MALACHITE RESOURCES

LIMITED

ABN 86 075 613 268

QUARTERLY REPORT
30 September 2010

HIGHLIGHTS

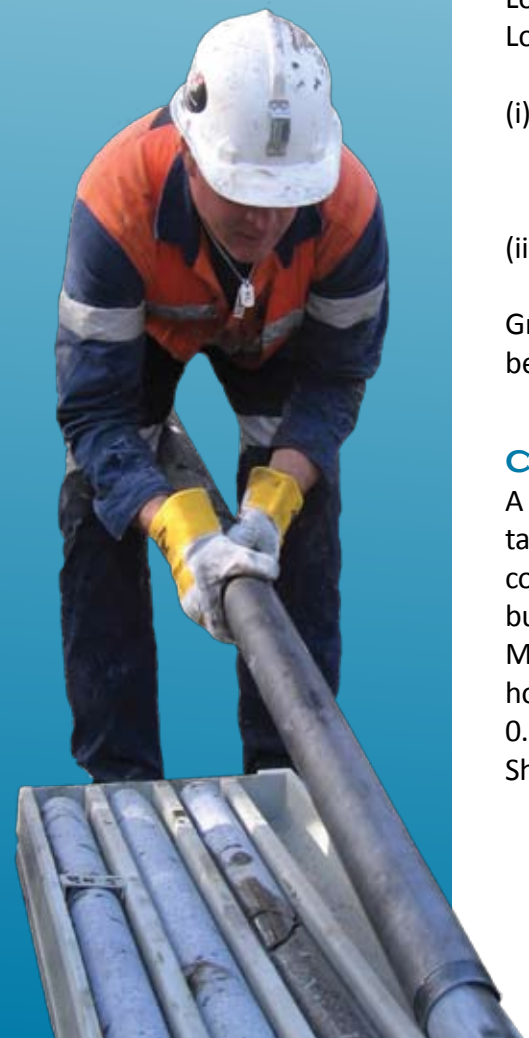
LORENA GOLD PROJECT

The most important result for the Company during the Quarter was the signing of a conditional Share Sale Agreement with Volga Elderberry Pty Limited ("VEPL"), providing for Malachite to acquire all of the issued capital of VEPL and thereby obtain 100% ownership of the Lorena Gold Project ("Lorena"). Lorena is situated in northwest Queensland and comprises a relatively small but high grade gold deposit, with strong evidence for extensions to the known mineralisation at depth and along strike. Preliminary scoping studies indicate that the Lorena deposit is amenable to open pit mining. Significant copper mineralisation is also present at Lorena. Two of the key conditions precedent for completion of the Lorena transaction are:

(i) the grant of several mining lease applications that adjoin the existing mining lease, on which the known resources are situated, and

(ii) the approval of Malachite's shareholders.

Grant of the MLs is expected soon and shareholder approval will be sought at the Company's AGM on 23 November 2010.



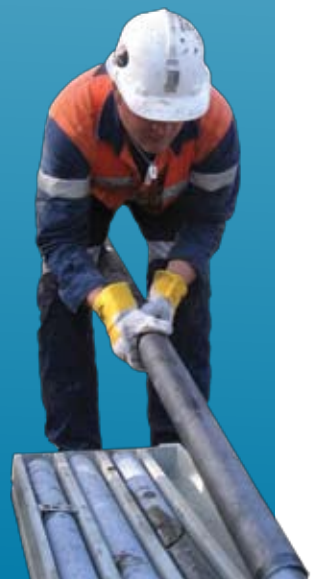
CONRAD SILVER PROJECT

A six-hole diamond drilling program was completed at Conrad, targeting the Princess Shoot, which contains an attractive ore type, comprising silver-copper-tin mineralisation, with subordinate lead but very little zinc. Some high grade hits have been recorded in Malachite's drilling of the Princess Shoot, including one of the recent holes (CMDD113) that intersected 1.6m @ 819g/t Ag, 0.59% Cu, 0.71% Sn and 8.35% Pb. The Company plans to make the Princess Shoot the focus of the next stage of work at Conrad.

