

AUSTRALIAN

RESEARCH

BLUE BOOK SERIES

Junior Resources Review

Quarterly

EXTRACT

May 2007

US Manufacturing – Down for the Count, But Not Out

Contents

This is an extract from the May 2007 Junior Resources Review.

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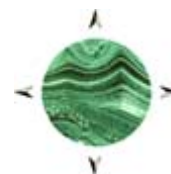
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Malachite Resources NL (MAR)



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

Company Overview

CY07 is a watershed period for MAR as its focus changes from pure exploration to moving towards first mine development, perhaps the Conrad silver project or a small tin-tungsten mine near Elsmore. MAR has an option to buy 100% of the Mt Lidster copper play, along with a farm-in agreement for 50% of the Volga Elderberry copper project where there is potential for a small copper mine. The Tooloom gold project in NSW, where Newmont can earn a minimum 51% interest, is a potential company maker.

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. 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: In the short to medium term, MAR is seeking modest cashflows from an open-pit tin-tungsten operation using crushing and gravity separation. The idea is to generate around \$5M per annum to fund other projects, such as Conrad and the copper deposits in QLD. High tin and tungsten prices might mean Sheep Station Hill could support a small project, but there would still be work to do in determining grades due to the variance in distribution.

Catalysts: Exploration continues at Conrad and by mid-2007 there should be data for a scoping study, which would lead to a pre-feasibility study. Newmont will initiate a drill campaign at Tooloom in April, with first results due in May/June. Results from trial mining and bulk sampling at the tin-tungsten prospect at Sheep Station Hill are due in April/may. The copper projects in QLD should provide good results. MAR has attracted 2 new geologists to cope with the added workload as the company moves forward.

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.

Earnings Summary

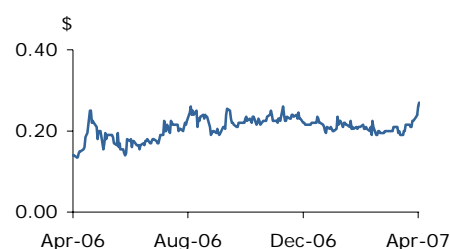
Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2003A	(0.4)	(0.4)	(1.3)	n/a	(19.9)	(0.6)	(0.5)	0.0	0.0	0	(36.6)
2004A	(0.6)	(0.6)	(1.4)	n/a	(18.2)	(0.6)	(0.7)	0.0	0.0	0	(25.3)
2005A	(1.4)	(1.4)	(2.9)	n/a	(8.8)	(0.4)	(0.4)	0.0	0.0	0	(58.5)
2006A	(0.5)	(0.5)	(0.8)	n/a	(32.5)	(1.8)	(2.3)	0.0	0.0	0	(18.2)

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

Key investment information

Price:	\$0.26
Price as at:	20-Apr-07
Market Cap (\$M):	26.9
Equiv. Shares (M):	99.40
% Market:	0.00
12Mth Range (\$):	0.13 - 0.29
Shares Traded (\$M pa):	11.2
Listed since:	November 2002
Index:	n/a

Share price performance



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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 (\$)	0.02	0.02
Current ratio (x)	2.2	3.1

As at 30-Jun-06

Net debt (cash) (\$M)	(0.6)
Net debt (cash) / shr (\$)	(0.01)
Net debt (cash) / MktCap (%)	(2.4)

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

Rediscovery of the old Tooloom gold field and the introduction of Newmont, which will fund a large exploration program, were major achievements. At the Conrad silver project, MAR has found new lodes parallel to old workings and has identified new targets. Drilling has encountered good widths of disseminated mineralisation, which might permit bulk mining. MAR always intended to own copper assets and has gained a footprint in the Mt Isa region at Mt Lidster and Volga Elderberry copper projects.

Current Projects

Tooloom Gold Project: Newmont is earning a 51% interest in the Tooloom gold project by funding \$5M of exploration over five years. Drilling is to start in April 2007. A significant grassroots gold discovery has been made at Phoenix with strong affinity with Alaskan gold deposits. Two interesting geophysical anomalies under shallow cover have been identified just north of the original discovery, considerably enlarging the overall Phoenix target area. These will be drilled during the forthcoming program.

Conrad Silver Project: Malachite has discovered high grade silver-rich polymetallic 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, considerably enhancing potential economics through open-pit development. Detailed resource-definition drilling is now underway targeting 20Moz of contained silver, or 50Moz of silver equivalent by the end of 2007.

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 & 1.86g/t Au) along with sulphides.

Capital Structure

MAR has 99,449,065 ordinary shares on issue plus 30,349,085 options (20 cents, 31/08/08). There are also 475,000 unlisted options (20 cents, 23/11/09).



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