



Malachite Resources Limited

Date of Lodgement: 8/6/12

Title: “Company Insight – Unlocking Conrad Silver”

Highlights of Interview

- Explains the deal with Mancala to advance development of the Conrad Silver Project
 - Explains how Mancala’s intended mining method can unlock value by economically mining high-grade narrow vein mineralisation
 - Explains the basis of Mancala’s selection, and the reason why the deal is appropriate and advantageous for both Malachite and Mancala
 - Allows the Company to focus on increasing the value of Malachite ‘s Lorena Project, while still maintaining a strong stake in Conrad’s future
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Record of interview:

With Geoff Hiller, Chief Executive Officer of Malachite Resources Limited (ASX: MAR).

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What are the essential terms of the deal with Mancala Mining to investigate and develop the use of its mining method for development of the Conrad Silver Project?

Chief Executive Officer, Geoff Hiller

The key terms are that Mancala, an experienced underground mining contractor, has an exclusive six-month option to carry out essentially a pre-feasibility study of the Conrad Silver Project at their cost. At the end of the option period, Mancala then has the right to carry out a full feasibility study to get the project ready for financing. Upon completing this feasibility work, which is expected to cost them in the order of \$5 million, Mancala will earn 50% of the project. Mancala then has the right to earn an additional 10% of the project by arranging the financing. An important aspect of the deal is that Malachite does not need to incur any costs to advance the project to that stage, i.e. where the project is ready to be developed.

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Would you explain the particular mining technique used by Mancala?

Geoff Hiller

Mancala has developed, in conjunction with Herrenknecht, a German company specialising in tunnelling systems, a small diameter tunnel boring machine, called a vertical miner. The vertical miner is well suited to mining high-grade narrow vein deposits, such as our Conrad Project.

The machine bores upwards from an underground drive to create a vertical hole, some 800mm in diameter, into the orebody. The machine can bore about 30 metres, typically up to the drive located above. The drives run along strike and we can physically see the vein; thus we know where the mineralisation is, and can mine accordingly. The machine then moves forward and bores a hole beside the one just completed. The ore, which is crushed from the boring process, falls down a tube in the centre of the boring machine into a bin, which is then unloaded and taken to the surface for treatment.

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Why do you believe the Mancala arrangement is necessary to advance the development of Conrad and unlock its potential?

Geoff Hiller

We'd identified previously that one of the main issues facing Conrad, as a high-grade narrow vein deposit, is the amount of dilution incurred from mining waste rock with the ore. At Conrad, the orebody varies from 0.6m to 1.5m in width which means there is significant dilution when employing conventional mining techniques, which require a mining width of at least 1.2 metres. By using the tunnel boring method planned with Mancala, the amount of dilution at Conrad will be drastically reduced thus enabling a greater value-per-tonne of rock mined and processed. This mining method also reduces the amount of costly underground development compared with conventional mining. Overall, we think this concept will be the key to unlocking Conrad's value potential, and so the arrangement certainly advances the development of the project.

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Have Mancala's techniques been used elsewhere? And what are the reasons why the technique is appropriate at Conrad?

Geoff Hiller

Mancala has successfully used and continues to use the machine at Newcrest's large Cadia mine, albeit for a different purpose. Importantly, the productivity rates achieved at Cadia led Mancala to recognise the applicability of its machine and mining method for our project. The key reason this machine is well suited to being an effective mining method for Conrad is that the Conrad orebody is high-grade, narrow vein, and most importantly, extremely planar – that is - the orebody demonstrates continuity both vertically and horizontally so that the machine, once it starts, doesn't have to be moved around too often. And as I've said, since the drive runs along strike and we can physically see the vein – and because of this planar quality - we know pretty accurately where the mineralisation is - and can target the mining much more specifically and accurately.

Both parties think Conrad represents an exciting and potentially valuable application of Mancala's vertical miner.

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What are the advantages of the deal from Malachite's perspective, and also from Mancala's?

Geoff Hiller

The Conrad Project is inherently valuable because it has a JORC indicated and inferred resource of some 10 million ounces of silver, with substantial base metal credits, but the key is to unlock its potential via the right mining method.

With this deal, Malachite can advance the project with a partner who is not only prepared to fund the project feasibility but who can also provide the mining expertise that is required to take the project to the next step, before developing it. Because Mancala is an experienced miner, its decision to invest in the project gives us confidence that Conrad can be developed and ultimately, the confidence that its value potential can be unlocked. From Mancala's perspective, not only is the value potential a great attraction, but they also get to demonstrate their vertical miner as a value-adding mining method. Thus, it can showcase its potential applicability for other mining projects - which of course - would advance their mining business.

Overall, at Malachite, we think the deal incentivises Mancala to develop the project and bring it to production as soon as possible.

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The initial stage of Mancala's work is investigatory. What is the expected timeframe for Mancala to conduct this initial stage and reach its conclusions?

Geoff Hiller

Neither Malachite nor Mancala is 'coming in cold' here. We have been in close discussions for some time and Mancala has in the last six months carried out sufficient work on the project to gain confidence to reach this position. So, the arrangement represents a considered and researched view reached by both parties. The six-month option period allows Mancala to continue to advance its work, at their expense. In return, Mancala obtains an exclusive right to refine their mining studies, and is allowed time to further review the project from a metallurgy and environmental perspective before committing to a full feasibility study.

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Overall, how does the Conrad deal fit into your plans for development of Malachite's suite of projects?

Geoff Hiller

The deal provides a potential solution for the Conrad Silver Project to overcome an existing hurdle, to advance with the best prospect of success, and to add value for Malachite shareholders. Most importantly, from our shareholders' perspective, it also frees up Malachite to clearly focus its efforts and resources on the development of the Company's advanced Lorena gold project.

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Thank you, Geoff.

COMPETENT PERSON STATEMENT:

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Dr Garry Lowder, who is non-executive Chairman of the Company and a former full time employee. Dr Lowder is a Fellow of the Australasian Institute of Mining and Metallurgy and 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.

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