PIKEDALE PROJECT

A promising exploration target has been identified at Pikedale, where geological mapping and rock and soil geochemistry have defined a large body of geochemically anomalous ironstone, known as the Lickhole Prospect. The anomaly is more than 2km long and oxide copper mineralisation is prominent in several places. Rock chip grab samples have assayed as much as 7.93% copper and other samples have reported up to 6.28% zinc and up to 71g/t silver.

Figure 1: Malachite project location map



LORENA

The acquisition of the Lorena Gold Project will provide Malachite with an outstanding opportunity to develop a mining operation rapidly and at relatively low risk. The high gold grades at Lorena should generate high operating margins and significant cash flows, after investing only a modest amount of development capital. The Project offers substantial upside, with excellent gold exploration potential and the possibility that copper will become an important co-product as the resource size grows. Lorena seems to be a very good fit with Malachite's financial and technical capacity and an ideal project for the Company's first mining development.

As previously advised, Malachite has for some time been evaluating a potential gold acquisition and that work came to fruition late in the Quarter with the announcement on 29 September 2010 that the Company is to acquire Volga Elderberry Pty Limited ("VEPL"), which is the owner of the Lorena Gold Project ("Lorena"). A comprehensive description of Lorena, including a summary of acquisition terms, statement of resources and historical outline, is contained in the 29 September 2010 ASX Announcement, a copy of which is available from the Company's website.

Lorena is situated about 15km east of Cloncurry in northwest Queensland and only about 2km from the Flinders Highway, near its junction with the Landsborough Highway (Fig. 2). The project lies within one granted mining lease ("ML") on which the known gold deposit is located, and five adjoining mining lease applications ("MLAs"), grant of which is expected soon; together the ML and MLAs cover approximately 2.5km^2 (Fig. 2). The tenement package also includes two Exploration Permit for Minerals Applications (EPMAs) in the Lorena vicinity that cover approximately 16km^2 (Fig. 2).

