

# Malachite Resources Limited

ABN 86 075 61 268

10 July 2012

Dear Shareholder

We are writing to provide you with an update on Malachite Resources Limited ("Malachite") and the Company's projects as we embark on a new phase of progress.

The first half of 2012 has been an active and positive period for Malachite and we are starting to see genuine progress in our plans towards developing our advanced projects. In 2012 so far we have:

- **Confirmed mineral resources** at Lorena Gold Project, incorporating historical data and the results of two phases of infill drilling conducted during 2010-11;
- Discovered a **new, high grade gold zone** at Lorena Gold Project, opening up previously unrecognised gold potential;
- Identified significant **new gold targets** beneath the existing Lorena gold resource.
- Granted an exclusive **six-month option** to **Mancala Resources Pty Ltd** to carry out evaluation of the Conrad Silver Project and **potentially take a 50% interest** in the project by funding and completing a feasibility study.

In addition, our Board has been bolstered by the appointment during the year of Mr Terry Cuthbertson and Mr Andrew McMillan as Non-Executive Directors of Malachite. We are confident that we currently have the right mix of experience and skills across the Board and management teams to transform Malachite from a successful explorer to an emerging mining company.

At the same time, ongoing uncertainty in the global economy continues to negatively impact capital markets around the world. Our share price, like many others in the resources sector, has not been immune to these macroeconomic factors.

We believe the current share price grossly undervalues the potential of our developing assets and our business overall. Recent events confirm that there is significant upside potential at both Lorena and Conrad and we are confident the Company can deliver long-term value for our shareholders.

## **Lorena Gold Project Update**

The feasibility study work at Lorena for an initial mining operation is on track and progressing well. The aim is to develop an open cut operation with an initial 2 year life, producing 20,000 to 25,000 ounces of gold per annum, commencing late 2013. Subject to resource additions expected to flow on from recent successful geophysical work and drilling below the open cut (LMRD092 intersected 5.3 metres at 12.9g/t gold at a depth of 220m) the plan is to extend mine life by moving on to an underground operation from the bottom of the open pit.

Recent metallurgical test work has continued to produce positive results and confirms our initial views on the appropriate process route and overall feasibility of the project.

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The priorities for the Company's next drilling program are two new gold targets identified at Lorena by Down-hole Electromagnetics (DHEM) and the high grade gold intersection obtained in drill hole LMRD092. The drilling program, to commence as soon as practicable, is designed specifically to target an increase in the Lorena Gold Resource estimate in order to extend the life of the mining project and its attendant cash flow.

The positive metallurgical test work results were the final pieces of information required to give us the technical platform and confidence to proceed with the feasibility study of the Lorena Gold Project.

### **Conrad Silver Project Option Agreement**

In early June we announced that Mancala Resources Pty Ltd ("Mancala"), an established and experienced Australian-based mining contractor, was granted an exclusive six-month option to carry out evaluation of the Conrad Silver Project. Mancala has a proprietary mechanised underground mining technique specifically designed for narrow vein deposits. Our Conrad Silver Project seems particularly well suited to the application of this new technique, which we believe offers an attractive resolution to concerns raised over how to mine the narrow Conrad ore body economically.

Mancala conducted an assessment of the Conrad Silver Project over the last six months and reached a positive view on using its innovative mechanised vertical miner for the project. We consider that Mancala is the right group to partner us at Conrad, given their mining experience and innovative approach to underground mining. They are also prepared to advance the project to development at their own cost.

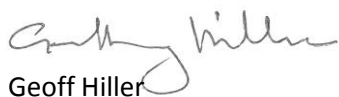
Under the option agreement, Mancala has an exclusive six-month period for more in-depth evaluation, at its own cost, of the potential of the vertical miner to operate successfully at Conrad. At the end of the period Mancala can elect to carry out a feasibility study to verify project economics and lay out development plans, which is expected to cost them \$5 million. Upon completion of a feasibility study Mancala will have earned a 50% interest in the project.

We believe this is a great opportunity to realise the value of the Conrad Silver Project and access the 10 million ounces of silver in Indicated and Inferred JORC resources (together with substantial credits for tin, copper, lead and zinc).

Looking ahead, we expect further positive progress with our plans to start mining at the Lorena Gold Project next year and we also anticipate welcoming Mancala as our project partner at Conrad upon exercise of the option in November 2012.

Thank you for your continued support as a shareholder of Malachite. We look forward to reporting to you with positive news and additional progress in the second half of the year. For more information, we encourage you to review our most recent corporate presentation which is accessible on our website [www.malachite.com.au](http://www.malachite.com.au) under the News & Media tab.

Yours sincerely  
Malachite Resources Limited



Geoff Hiller  
Chief Executive Officer



Garry Lowder  
Chairman