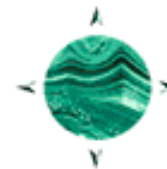


The following is a transcript of an interview conducted by Brendan Fitzpatrick, Resources Sector Analyst at Aegis. For more on Malachite Resources (MAR) go to the MAR website at www.malachite.com.au



Brendan Fitzpatrick – Resources Analyst

Dr Lowder, since our last interview, some seven months ago, exploration has progressed to resource estimation drilling at the Conrad Silver Project. As a major step forward, copper has emerged as one of Malachite's three key areas of endeavour. This strategy is highlighted by the new farm-in agreement at the Volga Elderberry Copper Project, near Mount Isa, which also has potential for uranium. What activity do you see as potentially creating the maximum value for Malachite's shareholders since mid-2006?

Malachite Resources MD – Garry Lowder

There's no doubt that the successful drilling for silver and base metals at our Conrad Project in northern New South Wales has added a lot of value for our shareholders. So much so we've now moved on to the next stage of project evaluation with the commencement of detailed pattern drilling, which is intended to convert our silver discovery into a quantified silver resource.

But at the same time, there's also no doubt that the addition of two copper properties at Mount Isa, namely, Mount Lidster and Volga Elderberry, will also prove to be very valuable acquisitions and add good value for our shareholders as we start to unlock their potential during the course of this year.

Brendan Fitzpatrick – Resources Analyst

Let's start with the New England projects first. The last drill results from Conrad, announced in January, produced further high-grade silver and base metal grades from six holes. Now the company has commenced a large program of detailed drilling. Where is all this leading?

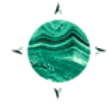
Malachite Resources MD – Garry Lowder

It's important to appreciate that Conrad has been a successful mine twice before in its history. When it shut down for the last time 50 years ago, it was not because it had run out of ore, but it was simply driven by metal prices, particularly lead prices at the time. There was a boom in the lead price after the war, and when that finally petered out in 1957 or thereabouts, the mine, which was operated by Broken Hill South, shut down because it was more economic for them to go back to Broken Hill.

The first thing we had to do when we acquired the property was to go back and show by modern drilling that the very high-grades being produced in the 1950s and earlier, and that had been reported historically for the mine, were, in fact, still to be found today in the unmined parts of the lodes. So this is what we have been doing over the past year, and the high-grade results we've reported have been our confirmation that what was being mined in the past is still there to be found today.

And in fact, it has been particularly gratifying that not only have we found the high-grade lodes that were mined in the past but we've also found that in many places, there is additional lower grade mineralisation that flanks the high-grade lodes and fills some of the space between them. This means that we're looking at wider mining widths than we originally thought, and the mine in its third incarnation might well be offering even open pit potential.

So the key thing is that all these new facts about the mineralisation at Conrad are pointing to lower production costs, which is good. Having confirmed the reported bonanza grades from the historical production, and having confirmed that they are real, we have now embarked on the process of quantifying the mineralisation by systematic pattern drilling. The results of this drilling will allow us to calculate a mineral resource according to JORC code requirements. We envisage doing this before the end of 2007 so that 2008 can see feasibility and development



activity.

Brendan Fitzpatrick – Resources Analyst

Looking ahead, what timing do you envisage for the progression of milestones for the Conrad Project as it moves forward to a Bankable Feasibility Study?

Malachite Resources MD – Garry Lowder

We are presently drilling near the King Conrad mine at the northwestern end of the lode system, because that is where we have had the best near-surface intersections to date. Around 6,000m of drilling is planned for this area, and we're hoping to have it all completed by about mid-year. This will certainly be the first milestone for the project in 2007. However, another 6,000m of drilling is envisaged for the second half of the year. Much of that will be concentrated at the other end of the main lode system near the Davis shaft, and we think we will be able to block out a resource there as well.

So our aim by the end of this year is to have a resource containing about 50Moz of silver equivalent. About 40% of that is likely to be silver itself and the rest will be made up by copper, lead, zinc, tin and, possibly, indium. So in contained metal value terms, the kind of resource we are looking to find this year at Conrad will be worth about the same as a million ounce gold deposit.