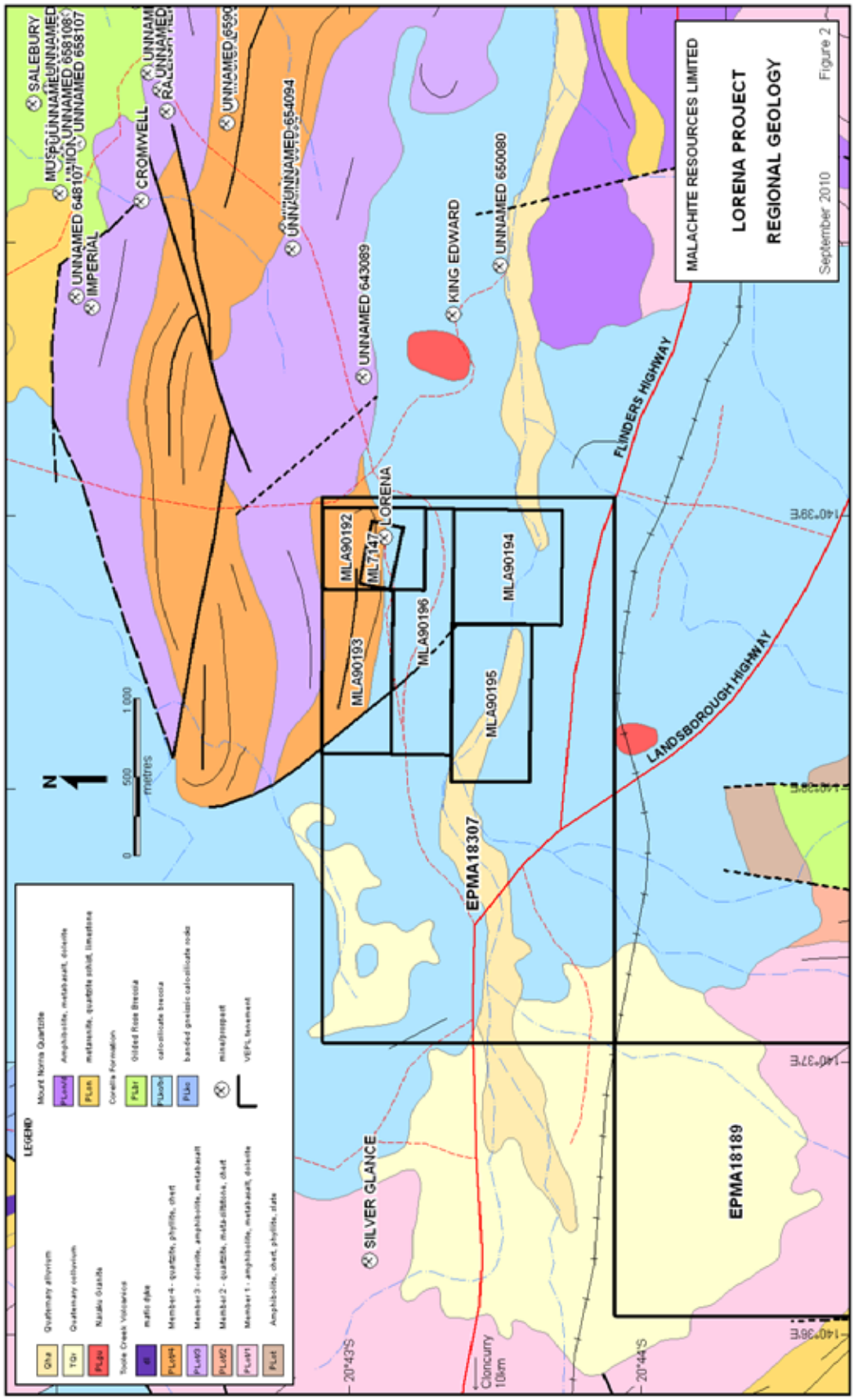
Some excellent gold intersections have been recorded in diamond drilling at Lorena by VEPL and the best mineralisation found so far is contained within a lode that strikes SSE and is intersected by a second lode, striking WNW, within the existing pit. Sampling and assaying by Malachite during its Due Diligence technical appraisal returned a number of high to very high grade gold assays from exposures of these and other lodes in the existing pit. For example, continuous rock chip sampling by Malachite across a partial exposure of the main lode in the bottom of the pit (beneath a shotcreted pit wall, Fig. 3) delineated a zone averaging 29.9g/t Au over 10.9m true width, including 4.6m @ 69.2g/t Au.

As part of its Due Diligence investigations Malachite completed four reverse circulation percussion drill holes at Lorena that were drilled in part as a check of existing holes and in part to ascertain ore continuity down dip and along strike. The two check holes satisfactorily matched previous drilling results. The other two holes reported relatively weak gold mineralisation but intersected stronger than expected copper mineralisation, with associated gold, such as the 10m @ 1.4% Cu

and 1.6g/t Au intersected from 73m depth in LMRC53. Similar copper-gold mineralisation is exposed in the open pit (Fig. 3) in what appears to be a separate zone from the main gold lode.

Preliminary conceptual modelling of the deposit indicates that most of the known gold mineralisation can be mined by open pit with attractive operating parameters. Metallurgical test work carried out for VEPL by a consultant showed that the gold is amenable to better than 80% recovery by treatment on-site using a combination of flotation and cyanidation.

The Company engaged Behre Dolbear Australia Pty Limited ("BDA") to provide an independent technical report on Lorena to the Directors. A synopsis and summary of the key findings of the BDA report has been made available to shareholders as part of the Notice for the Annual General Meeting of the Company, to be held on 23 November 2010, at which approval of the Lorena transaction by Malachite shareholders will be sought.


