	Rights Issue Offer Document
23/05/2011	ASX Appendix 5B query and response
20/05/2011	Additional Mining Leases at Lorena Granted
19/05/2011	Assay Results from Drilling at Lorena Confirm High Grade
17/05/2011	Appendix 3B - Convertible Note Principal and Interest
06/05/2011	Disclosure of Margin Loan
06/05/2011	Late Lodgement of Appendix 3Y
03/05/2011	Change of Director`s Interest Notice - Joel Bidois
29/04/2011	Quarterly Cashflow Report - March 2011
29/04/2011	Quarterly Activities Report - March 2011
31/03/2011	Malachite Commences Drilling at Lorena
16/03/2011	Change of Director`s Interest - R Randall Convertible Loan
16/03/2011	Change of Director`s Interest - G Lowder Convertible Loan
16/03/2011	Second Tranche Placement Raises \$180k
16/03/2011	Cleansing Statement - 2nd Tranche of Placement \$180k
16/03/2011	Appendix 3B - 2nd Tranche of Placement Raises \$180k
11/03/2011	Half Yearly Report and Accounts

08/03/2011	Malachite appoints New CEO
04/03/2011	Appendix 3B - Placement \$517,500
04/03/2011	Placement Cleansing Statement
04/03/2011	Placement Completed Raising \$517,500
01/03/2011	Becoming a substantial holder
01/03/2011	Becoming a substantial holder
01/03/2011	Becoming a substantial holder
28/02/2011	Becoming a substantial holder
28/02/2011	Final Director`s Interest Notice - Denis O`Neill
28/02/2011	Final Director`s Interest Notice - Warren Staude
28/02/2011	Resignation of Staude and O`Neill as Directors
28/02/2011	Becoming a substantial holder
18/02/2011	Conrad Silver Project Update
15/02/2011	Initial Director`s Interest Notice - James Dean
15/02/2011	Initial Director`s Interest Notice - Joel Bidois
11/02/2011	Appendix 3B - Options Lorena Gold Project Acquisition
11/02/2011	Lorena Cleansing Statement
11/02/2011	Appendix 3B - Completion of Lorena Acquisition
11/02/2011	Acquisition of Lorena Gold Project Completed
01/02/2011	Lorena Gold Project Acquisition to Proceed Immediately
31/01/2011	Quarterly Cashflow Report - December 2010
27/01/2011	Quarterly Activities Report - December 2010
24/01/2011	Lorena Gold Project - Project Report
24/12/2010	Change Director`s Interest - R Randall Participation in SPP
24/12/2010	Change Director`s Interest - R Meares Participation in SPP
24/12/2010	Change Director`s Interest - G Lowder Participation in SPP
24/12/2010	Lorena Gold Project - Further Update
20/12/2010	Appendix 3B - Share Purchase Plan
20/12/2010	Share Purchase Plan raises \$343k
20/12/2010	Policy on Dealings in MAR Securities
08/12/2010	Lorena Gold Project Update
23/11/2010	Section 708A ASIC Class Order Notice - Share Purchase Plan
23/11/2010	Share Purchase Plan Invitation Letter
23/11/2010	Section 708A Notice Nanyang Interest Placement
23/11/2010	AGM Results
23/11/2010	AGM Presentation
23/11/2010	Chairman`s Address to Shareholders - AGM
22/11/2010	Appendix 3B - Convertible Note Interest Payable in Shares
05/11/2010	Attractive Drill Targets Confirmed at Pikedale Project
04/11/2010	Lorena Gold Project - Completion of Due Diligence
29/10/2010	Quarterly Cashflow Report
27/10/2010	September Quarter Activities Report
22/10/2010	Annual Report to Shareholders

We may make further announcements to ASX from time to time. Copies of announcements are released by ASX on its website (www.asx.com.au), and will also be made available on our website (www.malachite.com.au). Copies of announcements can also be obtained from us on request. Prospective investors are advised to refer to

ASX's website or our website for updated releases about events or matters affecting the Company.

The Annual Financial Report, the half year financial report and the continuous disclosure notices referred to above have been identified for the purposes of section 713(4) of the Corporations Act and are not taken to form part of the content of this Prospectus.

The Company's constitution and the consents referred to in Section 6.16 are also available for inspection for a period of 12 months after the date of this Prospectus during normal business hours at the Company's office at:

Suite 1502, Level 15,
Tower B, 799 Pacific Highway,
Chatswood NSW 2067

6.7. Underwriting Agreement and Company introduced Sub-Underwriters

The Company and the Underwriter entered into an Underwriting Agreement on 6 September 2011 under which the Underwriter agreed to fully underwrite the Offer

The Underwriter will be paid:

- a) an underwriting commission of 5% of the Underwritten Amount (less an amount of \$33,090 which the Company will pay directly to Company introduced sub-underwriters);
- b) a management fee of 1% of the Underwritten Amount plus \$60,000; and
- c) 114,969,739 Underwriter Options (Underwriter Options) (less 19,313,000 New Options which the Company will issue directly to Company introduced sub-underwriters).

