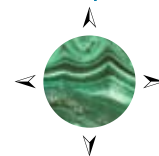


MALACHITE RESOURCES

LIMITED

ABN 86 075 613 268



QUARTERLY REPORT 31 DECEMBER 2010

HIGHLIGHTS

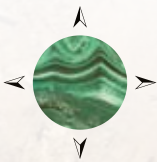
- Shareholder approval for acquisition of the Lorena Gold Project
- Strongly encouraging results at Pikedale

LORENA GOLD PROJECT

Shareholder approval for the acquisition of the Lorena Gold Project was given at the Company's Annual General Meeting held on 23 November 2010. Completion of the acquisition is now subject primarily to the grant of five mining lease applications that adjoin the existing lease, on which the known resource is located. All statutory requirements for the grant of those tenements were met by the end of the Quarter and the final, procedural step before grant is the approval of the Governor-in-Council, which was in recess from 17 December 2010 to 24 January 2011.

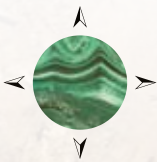
PIKEDALE PROJECT

An induced polarisation geophysical survey was carried out at Pikedale during the Quarter, with strongly encouraging results recorded over the Lickhole Prospect. Two well defined zones of high chargeability were identified at depths of the order of 100 to 250m. The southern anomaly is broadly coincident with outcropping, geochemically anomalous ironstones and measures approximately 360 x 280m in area. The northern anomaly is a little smaller but otherwise similar and is located to the east of mapped ironstone, although rock chip samples anomalous in silver and copper are present at surface above the IP anomaly. The Company proposes to drill these targets in 2011 and has applied for funding assistance to do so under the Queensland Government's Collaborative Drilling Initiative of the Greenfields 2020 Program.



Malachite project location map





LORENA

The Lorena Gold Project is attractive to Malachite because of the high grade of the existing gold resource and the excellent potential to expand this resource substantially with further drilling and exploration on adjacent ground. Significant but as yet unquantified scope for copper-gold mineralisation also exists at Lorena.

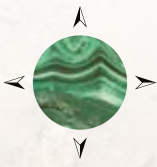
On 29 September 2010 the Company announced that, subject to shareholder approval, it was to acquire Volga Elderberry Pty Limited (“VEPL”), which is the owner of the Lorena Gold Project (“Lorena”). Descriptions of Lorena, including a summary of acquisition terms, statement of resources and historical outline, are contained in the 29 September 2010 ASX Announcement and also in the Notice of Meeting for Malachite’s 2010 Annual General Meeting (“AGM”), which was lodged with the ASX on 22 October 2010. Copies of both documents are available from the Company’s website.

Completion of the Lorena acquisition is subject to the satisfaction of a number of Conditions Precedent (“CPs”), most of which are procedural but two of which represent key milestones. One of the key CPs is the approval of the acquisition by Malachite’s shareholders. That approval was given at the Company’s AGM on 23 November 2010. The other key CP is the grant of five additional mining leases over ground adjoining the existing mining lease (ML7147). The extra ground is required to provide sufficient space for development of the Lorena resource as a viable open pit mine and also to provide additional exploration potential for expanding the known resource and finding repetitions along strike. At the end of the Quarter all statutory requirements for grant of the additional mining leases had been met by VEPL and the final, procedural step remained the approval of the Queensland Governor-in-Council (“GIC”). The GIC was in recess over the Christmas-New Year period and Malachite understands that the Lorena leases were to be considered soon after resumption of business by the GIC on 24 January 2011.

PIKEDALE

Pikedale was the main site of field activity by the Company during the Quarter and saw the completion of an induced polarisation geophysical survey over the Lickhole Prospect. Strongly encouraging results were obtained, with the identification of two prominent zones of high chargeability that more or less coincide with outcropping geochemically anomalous ironstones and other rocks. These IP anomalies will be the target of a drilling program planned for 2011, when it is hoped that part of the funding for drilling will be made available by the Queensland Government’s Collaborative Drilling Initiative of the Greenfields 2020 Program.

The Pikedale Project consists of a single Exploration Permit for Minerals (EPM18166), which is centred about 30km west of Stanthorpe in southern Queen-