Brendan Fitzpatrick – Resources Analyst

Can you give investors an idea of the scope of Conrad in terms of capital requirements, and is Malachite seeking a joint venture partner?

Malachite Resources MD – Garry Lowder

It is too early to be giving any definitive estimates of capital costs. We do not even know yet whether we will be looking at an open pit or an underground operation. It is clear though that a successful third generation of mining at Conrad, whatever form it takes, will require a substantial capital investment. And by that I mean something more than \$100M. We have made no firm decision about how to proceed in the longer term at Conrad. We do not have any intention of seeking a partner at this stage, before we've adequately quantified the resource and created a proper

numerical basis for its valuation and the company's valuation on the basis of it.

The possibility of bringing in a recognised major partner as we have done with our gold projects at Tooloom is quite appealing, but we do not need to think about it right now. We have been approached by several potential suitors for Conrad, and I guess we will just revisit this issue at the end of this year.

Brendan Fitzpatrick – Resources Analyst

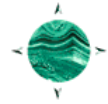
Can you describe the current dynamics of the tin market and how you perceive the outlook for tin in the short to medium term?

Malachite Resources MD – Garry Lowder

Tin is a great survivor, and if I can borrow from Mark Twain, rumours of its death have been greatly exaggerated. I think there are two good reasons for this. One is simply tin's great versatility in end-use. It is in all our electronic items, it is on our flat screen TVs and monitors and 50% of all the tin produced goes into solder. The second reason is perhaps a bit more philosophical. Tin is not toxic and that's why it is used in food containers, tin cans in fact. I have a strong sense that modern societies no longer are prepared to accept the use of toxic metals like lead when there is a non-toxic alternative like tin, even if the costs are higher. The growing switch to lead-free solder in computers and other electronic gear is a good example. The alternative to high-lead solder is in fact high-tin solder. Even if it means using the higher cost metal, that is, tin in place of lead, the amount of tin used in any one item is small enough that it has a minimal impact on the final product price.

And I understand, for example, that Dell computers are now using exclusively lead-free solders and that the European Union is legislating to enforce that move across all manufacturers. I think this trend is going to continue to grow and it will in fact underpin the future growth in tin consumption. There's not a lot of new supply coming on to the market, and in fact with the forecast for 2007 of a total demand for tin of something like 377,000 tonnes, there'll be a shortfall or deficit in supply in the order of 30,000 tonnes. And that's probably what is driving the strong tin price at the moment.





Australia used to be quite a major supplier of tin. It no longer is. China has large resources and is a large producer, but at the same time is essentially consuming everything it produces. And at the moment a very large component of the world's supply of tin comes from Indonesia, which is quite unstable, and Bolivia, where some of the tin properties have just recently been nationalised. So consumers of tin are nervous about where their supplies are going to come from, and I think that probably explains the number of approaches we've had from potential buyers of tin concentrates, clearly looking for new supply in a more stable environment.

[Brendan Fitzpatrick – Resources Analyst](#)

High-grade tin greisen veins with the valuable by product credits at Sheep Station Hill, part of the Elsmore project, have potential to generate cash flow relatively quickly. What sort of project do you envisage there?

[Malachite Resources MD – Garry Lowder](#)

For Sheep Station Hill, we know from drilling that we have sufficient tonnage of tin tungsten bearing greisen mineralisation to establish a small open pit, if the grade is high enough. But because so much of the mineralisation is very coarse grained, I mean, it's seriously coarse grained – I've seen cassiterite crystals, that's the tin mineral, crystals the size of golf balls or clusters of them the size of tennis balls, and wolframite crystals, which is the tungsten mineral, as big as your index finger. So with such coarse grained material, we have a very strong nugget effect, and drilling has left us quite uncertain about the true average grade.

