

Recommendation

Speculative Buy. MAR is an attractive high risk, high reward exploration opportunity. Further drilling success at Conrad should translate into increased resources, a maiden reserve and further evaluation which could ultimately lead to production.

Investment data

ASX Code	MAR
Share price (27th May 2008)	\$0.225

Issued capital

FPO Shares	124.6m	
Unlisted Options	50.3m	
	(ex Aug 08 @ \$0.20)	38.1m
	(ex Nov 11 @ \$0.30)	3.6m
	(ex Nov 12 @ 0.431)	7.3m
Market Cap (fully diluted)		\$39.4m

Shareholders

Major Shareholders	
Anglo Pacific Group plc	6.5%
Straits Resources	5.0%

Cash Reserves

Cash Balance (31 Mar 2008) \$6.0m

Board & Management

Chairman & Managing Director

Garry Lowder

Executive Director & Exploration Manager

Russell Meares

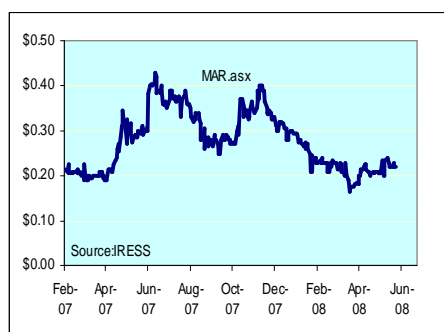
Non Executive Directors

Warren Staude, Denis O'Neill, Roy Randall

Company Secretary

Andrew Cooke

Share price performance



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Company update – Good exploration results continue

Malachite Resources NL (MAR) is a junior explorer that listed in 2002, focusing on a portfolio of projects that included the silver-rich Conrad polymetallic deposit located in the Inverell district of northern NSW. Over the past twelve months, drilling at Conrad has not only resulted in the establishment of a JORC-compliant resource, but continues to extend the mineralisation both along strike and down dip. The company has also had exploration success at its Elsmore tin project in NSW.

Key Points

- Ø **Continuing good drilling results at Conrad.** Drilling at Conrad resumed in early February, with two rigs now operating. Good intersections continue to be achieved and the high grade mineralisation has been extended to 360m depth and over a strike length of 1.9km. Extended delays at the assay laboratory have resulted in a slow-down of drilling results. The drilling is part of an on-going programme involving at least 10,000m of drilling in 2008, aimed at substantially upgrading the existing resource estimate for the project.
- Ø **Maiden resource at Conrad.** In November 2007, the company announced a modest indicated and inferred JORC-compliant resource of 1.04Mt at 77g/t silver, 0.12% copper, 1.24% lead, 0.19% tin and 0.73% zinc containing 10.4Mozs of silver equivalent. An updated resource is expected in the September quarter.
- Ø **Potential to significantly increase Conrad resource.** The company believes that a mineral resource containing 25-30 million ounces of silver equivalent may be sufficient to support reopening of the Conrad Mine. In any event, the delineation of approximately 20mozs of silver equivalent would initiate a pre-feasibility study which would be followed by a definitive feasibility study if the results were positive.
- Ø **Initial metallurgical testwork at Conrad is encouraging.** Metallurgical test work is currently underway, with early results indicating that through sequential flotation, copper, lead, zinc and tin concentrates can be produced with the bulk of the silver reporting to the lead concentrate.
- Ø **New tin discovery at the Newstead prospect.** The company recently reported a new alluvial tin discovery at the Newstead Prospect at its 100% owned Elsmore Tin Project east of Inverell. Mapping and shallow auger drilling have shown that the deposit extends from surface to more than three metres depth and extends over a wide area. The depth limitation of the auger was only 3m and most holes did not reach the bottom of the deposit. Systematic drilling and sampling of the deposit will be undertaken by air core drilling. In addition, a bulk sampling programme, which is expected to give a better indication of the range of recoverable tin grades, is planned for the September quarter. Old workings, to a depth of 5m-8m, exist in some parts of the area.
- Ø **Other prospective exploration projects.** A 3,000m drilling programme is planned for the Tooloom Gold project in far northern NSW to test new ideas on gold distribution at several prospects. Other exploration activity planned for the June quarter is at the Volga copper project and Mt Lidster in Queensland.
- Ø **Experienced board and management.** A highly experienced board and management team provides a solid foundation to MAR's exploration activities and resource development efforts. There exists a balanced blend of technical and commercial experience within the team to guide the company through the evaluation process.
- Ø **Exploration funded for +12 months.** At the end of March 2008, the company had approximately \$6m in cash. At a spend rate of around \$1m per quarter, exploration is funded until mid-2009.

Risks

The main risk is that scoping studies, based on an expanded resource, indicate that the Conrad project is either too small for development or uneconomic. Normal exploration risk – that further exploration is unsuccessful – applies to the company's other projects.

Research Index – Malachite Resources NL (MAR)

Date	Analyst	Title/Event
7 December 2007	Terry Burns	Initiating Coverage – A long forgotten mining opportunity has the potential to become a company maker (13 pages)

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