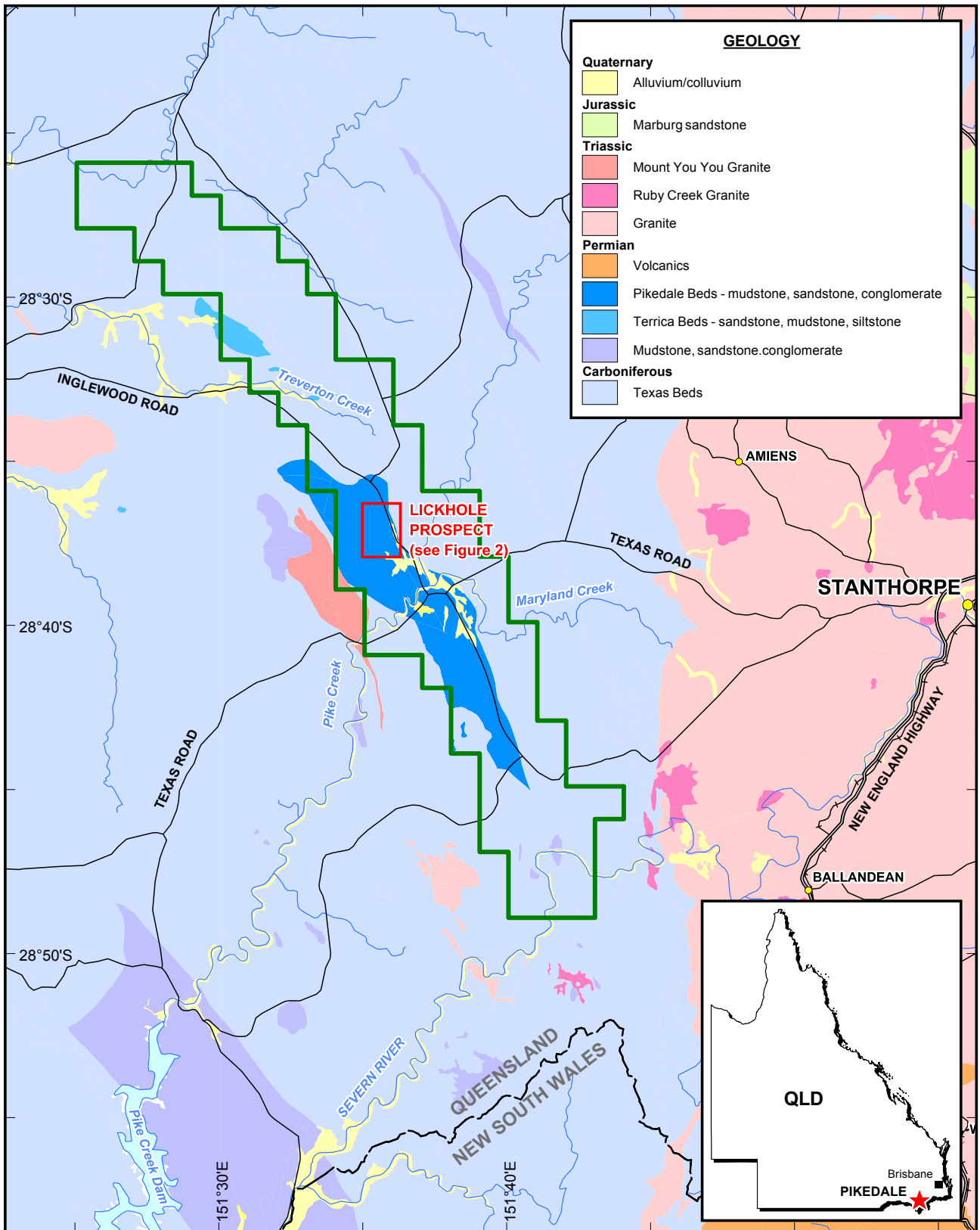
sland. The Pikedale EPM encompasses a small mining lease that covers an old working known as the Pikedale mine, where the metal assemblage is reminiscent of the metals that occur at Malachite's Conrad Silver Project in northern NSW.

Further to the north, within the EPM, a zone of ironstone and small scale old workings 2.3km long and up to 250m wide has been mapped by Malachite and is known as the Lickhole Prospect (Fig. 1). Oxidised silver, copper and zinc mineralisation is present over much of the mapped zone, with maximum assay values for different grab samples of 71g/t Ag, 7.93% Cu and 6.28% Zn. Mineralisation is best developed in the walls and dump of an old shaft, where abundant malachite and azurite have been deposited along fractures in a siltstone hosted breccia. Some chalcopyrite is also present, partly on fracture surfaces and partly within narrow (<2mm) quartz veinlets in fresh siltstone, and rarely in more oxidised gossanous pods/small lenses of quartz and gossan.

The areal extent of ironstone and anomalous rock geochemistry makes the Lickhole Prospect attractive for further exploration and, accordingly, during the December Quarter the Company conducted an induced polarisation (IP) offset pole-dipole survey over a 2.4km strike length. This geophysical technique was aimed at detecting sulphide accumulations at depth below the surface ironstones and sporadic workings. Four initial arrays were surveyed, with each array comprising two 800m receiver lines (electrodes at 50m intervals) located 200m either side of a 1600m transmitter line. Two infill arrays reduced line spacing to 100m over a 1.2km strike length.