The Company will issue 81,113,244 of the Underwriter Options immediately upon completion of the Rights Issue and will use its best endeavours to, as soon as practicable after completion of the Rights Issue, obtain shareholder approval to issue the remaining 33,856,495 Underwriter Options. In the event that such shareholder approval is not obtained by 30 November 2011, it has been agreed that the Company will pay the Underwriter a cash payment of \$236,995.47 by no later than 7 December 2011.

The Underwriter may, at its discretion, transfer New Options issued to it to any sub-underwriters or may direct the Company to issue New Options directly to sub-underwriters.

We have introduced a number of priority sub-underwriters to the Underwriter. The Company will pay sub-underwriting fees totalling \$33,090 and issuing up to 19,313,000 Underwriter Options directly to the Company introduced sub-underwriters. Directors who have agreed to sub-underwrite the Offer will not receive any Underwriter Options. Please refer to Section 6.8 of this Prospectus for more information regarding sub-underwriting fees that are to be paid to Directors.

The Underwriter may terminate its underwriting liability in certain circumstances including but not limited to the following:-

- a) **(Indices fall):** any of the All Ordinaries Index or the S&P/ASX Materials Index as published by ASX is for two or more consecutive date after the days of this Agreement 10% or more below its respective level as at the close of business on the prior to the date of the Underwriting Agreement; or
- b) **(Company Share Price):** the Company's share price (ASX ticker MAR) trades at or below the Rights Issue price on two or more consecutive days at any time after the date of the Underwriting Agreement; or
- c) **(Prospectus):** the Company does not lodge this Prospectus on 6 September 2011 or this Prospectus or the Offer is withdrawn by the Company; or
- d) **(Copies of Prospectus):** the Company fails to provide the Underwriter with copies of the Prospectus in accordance with the terms of the Underwriting Agreement; or
- e) **(No Official Quotation):** Official Quotation has not been granted by no later than 7 October 2011 or, having been granted, is subsequently withdrawn, withheld or qualified; or
- f) **(Supplementary prospectus):**
 - i. the Underwriter, having elected not to exercise its right to terminate its obligations under this Agreement as a result of the occurrence of a new circumstance as referred to in section 719(1) of the Corporations Act, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - ii. the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or
- g) **(Non-compliance with disclosure requirements):** it transpires that this Prospectus does not contain all the information required by section 713 (or sections 710, 711 and 716) of the Corporations Act; or
- h) **(Misleading Prospectus):** it transpires that there is a statement in this Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from this Prospectus (having regard to the provisions of section 713 (or sections 710, 711 and 716) of the Corporations Act) or if any statement in this Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of this Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- i) **(Restriction on allotment):** the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the

Corporations Act, the Listing Rules, any statute, regulation ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;

- j) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in this Prospectus or to be named in this Prospectus, withdraws that consent;
- k) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to this Prospectus, 7 October 2011 has arrived, and that application has not been dismissed or withdrawn;
- l) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to this Prospectus to determine if it should make a stop order in relation to this Prospectus or the ASIC makes an interim or final stop order in relation to this Prospectus under section 739 or any other provision of the Corporations Act;
- m) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- n) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- o) **(Authorisation):** any authorisation which is material to anything referred to in this Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- p) **(Indictable offence):** a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence;
- q) **(Sub-underwriters):** any of the sub-underwriters that are introduced by the Company do not comply with its obligations under the sub-underwriting agreements or threaten to not comply with its respective obligations under the sub-underwriting agreements;
- r) **(Termination Events):** any of the following events occur:
 - i. **(Default):** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;

- ii. **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
- iii. **(Contravention of constitution or Act):** a contravention by the Company or any of its subsidiaries of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- iv. **(Adverse change):** an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any of the Company or any of its subsidiaries including, without limitation, if any forecast in this Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- v. **(Error in Due Diligence Results):** it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
- vi. **(Significant change):** a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- vii. **(Public statements):** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Rights Issue or this Prospectus;
- viii. **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Rights Issue or the affairs of the Company or any of its subsidiaries is or becomes misleading or deceptive or likely to mislead or deceive;
- ix. **(Official Quotation qualified):** the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation" within the Listing Rules;
- x. **(Change in Act or policy):** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- xi. **(Prescribed Occurrence):** the Company or any of its subsidiaries increases or reduces its share capital, enters into a buyback agreement or arrangement, grants options or convertible notes (with the exception of those listed in this Prospectus), disposes or agrees to

- dispose or to charge a substantial part of its business or property, resolves to be wound up or a court order is made to wind up, a liquidator or receiver is appointed or the Company or any of its subsidiaries executes a deed of company arrangement;
- xii. **(Suspension of debt payments):** the Company suspends payment of its debts generally;
 - xiii. **(Event of Insolvency):** an event of insolvency occurs in respect of a the Company or any of its subsidiaries;
 - xiv. **(Judgment against a Relevant Company):** a judgment in an amount exceeding \$50,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days;
 - xv. **(Litigation):** litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any of its subsidiaries, other than any claims foreshadowed in this Prospectus;
 - xvi. **(Board and senior management composition):** there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Rights Issue without the prior written consent of the Underwriter;
 - xvii. **(Change in shareholdings):** there is a material change in the major or controlling shareholdings of the Company or any of its subsidiaries or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any of its subsidiaries;
 - xviii. **(Timetable):** there is a delay in any specified date in the Timetable which is greater than 3 Business Days;
 - xix. **(Force Majeure):** a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
 - xx. **(Certain resolutions passed):** the Company or a subsidiary passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
 - xxi. **(Capital Structure):** the Company or any of its subsidiaries alters its capital structure in any manner not contemplated by this Prospectus;
 - xxii. **(Investigation):** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any of its subsidiaries;
 - xxiii. **(Market Conditions):** a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption

occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets; or

- xxiv. **(Suspension):** the Company is removed from the Official List or the Shares become suspended from Official Quotation and that suspension is not lifted within 24 hours following such suspension.

