

MALACHITE RESOURCES NL
ABN 86 075 613 268
CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
23 November 2006

Ladies and Gentlemen

As I said in my letter to shareholders in this year's annual report, the past twelve months has been like no other in my 40 years in the mining business in Australia. The dramatic rise in virtually every metal commodity has shocked even the most experienced of old hands. Who would have thought, a year ago, when most metals were already trading at historically high levels, that within 12 months the copper price would double, that the zinc price would more than double, or that the nickel price would rise nearly threefold?

It is not hard to find a very good reason why we have seen such strong upward movements in commodity prices, as few people could be unaware of the booming economic growth in that new powerhouse of the world economy – China. But has the commodity boom peaked? If not, will it soon do so and then fade out, as in the past? Or have we seen a fundamental shift in the balance between supply and demand in the raw materials sector? Only time will tell for sure, but I believe we have seen such a shift and even with some moderation of growth in China it is my view that we can look forward to continuing good times for those of us in the metal mining business. The reasons for such optimism relate partly to the future growth of China, and for that matter India, but if we also look at the supply side of the equation there are several key factors that will underpin strong prices for metal producers.

In the first case, there have been relatively few major discoveries of metals in the past ten years that can now be developed to meet the new demand. Further, many of the existing large producers are heading into lower grade reserves, with falling outputs and rising costs. Even where discoveries have been made, the barriers to new mines are substantial – the social and environmental tolls imposed, appropriately perhaps, by governments in most mining jurisdictions have increased significantly in recent years. It takes much longer than it used to, to gain a licence to operate a mining business. For example, Malachite is still unable, after more than three and a half years of trying, to access parts of the Conrad Silver Project because we are still waiting for final clearance from the Minister for Primary Industries under the Native Title Act. Even where a licence can be obtained, there is a serious shortage of skilled people, a serious shortage of capital and operating equipment and a serious shortage of key service providers – just try getting a drill rig anywhere in Australia at present! All these factors will combine to ensure that supply will lag behind demand for some time to come.

For Malachite this presents a superb opportunity to become a significant player in this exciting long term trend of economic growth and consumption of metals. In the relatively recent past we have had some lean years in our industry and Malachite has at times struggled to survive. But survive we did and today we are sitting on some excellent assets that I believe will enable your company to move from hopeful explorer to emerging miner within the next twelve months or so. Today we have four projects that, with a bit of luck and a lot of hard work by our dedicated staff, could become new mines over the next few years. Malachite is now very focussed on advancing each of these opportunities to the point where that potential can be realised.

On the gold front we have Tooloom, which has long been our flagship project and one in which a good deal of your money has been invested. It was very gratifying, therefore, when our belief in the company-making potential of Tooloom was given a more solid foundation by the entry of the world's second largest gold company into Tooloom as our joint venture partner. Newmont mines gold in nine countries on four continents and will soon add a tenth country, and fifth continent, to this list. We are delighted to have Newmont working with us at Tooloom and look forward to some exciting results as we move into a new drilling program early next year.

2

Malachite Resources NL
ABN 86 075 613 268
Chairman's Address - AGM 2006

...2/

The second area in which we have seen a major advance by Malachite in the past year is at the Conrad Silver Project. It is nearly 50 years since Conrad last operated as a mine and it is four years since we acquired rights to the property just prior to listing on the ASX. Our initial drilling at Conrad, in early 2003, provided some encouragement but at that time the silver price was still languishing and we did not pursue the project vigorously. In early 2006 the silver price began to rise strongly and we revisited our Conrad project. Between 2003 and this year we had been able to track down a lot more historic information about production and grades underground at Conrad and from this work it was apparent that an exciting target existed in the King Conrad part of the system.

Drilling resumed at Conrad this year, when programs in March and again in June/July, concentrated on the King Conrad area, with very encouraging results. Excellent grades of silver-rich, polymetallic mineralisation were encountered over true widths of 2 to 5m, which is much more than expected. It soon became apparent that the old mining had focussed only on the narrow but very high grade core zones of lodes at King Conrad, ignoring the envelopes of weaker mineralisation that, in a modern mining context, should make for an economically attractive grade and width combination and boost overall tonnage potential substantially. A further drilling program has just commenced at Conrad and we expect drilling to continue for much of the first half of 2007. Our aim is to delineate a substantial silver-base metal resource at Conrad within the next twelve months.

Malachite is our company's name and it is also the name of a common copper mineral but, until recently, we had no active, eponymous project. Recently, however, we were pleased to acquire an option over a promising copper project located near Mt Isa and known as Mt Lidster. This property contains a well defined linear structure which is strongly gossanous in outcrop, with much oxide copper staining. We were able to complete a short, very preliminary drilling program in September, with immediate success. All five holes drilled at that time intersected the mineralised structure at depth and two of them hit high grade copper over several metres. Since then we have constructed better access and new drill sites and we are planning to carry out a further phase of drilling in December, weather permitting. The attraction of Mt Lidster is that if we can define a small high grade copper resource very quickly there is great scope to generate cash flow by contract mining and toll milling or sale of ore to an existing producer in the region. We also see this project as a first step towards a major presence in the world class Mt Isa copper province.

Our fourth key project is the Elsmore property, where we have discovered significant tin and tungsten in hard rock greisen deposits and also have some high grade tin in alluvial deposits. Large diameter core drilling within the past year has confirmed that the tin and tungsten are very unevenly distributed within the greisen, due to coarse grain size and nugget effect, but drilling has also shown that grades locally can be spectacular – 7.18% Sn and 4.0% WO₃ being our best results to date. At current metal prices such material has a contained metal value of nearly \$2,000 per tonne. Our aim at Elsmore is to outline a small but high grade tin/tungsten resource that could be put into production quickly, utilising simple gravity concentration, to generate cash flow. Both the technology and the capital costs would be within our capacity if we can show that grades overall are high enough to make such an operation viable: to test that we are planning a bulk sampling program over the coming summer.

Ladies and gentlemen, Malachite is fast approaching the fourth anniversary of its ASX listing and early next year we will celebrate our tenth anniversary as an explorer. I am confident that as we move into our second decade we can look forward to a corporate coming of age, as the hard work and sacrifices of the past ten years finally deliver on the solid assets that we have painstakingly assembled over that time. My confidence is due in part to the quality of our projects, in part to the support of our shareholders but in greatest measure it is due to the quality of the people who work for your company. On behalf of us all I express my sincere thanks to the geologists, the field assistants, the administration staff and the directors, all of whom make up our little band of prospectors.



GARRY G. LOWDER
Chairman