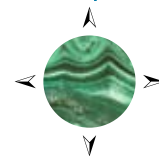


# MALACHITE RESOURCES

## LIMITED



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## QUARTERLY REPORT

### 31 MARCH 2011

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## HIGHLIGHTS

### LORENA GOLD PROJECT

On 10 February 2011, Malachite acquired the Lorena Gold Project. The Lorena Gold Project has the following key attributes which are likely to see Malachite transform from an exploration company to a producer in the next couple of years:

- A measured resource of 177,880 tonnes at 9.8g/t containing 56,000 ozs of gold and an inferred resource of 95,000 tonnes at 7.2g/t containing 22,000 ounces of gold for a total resource of 78,000 ounces.
- The resource is on mining lease ML7147 which is located some 15km from Cloncurry, Queensland. Infrastructure in place on the mining lease includes power, site offices, first aid room, laboratory and maintenance shed.
- A preliminary scoping study in May 2010 by Crosscut Consulting demonstrated that it was feasible to develop an operation by an open cut mine assuming only 137,000 tonnes at 8.9g/t Au containing 39,000 ounces.
- Parts of the known resource contain very high grades and there is strong evidence for extensions to the known ore grade mineralisation at depth and along strike.

In late March drilling commenced on ML7147 with the aim of carrying out some infill drilling and to test extensions to the mineral resource defined in that area. Results from this drilling are expected in early May.

Key targets to increase the resource estimate are at depth and along strike. However, access to commence drilling to test these targets requires the granting of the five new mining leases that adjoin ML7147. The new MLA's are currently with the Governor-in-Council awaiting signing by the Minister.

### CORPORATE

In a new development for Malachite, Mr Geoff Hiller commenced as the Company's new Chief Executive Officer ("CEO") on 21 March.

As a consequence of the Lorena acquisition Messrs Joel Bidois and James Dean were appointed to the Malachite Board effective from 10 February 2011 and Messrs Denis O'Neill and Warren Staude resigned as directors effective from 28 February 2011.

ASX Code: MAR



Issued Shares: 540m

ABN: 86 075 613 268

#### Directors

Garry Lowder  
Russell Meares  
Roy Randall  
Joel Bidois  
James Dean

#### Top Shareholders

4TK Pty Limited  
Olhoc Pty Limited  
Dongola Invest Limited

#### Head Office

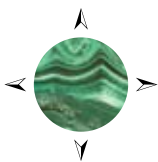
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## LORENA GOLD PROJECT

On 29 September 2010 the Company announced that it was to acquire Volga Elderberry Pty Limited (“VEPL”), which is the owner of the Lorena Gold Project (“Lorena”). On 10 February 2011 the acquisition of VEPL was completed by the issue of 350,000,000 new shares in the Company to the then shareholders of VEPL and the transfer of their interests in VEPL to Malachite, making VEPL from that point on a wholly owned subsidiary of Malachite.

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.

In summary, the Lorena gold project has:

- A measured resource of 177,880 tonnes at 9.8g/t containing 56,000 ozs of gold (within the “A Lode”) and an inferred resource of 95,000 tonnes at 7.2g/t containing 22,000 ounces of gold (within the “B Lode”) for a total resource of 78,000 ounces. (refer Table 1 below)
- The resource is on mining lease ML7147 which is located some 15km from Cloncurry, Queensland. Infrastructure in place on the mining lease includes power, site offices, first aid room, laboratory and maintenance shed.
- A preliminary scoping study in May 2010 by Crosscut Consulting demonstrated that it was feasible to develop an operation by an open cut mine assuming only 137,000 tonnes at 8.9g/t Au containing 39,000 ounces from the A Lode with a mine life of two and a half years. (refer Figure 1 below)
- Parts of the known resource contain very high grades and there is strong evidence for extensions to the known ore grade mineralisation at depth and along strike.
- With further work and infill drilling the company believes that there is a reasonable likelihood of increasing the number of ounces of gold within an open pit operation. This view is supported by Behre Dolbear Australia Pty Ltd, who reviewed the project for Malachite as part of the Company’s due diligence on the acquisition of the project.

