



malachite
resources

ASX Announcement

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CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Ladies and Gentlemen

This is the final address I shall give as Chairman of Malachite Resources, because, as previously announced, I will retire from the Malachite Board at the end of this month. As I look back at the record of the company I founded, together with a small band of seed investors, nearly 16 years ago I see much to be proud of and much to be thankful for. From an ore body discovery point of view, we have had our near misses, our technical successes, and now, with Lorena and its associated tenements, I believe we are finally to have our true economic success, our winner.

I do not want to dwell unduly on the past, but it is worth remembering that Malachite has successfully discovered several significant bodies of mineralisation that were previously unknown. Two key examples are Ruby Hills near Walcha, and Phoenix, at Tooloom, northwest of Casino, both towns located in northern NSW. At Ruby Hills we found a very extensive, previously unrecorded, stratabound sulphide mineral system that had us rather excited when we first saw the gossan in surface outcrops. As luck would have it, and there is no escaping serendipity in exploration, the primary mineral beneath that gossan turned out to be mainly pyrite (iron sulphide) rather than the sought after chalcopyrite (copper sulphide), although significant copper was certainly present. At Phoenix we found a new, truly giant sulphide mineral system, with widespread low level gold mineralisation and more local concentrations of significantly higher grade. Again, luck was not with us because the gold mineralisation at Phoenix turned out to be refractory, making metallurgical recovery difficult and substantially lowering the value of the discovery.

Until last year the Conrad Silver Project was our flagship project and rightly so, as Conrad contains a very substantial resource of silver, together with tin, copper, lead and zinc, and that resource remains open at depth. The Conrad ore body is narrow and to mine it economically in modern times will require an innovative approach. We believe that the vertical miner machine of Mancala Resources, whose option to acquire an interest in Conrad expires at the end of the month, may well be just the sort of innovation required. I might remind

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you that the United States Geological Survey has predicted that silver will be the first key metal to run out, and their prediction was that it would do so by 2020. We shall see, but it is worth noting that the price of silver has increased 8-fold since we acquired Conrad. Whether it effectively runs out in 8 years time or not, the outlook for silver continues to be positive, especially in view of its large and growing consumption for industrial applications. Meanwhile, the Company's efforts at Conrad have created a valuable asset and I believe Conrad's time will come, probably sooner than most people think.

I could go on to cite other examples of the high quality, innovative exploration that we have carried out over the years, often finding new prospects in areas neglected or ignored by our competitors. But let me turn instead to what has, since last year, become our new flagship project and for very good reasons. I refer of course to Lorena, where we have defined a small but high grade gold resource that can be mined by open pit and will produce a strong cash flow while that happens. Our exploration at Lorena has successfully identified additional high grade gold mineralisation at depth, below the planned open pit, that is likely to grow into a significant additional resource, suitable for underground mining, once more drilling takes place, thereby extending the mine life and consequent cash flow for some years.

We always saw Lorena as a very appropriate project with which Malachite could become established as a miner. Though small in total size, so far, it is of unusually high grade and when it comes to profitability in mining, grade is very much "king". Our belief in the value of Lorena has been endorsed by the level of interest shown by several potential joint venture partners, culminating in the new joint venture with BCD Resources, announced yesterday.

The joint venture with BCD will see Lorena come into production before the end of next year, generating a healthy cash flow equally for each partner. The plan is to transfer BCD's sulphide concentrator from Beaconsfield in Tasmania to Lorena, where it will produce a gold-rich concentrate. That concentrate will then be shipped to BCD's existing Bacox (bacterial oxidation) treatment plant at Beaconsfield, where gold doré will be produced. This will happen without Malachite having to invest any further capital in the project, or in a plant, as BCD will fund the entire development of the mine and plant. Initially the proceeds will be shared 50/50, but once production exceeds 80,000 ounces of saleable gold equivalent, Malachite's share of proceeds will increase to 65% and after 120,000 ounces saleable gold equivalent have been produced from Lorena the Company's economic interest will increase to 75%.