So the answer is to go to bulk sampling as that's the only way we'll resolve what the real grade is, and that's what we're about to commence at Sheep Station Hill in the next few weeks. We expect that bulk sampling will give us a much better handle on what the real grade is there, and tell us whether or not it's at an economic level. It will also, incidentally, give us a bit of an idea as to whether the copper and molybdenum we commonly see in the drilling are potential economic by-products.

So if this work defines an economic resource at Sheep Station Hill, and in the context of a strongly rising tin price, then there's a great opportunity for us to establish a first mine very quickly at low capital cost and low operating risk.

In fact, what we've got in mind is to start small, prove that the process is economic and that the grade is economic, and effectively boot strap ourselves into a bigger scale of production as our confidence grows.

Essentially what we envisage is a small open pit where the greisen veins would be selectively mined and the ore processed with simple low cost gravity technology. And the good thing is that much of that technology is available locally, as the nearest town is Inverell, which is the home of the Australian sapphire mining industry. Mining and processing of sapphires requires similar gravity separation technology. So we could probably get everything we need quite locally.

And then beyond Sheep Station Hill, just down the road we have a second large tin bearing greisen system known as Newstead. We've really only scratched the surface there so far, in terms of its potential, but it's an area that's seen a huge amount of historic tin mining at surface. But the underlying bedrock sources have hardly been touched, so we've got a lot of work ahead of us there, but we can see further production coming from Newstead down the track.

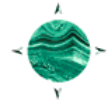
[Brendan Fitzpatrick – Resources Analyst](#)

What has been the impact of Newmont Australia's entry to the promising Tooloom gold project, and have any new targets been identified?

[Malachite Resources MD – Garry Lowder](#)

Newmont has taken the view, and I guess it's the large company view, that the first task of this programme with their funding is to re-examine everything that's been done at Tooloom to date, identifying perhaps any gaps in the information, and then plugging those gaps with new data before proceeding to drill test the targets. So we've spent the last six to nine months completing the process of generating all the appropriate exploration datasets, and this has included flying the area with Newmont's own proprietary geophysical systems. All that work has led to the confirmation of the targets we already knew, and has also allowed us to recognise several new very attractive targets. For example, one of those lies to the north of our Phoenix discovery under what we believe is shallow cover of younger rocks. It comprises a roughly circular magnetic anomaly about a kilometre across. This has got us very excited because it has all the hallmarks of a major





hydrothermal system, so we're looking forward to drilling that in the coming programme.

We've also recognised a whole new gold bearing intrusive centre at a place we know as Dividing Creek, and that led us to go to the acquisition of an additional exploration license to cover extensions to that system off to the east. So we've now got 550 square kilometres of prospective ground under tenements at Tooloom, and we've lined up a whole series of targets to test with drilling, which is due to commence in April.

Brendan Fitzpatrick – Resources Analyst

Now let's move northwards into Queensland. Malachite has based its copper portfolio on two projects in world-class provinces. These are Mount Lidster and the recently announced Volga Elderberry copper project. Both projects are within trucking distance of Mount Isa with respect to the shipment of mine concentrates. A recent drilling programme at Mount Lidster has yielded excellent results. What is the cost to Malachite to exercise its option to acquire 100% interest in this project?

Malachite Resources MD – Garry Lowder

Well, we have the opportunity to extend our option for a further nine months in June this year by paying \$50,000 in cash to the vendors, and issuing some Malachite shares and share options. The final exercise price at Mount Lidster is a million dollars, together with the issue of four million Malachite share options. Interestingly, in each case, the exercise of the Malachite share options that we'd be issuing will provide the company with sufficient cash to make the respective cash payments to the vendors. So it's effectively self-financing.

Brendan Fitzpatrick – Resources Analyst

It's still early days, but what potential do you see from Mount Lidster, in terms of mine development? Would you wait to see what potential Volga Elderberry has so there might be a dual development, especially since these two projects are only 35 kilometres apart?