The Underwriter may not exercise its rights under item r) above unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a termination event has or is likely to have, or two or more termination events together have or are likely to have:

- a material adverse effect; or
- could give rise to a liability of the Underwriter under the Corporations Act or otherwise.

6.8. Sub-underwriting by Directors and Chief Executive Officer

The Directors (including a former Director, Mr Joel Bidois) and Mr Geoff Hiller, Chief Executive Officer (or associated entities) have each provided loan funds to the Company within the last six months. The Directors (including a former Director, Mr Joel Bidois) have agreed to apply these loan funds to fully subscribe for their Entitlements and where the loan amount exceeds their respective Entitlements, these individuals have entered into a priority sub-underwriting agreement with the Company confirming that they (or their associated entities) will take up such number of Shortfall Securities (if available) as is equal to the value of the balance of their loan.

Mr Geoff Hiller has entered into a priority sub-underwriting agreement with the Company confirming that he will take up such number of Shortfall Securities (if available) as is equal to the value of the balance of his loan plus an additional sub-underwriting amount of \$75,000. Mr Geoff Hiller has also indicated to the Company that he will take up his Entitlement in full.

Further details regarding these loans and the effect of the issue of New Shares, New Options and Shortfall Securities are set out within Section 6.10 of this Prospectus. In addition, these persons (or their associated entities) will each receive a sub-underwriting fee in respect of the amount they have agreed to apply for pursuant to their Entitlement plus the amount that they have agreed to sub-underwrite. This fee will be paid by the Company directly to the relevant sub-underwriter.

The sub-underwriting fee payable to Directors (including former Director, Mr Joel Bidois) is less than the fee that is to be paid to other Company introduced sub-underwriters and will not include any Underwriter Options. Malachite has formed the view that the sub-underwriter fees payable to Directors (including former Director, Mr Joel Bidois) are less favourable than the arms' length terms that were agreed between the Underwriter, the Company and other sub-underwriters. Further details of these fees are set out in Section 6.10 of this Prospectus.

As described in Section 6.7 of this Prospectus, the failure of any of the sub-underwriters to comply with their sub-underwriting obligations will trigger a termination event under the Underwriting Agreement.

6.9. Qualifications and Experience of the Directors

The Board of Directors of Malachite consists of four Directors, of whom Mr Russell Meares and Mr Roy Randall are both non-executive, independent Directors, Dr Gary Lowder is executive Chairman and Mr James Dean is a non-executive Director. All four Directors have substantial experience in the mining industry and related fields, including finance, legal and the commercial aspects of mining and exploration. A summary of the relevant qualifications and experience of each Director is set out below:

Dr Garry Lowder

Ph.D., B.Sc. (Hons), F.Aus.I.M.M., M.A.I.C.D.

Executive Chairman

Dr Lowder is a geologist with over 40 years professional experience in Australia, Indonesia and Papua New Guinea. His expertise includes geological research, mineral exploration, mining and general management. He has held senior positions in public listed companies and was Director General of Mineral Resources in NSW from 1993 to 1997. He was until recently a non-executive director of ASX-listed Straits Resources Limited. Dr Lowder is credited with key roles in the discovery of several major ore deposits, including Northparkes (copper-gold) and Cowal (gold) in NSW, and Paddington (gold) and Wodgina (tantalum) in WA. He has particular expertise in the geology and exploration of ore deposits related to intrusive systems, including porphyry copper-gold and molybdenum deposits, skarn- and greisen-hosted tin/tungsten deposits and reduced intrusion-related gold deposits. He has also worked on greenstone-hosted gold deposits, pegmatite-hosted rare metal deposits, volcanic-hosted massive sulphide deposits and uranium deposits.

Dr Lowder is a graduate of the University of Sydney (B.Sc. Hons I), the University of California at Berkeley (Ph.D.) and the Advanced Management Program at the Harvard Business School. He brings to the Company high level management expertise, wide-ranging knowledge of economic geology, a track record of prior exploration success and broad experience in the commercial aspects of the mining industry.

Russell Meares

B.Sc (Hons), M.Sc., F.Aus.I.M.M., M.A.I.G., G.A.I.C.D.

Non-Executive Director

Mr Meares is a geologist with over 35 years of experience in mineral exploration and mining. He has worked extensively in both technical and management roles in Australia, Asia and the Southwest Pacific, where his experience ranges from project generation through to Ore Reserve estimation and economic evaluation. He has played key roles in the discovery of several ore deposits in Australia, Papua New Guinea and Fiji, including Golden Grove in WA, Keremenge in PNG and Banana Creek in Fiji.

