AUSTRALIAN

RESEARCH

BLUE BOOK SERIES

Junior Resources Review

June 2007 Quarterly Review

US sub-prime debt crisis invokes fears of recession, yet underlying demand for minerals remains unchanged

Aegis Measured by Performance

Contents

This is an extract from the June 2007 Junior Resources Quarterly Review

IMPORTANT NOTICE

Aegis has been commissioned to produce this report.

Disclaimer & Disclosure of Interests

This publication has been prepared by Aegis Equities Research Pty Limited (ACN 085 293 910, AFSL no. 225072) ('Aegis'), an Australian Financial Services Licensee. Aegis has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided Aegis with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Aegis believes are reliable, no responsibility or liability is accepted by Aegis for any errors, omissions or misstatements however caused. Any opinions, forecasts or recommendations reflects the judgment and assumptions of Aegis as at the date of publication and may change without notice. Aegis and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither Aegis nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Aegis. Aegis and/or each Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Aegis and the Participants, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Aegis, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. Aegis discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has Aegis been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the Legal Notice that can be located at http://www.aer.com.au/disclaimer.asp.

Malachite Resources NL (MAR)

Sector	Industry Group	Industry	Sub Industry
Materials	Materials	Metals & Mining	Gold

Company Overview

MAR has assets in NSW and QLD. In NSW, MAR is emerging principally as future silver producer. The plan is to fast-track the Conrad Silver Project in 2008. The Tooloom Au Project might not suit a large company, but there is potential for a deposit suitable for a junior company to develop. At Elsmore, the Sheep Station Hill Prospect for Sn and Wo warrants further investigation. MAR is earning a 50% of the Volga Elderberry Copper Project in QLD. This is an exciting play with many targets.

Strategy

Malachite's business strategy has two components: the first priority is to leverage Malachite via the discovery of a major resource, with development and operation joint-ventured with an established mining company and the second strategy involves finding a smaller project that can be developed and operated by Malachite in its own right to generate cashflow.

Aegis Comments

Outlook: Conrad keeps getting better. Recent drilling has intersected more than one lode in each hole and grades are high in the cores of the veins. Indium values are high, but not enough is yet known about its economics. A Conrad scoping study will commence in August, and an estimate of resources in September. Geophysics has outlined conductors at the Volga Elderberry and Lidster Cu projects. A drill program to test the most promising targets is scheduled to begin in September or October.

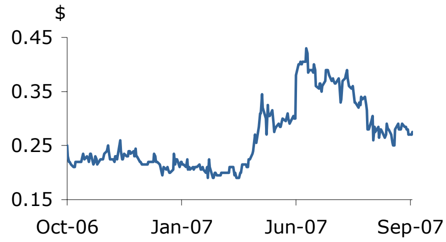
Catalysts: The downgrade for an open pit at the Elsmore Sn Project reduced options for cash flow in the medium term. Conrad is the asset with immediate potential to add value to shareholders, and that is what is happening. Drilling is progressing well and new holes continue to intersect multiple narrow high-grade veins with envelopes of lower grade material. Coarse grain size of ore is positive for recovery. A resource estimate and scoping studies scheduled for 3Q07 are catalysts for re-rating.

Risks: The principal risk is exploration failing to deliver a project that moves to development. The New England area of NSW has good infrastructure, and the larger towns can provide the services required to develop small projects. Land access is good, and MAR has a memorandum of understanding with the Githabul people at Tooloom. MAR also has the right to negotiate process with a Native Title claimant at Conrad. The region has historically had many open pit and underground mines.

Key investment information

Price:	**$0.28**
Price as at:	02-Oct-07
Market Cap ($M):	37.6
Equiv. Shares (M):	136.57
% Market:	0.00
12Mth Range ($):	0.19 - 0.44
Shares Traded ($M pa):	15.2
Listed since:	November 2002
Index:	n/a