MALACHITE RESOURCES LIMITED
LORENA PROJECT
REGIONAL GEOLOGY
September 2010
Figure 2
SALEBURY
UNNAMED 648107
UNNAMED 658107
IMPERIAL
CROMWELL
UNNAMED 654094
UNNAMED 643089
KING EDWARD
UNNAMED 650080
FLINDERS HIGHWAY
LANDSBOROUGH HIGHWAY
LORENA
MLA90192
ML7147
MLA90193
MLA90196
MLA90194
MLA90195
EPMA18307
EPMA18189
SILVER GLANCE
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140°38'E
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Cloncurry
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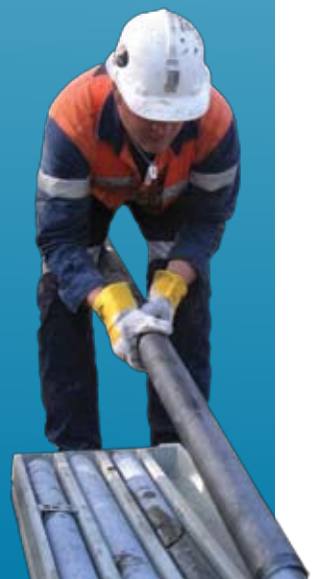
LEGEND



GOLD & COPPER ASSAYS
FOR CONTINUOUS ROCK CHIP SAMPLING

Photo-montage showing the base of the East Wall of Lorena Pit

Figure 3

CONRAD

Diamond drilling within the Princess Shoot confirmed it as an attractive, high grade ore target, containing silver, copper, tin and lead. No significant previous mining has taken place within the Princess Shoot, which comes virtually to surface and makes it an ideal location to focus detailed resource drilling and the development of underground access in the future.

During the Quarter a six-hole diamond drilling program was completed at Conrad and the assay results received. The drilling specifically targeted the Princess Shoot, which is located at the southeastern end of the Conrad mining leases, about 1.2km from the Conrad shaft (Fig. 4). The Princess Shoot is characterised by mineralisation that combines silver with copper and tin; some lead is also present but zinc is largely absent. This is an attractive potential ore type, of high contained metal value and some excellent grades have been intersected in drilling of the Princess Shoot. For example, one of the recent holes, CMDD113, intersected 1.6m @ 819g/t Ag, 0.59% Cu, 0.71% Sn and 8.35% Pb, which represents a contained metal value, at current prices, of roughly $1080 per tonne, about 60% of which is the value of the contained silver. Full details of this drilling program are contained in an ASX Announcement released by Malachite on 21 September 2010 and a copy can be obtained from the Company's website.

Malachite proposes to focus future work at Conrad on the Princess Shoot with a view to resolving several outstanding issues in regard to the overall grade and grade distribution within the Conrad Lode. Observations made on drill core and on samples of mineralised lode collected at the surface make it clear that the Conrad mineralisation is generally coarse to very coarse grained and that the sulphide minerals tend to clump together within the otherwise quartz-rich lode. These features should prove to be beneficial when it comes to mining this material. At the current stage, however, when grade is being assessed only on the basis of drill core samples, they make it difficult to measure the true, mineable grade of the lode due to what is essentially a nugget effect. Historical records show that the Conrad ore tends to be concentrated into discrete shoots, with good continuity and attractive grades, grades that are commonly better than those indicated by drill holes beneath the old workings. This is not an uncommon feature of lode deposits and in many cases elsewhere in the world this disparity is resolved by comparison of drilled grades with underground sampling grades, or actual production of an ore block after prior drilling. This option has not been available to Malachite because the old workings at Conrad are flooded and considerable time and cost would be incurred in gaining underground access to those old workings.