At a time when so many of our peers are struggling to find sufficient capital to continue as going concerns, Malachite, through its joint venture with BCD at Lorena, can look forward to substantial cash flow, beginning by the end of next year. It was for this purpose that we acquired Lorena in the first place and all that has happened in capital markets since then only serves to emphasise the importance of this project and its value to our shareholders.

The joint venture with BCD Resources relates only to the granted mining leases at Lorena, amounting to about 2¼ km². Outside of that area, but close by, the Company holds two exploration tenements that, though early days as yet, have proven to be highly prospective for copper-gold mineralisation, with the

discovery so far of three new prospects, namely Copperhead, Lady Mary and Bloodwood. All three of these prospects lie at or near the same geological contact and all three seem to be unusually gold-rich, when compared with other copper prospects in the region. Bloodwood, in particular, shows great promise as possibly a new iron-oxide copper-gold, or IOCG, discovery, with geochemical and mineralogical characteristics comparable with other deposits of this type in the Cloncurry district, of which Ernest Henry is the largest. We are excited by what is emerging at Bloodwood and we are very keen to get back on the ground and delineate further this promising new prospect.

Such enthusiasm for, and commitment to, field work has been a hallmark of Malachite since its inception. For although we are as ready to embrace new technology as any of our competitors are, we believe that on-the-ground, "boot leather" exploration in prospective terrains by keen and experienced geologists is still the key to successful exploration and ore deposit discovery. That tradition continues, as this very day we are commencing a reconnaissance drilling program at our Pikedale project in southern Queensland. The target at Pikedale is a well defined geophysical (IP) anomaly that was identified following on-the-ground mapping and prospecting by Malachite geologists, who recognised previously unrecorded copper, silver and zinc mineralisation associated with ironstones.

Over the past 15 years it has been my privilege to work with some excellent professionals, both encouraging them and being inspired by them. I have had many rewarding experiences at Malachite and have shared with my colleagues the excitements and disappointments that are part and parcel of the exploration business. As pleasant as the memories of new mineral discoveries are to me, very much a prospector at heart, it is the people I have worked with that will provide the most enduring memories.

I could name many but in the interests of time will restrict myself to just a few: my founding fellow directors, Jock Gilfillan and Roy Randall; geologists Michael Vickers, Matthew White, Brad Wake, Oliver Bayley, Mike Donnelly, Will Reynolds, Chris Bannerman and Bianca Pietrass-Wong; accountant, Wendy Emerson; executive assistant, Maryanne Alderson; company secretary, Andrew Cooke; solicitor Peter Hopkins; our current chief executive, Geoff Hiller; and most of all, my colleague of more than 15 years, Russell Meares, whose leadership, integrity, scientific discipline and sheer capacity for hard work have been an example to us all. Malachite is fortunate that Russell, though retired from full time work, continues as a non-executive director of the Company. I thank each of these people, and others not mentioned, for their loyalty, support and commitment to our goals that have built a portfolio of mineral assets of which we can be proud and that will, without doubt, return much value to our shareholders in the years ahead.

Ladies and Gentlemen, as retiring Chairman, it is very gratifying for me to leave the Company in a sound financial position, with a clear path to short term cash flow that will allow Malachite to maintain its successful exploration record and continue to grow organically. The cash flow from Lorena will mean that the Company should not need to come back to shareholders for more capital for the foreseeable future.

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I wish the Company well in all its future endeavours and I look forward to it unlocking the value that lies just below the surface at Lorena, at Conrad and within our corporate balance sheet.

Thank you.



G.G. LOWDER

For further information, please contact:

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About Malachite Resources:

Malachite Resources Limited is an emerging Australian resources company focused on gold, silver, copper and tin commodities in the Mount Isa region of north-west Queensland and the New England region of northern NSW/southern Queensland. The Company has the Lorena Gold Project near Cloncurry QLD, which is at the feasibility stage of development, and the Conrad Silver-Tin Project, which is an advanced exploration project located near Inverell NSW. Malachite also has as a number of earlier stage exploration prospects.

Malachite is listed on the Australian Securities Exchange (ASX: MAR).