**Table 1: Lorena Resource Estimates**

Zone	Category	Tonnes	Au g/t	Contained Au (oz)
Lode A	Measured	177,800	9.8	56,000
Lode B	Inferred	95,000	7.2	22,000
<b>Total</b>		<b>272,800</b>	<b>8.9</b>	<b>78,000</b>

*Note: The Lorena resource estimates were released in an ASX announcement dated 29 September 2010*

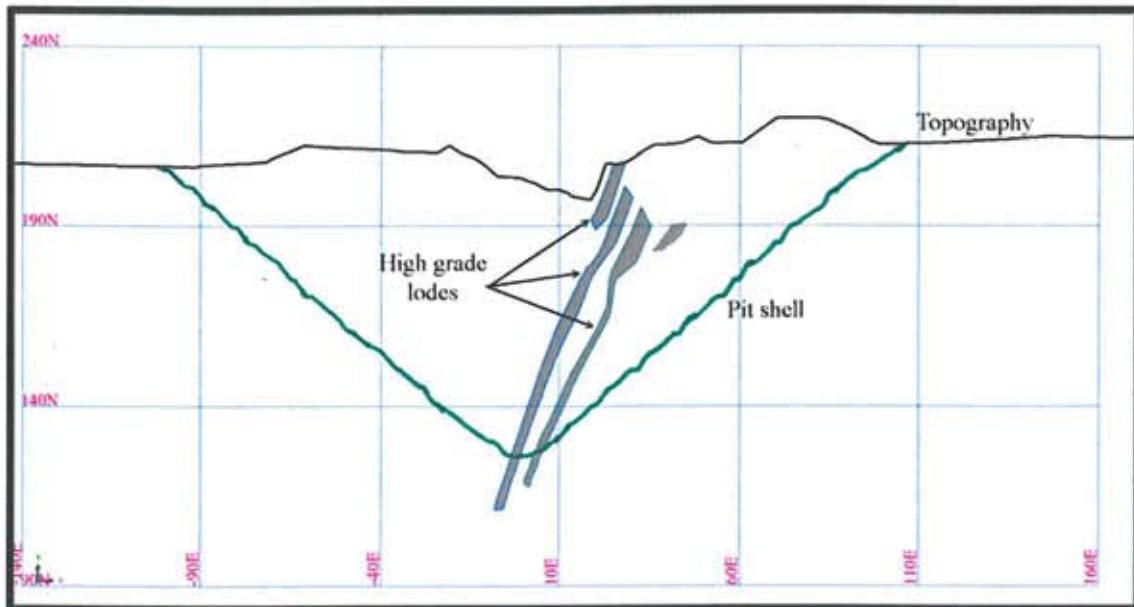
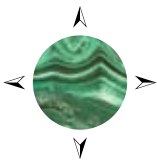


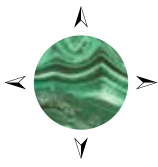
Figure 1: Schematic cross section (looking northwest) showing Lorena high grade A Lode lenses and optimal pit shell (based on preliminary investigation)

During the Quarter, the Company has been involved in detailed planning for the proposed 2011 drilling program and also in ongoing care and maintenance issues pending the field program start up. The remnants of Cyclone Yasi passed over Cloncurry and the Lorena site suffered heavy rainfall. However, no damage was sustained and the onsite personnel were able to manage the high water flows satisfactorily.



Exploration Drilling on ML7147, April 2011

A new Plan of Operations for Lorena that provides for the planned drilling program was lodged during the Quarter and was subsequently approved by the Department of Energy and Resource Management. The proposed drilling includes approximately 5,500m of reverse circulation percussion (“RC”) drilling and 1,800m of diamond core drilling. The RC drilling commenced at the end of March and is focussed initially within ML7147. Drilling aims to extend the mineral resources currently defined. Key target areas for drilling are at depth below A Lode and also along strike to the northwest and southeast, as well as the depth extension of B Lode.