Two distinct chargeability highs were outlined at depths of 100 to 250m (Fig. 2). These anomalies are interpreted as indicating increased concentration of (chargeable) sulphide minerals, such as chalcopyrite and pyrite. As such, they represent attractive exploration targets. The southern anomaly is broadly coincident with the ironstone mapped at surface and is modelled as a 360m long by up to 280m wide chargeability high. The northern anomaly is located a little to the east of the surface ironstone and is modelled at 150m depth as a 300m by 150m high, centred on a small pit where a rock chip sample assayed 71 g/t Ag and 3.9% Cu. This northern high resolves into two separate highs on the 100m depth slice. Near surface chargeability over the survey area is noisy and difficult to interpret.

A proposal for a grant under the Queensland Government's Collaborative Drilling Initiative of the Greenfields 2020 Program has been submitted by Malachite. It is proposed to test the Lickhole prospect, in particular the IP (chargeability) anomalies, by reverse circulation percussion drilling, totalling 2,300m in 10 holes. Diamond tails may be required as planned hole depths extend to 250m. Under the available grants, the state Government will refund up to 50% of direct drilling costs (excluding mobilisation/demobilisation) to a maximum of \$150,000. Malachite has applied for a grant of \$104,500. It is understood that applicants will be notified of the outcome of the assessment process by early March 2011.

