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CHAIRMAN'S ADDRESS

Ladies and Gentlemen,

Some time ago Malachite adopted as its corporate motto the phrase: "From successful explorer to emerging miner". The past year has seen us give substance to that motto as we have continued to explore and delineate resources at the Conrad Silver Project and evaluate our alluvial tin deposits at Elsmore. But the singular, most important business development for your Company in recent times has been the successful negotiation and signing of an agreement to acquire the Lorena Gold Project in northwest Queensland. This was a landmark event for Malachite, as we believe that Lorena will allow us to become a profitable mineral producer, a true miner, more rapidly, at lower cost, and with less risk than any alternatives we may have. I will have more to say about Lorena shortly but first let me look back a little further into the past year.

There is no doubt that the Global Financial Crisis was a setback for Malachite, as it was for most junior resource companies in Australia. But we survived and have emerged in good shape, due in no small measure to the support received from Nanyang Mining Resources Investment Pty Limited, a private company backed by Mr Wong Ying Kin. Over the past year or so Nanyang has invested $2,250,000 in Malachite, partly as direct equity and partly as a note, convertible to equity, and we are grateful to Nanyang for that support. In the light of this, it was very disappointing when Nanyang decided not to proceed with a second convertible note investment, for the amount of $3 million. Nanyang alleged uncertainty and concerns arising from the Australian Government's proposed changes to the taxation of mineral production as the reasons for not proceeding. As a result, we became, in effect, collateral damage from the Government's poor handling of such an important part of the Australian economy.

During the past year there have been two main phases of work at Conrad. One involved exploration of the Conrad structure for some 2km or so along strike to the southeast of the main old workings. The other involved infill diamond drilling of the high grade silver-copper-tin mineralisation discovered at the southeastern end of the Conrad mining leases, in what we now call the "Princess Shoot". The infill drilling confirmed the Princess Shoot as an excellent target and we plan to focus most of the work at Conrad next year on the further evaluation of the resource contained within this shoot. The exploration along strike was less successful, confirming the continuity of the structure but revealing that the mineralisation within it comprises mostly pyrite and arsenopyrite, rather than the high grade silver-copper-tin ore type we were seeking.

Conrad will continue to play a leading role in the future growth of Malachite, even as we acquire and develop Lorena. This is because we see in Conrad the opportunity to develop a long-life mine, with a variable mix of high value metals, where silver represents about half of the total ore value. Such a silver-rich ore is a rare species in the Australian mining context and the value of Conrad will increase commensurately with silver prices, which currently sit at over $27 per ounce. At the same time, tin accounts for about 25% of the metal value at Conrad. With tin prices at around $25,000 per tonne at present, and the outlook being for further increases in this price, Conrad can be thought of as a silver-tin ore body, with some accessory copper, lead and zinc.

Field work at Elsmore over the year was concentrated mainly on the alluvial tin deposits that we continued to assess with bulk sampling and cone concentrator processing. Some very good grades were recorded and we were pleased with the results of tests on bulk samples of alluvial material sent to Germany for assessment using the dry processing technology being developed at the University of Aachen. We are now looking at deriving value from the tin we have discovered at Elsmore by linking up with a local alluvial miner.

At the Tooloom Gold Project some reconnaissance diamond drilling took place at three prospects, namely Back Creek, Pine Gully and Joes Gully. Of these, only Joes Gully provided encouraging results, in the form of a mineralised drill intercept grading 1.78g/t Au over 21.5m, including isolated high values up to 28g/t Au. Follow up drilling is planned for Joes Gully in 2011, aiming to determine whether the mineralisation in the existing intersection is indeed the source of the coarse free gold nuggets that characterise the alluvial deposits in Joes Gully.

It is a pleasure to report too that one of our newer projects, namely Pikedale, has produced some very promising results recently. We took up the Pikedale area, located west of Stanthorpe in southern Queensland, originally because the metal assemblage at the old Pikedale mine is similar to that at Conrad and we saw certain similarities between the Pikedale geology and the geological setting of Conrad. Exploration by Malachite at Pikedale so far has identified a large area of ironstones that are geochemically anomalous in silver and base metals, known as the Lickhole prospect. A recent geophysical IP survey by the Company at Lickhole detected a large chargeability anomaly that, with the anomalous surface rock chip geochemistry, represents an attractive drill target. We are very hopeful of obtaining a subsidy under the Queensland Government's Collaborative Drilling Initiative of the Greenfields 2020 program to carry out the initial drill testing of the Lickhole anomaly at Pikedale.

