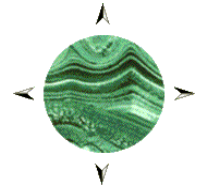


# Malachite Resources Limited

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ASX Announcement

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## MALACHITE SECURES MAJOR NEW FUNDING TO REACTIVATE DRILLING AT CONRAD

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### SUMMARY

- Drilling at Malachite's flagship CONRAD SILVER PROJECT will resume within a few weeks, following agreement on a \$4 million funding package for the Company.
- The new funding will be provided to Malachite by its largest shareholder, Nanyang Mining Resources Investment Pty. Ltd. ("Nanyang").
- The funds will be raised by the issue to Nanyang of two convertible notes, the first to the value of \$1 million, and the second, which is subject to shareholder approval, to the value of \$3 million.
- The liabilities represented by the convertible notes can be settled, at Malachite's election, either by the issue of new shares or by a mixture of cash and shares.
- Nanyang has been given a first right to provide a further \$6 million to Malachite when justified by future results or acquisition opportunities.

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Malachite Resources Limited (ASX: MAR) advises that, after much discussion and consideration of alternative structures, an attractive new financing agreement has been reached with the Company's largest shareholder, Nanyang Mining Resources Investment Pty. Limited ("Nanyang"). Under the new arrangements, Nanyang will provide \$4 million in new funding by way of two convertible notes, one to the value of \$1 million and the other to the value of \$3 million, with the second of these being subject to the approval of Malachite's shareholders.

According to Malachite's Managing Director, Garry Lowder:

*"This is a strong vote of confidence in Malachite and its management by Nanyang. We looked long and hard at various joint venture structures for the Conrad Silver Project but in the end, the principals of Nanyang preferred to broaden their exposure to all of the Company's assets through a quasi-equity deal, which is priced well above the current share price. The new deal demonstrates the great strategic value of the Nanyang alliance to Malachite."*

The new funds will be applied first to reactivation of drilling at Conrad, where the focus will be on the attractive silver-copper-tin mineralisation intersected towards the end of the last drilling program, e.g.:

CMRD90: 1.5m @ 467g/t Ag, 1.06% Cu, 1.85% Pb, 0.19% Zn, 1.44% Sn and 30g/t In;

and

CMRD93: 1.02m @ 382g/t Ag, 1.76% Cu, 2.01% Pb, 0.15% Zn, 1.36% Sn and 23g/t In.

The new program will include infill holes to be drilled around these widely spaced earlier intersections. It will also test new targets along strike to the southeast, where recent surface mapping and sampling has indicated that this style of mineralisation is also developed<sup>1</sup>.

The essential terms of the convertible notes are summarised in the table below.

Amounts	\$1 million, unsecured \$3 million, unsecured
Terms	\$1 million convertible note repayable after 12 months \$3 million convertible note repayable as to one third after 12 months and the balance after 24 months
Conversion	Repayable either wholly by the issue of new shares to Nanyang, or up to 50% in cash and the balance as new shares, <u>at Malachite's election</u>
Conversion Price	The lower of 18 cents or 90% of the 30-day VWAP <sup>2</sup> at maturity
Coupon	10%, payable six-monthly in arrears and paid entirely in shares, priced at 90% of the 30-day VWAP when each interest payment is due
Conditions Precedent	Receipt of all funds due from Nanyang and shareholder approval of the \$3 million convertible note

An Extraordinary General Meeting of the Company will be held on or about 24 May, 2010 to provide the opportunity for Malachite shareholders to approve the issue of these convertible notes.

Nanyang has also indicated a willingness to continue funding Malachite in the future. Pursuant to the terms of the convertible notes, Nanyang has been given a first right to provide up to \$6 million in additional funding, on commercial terms to be negotiated at the time. The extra funding would be made available as and when future results from existing projects or new acquisition opportunities elsewhere create the need for more funds.

***“This removes much of the uncertainty over future funding for the Company and will allow Malachite to pursue its aggressive growth plans with renewed vigour,”*** commented Dr Lowder.

<sup>1</sup> See MAR ASX release dated 1 March 2010.

<sup>2</sup> VWAP = volume-weighted average price of shares in the Company on the ASX

For further information please telephone Garry Lowder 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)



G. G. LOWDER

Managing Director

13 April 2010

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**ABOUT MALACHITE** – Malachite Resources is a Sydney-based resources company that listed on the ASX in November 2002 and is an active explorer for gold, silver, tin, copper and associated base metals in eastern Australia. The Company's key assets are:

**CONRAD:** The Conrad Silver Project is located 25km south of Inverell in northern NSW. The Company is evaluating the scope to reopen the old Conrad mine, which has had two previous periods of production but has not operated for over 50 years. Drilling at Conrad by Malachite has intersected narrow high grade, massive sulphide, silver-rich base metal veins, like those mined in the past, and wide zones of lower grade, disseminated and stockwork veined, polymetallic mineralisation. At current prices, silver represents 50% of total recoverable metal value in the Conrad ore and tin, copper, lead and zinc make up the balance. The currently defined mineral resource at Conrad contains approximately 10Moz of silver, or 19Moz of silver equivalent. This resource remains open along strike and at depth.

Malachite also has excellent exposure to tin, through its **ELSMORE** Project, located 20km east of Inverell, where the Company is considering the possible development of a paleo-alluvial tin deposit, known as the **Karaula Lead**, at the Newstead Prospect. The Karaula Lead appears to have the potential to support a small surface mining operation, which could be developed with low capital and operating costs and generate useful cash flow for the Company. Work is now underway to better quantify the Karaula Lead deposit, determine an appropriate processing route and assess the economic viability of mining.

The **TOOLOOM GOLD PROJECT** also in northeastern NSW, is based on a forgotten goldfield rediscovered by Malachite. Numerous prospects have been identified, including a significant greenfields discovery called **Phoenix**. The company is systematically exploring Phoenix and the other prospects at Tooloom, which are intrusion-related and have major ore potential. Current focus is on the **Joes Gully** prospect, where recent drilling has produced encouraging results, with gold assays up to 28g/t Au within quartz vein stockwork systems that are thought to contain coarse grained free gold.

**COMPETENT PERSON STATEMENT:**

*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 a Fellows of the Australasian Institute of Mining and Metallurgy. Dr Lowder and Mr Meares are full time employees of Malachite Resources and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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.*