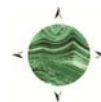


MALACHITE RESOURCES

LIMITED



QUARTERLY REPORT

30 SEPTEMBER 2011

HIGHLIGHTS

ASX Code: MAR



As at 30 September 2011
Issued Shares: 556 million

ABN: 86 075 613 268

Directors

Garry Lowder
Russell Meares
Roy Randall
James Dean

Top Shareholders

4TK Pty Limited
Olhoc Pty Limited
Eldorado Mining Limited

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- ✓ Completion of phase 2 drilling at the Lorena Gold Project successfully extending the known resource along strike and down plunge. Encouraged by these results the Company plans to move immediately to update the resource estimate (currently 272,880 tonnes at 8.9g/t Au containing 78,000 ounces) with a view to commencing a mining feasibility study to advance an initial open cut mine based on that resource estimate;
- ✓ Commencement of mapping and soil sampling on the new mining leases surrounding the Lorena gold project. This work is targeting resources which would supplement an open pit mining operation at the Lorena deposit;
- ✓ Commencement of mapping and soil sampling at the Copperhead prospect to follow up on the recent high gold and copper values assayed from rock chip sampling; and
- ✓ In October, the successful completion of a 1 for 4 rights issue which raised \$3.5 million in equity – this enhanced the Company's financial position to advance the Lorena Gold Project.



Project Location Map



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LORENA GOLD PROJECT

The Lorena Gold Project is located in north-western Queensland, approximately 15km east of Cloncurry. Lorena is held 100% by Malachite, through its wholly owned subsidiary, Volga Elderberry Pty Limited ("VEPL"). Prior to its acquisition by Malachite, drilling and other exploration by VEPL had defined a measured resource of 177,880 tonnes at 9.8g/t Au, containing 56,000 ozs of gold and an inferred resource of 95,000 tonnes at 7.2g/t Au, containing 22,000 ounces of gold for a total resource of 78,000 ounces of gold.

From the outset, Malachite's intent has been to extend the known resource with additional drilling. This year Malachite has completed two phases of RC drilling each of approximately 2,000 metres. The first phase of drilling was carried out by Malachite in the April-May 2011 period and the assay results from mineralized intersections were reported to the ASX on 19 May 2011¹. Key results from that program were:

<u>HOLE No.</u>	<u>GOLD ASSAY</u>
LMRC059:	1m @ 10.3g/t Au
LMRC061:	13m @ 7.9g/t Au
LMRC062:	1m @ 8.7g/t Au
LMRC065:	2m @ 6.0g/t Au
LMRC067:	6m @ 22.6g/t Au
LMRC070:	6m @ 2.7g/t Au

The main objectives of this initial phase of Lorena drilling were to infill some gaps in earlier drilling and to allow a better interpretation of the plunge of the high grade zone within A Lode, which is where a large part of the existing resource is concentrated. Those objectives were achieved and in particular, a well-defined, south-easterly plunging trend is now discernable.

The second phase of drilling was completed by the end of the quarter with assays received a month later; the results were reported on 27 October 2011². Key results from that program were:

<u>HOLE No.</u>	<u>GOLD ASSAY</u>
LMRC077:	4m @ 2.9g/t Au
LMRC078:	2m @ 7.0g/t Au
LMRC080:	2m @ 2.9g/t Au
LMRC084:	6m @ 7.9g/t Au
LMRC086:	6m @ 8.6g/t Au
LMRC088:	7m @ 2.5g/t Au

¹ A copy of that report is available at: <http://www.malachite.com.au/pdf/asx/2011/LORENA%20GOLD-%20DRILL%20RESULTS%2019MAY2011.pdf>

² A copy of that report is available at: <http://www.malachite.com.au/pdf/asx/2011/MAR%20-%20Rights%20Issue%20Prospectus%20Despatched%20220911.pdf>



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Of the 15 holes drilled in the latest program, 12 holes intersected gold mineralisation and one hole was abandoned, due to broken ground, before it reached the targeted ore zone area. This strike rate reinforced confidence in the geological model developed by the Company for the project.

The recent drilling program successfully extended the gold mineralisation along strike (Fig.1). The Lorena A Lode remains open at depth and additional high grade zones will now be targeted at depth down plunge as predicted by the geological model. The current drill program intersected lower grade gold intersections immediately down plunge from the high grade zone. Although these gold grades were lower than desired, the recent drilling confirmed that the A Lode structure continues as expected down plunge and continues to be mineralised with gold. The structure appears to be comprised of discrete high grade zones that are enclosed within broader low grade envelope and further high grade zones will be targeted at deeper levels than so far drilled. In addition, the Company will be reviewing the latest results to look at exploration along strike given the success of holes LMRC084 and LMRC086 which extended the resource along strike at depths amenable to an open cut mining method.

Encouraged by the latest results the Company plans to immediately update the resource estimate and commence a mining feasibility study to advance an initial open cut mining operation. An updated mineral resource estimate will be undertaken by a recognised geological consulting group – the results of which are expected to be available by the end of the December quarter.

Once the resource estimate and resource block model is completed, this will form the basis of an open pit mining feasibility study which will address, amongst other things, open cut pit design and costs, mine life, metallurgical and processing technology parameters, environmental issues, capital costs, financing issues and approval processes. The mining feasibility study will be based on the scoping study work carried out previously.

The key parameters from scoping study work primarily carried out last year, which have an accuracy estimate of +/- 30%, are provided in Table 1.



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PARAMETER		COMMENTS
Production Rate	100,000 tpa	
Head Grade	8.2 g/t	Assumes 10% dilution during mining
Mining Cost	A\$4/tonne mined	Assumes an open cut with strip ratio of 23 to 1. The scoping study had A\$10/t ore and A\$3.0/t waste. The strip ratio is expected to be lower in the first year of operation.
Processing Cost	A\$55/t processed	Assumes producing a concentrate prior to a leach and gold recovery.
Metallurgical Recovery	80%	Based on initial test work. Further test work required.
Gold produced	21,000 ozs Au per annum	
Administration cost	A\$15/t processed	The scoping study work assumed A\$7.5/t processed
Total operating cost	A\$770/oz Au	
Capital cost	A\$22.5 million	Plant cost of A\$16.5 million.
Mine Closure Cost	A\$2.0 million	
Pre-tax cash flow	A\$17.5 million per annum	Assumes a gold price of A\$1600/oz

Table 1 – Key Scoping Study Parameters

Based on the parameters above, the Company is focussing on adding additional ounces to the resource, which will either increase the mine life of the operation or increase the production rate. In this regard, the easiest option is to explore for additional gold resources near surface on the newly granted surrounding mining leases and at the Copperhead prospect.

During the quarter the Company has been conducting an ongoing exploration program over part of the newly granted mining leases immediately adjacent to the west of the existing mine. This has involved geological mapping and a detailed soil geochemical survey, on a 100 metre by 20 metre grid basis (refer Fig. 2). This work is intended to reveal new targets for drilling with the potential to add to the open pit recoverable gold resources at Lorena.

The Company announced on 14 July³ the discovery of a new copper-gold prospect (named Copperhead) some 5km to the southwest of Lorena on its wholly owned EPM18189 (refer Fig. 3). The Company is encouraged by the high copper and gold assays reported from surface sampling of oxidised outcrops at Copperhead. During the quarter, the Company also carried out geological mapping and a detailed soil geochemical survey over certain parts of EPM18189 as shown in Figure 2.

During the next quarter at Lorena the Company will be focusing on updating the resource model, receiving results from the soil geochemical work and planning future exploration work. The exploration work will be focusing on both near surface gold potential surrounding the mine and extensions to the existing resource down plunge.

³ See announcement at: http://www.malachite.com.au/pdf/asx/2011/MAR%20-%20LORENA%20GOLD_New%20Cu%20Prospect%20140711.pdf



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CONRAD

The Company has commissioned Australian Mine Design and Development Pty Ltd (AMDAD), a mining engineering consultancy, to look at possible underground mining methods, likely operating costs and potential cash flows. The expected outcome of this work will assist the Company to determine the best strategy to develop an operation at Conrad.

The engineering studies were continuing at the end of the period and results will be reported in due course.

PIKEDALE

No new fieldwork was conducted during the period.

At the Lickhole prospect, a substantial area of ironstone outcrops that are anomalous in copper, zinc and silver, has previously been mapped by the Company's geologists. The ironstone outcrops are underlain by well defined geophysical (induced polarisation chargeability) anomalies, which are interpreted as potentially caused by disseminated sulphide mineralisation.

A 1,100 metre reverse circulation percussion drilling program to test the Lickhole target is being planned for early next year. The timing of the drilling will largely depend on land access, heritage clearance and drill rig availability.

OTHER PROJECTS

TINGHA (EL7639). Follow up rock chip and stream sediment sampling programs were carried out.

ELSMORE (ELs 6196, 7177). As reported last quarter, Elsmore Resources Ltd ("ERL") has entered into an Option to Purchase Agreement with the Company. The option expires on 27 November 2011.

CORPORATE

CAPITAL RAISING

During the Quarter, the Company entered into Convertible Note Agreements with Sun Biomedical Limited (ASX: SBN) and Heavy Duty Superannuation Pty Ltd to the total value of \$1,000,000 before costs.

RIGHTS ISSUE

The Company announced an underwritten 1 for 4 renounceable rights issue on 2 September 2011 to raise approximately \$3.5 million in equity. The rights issue was successfully concluded on 14 October 2011. The rights issue was fully subscribed with total new funds received from shareholders and the underwriter amounting to \$2.749 million (before costs of the issue). Total director and CEO loans converted into equity in accordance with the terms of the rights issue prospectus amounted to \$0.745 million.



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As a result of the rights issue the company issued 139.777 million fully paid shares and 139.777 million MARO options.

FURTHER INFORMATION

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

G. Hiller

Chief Executive Officer

31 October 2011

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.