The definition of the Princess Shoot would appear to offer a viable alternative means of resolving the mineable grade question at Conrad, as there are no significant old workings within this shoot, it is physically separated from the other old workings (Fig. 4) and it comes virtually to surface. Malachite therefore proposes to focus on the Princess Shoot as a model for the deeper ore, beneath the old work-

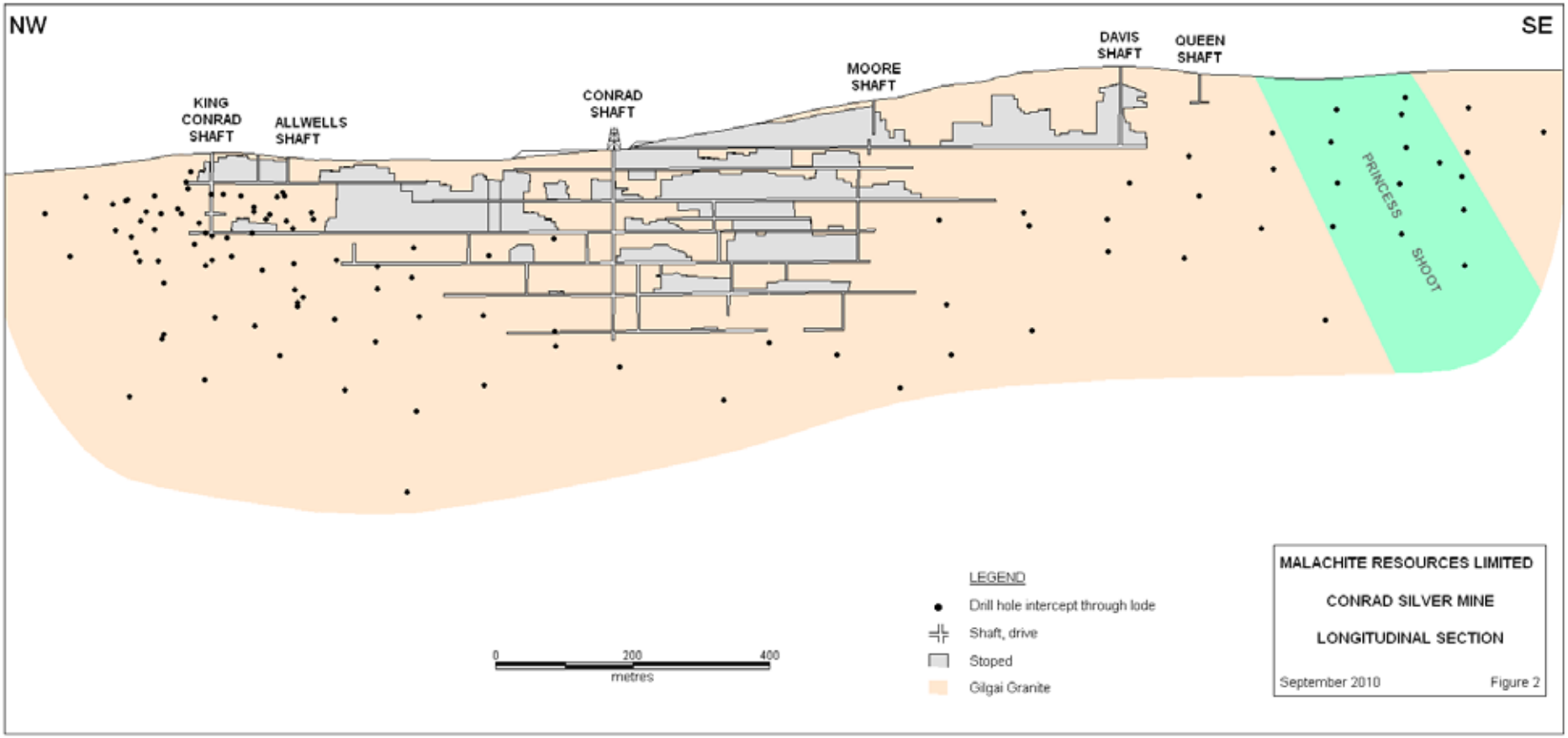

NW
SE
KING CONRAD SHAFT
ALLWELLS SHAFT
CONRAD SHAFT
MOORE SHAFT
DAVIS SHAFT
QUEEN SHAFT
PRINCESS SHOOT
0
200
400
metres
LEGEND
Drill hole intercept through lode
Shaft, drive
Stoped
Gilgai Granite
MALACHITE RESOURCES LIMITED
CONRAD SILVER MINE
LONGITUDINAL SECTION
September 2010
Figure 2

