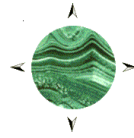


# Malachite Resources Limited

ABN 86 075 613 268



**ASX Announcement**

**ASX Code: MAR**

**2 September 2011**

## CONVERTIBLE NOTES UPDATE

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As announced on 29 August 2011 Malachite Resources Limited ("Malachite" or "the Company") has negotiated new arrangements with an unrelated arms length third party for further convertible notes in the amount of \$500,000.

Further to these negotiations a Convertible Note Subscription Agreement was executed on 29 August 2011 and the Company has issued a further 5 convertible notes for \$500,000 now also received from this party.

Malachite has now received a total of \$1,000,000 pursuant to its recent Convertible Note program. The Company does not contemplate issuing further notes at this stage.

These new Convertible Notes contain the following key terms (which are identical to the terms of the notes previously issued to Sun Biomedical Limited):

- The convertible notes will have a conversion price which is the lesser of \$0.05 or a 20% discount to the 30 day volume weighted average price of the Company's shares at the time of conversion provided that the Company is not obliged to issue securities if the issue of such securities would mean that the Company is in breach of listing rule 7.1 at any time;
- Interest is payable on the notes at a rate of 12% per annum (payable quarterly in arrears on the last day of each quarter); the maturity date of the notes is 12 months from the date of the agreement. The holder is restricted from converting or redeeming the notes within the first 6 months of the agreement (unless there is an event of default or a takeover event);

As the holder has subscribed for 5 convertible notes, the Company will also issue the holder with 1,250,000 fully paid ordinary shares in accordance with the terms of the Convertible Note Subscription Agreement. An additional 250,000 fully paid ordinary shares will be issued in respect of each note upon the holder converting such note into ordinary shares of the Company.

The terms of the Convertible Note Subscription Agreement entitle the holder to nominate a person for appointment as a director of Malachite and also requires the parties to enter into good faith discussions regarding terms and conditions for the holders to potentially invest in or acquire one or more projects currently owned by Malachite, with the exception of the Lorena Gold Project.

The primary use of the funds raised is to explore for gold on the recently granted mining leases at the Lorena Gold project near Cloncurry and for working capital purposes. As announced by the Company on 25 August 2011 drilling at Lorena has now resumed.

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For further information please telephone Andrew J. Cooke on (02) 9411 6033 or email the company at [info@malachite.com.au](mailto:info@malachite.com.au) and visit the website: [www.malachite.com.au](http://www.malachite.com.au)

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