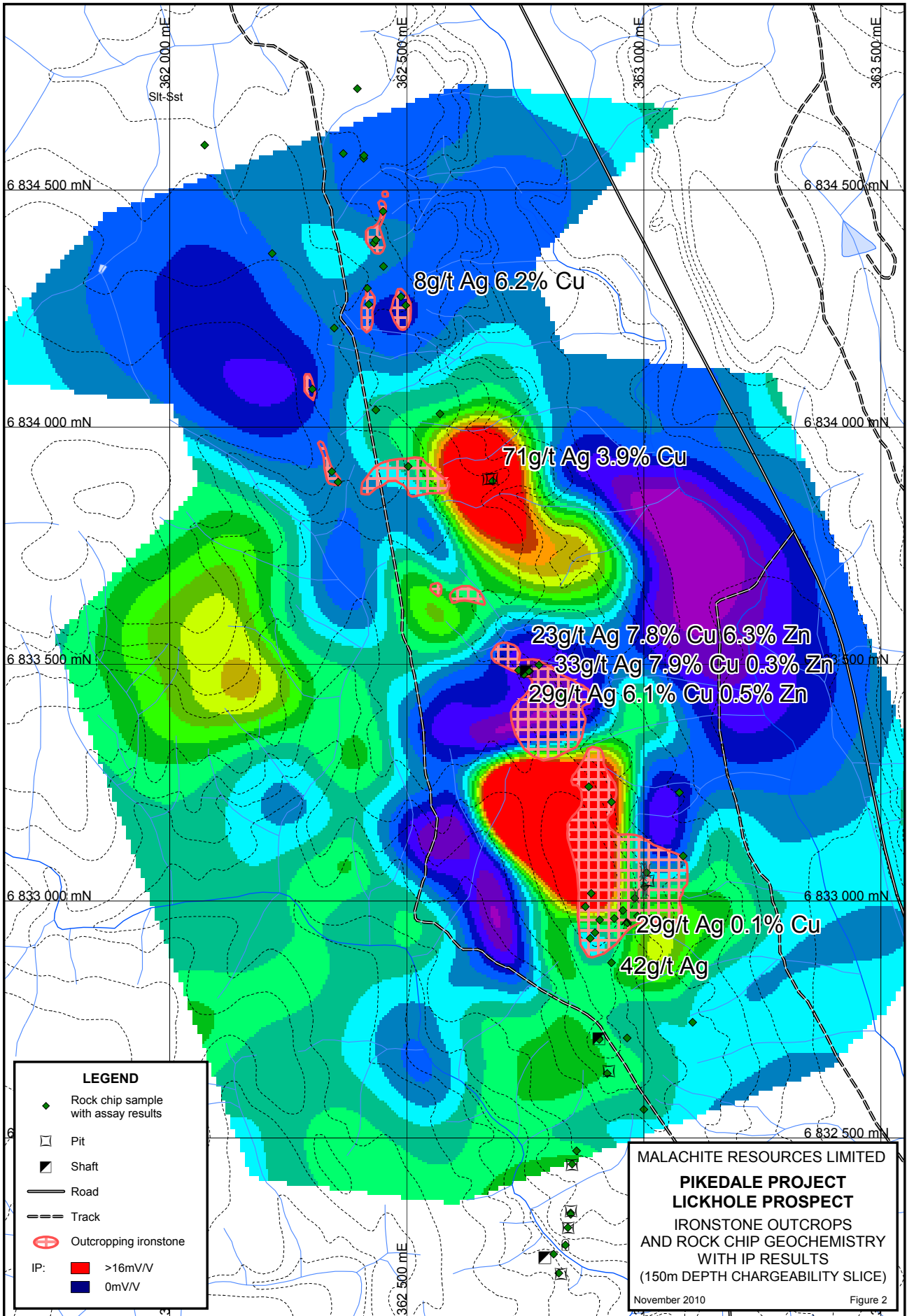


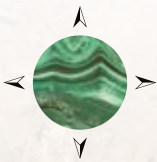
GEOLOGY	
Quaternary	Alluvium/colluvium
Jurassic	Marburg sandstone
Triassic	Mount You You Granite
	Ruby Creek Granite
	Granite
Permian	Volcanics
	Pikedale Beds - mudstone, sandstone, conglomerate
	Terrica Beds - sandstone, mudstone, siltstone
	Mudstone, sandstone, conglomerate
Carboniferous	Texas Beds

LEGEND	
	Town - large, small
	Highway
	Main road
	River
	EPM 18166

0 5 10
kilometres

MALACHITE RESOURCES LIMITED	
PIKEDALE PROJECT, QLD	
Geology Plan and Tenement Location	
Scale: 1:300,000	Date: November 2010
Grid: GDA94/MGA55	Figure 1





CONRAD

Wet weather and boggy ground conditions severely restricted active field work at the Conrad Silver Project during the period. A small program of geochemical soil sampling was carried out and some drill site rehabilitation was undertaken.

TOOLOOM

Infill soil geochemical sampling was conducted at Joes Gully and at the Frasers/Nine Mile Prospect area. At Frasers, soil sampling was aimed at filling gaps identified in previous work, where gold-in-soil values up to 0.13ppm Au had been recorded. Similarly, at the nearby Nine Mile area, new sampling was conducted to fill gaps within earlier ridge and spur sampling programs.

At Joes Gully, 48 soil samples were collected on two east-west 100m spaced traverses located to the south of drill holes JGRD001 and JGRD002. Twenty-four rock chip samples were also collected from workings at Diorite Dam and from outcrop along the Joe's Gully track. Seven stream sediment samples were also collected immediately to the south of the Cullens Creek Granite over a 2.5km by 1km area. The samples collected are being held in storage and will be submitted for assay as part of a larger batch at an appropriate time in the near future.

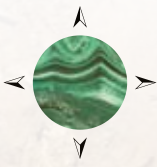
Further results were received from metallurgical test work being carried out on samples of drill core from the Phoenix Prospect. Previous work had indicated that the gold in this mineralisation is refractory and the aim of the current work was to assess the potential to upgrade the material by sulphide flotation. The results showed that significant upgrading did occur by bulk sulphide flotation but the extra step of separating out the arsenopyrite component is probably not worthwhile. This implies that if the Phoenix breccia mineralisation is ever mined it is likely that on-site processing would involve production of a bulk sulphide flotation product that would be shipped elsewhere for roasting or pressure oxidation before cyanidation to recover the gold.

ELSMORE

Only minor work was carried out during the period. The Company engaged the services of an expert tin consultant to assist it with a review of the results of exploration at Elsmore and to provide some guidelines for further work. This review concluded that the greisen-hosted hard rock tin occurrences identified to date are unlikely to become economic to mine but that there was significant potential for economic development of the alluvial tin prospects that Malachite had outlined and bulk sampled, especially if they can be combined with other production in the district.

KINGS GAP

No new field work was undertaken, principally due to denial of access to key land where large areas of geochemically anomalous, siliceous ironstone capping over



well defined aeromagnetic highs have been identified by Malachite. The Company will continue to seek access to this land in 2011.

RIVERTREE

No results have been reported to Malachite by Alcyone Resources Limited, operator of the Rivertree Joint Venture, during the period. Drilling is planned for early 2011.

FORWARD PLANS

The Lorena Gold Project is expected to dominate Malachite's field activities in the first part of 2011, subject to Completion of the acquisition after all of the Conditions Precedent have been met. It is anticipated that drilling at the Lorena mine will commence in March with a comprehensive program of reverse circulation percussion drilling. At the same time, exploration of the adjoining ground, including the (hopefully) newly granted MLs and nearby EPMs will begin. Field work is also expected at Pikedale, involving completion of regional mapping and prospecting of the Pikedale EPM and planning of the proposed drilling program at the Lickhole Prospect. Early stage field work is also being undertaken on the Company's newly granted Tingha EL, located to the east of Conrad and to the south of Elsmore.

FURTHER INFORMATION

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

G.G. LOWDER

Managing Director

27 January 2011

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