Mr Meares is a graduate of the University of NSW (B.Sc. Hons I) and James Cook University of North Queensland (M.Sc.). He has also successfully completed the Company Directors' course run by the Australian Institute of Company Directors. He brings to the Company extensive hands-on experience in all aspects of exploration management, exploration technology and logistics, and the geology of ore deposits.

Roy Randall

B.Com., LL.B.

Non-Executive Director

Mr Randall is a former partner of the Sydney office of Stikeman, Elliott, Canada's pre-eminent international law firm. Prior to joining Stikeman, Elliott in early 1997 he was a partner at Freehill Hollingdale and Page in Sydney. Mr Randall has more than 35 years broad practical experience in many areas of corporate legal practice and has also worked as a merchant banker. His extensive legal experience has extended to the areas of natural resources, structuring international transactions and infrastructure development. He has represented both issuers and underwriters in connection with initial public offerings for mining companies and advised on takeovers in the mining sector.

James Dean

Non-Executive Director

Mr Dean is a Corporate Advisor and Professional Investor with over 25 years professional experience in the finance and mining, construction equipment, property development, feature film and biotech investment industries. Most of Mr Dean's experience relates to evaluating the operational and financial performance of businesses and then aptly negotiating and matching risk profiles with investment criteria. For more than 20 years he has held fiduciary positions with regard to shareholders and beneficiaries of various investment vehicles. Mr Dean has also travelled extensively and possesses a worldwide network of business collaborators. Of particular benefit to the Board of Malachite is his first-hand knowledge of the 'Lorena' gold mine and surrounding area which he gained from being a significant shareholder in that mine since its rebirth in 2009.

6.10. Interests of Directors and Management

Except as set out in this Prospectus, no Director holds, or held at any time in the last two years, any interest in:

- (a) the formation or promotion of Malachite; or
- (b) property acquired or proposed to be acquired by Malachite in connection with either its formation or promotion, or the Offer; or
- (c) the Offer.

Details of the interests of each Director in securities of Malachite immediately before lodgement of the Prospectus with ASIC are set out in the table below. The table does not take into account any securities the Directors may acquire under the Offer.

Relevant Interests of Directors

Director	Number of Shares	Number of Options held
Dr Garry Lowder*	7,181,244*	7,250,000*
Mr Russell Meares	1,140,417	5,000,000
Mr Roy Randall**	2,481,753**	950,000**
Mr James Dean***	7,936,508	1***

**As announced on 16 March 2011 pursuant to a capital raising carried out by the Company, an entity associated with Dr Lowder advanced \$30,000 by way of unsecured loan to the Company on the basis that the Company will seek shareholder approval to issue an entity associated with Dr Lowder, 400,000 fully paid ordinary shares at an issue price of \$0.075 each and 400,000 unlisted options having an exercise price of \$0.10 and an expiry date of 28 February 2013 each. The Company will seek approval to the issue of these shares and option at the Company's next General Meeting.*

***Similarly to Dr Lowder, a number of entities associated with Mr Randall advanced \$10,500 by way of unsecured loan to the Company on the basis that the Company would issue those companies a total of 140,000 fully paid ordinary shares having an issue price of \$0.075 each and 140,000 unlisted options having an exercise price of \$0.10 and an expiry date of 28 February 2013 each.*

****The options held by Mr Dean form part of the options that were issued to vendors during the Company's acquisition of the Lorena Gold Project (refer to Section 3). Upon exercise Mr Dean may acquire up to 338,798 Shares. As disclosed in the Company's Notice of 2010 Annual General Meeting, the purpose of the issue of these options was to provide the Lorena Gold Project vendors with the right to avoid any dilution that might occur as a result of Nanyang Resources Investment Pty Ltd exercising the options that were granted to it in early 2010. Shareholders approved the issue of these options at the Company's 2010 Annual General Meeting.*

As referred to in Section 6.8 of this Prospectus, Directors (including a former Director, Mr Joel Bidois) and Mr Geoff Hiller, Chief Executive Officer (or their associates) have advanced loans to Malachite in the last six months. These individuals (or their associates), with the exception of Mr Geoff Hiller, have given the Company firm commitments that they (or their associated entities) will subscribe for all of their Entitlements by applying the loan amounts owing to each of them to subscribe for New Shares and New Options. Where the loan amounts exceed their respective Entitlements, each of those individuals (or associated entities) have entered into a priority sub-underwriting agreement with the Company confirming that they will take up such number of Shortfall Securities (if available) as is equal to the value of the balance of their loan.

Mr Geoff Hiller has entered into a priority sub-underwriting agreement with the Company confirming that he will take up such number of Shortfall Securities (if available) as is equal to the value of the balance of his loan plus an additional sub-underwriting amount of \$75,000.

With the exception of Mr Geoff Hiller, none of the individuals referred to in the table below will receive Underwriter Options in consideration for agreeing to act as sub-underwriters in respect of the Offer.