Share price performance



Company contact

Dr Garry Lowder
Chairman & Managing Director
glowder@malachite.com.au
61 2 9411 6033

www.malachite.com.au

Earnings Summary

Yr to Jun	NPAT Rep $M	NPAT[1] Adj $M	EPS[1] c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2003A	**(0.4)**	**(0.4)**	(1.3)	n/a	**(21.1)**	(0.6)	(0.3)	0.0	**0.0**	0	(36.6)
2004A	**(0.6)**	**(0.6)**	(1.4)	n/a	**(19.3)**	(0.6)	(0.4)	0.0	**0.0**	0	(25.3)
2005A	**(1.4)**	**(1.4)**	(2.9)	n/a	**(9.3)**	(0.4)	(0.4)	0.0	**0.0**	0	(58.5)
2006A	**(0.5)**	**(0.5)**	(0.8)	n/a	**(34.4)**	(1.6)	(1.9)	0.0	**0.0**	0	(18.2)

[1] NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

Aegis Measured by Performance

Financial Stability

Balance Sheet (Y/E Jun)	05A	06A
Net debt (cash) ($M)	(0.0)	(0.6)
Total assets ($M)	5.0	7.1
Net debt/equity (%)	(0.6)	(9.4)
Net interest cover (x)	n/a	n/a
NTA per share ($)	0.01	0.01
Current ratio (x)	2.2	3.1

As at 30-Jun-06	
Net debt (cash) ($M)	(0.6)
Net debt (cash) / shr ($)	(0.00)
Net debt (cash) / MktCap (%)	(1.7)

Substantial Shareholders

Straits Resources Limited	7.5%
G Lowder	6.9%

Board

G Lowder (Chairman/MD)
R Meares (Director)
W Staude (Director)
R Randall (Director)

Key Executives

G Lowder (Chairman/MD)

Differentiating Factors

MAR has a two-fold business strategy involving the creation of value through major discovery and generation of cashflow from early development of smaller-scale mining. The first strategy is well advanced and is best exemplified by the Tooloom gold project where Newmont has farmed-in. The second is best highlighted by the Elsmore tin project located in northern NSW. The Mt Lidster copper project in NW Queensland also fits into this category.

Achievements

Until a recent move into North QLD, focussing on the New England region in NSW has paid dividends. There has been the rediscovery of the old Tooloom Au Field and discovery of new high-grade silver lodes at the Conrad Mine. These are major achievements. The best results so far have recently been reported from Conrad. Conrad looks certain to develop into a mining project. More recently, MAR has gained a footprint in the Mt Isa region, adding another potential avenue for growth.

Current Projects

Tooloom Gold Project: This project (100% MAR) comprises a large tenement area (550sqkm) with numerous gold prospects. The most important is Phoenix, a very large, low grade, grassroots gold discovery that has strong affinity with the gold deposits of Alaska and the Yukon. The best mineralisation drilled to date at Phoenix lies within a breccia pipe. Exploration is now focussed on finding additional breccia pipes or other higher grade gold concentrations elsewhere within this giant system.

Conrad Silver Project: Malachite has discovered high-grade, lode-style silver-rich polymetallic base metal mineralisation at Conrad (100% MAR) with significant values of silver, copper, lead, zinc, tin and indium. Wide zones of lower-grade bulk tonnage mineralisation have also been discovered. Detailed resource-definition drilling is now underway, targeting 20Moz of contained silver, or 50Moz of silver equivalent. Superb grades have been intersected in recent drilling. The outlook for the project is very promising.

Mt Isa Region Copper: Malachite has a strong commitment to copper in the Mt Isa region through optioning the Mt Lidster property and farming-in to the Volga Elderberry property. Initial drilling at Mt Lidster was highly successful, with sulphide copper intersections including 4m @ 5.29% Cu and 18m @ 2.4% Cu (including 2m @ 9.8% Cu). Volga Elderberry is a much larger property, with drilling results including 13.8m @ 2.9% Cu (including 2.5m @ 11.85% Cu and 1.86g/t Au) along with sulphides.

Capital Structure

MAR has 100M ordinary shares on issue plus 32.3M listed options (20 cents, 31/08/08). There are also 4.3M unlisted options with exercise prices between 20 cents and 30 cents. All options are in the money.

Aegis

Level 6, 33 York Street
Sydney NSW 2000 Australia
Locked Bag 7 Australia Square
Sydney NSW 1215
Phone 61 2 8296 1100
Fax 61 2 9299 3777
ABN 72 085 293 910
www.aer.com.au