



Malachite Resources Limited

Date of Lodgement: 4/11/11

Title: “Company Insight –Upgraded Lorena Gold Project”

Highlights of Interview

- **Recent positive drilling results demonstrate an enhanced Lorena high grade structure.**
- **Immediate progression to open cut development feasibility including updating Lorena resource estimation, mine and processing plans, mining feasibility study, and supplementary drilling.**
- **Successful recent capital raising.**
- **Discusses Malachite’s commercialisation and development pathway.**

☞ To listen to the extended highlights by AUDIO with CEO Geoff Hiller go to www.companyinsight.net.au/Recent-Interviews - we recommend you also read the full text interview below to get a thorough understanding of the topic.

Record of interview:

[companyinsight.net.au](http://www.companyinsight.net.au)

Malachite Resources (ASX: MAR) last week announced some very positive drilling results for the second phase of drilling at its flagship project at Lorena in Queensland. Can you explain the results? And give a brief background to Lorena?

Chief Executive Officer, Geoff Hiller

Lorena is a gold deposit located only 15 kilometres east of Cloncurry in North West Queensland, within the highly prospective Mt Isa district.

From the outset Malachite’s intent has been to extend - with additional drilling - the existing, known resource of 78,000 ounces of gold acquired earlier this year.

Our first drilling phase addressed some gaps and allowed us to discern more clearly, and better interpret, the plunge of the high grade zone within the lode where the existing resource was concentrated. Our first phase suggested strongly we should conduct further drilling to investigate both the strike, and the well-defined, southeasterly plunging trend.

Our second drilling phase therefore focussed on the strike and plunge extensions beyond the area of the original resource, and involved approximately 2,000 metres of RC drilling. The key results were:

HOLE No.	GOLD ASSAY
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

Very pleasingly, the second phase results were similar to those in the first phase, where the high grade nature of the original resource had been confirmed, that is:

HOLE No.	GOLD ASSAY
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

Additionally, our second drilling phase hit gold mineralisation in 12 of 14 completed holes, suggesting strongly that our geological model is working.

With these very positive outcomes, we'll move to update the Lorena resource estimate and progress a mining feasibility study.

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What are the implications for the potential size and dimensions of the Lorena resource?

Geoff Hiller

When we acquired Lorena, the previous owner had already defined a measured resource of 177,880 tonnes at 9.8g/t Au, containing 56,000 ounces of gold; and an inferred resource of 95,000 tonnes at 7.2g/t Au, containing 22,000 ounces of gold. Thus, the original area had a total resource of 78,000 ounces.

We now know that mineralisation extends beyond that original area: first, along strike, with attractive gold intersections at depths that appear to be suited to open cut mining. Secondly, the structure remains open down plunge. Based on the current resource, the resource potential we are targeting is approximately 800 to 900 ounces of gold per vertical metre down plunge.

Our key priority, now, is to update the resource estimate and prepare a block model of the resource that incorporates our drilling results, and to progress a mining feasibility study.

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The results seem amenable to open-cut development. What are your immediate plans for progressing Lorena?

Geoff Hiller

We have confirmed high grade mineralisation along strike and our immediate plans are to look at an open cut operation. This will be the initial focus of the mining feasibility study, but we definitely will not be ignoring the potential down plunge.

In the current economic climate, we believe a strong commercialisation focus is important, and therefore it is best that we attempt to move into production sooner rather than later. The high gold grade resource of this project allows us to pursue this route, to add value in the first instance, while working to develop a fuller appreciation of Lorena's potential.

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Can you give some more detail on the development type and its potential size? How will you progress your development program from here?

Geoff Hiller

At this stage, the mining feasibility study will be based on scoping study work carried out last year. In that study, the main parameter was adopting a 100,000 tonne per annum processing plant. The scoping study also assumed a gold grade of around 8g/t delivered to the processing plant and a metallurgical recovery of 80%, which would mean that some 21,000 ounces of gold would be produced from the project annually. At this level of production, the operating costs are expected to be approximately A\$770 per ounce. At a gold price of A\$1,600 per ounce this delivers pre-tax cash flow of some A\$17.5 million per annum.

Also from the scoping study, the capital cost of the project of this size is expected to be \$22.5 million of which \$16.5 million is to construct the processing plant. This means that the payback for the project is just over a year. In effect, at a gold price of A\$1,600 per ounce, only 27,000 ounces of gold are required to pay back the development capital.

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How will your development plans incorporate your work on the mining lease acquisitions adjacent to Lorena and the nearby Copperhead discovery?

Geoff Hiller

Based on the scoping study, it is apparent that there is considerable upside value to the project with the discovery of additional gold resources. Not only would additional gold resources lead to an increase in the mine life but it could also increase the production rate – both of which deliver additional value. In order to achieve this, in the short term, our key focus is to target further extensions at Lorena along strike and down plunge.

We will at the same time carry out exploration on our surrounding tenements because initial indications are attractive. We have just completed a soil sampling program on 100 metre by 20 metre grids on parts of two of the surrounding tenements, and at our Copperhead prospect. The Copperhead prospect, which is 5 kilometres south west of Lorena, returned high gold and copper grades via rock chip sampling, which we hope will lead to some attractive drill targets. We are expecting the assays from the soil sampling work by the end of the year and once we receive those results, we will assess them and incorporate them into a planned drilling program for early next year.

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What are the timing parameters for your commercialisation plans?

Geoff Hiller

We are expecting that the updated Lorena resource estimate will be completed in December. Our mining feasibility work is already under way, and we will advise progress as it comes to hand.

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Following your successful right issue, raising \$3.5 million, what are your plans to use the proceeds?

Geoff Hiller

The main purpose of the rights issue was to progress the development of Lorena. We were pleased that the rights issue was successful and we acknowledge the support of our existing shareholders and the underwriter, Patersons Securities. The rights issue was fully subscribed which was encouraging given the uncertainty in financial markets over recent times. With the funds from the rights issue we will now focus immediately on value adding activities at Lorena.

Our next steps in the development of the Lorena project are to complete the resource estimate and resource block model which will provide valuable information on the potential for an open pit operation. In conjunction, we will be assessing the second phase drilling data and the results of our soil sampling work to develop an exploration drilling program designed to provide additional resources, most likely in the strike and plunge potential at Lorena, which would add to the existing economics of the project.

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How would you summarise the recent developments at Lorena?

Geoff Hiller

When Malachite Resources acquired Lorena, its previous owner had explored beneath a small historical open cut operation and defined a resource of 78,000 ounces. We anticipate that the resource is larger and that it extends along strike beyond the original area. It is also likely to extend deeper. Our immediate focus is updating the resource estimate and resource block model, with results to be advised in December. Further, with high grade gold intersections at depths initially suited to open cut mining, progressing the mining feasibility study makes sense.

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Thank you, Geoff.

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