The table below sets out the direct and indirect interests of the Directors and other individuals described above percentage interest in the current issued capital of the Company and how the interests change through their participation in this Issue as outlined above:

Name	Amount of Loan (\$)	Current Number of Shares	Percentage Interest Prior to Rights Issue	Firm Commitment Amount (\$)	Sub-Underwritten Amount (\$)	Sub-underwriting fee to be paid by the Company (\$)	Total Number of Shares held post Rights Issue	Percentage Interest Post Rights Issue
Dr Garry Lowder (Chair)	170,000	7,181,244	1.08%	44,883	125,117	3,000	13,981,244	2%
Mr Russell Meares (Non-Executive Director)	24,990	1,140,417	0.17%	7,128	17,862	750	2,140,017	0.3%
Mr Roy Randall (Non-Executive Director)	25,200	2,481,753	0.37%	15,511	9,689	756	3,489,753	0.5%
Mr James Dean (Non-Executive Director)	100,000	7,936,508	1.19%	49,603	50,397	3,000	11,936,508	1.7%
Mr Geoff Hiller (Chief Executive Officer)	125,000	50,000*	0.009%	0*	200,000	6,000 Plus 8,000,000 Underwriter Options	8,050,000	1.15%
Mr Joel Bidois (former Non-Executive Director)	300,000	82,781,905	14.81%	300,000	Nil	9,000	94,781,905	13.56%

**Mr Geoff Hiller has indicated to the Company that he will take up his Entitlement in full.*

With the exception of the loan advanced by Mr Geoff Hiller, the loans described above are unsecured non-interest bearing loans which are required to be repaid by 31 December 2011. The loan advanced by Mr Geoff Hiller is repayable by 31 November 2011, accrues interest at a rate of 9% per annum and Mr Geoff Hiller has the right to secure the loan by registering a first mortgage over the Company's Jadree property. As at the date of this Prospectus, the mortgage has not been registered and Mr Geoff Hiller and the Company have agreed not to register the mortgage prior to the proposed allotment date of 14 October 2011 at which stage the loan will be converted to Shares on successful completion of the Offer (or otherwise repaid by the Company is insufficient Shortfall exists).

6.11. Payments and Benefits to Directors

Except as set out in this Prospectus, no person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to:

- any Director in order to induce them to become, or to qualify as, a Director; or
- any Director for services provided by him in connection with
 - i) the formation or promotion of Malachite, or
 - ii) the Offer.

The remuneration paid or payable to each Director for the last two years (including cash and non-cash benefits) is set out in Section 6.12.

6.12. Remuneration of Directors

	Short-term Employee Benefits			Post-employment Benefits	Long-term Benefits	Share Based Payments	Total
	Cash Salary and Fees		Cash Bonus	Director's Superannuation Contributions	Long Service Leave	*Options	
	Paid	Accrued					
	\$	\$	\$	\$	\$	\$	\$
Period 1 July to 5 September 2011							
Dr GG Lowder	41,667			3,750			45,417
Mr RD Meares	4,583			412			4,995
Mr RM Randall	5,000			-			5,000
Mr James Dean	4,583			-			4,583
Financial Year End 30 June 2011							
Dr GG Lowder	190,958	41,667	-	20,936	46,197	38,911	338,669
Mr RD Meares	104,619	4,583	-	9,828	-	25,940	144,970
Mr RM Randall	24,306	5,000	-	-	-	4,342	33,648
Mr James Dean	-	10,640	-	-	-	-	10,640
Financial Year End 30 June 2010							
Dr GG Lowder	175,958	-	27,200	17,374	62,652	74,142	357,326
Mr RD Meares	178,063	-	22,500	18,051	68,861	49,968	337,443

**Note: 2011 remuneration has not yet been audited.*

6.13. Interests of, and Issue of Payments and Benefits to, Advisors and Experts

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory, expert or any other capacity in connection with the preparation and distribution of this Prospectus, promoters of Malachite (together, "**Prescribed Persons**") holds, or at any time in the past two years held, any interest in:

- a) the formation or promotion of Malachite;
- b) any property acquired or proposed to be acquired in connection with the formation or promotion of Malachite or the Offer; or
- c) the Offer.

Except as set out in this Prospectus, no amounts have been paid or agreed to be paid to any Prescribed Person and no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with:

- a) the formation or promotion of Malachite; or
- b) the Offer.

TressCox Lawyers will receive the sum of approximately \$30,000 (excluding GST and disbursements) from the Company for the provision of legal services to the Company in connection with the Rights Issue.

Patersons Securities Limited has acted as Underwriter to the Offer for which it will receive fees pursuant to the Underwriting Agreement which is summarised in Section 6.7 of this Prospectus.

6.14. Estimated Expenses of the Offer

The expenses of the Offer are expected to be approximately \$350,000. These expenses will be borne by the Company and may be paid out of the proceeds of the Rights Issue.

6.15. Litigation

As at the date of this Prospectus, we are not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against us.

6.16. Consents

Patersons Securities Limited has given, and not withdrawn, its consent to be named as Underwriter to the Offer in the form and context in which it is named, but does not make any statement in this Prospectus, nor is any statement in this Prospectus based on a statement by Patersons Securities Limited.

TressCox Lawyers has given and as at the date of this Prospectus has not withdrawn its consent to be named as the Company's solicitors in relation to the Rights Issue. TressCox Lawyers has not authorised or caused the issue of any part of this Prospectus.

Computershare Investor Services Pty. Limited has given and as at the date of this Prospectus has not withdrawn their consent to be named as the Company's share registry in the form and context in which it is named. Computershare Investor Services Pty. Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of and expressly disclaims and takes no responsibility for, any part of this Prospectus.