Let me now return to the subject of Lorena and explain how its acquisition will fit into our business strategy and enable us to meet our goal of becoming a true miner. We have long stated that our strategy is to focus on the high value metals gold, silver, copper and tin and to concentrate our efforts in New South Wales and Queensland, which are well endowed with these metals. The acquisition of Lorena is in no sense a departure from that strategy. Rather, it represents an opportunity to reduce development risk and bring forward the generation of a healthy cash flow, while pursuing the long term, company-making operation that Conrad could be from a position of financial strength.

The key determining factors that attracted us to Lorena are firstly the grade, which is notably high for an Australian open pit gold mine, as well as the presence of an existing resource and the clear potential to expand this resource with further drilling. Lorena has not been drilled below about 100m from surface and the outcropping, gold-bearing gossans on the tenements to the west have not been drilled at all. But it is the grade that is the stand-out feature. Some truly remarkable assay numbers have been reported from drill holes at Lorena and due diligence drilling and sampling by Malachite has confirmed that the high grades are genuine and widespread. It is often said that "grade is king" when it comes to mining an ore body and Lorena seems to carry that regal mantle very well. High grades not only provide for high operating margins but also they can be very forgiving if a new mine encounters teething problems in its early days.

There is excellent scope to discover more, high grade resources at Lorena and to expand the contained gold inventory substantially. Adding to this attraction, however, is the potential to develop the mine quite cheaply as a simple open pit, and its ideal location – in the heart of a world-class copper-gold province, just 15km from Cloncurry and 2km from a paved highway – will reduce infrastructure costs considerably.

At this time our thinking is that the mine could be developed to produce around 25,000 ounces of gold per annum and because of the high grades involved, the capital and operating costs per ounce should be very competitive and the cash operating margin unusually high. If the exploration we have planned successfully delineates additional resources at Lorena very quickly we will look at a higher initial gold production rate. Importantly, if the resource starts to get significantly bigger than it is now, the copper mineralisation that accompanies the gold at Lorena could become an economic co-product.

Lorena thus offers Malachite the opportunity to become a miner sooner, at lower cost and with less risk than if we were to make Conrad our first mine. The corporate experience gained in developing and operating the relatively straightforward Lorena mine will be an invaluable asset when we come to develop a larger, more costly and more complex underground mine at Conrad. That is why we believe Lorena is such a good fit for Malachite at its present stage of corporate growth.

Of course, taking Lorena to feasibility and development will require capital and as a first step in providing that capital I am pleased to announce that the Malachite Board has today agreed to invite shareholders once again to participate in our Share Purchase Plan. Full details of this plan will be released to the market later today but at this stage I can advise that shares will be offered at 7.5c and that the record date for eligibility was yesterday, 22 November, 2010.

Ladies and gentlemen, I usually like to round out my address at the Malachite AGM by acknowledging the invaluable contributions made by our loyal staff and the importance to us of the support we receive from you, our shareholders. This AGM is no exception, and I want to place on record again my sincere thanks to all of our staff and contractors and to my fellow directors for their unstinting efforts to make Malachite a success. Today, however, I want to give particular recognition to my long term colleague and friend, Russell Meares, who, early next month, will retire from full time employment with the Company. In his role as exploration manager, and later also as executive director, Russell has served this Company since mid 1997. His contribution to Malachite's technical and exploration management has been invaluable and a lot of what we have achieved would simply not have happened without him. Whether working on the geological big picture, or the minutiae of mineral exploration management, his experience, geological knowledge, integrity, commitment and attention to detail have added great value to Malachite Resources. Fortunately, we will continue to enjoy access to Russell's knowledge and expertise as he plans to remain on the Board as a non-executive director. So, again, thank you very much indeed Russell.

Ladies and gentlemen, this is your company and your continuing support and interest is what drives us to deliver the outcomes that you expect and deserve. Thank you for attending today and I look forward very much to sharing with you a golden future at Lorena, with a silver lining at Conrad.

GG Lowder

G.G. LOWDER
Chairman