The RC drilling was suspended at Easter after drilling 1,943 metres. Most of this drilling was infill drilling and targeting possible extensions to the A Lode which were accessible from ML7147. Results from this drilling are expected in early May. The balance of RC drilling will take place once the underlying mining lease applications (“MLAs”) (*refer Figure 2 below*) have been granted since access is required on these leases to target the possible extensions to the resource. Grant of those MLAs is now expected in May.

The diamond core component of the proposed drilling program is scheduled to commence in August. In that regard, Malachite is pleased to report that its application for funding from Round 5 of the Queensland Government Department of Employment, Economic Development and Innovation’s Collaborative Drilling Initiative was successful. Funding of \$66,000 has been awarded, on a matching dollar for dollar basis for direct drilling costs, for two diamond drill holes proposed to test for iron oxide copper-gold (IOCG) type mineralisation at depth below the Lorena gold deposit.

Given that the Lorena gold project is likely to be a gold producer in the next couple of years, the Company is now actively looking at other gold opportunities in the area with Lorena being the processing hub.

Future plans at Lorena include:

- Release of results from 1,943m of RC drilling on ML7147
- Granting of the five MLAs in May
- Geological mapping and soil sampling program on the new MLs in June
- Plan of operations for new MLs approved in June
- Re-commence RC drilling on ML7147 for B lode extensions in June
- RC drilling on new MLs in July
- Diamond drilling in August
- Testing of deep IOCG targets via diamond drilling in August
- Resource estimate undertaken in December Quarter
- Metallurgy testwork conducted in October
- Feasibility study work commencing November/December.

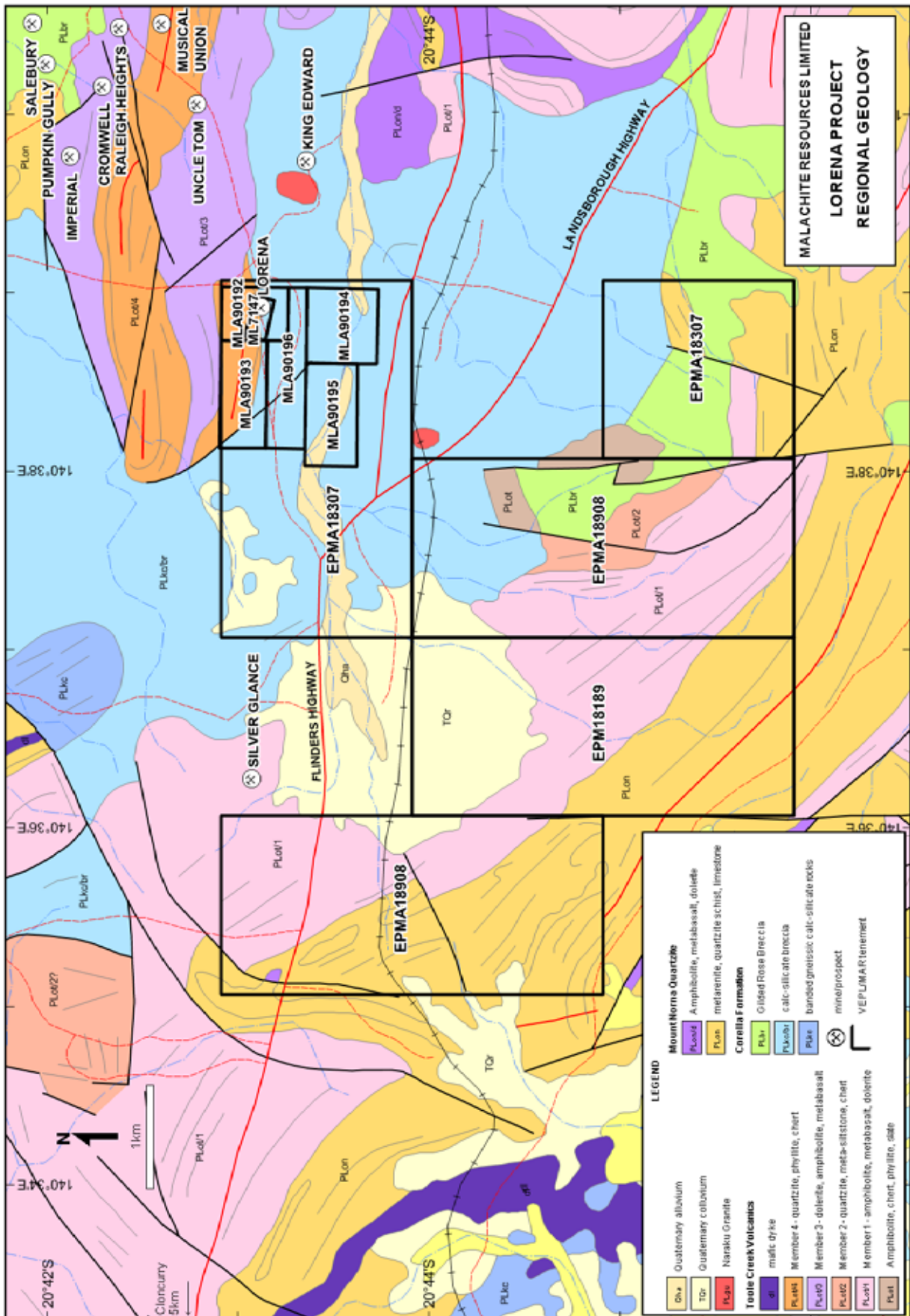
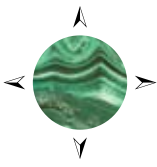
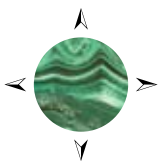


