

**MALACHITE RESOURCES LIMITED**

**ABN86 075 613 268**

**ANNUAL GENERAL MEETING, 25 NOVEMBER 2011**

**CHAIRMAN'S ADDRESS**

---

Ladies and Gentlemen,

When we met here a year ago there was a general feeling in the market place that the worst of the Global Financial Crisis was over and that the prospects for further recovery in 2011 were good. Indeed, as this year unfolded, the first few months followed the script quite well. Then, around April, new concerns about US debt levels began to emerge, followed more recently by the Eurozone debt crisis. World markets have become very unstable and that volatility will probably continue, at least until genuine resolutions of the European and US debt problems emerge.

Malachite, like most of our peers, had a difficult time during the GFC and its aftermath and the financial turmoil in the USA and Europe have not made life for an Australian junior miner much easier over the last 6 to 12 months. Against that background it is particularly pleasing that the Company's recent fully underwritten entitlement offer was successful, closing fully subscribed. It is true that the capital was raised at a share price less than what we would have preferred, but we believe, as was the case with many a major Australian company during the 2008 GFC crisis, the key to a successful future is to have capital in the bank today. We are confident that, as new equity is applied to our projects we will see an appreciation of our market capitalisation, reflecting more accurately the true underlying value of our assets.

Of course the one real upside of market volatility such as we have seen is the rising value of gold, which has appreciated by more than 25% in the past year. It is indeed a good time to be a gold miner and Malachite's decision last year to acquire the Lorena Gold Project is proving to have been very timely indeed. When we conducted our due diligence at Lorena in mid 2010 we were basing our analysis on AUD gold prices ranging from \$1230 to \$1380 per ounce; today the AUD gold price is around \$1740 per ounce. This price increase alone represents an addition of about \$28 million to the notional bottom line value of Lorena. We look forward to this increase in value being properly reflected in our share price.

The acquisition of Lorena was completed in February this year and since then we have conducted two drilling programs aimed at expanding the gold resource in the immediate vicinity of the existing open pit. In May this year, five mining lease applications adjoining the existing mining lease at Lorena were granted, substantially increasing the space available for future mine development and adding much highly prospective ground to the exploration potential of the project. More recently, Malachite personnel have carried out a comprehensive soil geochemical program over the most promising parts of the new mining leases and the results of that work should be available soon. In addition to the six mining leases, the Lorena project includes one granted Exploration Permit for Minerals and two current EPM applications. Field work has begun on the granted EPM, located to the southwest of the Lorena mine. Work is still at an early stage but we have been encouraged by the discovery of highly anomalous copper-gold mineralisation at a new prospect we have called Copperhead.

Further metallurgical work on samples of drill core from Lorena is currently underway. We also expect to receive the results of a new mineral resource estimate being carried out for Malachite by our resource consultants within the next few weeks. That resource work will generate a block model that, together with the metallurgical results, will allow us to move on to project feasibility studies in the early part of 2012. A little later next year, after the tropical wet season, there is likely to be further drilling at Lorena, some of which will target resource infill and conversion of resources to reserves, while other drilling is likely to be testing new prospects identified by the recent field work.

Of necessity, with the focus having been very much on Lorena over the past year, Malachite's other projects have been given lower priority. Some drilling was conducted at the Conrad Silver Project, where several holes drilled into the Princess Shoot confirmed its high grades. We are now looking at the best, most cost-effective means of improving our confidence in ore grades at Conrad, as there is concern that conventional diamond core drilling may be understating the true grade due to a kind of "nugget effect" caused by the very coarse grained and clumpy nature of the sulphide mineralisation. We have also continued scoping work on a possible mining project at Conrad, where the emphasis is on evaluating innovative narrow vein mining technology that could be applied at the mine.

Looking ahead, we will continue to focus very much on Lorena in 2012, with the aim of bringing the ore body there to production as quickly as possible, at whatever scale is commensurate with the available gold resources. It is important to appreciate that Lorena has a number of significant advantages as a potential new mine, including six granted mining leases covering over 2km<sup>2</sup>, a location close to infrastructure, no land access issues, and, most of all, excellent gold grades that compare more than favourably with existing open pit gold mines in Australia.

With the prospect of mine development at Lorena in the near future for Malachite, the appointment of Mr Geoff Hiller as Chief Executive Officer in March this year was very welcome and appropriate for what lies ahead. Mr Hiller is a mining engineer who also has qualifications in civil engineering and an MBA in Finance. His broad industry and project management experience will equip him well to lead the company as it makes the transition from explorer to miner. Furthermore, Geoff's appointment means that I am able to retire from an executive role with the Company and will do so with effect from the end of this month. Thereafter, subject to the outcome of Item 3 on today's agenda, I will continue as Non-executive Chairman, giving support, guidance and technical assistance to Geoff and his staff, but no longer a full time employee.

Ladies and Gentlemen, it has been a turbulent year and much uncertainty remains in world equity markets. Amidst that turmoil, Malachite is very focussed on taking Lorena to development and we have a dedicated staff that will carry us through what should prove to be a memorable year for all of us. Finally, I would like to thank our employees for their commitment to the task, to thank our shareholders for their support, especially those who participated in the recent rights issue, and I look forward to returning here next year to report on what should be exciting progress with the development of the Lorena Gold Mine.

Thank you.

**G.G. LOWDER**

Chairman