7. ACTION REQUIRED BY SHAREHOLDERS AND APPLICATIONS BY MEMBERS OF THE PUBLIC

7.1 What Existing Shareholders may do

The number of New Shares and New Options to which Eligible Shareholders are entitled under the Rights Issue (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

As an Existing Shareholder, you may:

- take up your Entitlement in full;
- take up your Entitlement in full and apply for Additional Shares;
- sell all of your Rights;
- take up part of your Entitlement and sell the balance of your Rights; or
- transfer your Entitlement by way of an off market transfer; or
- do nothing and allow your Entitlement to lapse.

7.2 Taking up all of your Entitlement

If you wish to take up all of your Entitlement complete the accompanying Entitlement and Acceptance Form for New Shares and New Options in accordance with the instructions set out in the form. Forward your completed Entitlement and Acceptance Form together with your cheque, money order or bank draft in Australian currency drawn on and payable at an Australian bank for the amount shown on the form using the envelope provided to reach the Company's Share Registry, Computershare Investor Services Pty Limited, no later than 5.00pm (AEST) on 6 October 2011 at the address set out below:

Malachite Resources Limited
c/- 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. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form.

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 6 October 2011.

7.3 Taking up Shortfall by Shareholder

If there is a shortfall in subscriptions and you are an Eligible Shareholder and you wish to take up Additional Shares complete the Additional Shares section of the Entitlement and Acceptance Form in accordance with the instructions set out in the Entitlement and Acceptance Form. In order to apply for Additional Shares you must be an Eligible Shareholder and must have first taken up your Entitlement in full.

Forward your completed Entitlement and Acceptance Form together with your cheque, money order or bank draft in Australian currency drawn on and payable at an Australian bank for the amount shown on the form using the envelope provided to reach the Company's Share Registry, Computershare Investor Services Pty Limited, no later than 5.00pm (AEST) on 6 October 2011 at the address set out below:

Malachite Resources Limited
c/- 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. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form. 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 6 October 2011.

7.4 Selling your Rights

If you wish to sell your Rights on the ASX complete the section marked 'Instructions to your Stockbroker' on the back of the Entitlement and Acceptance Form and lodge the form with your stockbroker as soon as possible. Allow sufficient time for your instructions to be carried out. Rights trading on ASX starts on 8 September and the sale of your Rights must be effected by close of trading on ASX on 27 September when Rights trading ends.

7.5 Taking up part of your Entitlement and selling the balance of your Rights

If you wish to take up part of your Entitlement and sell the balance of your Rights, complete the section on the back of the Entitlement and Acceptance Form marked 'Instructions to your Stockbroker' and lodge the form, together with your cheque, money order or bank draft for the application monies for the New Shares you intend to take up, with your stockbroker as soon as possible. Allow sufficient time for your instructions to be carried out. Rights trading on ASX starts on 9 September 2011 and the sale of your Rights must be effected by close of trade on 28 September 2011 when Rights trading ends.

To take up the remaining part of your Rights, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form, together with your cheque, money order or bank draft for the application monies, reaches the following addresses by no later than 5.00pm (AEST) on 6 October 2011 at the address set out below:

Malachite Resources Limited
c/- 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. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form. 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 6 October 2011.

7.6 Transferring your Entitlement to another person by way of an off market transfer

If you are an Eligible Shareholder and you wish to transfer all or part of your Rights to another person other than on ASX:

- a) Complete the Entitlement and Acceptance Form in accordance with the instructions in Section 7.4 of this Prospectus;
- b) Complete a standard renunciation form (obtainable from your stockbroker or the Company) in favour of the transferee; and
- c) Send or deliver the completed Entitlement and Acceptance Form, the renunciation form and the transferee’s payment for the New Shares to the following address by no later than 5.00pm (AEST) on 6 October 2011:

Malachite Resources Limited
c/- 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”.

7.7 Consequences of doing nothing – Entitlement not taken up

If you decide not to take up all or part of your Entitlement, you are advised to consider selling the Rights which you have decided not to accept rather than allow them to lapse. See Sections 7.4 and 7.6 of this Prospectus, as appropriate.

You will receive no benefit if you do not take up your Entitlement or sell your Rights. It is therefore important that you consider taking action either to take up your Entitlement or sell your Rights in accordance with the above instructions and the instructions on the back of the Entitlement and Acceptance Form.

7.8 Public Offer

Members of the public in Australia who wish to apply for Shortfall Securities may do so by completing the Application Form which accompanies this Prospectus by inserting the number of Shortfall Securities they wish to apply for and forwarding the completed Application Form together with their cheque or bank draft, for the total amount payable to the following address by no later than 5:00pm (AEST) on 6 October 2011:

Malachite Resources Limited
c/- Computershare Investor Services Pty Limited
GPO BOX 2987
ADELAIDE SA 5001

Members of the general public may not make payment for Shortfall Securities via BPAY®.

7.9 Applications and Payment

If your Entitlement and Acceptance Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted by the Company. The Company's decision as to whether to accept the application or how to construe, amend or complete it, shall be final, but no Applicant will be treated as having offered to purchase more New Shares than indicated by the amount of the cheque for application monies.