Malachite Resources MD – Garry Lowder

Well, the two copper properties will certainly be run as a single project at the exploration stage during the course of this year, and that will give us the critical mass for efficient operations we've been seeking. We have hopes for Mount Lidster to rapidly become a defined resource, that could be mined by a contractor and the ore sold to another producer nearby, bringing forward our potential cash flow. That's going to be high on the agenda and it's very much our objective for this year to make that happen. At the same time, Volga Elderberry may be able to participate in that sort of operation, because we know there are high-grade lodes at Volga that could add to the total inventory of ore that we'd be looking for from Lidster. And we also have granted mining leases at Volga, which would facilitate and accelerate the process.

But the bigger picture for Volga Elderberry will involve a much larger and longer term exploration programme, and that has as its objective a stand alone copper mine operation, perhaps much larger in size and involving a longer term and greater capital investment.

Brendan Fitzpatrick – Resources Analyst

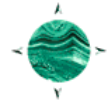
Farming into the Volga Elderberry copper project near Mount Isa provides Malachite with a new dimension. Could you tell investors what is so attractive about Volga Elderberry, and what will be the forward programme at the end of the wet season?

Malachite Resources MD – Garry Lowder

The Volga Elderberry property covers a large block of highly prospective ground, about 215 square kilometres in area in fact. Most of this ground has really seen only minimal modern exploration, and the area around the old Volga mine itself has been held privately for generations. Unlike Mount Lidster, where there was no prior drilling, at Volga we have some very significant intersections of high-grade copper in drilling undertaken by the current tenement holders.

So this has given us a terrific head start as we get on with the planned exploration programme after the wet season. We know there's high-grade material there, because the current holders have drilled it. Our job is to go and quantify what they've found, and then look for larger deposits and extensions to the known mineralisation,





basically building on their very good start. The exciting thing about the Volga Elderberry property is that it has very serious potential for the discovery of iron-oxide copper-gold deposits, that is Ernest Henry type deposits. And I guess an intriguing aspect of those same tenements too, is that a substantial part of the area has geology directly comparable with that at the old Mary Kathleen Uranium Mine, which is about 35 kilometres to the south.

At this stage we don't know of any specific uranium prospects on the property, but we'll certainly be keeping our eyes and our scintillometers open to the possibility of uranium.

Brendan Fitzpatrick – Resources Analyst

This year looks like being the most important one since Malachite listed, because this year you expect to make the transition from pure exploration to emerging producer status. Could you tell us the current cash position, and how do you see the call on cash reserves over the next 12 months?

Malachite Resources MD – Garry Lowder

Our current liquidity is about four million dollars, which should be sufficient for us to achieve our goals this year, and leave us in a sound position going into 2008. We don't have any specific plans for another capital raising, but we usually like to offer our shareholders the chance to buy a few shares at a discount under a shareholders' share purchase plan.

We do that about annually, so we'll probably see that happen in the September quarter this year, which should top up our coffers a bit. Then we have around 30 million 20 cent options that expire in August 2008, so hopefully our option holders will find it attractive to exercise those options at the time, and that will provide us with \$6 million dollars in new capital in the middle of

2008. Our hope is that we will be ready to apply this capital to the start up of our first mine.

Brendan Fitzpatrick – Resources Analyst

Finally, what milestones should investors look for over the next six months?

Malachite Resources MD – Garry Lowder

It's going to be a very busy period, with a lot of things happening in parallel. The results of drilling at Conrad will be released periodically as the programme proceeds, and a synthesis should be out around the middle of the year. In the case of Tooloom, the first drilling since the entry of Newmont, is scheduled to commence in April, so we could expect to see some assay results from that around the end of May. In North-West Queensland we can't expect much news until May or June, given that access will only be possible after about April. And then closer to home, we'll have the results of the bulk sampling and trial processing for tin and tungsten at Sheep Station Hill by the end of April or early May. So those are the key things to look for.

As I said, it's going to be a very busy period but fortunately we have two new geologists coming on board in the next few weeks, and we seem to be in a pretty good position with regard to the availability of drill rigs. So I guess at this stage you could say the Quarterly Report for the June quarter this year looks like being a bumper issue.

Brendan Fitzpatrick – Resources Analyst

Thank you Dr Lowder.

END OF INTERVIEW

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