Figure 4

ings, which is where drilling has to date defined most of the Conrad resource. The first step will be to drill out the top 100m or so of the Princess Shoot in some detail, allowing a high quality, geostatistical resource estimate to be made. Once that is done, the plan would be to excavate an exploration decline that would give access to the shoot where it had been drilled in detail and allow direct comparison of grades based on drill core with those based on underground bulk sampling. It would also provide better samples for more definitive evaluation of the metallurgical behaviour of the ore.

The detailed drilling phase of the above program is expected to commence in the first half of 2011. While that is happening, plans will be drawn up, and permitting sought, for the development of an exploration decline into the drilled resource. The Princess Shoot offers several advantages over other possible sites for this work, including the scope to locate the portal (and the waste rock excavated) on the Company's own land adjoining the Conrad mining leases (i.e. on "Jadree"). Also, it is near surface (thus limiting the length and cost of the decline required), it has not been mined and it is separated from the main old workings so dewatering of those workings should not be required, saving considerably on cost.

TOOLOOM

The arsenopyrite mineralisation that hosts the gold at Phoenix is being assessed for its potential to be a saleable product in a gold-bearing concentrate form.

Only minor field work was conducted at Tooloom during the period. At Eight Mile, environmental maintenance took place, involving the placement of additional erosion control structures (Gabion baskets and Reno mattresses) in the bed of Humbug Gully with the aim of stabilising gully erosion. In addition, rehabilitation of 2009-2010 drill sites at Back Creek and Joes Gully was completed. A small amount of soil and stream sediment ('BLEG') sampling was carried out at Joes Gully. Three highly anomalous gold values (0.41, 0.38 and 0.17g/t Au) were reported from soil samples taken in the vicinity of the best drill intersection obtained at Joes Gully in the early 2010 drilling, supporting the case for follow up drilling in this area in the future.

Previous work by Malachite at the Phoenix prospect has defined a significant body of gold mineralisation contained within a breccia pipe. However, preliminary metallurgical tests on this material suggest that the gold is largely refractory and not amenable to recovery by conventional cyanidation. It is recognised that the gold in the Phoenix breccia pipe is closely associated with arsenopyrite and the Company has learned that there may be a market for gold-bearing arsenopyrite, even though refractory, if the gold content of that arsenopyrite is high enough. It is believed that the arsenopyrite concentrate needs to contain over 40g/t Au to qualify as a potential economic product.

To test this possibility for Phoenix, three half-core samples from Phoenix drill holes PHDD22, PHRD24 and PHRD25A have been submitted to Metcon Laboratories in Sydney; the samples submitted contain approximately 2g/t Au and 2% As. The aim is to produce bulk sulphide and selective arsenopyrite concentrates from these

samples and to assay those concentrates for gold content. If the results support the potential to produce gold-bearing sulphide concentrates at Phoenix of sufficient grade to be economic, this may open up a new mining development option for the prospect.

ELSMORE

A small number of additional bulk samples were excavated from a relatively high grade zone within the Karaula Lead alluvial tin prospect. These samples were treated with the Company's cone concentrator at Jadree to determine bulk mineable tin grades.

At Sheep Station Hill core from previous diamond drilling was re-logged and re-sampled and assayed where appropriate to assess the scope for open pit mining of the tin-bearing greisen veins that are well developed in this location. Results suggest that a full scale mine would not be a viable option for Sheep Station Hill, although selective mining to recover the specimen quality cassiterite aggregates (see Fig. 5) that characterise Sheep Station Hill may be attractive.