You are urged to lodge your Application as soon as possible. Entitlement and Acceptance Forms must not be circulated to prospective investors unless attached to a copy of this Prospectus.

Cheques must be drawn in Australian currency on an Australian bank and made payable to 'Malachite Resources Limited – Share Purchase Account and crossed 'Not Negotiable'. Please do not forward cash or postal notes by mail. Receipts for payment will not be issued.

Eligible Shareholders may submit payments for New Shares applied for using BPAY®. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form. If you make payment by BPAY®, you do not need to return your Entitlement and Acceptance Form.

7.10 Enquiries

If you have any queries about your Entitlement please contact the Company's Share Registry between the hours of 8.30am and 5.00pm AEST, Monday to Friday:

Ph: 1300 556 161 (within Australia)
+61 3 9415 4000 (outside Australia)

Alternatively, contact your stockbroker or other professional adviser.

7.11 Personal Information and Privacy Act

Eligible Shareholders have already provided certain personal information to Malachite and its share registry. If Eligible Shareholders apply for New Shares, Malachite and its share registry may update that personal information or collect new information. Such information will be used to assess the Application, service your needs as a Malachite shareholder, provide facilities and services that you request and carry out appropriate administration.

Your personal information may be used and disclosed to the Underwriter, persons inspecting the registers, regulatory bodies, print service providers, mail houses retained for Company purposes and Malachite's share registry.

If you do not provide the information requested in the Entitlement and Acceptance Form, Malachite may not be able to process the Application or administer your holding of Shares appropriately.

Under the Privacy Act 1998 (Cth), you may access, correct and update personal information held by, or on behalf of Malachite or its share registry by contacting Malachite as follows:

Malachite Resources Limited
Attention: Company Secretary
PO Box 5218
West Chatswood NSW 1515

Telephone (02) 9411 6033
Fax (02) 9411 6066

8. GLOSSARY

In this Prospectus the following terms have the meanings ascribed to them below, unless the context otherwise requires.

TERM	EXPLANATION
ASTC	ASX Settlement and Transfer Corporations Pty Ltd
Applicant(s)	Person(s) who submit an Application
Application	A valid application made to subscribe for a specified number of New Shares pursuant to this Prospectus
Application Form	The form which is attached to this Prospectus which is not personalised and which is to be used by persons other than Eligible Shareholders to apply for Shortfall Securities
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange limited
Board	The board of Directors at Malachite Resources Limited
Conrad	The Conrad Project is located 25km south of Inverell in northern New South Wales and consists of EL5977, EL7176(Howell), EPL 1050, ML 5992, ML 6040 and ML 6041
Closing Date	The date the Offer closes, being 5.00pm (Sydney time) on 6 October 2011, unless extended by the Company
Company	Malachite Resources Limited (ABN 86 075 613 268)
Corporations Act	Corporations Act 2001 (Cth)
Directors	The directors of Malachite Resources Limited
Eligible Shareholder	A Shareholder entitled to participate in the Offer as described in Section 2.4
Entitlement	The entitlement of a Shareholder to participate in the Offer
Entitlement and Acceptance Form	The form accompanying this Prospectus (for Eligible Shareholders only)
EPL	Exploration Prospecting License
EPM	Exploration Permit for Minerals
EL	Exploration License
International Shareholder	A holder of Shares having a registered address outside Australia, New Zealand or Singapore
Issue	The issue of New Shares and New Options in accordance with this Prospectus
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 Edition)
Listing Rules	The official listing rules of the ASX
Long Options	Means an option granted upon the exercise of each New Option to subscribe for one fully paid ordinary share in the Company, exercisable at 10.0 cents on or before 31 December 2014 on the basis of one new Long Option for each New Option exercised.
Lorena Project	The Lorena Project is located near Cloncurry in northwest Queensland and consists of ML7147, EPM 18189, ML 90192, ML 90193, ML 90194, ML 90195 and ML 90196
Malachite	Malachite Resources Limited (ABN 86 075 613 268)
ML	Mining Lease

New Shares	Shares issued under this Prospectus
New Options	Options issued under this Prospectus, having an exercise price of 5.0 cents and an expiry date of 15 June 2012
Offer	The Offer in accordance with this Prospectus, further details of which are set out in Section 2.1 of this Prospectus
Official Quotation	Has the meaning given to the term 'quotation' in the Listing Rules
Ore Reserve	The economically mineable part of a Mineral Resource, determined after consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors, as defined more particularly in Item 28 of the JORC Code.
Prescribed Persons	Prescribed Persons has the meaning given to it in Section 6.13
Projects	Specific mineral exploration interests within the Company's portfolio
Prospectus	This Prospectus dated 6 September 2011
Public Offer	The offer of Shortfall Securities to members of the general public who are resident in Australia and who are not Eligible Shareholders
Rights	The renounceable rights to subscribe for 1 New Share for every 4 Shares held with 1 New Option for every New Share applied for
Record Date	15 September 2011
RCP	Reverse Circulation Percussion
Shareholders	The shareholders of the Company
Shares	Ordinary shares in the capital of the Company
Share Registry	Computershare Investor Services Pty Ltd (ACN 078 279 277)
Shortfall Securities	New Shares and New Options offered for issue under this Prospectus which are not applied for by an Eligible Shareholder as part of their Entitlement or applied for by the holder of the Rights
Tenement	An authority granted by a State Government giving the holder the right to explore ("Exploration Licence" or "Exploration Permit") or mine ("Mining Lease") within a defined area of land
Underwriter	Patersons Securities Limited (ACN 008 896 311)
Underwriting Agreement	The Underwriting Agreement between the Company and the Underwriter, a summary of which is set out in Section 6.7 of this Prospectus
Underwriter Options	114,969,739 New Options to be issued directly to the Underwriter or sub-underwriters (as directed by the Underwriter)

9. Directors Authorisation

The Directors of Malachite Resources Limited have authorised the issue of this Prospectus on behalf of Malachite Resources Limited.