Figure 2: Lorena Mining Lease Applications



## CONRAD SILVER PROJECT

Minimal field work was carried out at Conrad during the Quarter as the Company concentrated on the Lorena Gold Project.

The priority at Conrad is to investigate a number of possible options for bringing forward the potential for ore production since the project has some 19 million equivalent silver ounces in resource. Part of that consideration is likely to involve diamond core drilling in the upper part of the Princess Shoot at the southeastern end of the main old workings at Conrad. In addition, the known high grade resource in the vicinity of the King Conrad shaft to the northwest will be looked at as a possible early mine life target.

**Table 2: Summary of Conrad Resource Estimates**

**Combined Conrad and King Conrad Lodes: Global Resource Estimate**

Category	Tonnes	Ag g/t	Cu %	Pb %	Zn %	Sn %	In g/t
Indicated	657,823	128.8	0.24	1.69	0.68	0.28	8.3
Inferred	1,993,935	97.6	0.19	1.21	0.48	0.21	6.3
<b>Total</b>	<b>2,651,758</b>	<b>105.3</b>	<b>0.2</b>	<b>1.33</b>	<b>0.53</b>	<b>0.22</b>	<b>6.8</b>

Based on a 1.2m wide vein, with no cut off and allowing for historical depletion

**Combined Conrad and King Conrad Lodes: High Grade Resource Estimate**

Category	Tonnes	Ag g/t	Cu %	Pb %	Zn %	Sn %	In g/t
Indicated	141,260	227.1	0.42	3.16	1.25	0.47	14.7
Inferred	317,040	235.3	0.37	2.46	0.48	0.42	11.2
<b>Total</b>	<b>458,300</b>	<b>232.8</b>	<b>0.39</b>	<b>2.68</b>	<b>0.72</b>	<b>0.44</b>	<b>12.3</b>

Based on a 1.2m wide vein, with a 300g/t Ag<sub>EQ</sub> cut off, Defined Shapes and allowing for historical depletion

**Greisen Zone: Resource Estimate**

Category	Tonnes	Ag g/t	Cu %	Pb %	Zn %	Sn %
Indicated	293,041	40.7	0.02	0.81	0.71	0.13
Inferred	185,602	40.5	0.03	0.98	0.82	0.13
<b>Total</b>	<b>478,643</b>	<b>40.6</b>	<b>0.02</b>	<b>0.88</b>	<b>0.75</b>	<b>0.13</b>

Based on a 74g/t Ag<sub>EQ</sub> cut off within a wireframe at a notional 10g/t silver cut off