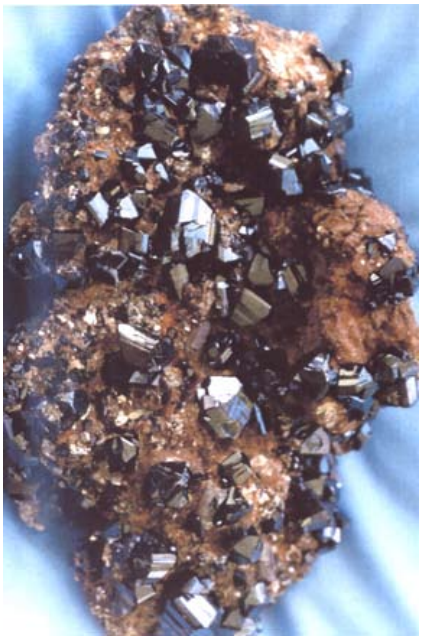


Figure 5: Specimen cassiterite from Sheep Station Hill

PIKEDALE

The Pikedale Project comprises EPM18166, which is located about 30km west of Stanthorpe in southern Queensland. Within this EPM, Malachite geologists have mapped a 2.3km long and up to 250m wide zone of ironstone and sporadic old workings, known as the Lickhole Prospect. This zone contains anomalous Ag-Cu-Zn rock chip geochemistry, with maximum values for different grab samples of 71g/t Ag, 7.93% Cu and 6.28% Zn. Mineralisation is strongest in the walls and dump of an old shaft, where abundant malachite and azurite have been deposited along fractures in a siltstone hosted breccia. Disseminated chalcopyrite occurs on fracture surfaces, possibly in narrow (<2mm) quartz veinlets in fresh siltstone, and rarely in more oxidised gossanous pods/small lenses of quartz and gossan. An induced polarisation (IP) offset pole-dipole survey is scheduled to take place in October to test this zone for sulphide accumulations at depth over a 2.4km strike length.

KINGS GAP

Only minor field work was carried out at Kings Gap during the period as access to the key target area continues to be denied by the landowner. An area of anomalous stream sediment samples was identified elsewhere and follow up in the field will take place in the next Quarter.

DELUNGRA

Following completion of drill site rehabilitation and sign off by the landowner at Standon, the Delungra exploration licence was relinquished.

RIVERTREE

No results have been reported to Malachite by Alcyone Resources Limited, operator of the Rivertree Joint Venture, during the period.

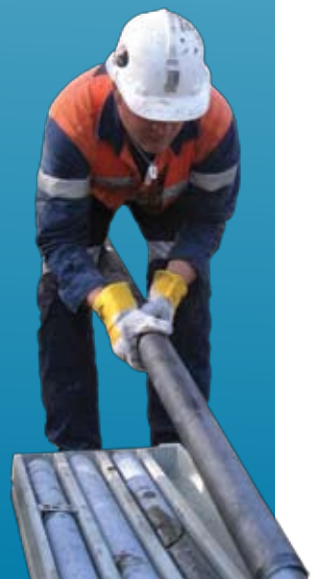
FORWARD PLANS

The December Quarter 2010, is likely to see a relatively subdued field program, as the Company focuses on the Lorena acquisition. The main area of activity will be Pikedale, where an induced polarisation geophysical survey will take place over the Lickhole anomaly to help define targets for future drilling. An external consultant will be engaged to provide an independent view of Malachite's tin properties around Inverell, including hard rock prospects like Sheep Station Hill and alluvial deposits such as the Karaula Lead.

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 October 2010



The information in this report that relates to Exploration Results is based on information compiled by Dr Garry Lowder and Mr Russell Meares, who are Fellows of the Australasian Institute of Mining and Metallurgy. Dr Lowder and Mr Meares 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 Meares consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.