This Prospectus has been signed by a Director for and on behalf of the Directors, in accordance with section 351 of the Corporations Act.

G.G. LOWDER
Executive Chairman

10. CORPORATE DIRECTORY

Directors

Garry G Lowder – *Executive Chairman*
Russell M D Meares – *Non-Executive Director*
Roy M Randall – *Non-Executive Director*
James Dean – *Non-Executive Director*

Chief Executive Officer

Geoffrey R Hiller

Company Secretary

Andrew J Cooke
Peter Hopkins

Underwriter

Patersons Securities Limited
Level 23, 2 The Esplanade
Perth WA 6000

Registered Office

Suite 1502, Level 15
Tower B
799 Pacific Highway
Chatswood NSW 2067

Principal Address

Suite 1502, Level 15
Tower B
799 Pacific Highway
Chatswood NSW 2067

Telephone & Email

Tel.: (02) 9411 6033
Fax.: (02) 9411 6066
Email: info@malachite.com.au

ASX Code: MAR

Website

www.malachite.com.au

Solicitors to the Company

TressCox Lawyers
Level 9, 469 La Trobe St
Melbourne VIC 3000

Auditors*

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 1171

Share Registry

Computershare Investor Services Pty. Ltd.
GPO Box 1903
Adelaide SA 5001
Tel.: 1300 556 161
Email: web.queries@computershare.com.au

**This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.*

How to complete the Entitlement and Acceptance form

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 5.00pm (AEST) on 15 September 2011 are shown in box A on the front of this Entitlement Form.

B New Securities Accepted

You can apply to accept either all or part of your Entitlement. Enter in box B the number of New Share 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 Share 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's 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 \$0.025.

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 Prospectus dated 6 September 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

If you are applying for shares and your payment is being made by BPAY®, you do not need to return the slip below. Your payment must be received by no later than 5.00pm (AEST) on 6 October 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. Ensure you have read and accurately followed your banking institution's BPAY FAQ or other instructions prior to making multiple payments for multiple holdings under this offer. Neither CIS nor Malachite Resources Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received 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 (AEST) on 6 October 2011. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for securityholders in Australia. New Zealand and Singaporean holders will need to affix the appropriate postage. Return the slip below with cheque attached.

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

Sale of your Entitlement in full by your Stockbroker/Agent

If you wish to sell your rights entitlement in full, you should instruct:

- Your Stockbroker personally and provide details as requested which appear overleaf

DO NOT forward your requests for sale to the registry

Sale of your Entitlement in part by your Stockbroker/Agent and acceptance of the balance

If you wish to sell part of your rights entitlement and accept the balance you should instruct:

- Your Stockbroker personally and provide details as requested which appear overleaf, AND
- Forward the slip below to CIS with your Acceptance Monies OR make payment using BPAY you wish to accept part of your Entitlement.

Disposal of your Entitlement other than through a Stockbroker for Rights held on the Issuer Sponsored Subregister

A Standard Renunciation Form must be used for an off market transfer of rights. These forms may be obtained from your Stockbroker or the Share registry.

If you have any enquiries concerning this form or your entitlement please contact CIS on 1300 56 161.

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

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

© Registered to BPAY Pty Ltd ABN 69 079 137 518

Payment Options:



Bill Code: 123456

Ref No: 1234 5678 9012 3456 78

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



By Mail
Malachite Resources Limited
C/- Computershare Investor Services Pty Limited
GPO Box 2987
Adelaide, South Australia
5001 AUSTRALIA

I1234567890

Entitlement Number: <xxxxxxxx>

SAMPLE CUSTOMER
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLETOWN TAS 7000

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

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

INSTRUCTIONS TO APPLICANTS

If an applicant has any questions on how to complete this Application Form, please telephone Computershare Investor Services on 1300 556 161.

A. Application for Securities

The Shortfall Application Form must only be completed in accordance with instructions included in Prospectus.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

F. CHESSE HIN or existing SRN Details

The Company participates in CHESSE. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESSE HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to "MALACHITE RESOURCES LIMITED – SHARE PURCHASE ACCOUNT" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

H. Declaration

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed. If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more New Shares and New Options than is indicated by the amount of the accompanying cheque. I/We have personally received a copy of the Prospectus accompanied by or attached to this Application Form or a copy of the Application Form or a direct derivative of the Application Form before applying for New Shares and New Options.

Forward your completed application together with the application money to:

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

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name of a natural person, company or other legal entity acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	Proto Resources Pty Ltd	Proto Resources P/L or Proto Resources Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <Proto Resources Association A/C>	Proto Resources Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund