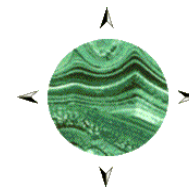


Malachite Resources Limited

ABN 86 075 613 268



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

P O Box 5218, West Chatswood NSW 1515

Tel. (02) 9411 6033 Fax (02) 9411 6066

Ms Suzanna Dabski
Senior Adviser, Listings (Sydney)
ASX Compliance Pty Limited
20 Bridge Street
Sydney NSW 2000

20 May 2011

Dear Suzanna

We refer to the Company's Appendix 5B for the quarter ended 31 March 2011 which was released to ASX Limited ("ASX") on 29 April 2011 (the "Appendix 5B") and respond to the recent questions raised by the ASX as follows:

Question 1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

As disclosed to the market, the Company acquired the Lorena Gold Project during the quarter ending 31 March 2011 (the "Quarter"). As part of that acquisition the Company incurred abnormal expenses during the Quarter due to environmental bonds of \$172,000 and corporate acquisition costs (eg stamp duty and legal costs) of approximately \$90,000. If these costs are deducted from the net negative operating cash flows of \$671,000 as reported, the normal operating expenditure would have been \$409,000. This revised figure is consistent with the estimated cash flow outflow for the quarter ending 30 June 2011 of \$400,000 as reported in the Appendix 5B.

As disclosed in the Appendix 5B, since 31 March 2011, the Company has received loan funds amounting to \$420,000. These loan funds, together with cash of \$184,000 at the end of the Quarter, will thus enable the Company to fund its activities as reported.

Question 2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

The Company is a junior exploration company which consumes capital to fund its exploration activities. With the acquisition of the Lorena Gold Project, the Company anticipates that it will be in a position to raise additional new capital in the future as required to fund the exploration and development of that project.

Question 3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

The Company proposes to raise new equity to fund the exploration and development of the Lorena Gold Project. Implementation of this is contingent on the grant of five new mining leases to the Company surrounding and adjacent to the Company's existing mining lease ML7147.

In view of the importance of the five new mining leases to the future of the Lorena Gold Project, the company opted not to raise new capital until it could provide certainty to investors that these mining leases have been granted. Earlier today the Company was

advised that the leases in question have now been approved. The market will be advised of this development today and the Company will now proceed with its planned new equity raising.

Question 4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

The Company believes that it is in compliance with listing rule 3.1.

Question 5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

With the new capital that the Company plans to raise the Company will be in a position to pursue its business objectives at the Lorena Gold Project.

The Company has announced encouraging results from the first stage of drilling at the Lorena Gold Project. Exploration success at the Lorena Gold Project will enhance the Company's prospects of raising new capital in the short to medium term thus further enhancing the Company's financial condition and ability to achieve its longer term business goals.

Please do not hesitate to contact me if you require any additional information at this stage.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Cooke". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Andrew J Cooke
Company Secretary



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17 May 2011

Andrew J. Cooke
Company Secretary
Malachite Resources Limited
Suite 1502, Tower B
799 Pacific Highway
Chatswood NSW 2067

By email

Dear Andrew,

Malachite Resources Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 March 2011, released to ASX Limited ("ASX") on 29 April 2011 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$0.
2. Net negative operating cash flows for the quarter of \$671,000.
3. Cash at end of quarter of \$184,000.

In light of the information contained in the Appendix 5B please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.



Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by e-mail to suzanna.dabski@asx.com.au or by facsimile on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5:00 p.m. A.E.S.T. on Friday 20 May 2011.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me.

Yours sincerely,

[Sent electronically without signature]

Suzanna Dabski
Senior Adviser, Listings (Sydney)