Note: The Conrad resource estimates were released in an ASX announcement dated 16 December 2008

Assessing the potential of the King Conrad zone may require dewatering of the old mine workings at Conrad and the implications of this for the project will be examined in more detail. The objective is to identify sufficient shallow, high grade resources to support a low cost, start up operation. The appeal of doing so has been greatly enhanced recently by strong rises in metal prices, especially the prices of silver, now over \$US45 per ounce, and tin, now over \$US30,000 per tonne. At current metal prices, silver represents about 45% of the contained metal value of the Conrad resource, and tin makes up a further 30% approximately.

During the quarter some soil sampling was conducted over parts of the projected southeastern extension of Conrad, where earlier VLF-EM geophysical surveying had identified conductors that are thought to represent the Conrad Lode equivalent in this area. Assay results were not at a level to support changing the current priorities for the project.

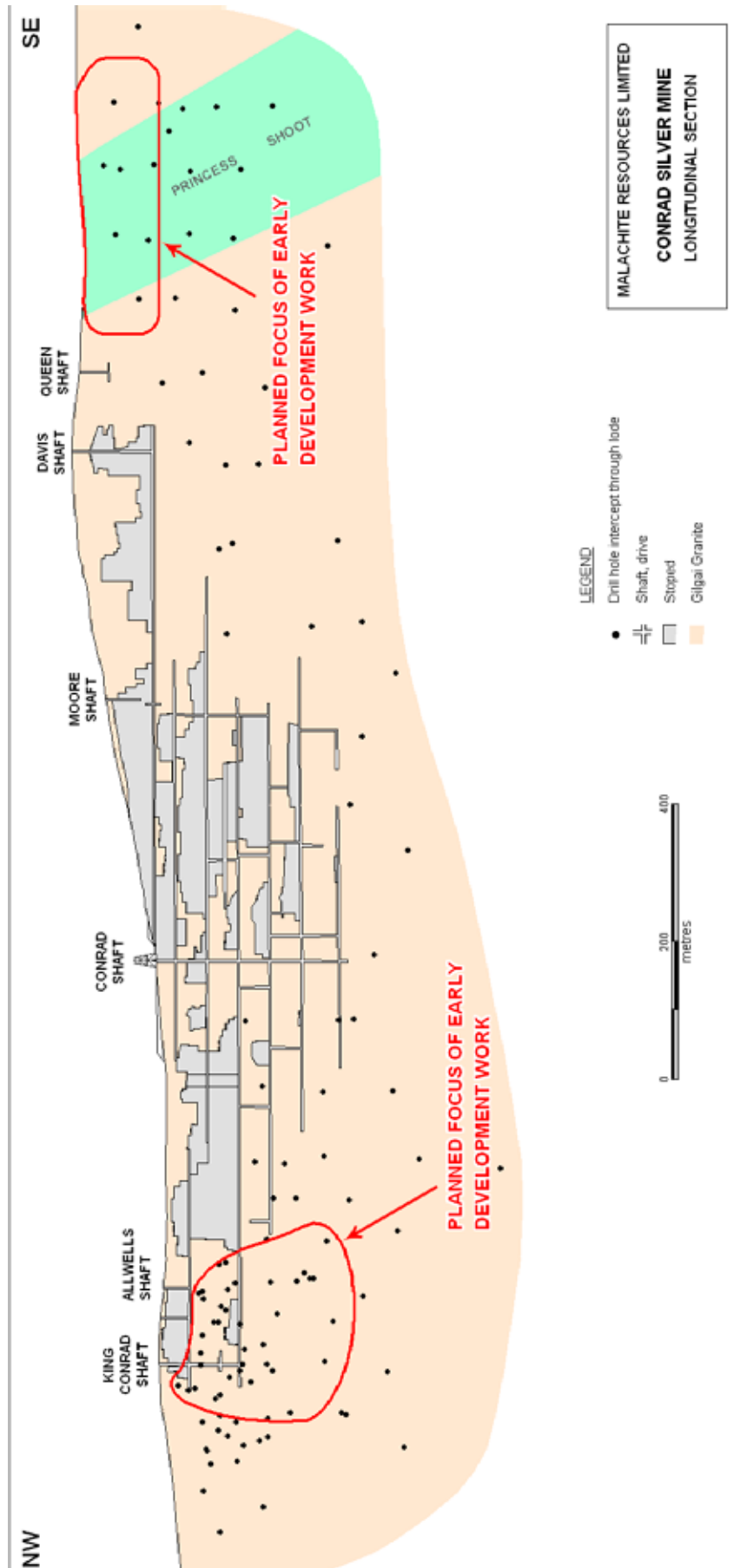
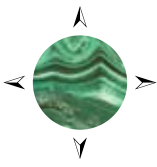
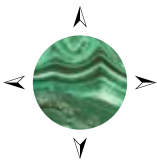


