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Exploration Review

Quarterly

October 2006

Commodity price volatility rising but fundamentals remain sound

Contents

This is an extract from the October 2006 Quarterly Exploration Review

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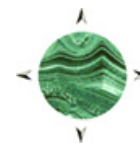
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Malachite Resources NL

ASX Code: MAR

Status:



Core Commodities	Gold, Silver, Copper
Price (as at 25-Sep-06)	\$0.21
Market Cap	\$15.7M
Cash (as at 31 Aug 06)	\$1.0M
Cash / Share	\$0.01
Shares Traded (pa)	\$7.9M

Top Shareholders

Straits Resources Ltd	6.0%
Garry Lowder	5.0%
Tooloom Gold Pty Ltd	2.5%

Summary activity for the current quarter	Quantity	Budget
Soil/Rock Chipping		
RAB		
RC/Diamond		
Assays		
Geophysics		
Other		
Total Expenditure	(incl. Newmont funds)	\$0.5M

Tooloom Gold Project

Location	NE NSW	On 1 July 2006, Newmont farmed into the Tooloom Gold Project (currently 100% MAR), where it may earn a 51% interest by funding \$5M of exploration expenditure over a maximum of five years. The second half of 2006 will see field work aimed at completing the data sets for the whole property before a major drilling program to start early in 2007. A significant grassroots gold discovery has been made, known as Phoenix, having strong affinities with Alaskan intrusion-related gold deposits.
Commodity	Gold	
Style	Intrusion Related	
Best Intersection	48m @ 2.21g/t Au, 5g/t Ag, 0.07% Cu & 0.19% Sb	

Conrad Silver Project

Location	Northern NSW	Conrad (100% MAR) was historically the biggest silver producer in New England. Malachite's drilling has shown that substantial amounts of polymetallic (silver-copper-lead-zinc-tin-indium) mineralisation remains in high- to very high-grade lodes. Lower-grade, bulk tonnage type mineralisation has also been discovered. There is also scope for repetition of the Conrad/King Conrad lodes in parallel structures nearby. The company is targeting a resource of 30Moz of silver, or 60Moz of silver-equivalent by the end of 2007.
Commodity	Silver / Copper	
Style	Vein/Shear	
Best Intersection	4m @ 278g/t Ag, 0.72% Cu, 2.61% Pb, 0.99% Zn, 0.68% Sn & 13g/t In or 767g/t AgEq	

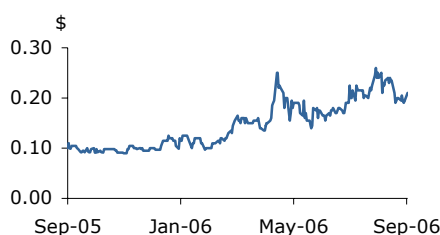
Elsmore

Location	Northern NSW	Elsmore has a long history of tin production, mainly from alluvials but also from hard rock. Malachite's Elsmore project (MAR 100%) is looking at tin/tungsten/copper/molybdenum/silver-bearing greisen deposits and tin-rich deep leads, with a view to cash flow generation from a small high grade mine.
Commodity	Tin / Tungsten	
Style	Granite / Sheeted Veins	
Best Intersection	1m @ 7.0% Sn & 4.2% WO3	

Aegis Equities Comments

- **Projects:** MAR finished a 9-hole program at Conrad. Most holes intersected sulphide mineralisation. High-grade intersections include 3m @ 383g/t Ag, 0.68% Cu, 5.97% Pb, plus Zn & Sn. A new lode was discovered, and geophysics indicates several more similar structures. Results exceeded expectations and more funds are justified to keep exploring. Wide zones of low-grade halo mineralisation might also add to tonnage. Newmont has farmed into the Tooloom Gold Project that includes the very large mineralised system, Phoenix.
- **Potential:** It is increasingly likely that MAR has a project at Conrad and that a deposit of 20Moz-30Moz silver plus credits is a realistic achievement by the end of 2007. The potential company maker would be success at Tooloom. Here, drilling, sampling and geophysics have defined a huge volume of mineralised rock, around 1Bt. How much of this might be ore grade is not known. Early results are very encouraging with several holes intersecting good widths of economic grade.
- **Overall:** MAR is a well-run and highly focused junior explorer executing a strategy to develop one or more projects to generate a modest cashflow of \$4M-5M per annum to fund ongoing exploration. Newmont funds exploration at Tooloom. This leaves MAR free to focus on Conrad and other projects. The company has around \$1M in cash but will raise additional capital to drill Conrad. There is significant potential for a massive re-rating of MAR's share price.

Share price performance



Source: IRESS



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