Figure 3: Conrad Mine Long Section



## OTHER PROJECTS

### PIKEDALE PROJECT

Minimal activity took place at Pikedale during the Quarter.

The only significant activity at Pikedale during the Quarter has been the successful negotiation of access to a key property at the Lickhole Prospect site. This will allow the proposed initial drilling program to proceed.

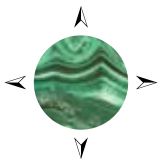
### TOOLOOM GOLD PROJECT

No new exploration field work took place during the Quarter but assay results were received for soil samples collected earlier in the Nine Mile/Back Creek area. These showed strong soil gold anomalism (including values up to 1.1g/t Au in soil) that implies a substantial strike extent for the structurally controlled gold mineralisation already known on Nine Mile ridge. An interesting target for future follow up drilling has emerged as a result.

The main technical work outcome for the Tooloom project in the Quarter was a report from the laboratory which has been testing samples from the Phoenix Prospect, in the northern part of the Tooloom area, to assess the potential for gold upgrading by sulphide flotation. The samples tested contained 2-2.4g/t Au as primary mineralisation. It was found that bulk sulphide flotation did produce a significant upgrade into concentrates containing 96-99% of the initial gold at grades of 13-20g/t Au.



*Malachite project location map*



## CORPORATE

In a new development for Malachite, Mr Geoffrey Hiller was appointed as the Company's new Chief Executive Officer ("CEO") during the Quarter. Mr Hiller has extensive experience in engineering project management and mining finance. He holds a BE Mining (Hons) from the University of Melbourne, a BE Civil (Hons) from the University of Sydney and an MBA from the University of New South Wales. For the previous 18 months Mr Hiller worked for Finders Resources Limited, where he was closely involved in the development of that company's Wetar Island copper project. Prior to that, Mr Hiller was an executive director of Tennant Metals Pty Ltd, a metals trading company, and before that an executive director of RFC Group Ltd, a resource finance and investment business.

As an engineer and financier, Mr Hiller brings important new skills to the Company. His appointment is a major step in Malachite's transition from explorer to producer and will add considerable momentum to the development of the Company's Lorena Gold Project and Conrad Silver Project.

Following the appointment of the new CEO, Garry Lowder has relinquished the title of Managing Director but continues as Executive Chairman for a transition period as Mr Hiller settles into the role of CEO.

As a consequence of the Lorena acquisition there have been several changes to the Malachite Board. Messrs Joel Bidois and James Dean were appointed effective from 10 February 2011 and Messrs Denis O'Neill and Warren Staude resigned as directors effective from 28 February 2011.

During the Quarter a total of \$697,875 in new capital was raised through private placements.

Following the acquisition of VEPL and the new capital raised during the quarter, the company has 540,203,106 shares on issue.

## FURTHER INFORMATION

For further information please contact Chief Executive Officer, Geoff Hiller, on (02) 9411 6033 or by email at [info@malachite.com.au](mailto:info@malachite.com.au), or visit the Company's website at [www.malachite.com.au](http://www.malachite.com.au)

G. HILLER  
Chief Executive Officer  
28 April 2011

*The information in this report that relates to Exploration Results and Mineral Resources 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.*