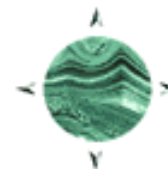


Malachite Resources NL

Sector: Metals & Mining

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



Nicholas Raffan – Resources Analyst

Dr Lowder, how would you describe Malachite's overall strategy?

Malachite Resources MD – Garry Lowder

Our main goal is to be a successful gold, silver and base metal mining company focused on eastern Australia. We plan to achieve this goal by applying a two-fold or double-barrelled business strategy. The first part of this strategy is to create value by making a major discovery, which is easy to say, at least, but really we are trying to think like a large company. We are looking for large company targets, what you might want to call a world-class target. We are trying to think in terms of what would be attractive to a large company as a mining operation. So we are looking to find something brand new that would be suitable for a joint venture with a major company down the track. At that time, we would see ourselves stepping back and taking a more passive role as the JV partner completes resource definition, feasibility and development.

We do not intend to be the operator of a large discovery should we make one. However, we recognise that we do not want to go on issuing new equity forever and so we are seeking to fund our future growth by discovery or by acquisition of a smaller resource that we could develop and operate as a small mine, something of low capital and low technology nature, within our financial and technical capacity.

Nicholas Raffan – Resources Analyst

Malachite Resources is heavily focused on exploring the New England region of northern New South Wales. Can you start by summarising why the strategic plan focuses on this geological province, and which came first, the desire to become a silver producer or the broad range of metals that are

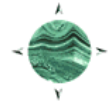
commonly associated with granitic intrusions in this region?

Malachite Resources MD – Garry Lowder

Gold, silver and base metals were our objectives from the outset – gold primarily, silver in parallel with that and base metals as well. When we started the company we did look at the Lachlan Fold Belt, which is certainly highly prospective for those metals, but is and has been for some time heavily pegged and it is also fairly well explored. It is quite mature from an exploration point of view. So, as a junior company just starting out, we thought it would be very difficult for us to come up with something new in an area like Lachlan Fold Belt that has already received so much attention.

The New England Fold Belt by comparison is equally highly mineralised, but it has always been seen as a poor relation to the Lachlan Fold Belt. One of the reasons for this is the prevailing view that the New England Fold Belt does not contain big targets. This is actually a misconception because if you look at the total extent of the New England Fold Belt, which runs from north eastern New South Wales up into Queensland and almost to Townsville, you find in the Queensland part of the New England Fold Belt some very large deposits indeed. Probably, the best one of all would be Mount Morgan, which is one of the very best gold discoveries ever made. Then there is Gympie, Cracow and other major targets. So, the New England Fold Belt does contain large targets, but they seem to be concentrated to date in Queensland, and thus the New South Wales part has received relatively scant attention.

A historical comparison can also be made if you look back to the late 1970s or during the 1980s when the Lachlan Fold Belt was not such a hot destination. Major North American miners like Inco, Kennecott and Anaconda did exploration through the Lachlan Fold Belt



in the early 70s and concluded that there wasn't anything big enough to interest them. It was only when new ideas and new technologies were applied in the late 80s/early 90s that significant discoveries were recognised and the whole area was re-rated. I think the same thing can happen in the New England Fold Belt.

Another example could be the Cloncurry region in North West Queensland. When I worked there back in the early to mid-70s, the area was known to contain lots of small copper deposits, but there was a prevailing view that nothing big existed in Cloncurry and that all the big copper was over at Mount Isa. Of course since then, iron oxide copper gold discoveries like Ernest Henry have completely re-rated the Cloncurry region. So it is this sort of thinking that is driving us in the New England Fold Belt, given that gold, silver and base metals are our broad objective.

There are around 6,000 recorded mineral occurrences in the New England Fold Belt of New South Wales, and gold and silver are dominant components of many of them. But the metals that are particularly associated with New England and occur widely throughout the region are tin, tungsten, molybdenum bismuth and antimony. The key point is that these metals commonly occur in association: To explore for one is to explore for all of them. The common geological or exploration link between them is that many are clearly intrusion-related. So we have focused our exploration on the metal deposits that occur with these big intrusive centres in the New England Fold Belt. In the case of Tooloom, we didn't go there initially because it is in the New England Fold Belt, but once we were there, it confirmed our view that there is much unrecognised large deposit potential in this belt.

Nicholas Raffan – Resources Analyst

The company is named after a copper mineral yet the current focus is on gold and silver, and other metals tin, tungsten, antimony and molybdenum do not seem to fit the emphasis of gold and silver. Why are you interested in these other metals?

Malachite Resources MD – Garry Lowder

It is I guess as much as anything because these metals are closely associated with the gold and silver we are

seeking. Copper is not currently a major part of our portfolio. It has been in the past and it will be again in the future. In fact, we are negotiating an exciting copper acquisition even as we speak. But the key reason to look at tin, tungsten, antimony, molybdenum, etc is that they occur with gold and silver in the New England Fold Belt. The New England area is indeed richly endowed with these minerals and they characterise the New England Fold Belt geochemically.

Also, the deposits have a wide range of sizes – they can occur as high-grade, high-value deposits and they seem to offer us the best chance of finding something that matches our second business strategy, which is to find something relatively small, but hopefully quite rich and which for low capital cost and with low technical risk can be brought into production for cash flow purposes. Tin and tungsten seem to offer that potential very strongly in New England. In many ways, I see these sorts of deposits in eastern Australia as the equivalent of a small oxide gold deposit in Western Australia's Eastern Goldfields. That is, they represent an ideal start up for a junior company.

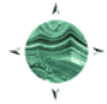
Nicholas Raffan – Resources Analyst

Since listing, Malachite has maintained an aggressive exploration program that has produced exciting drill results from three projects – the Tooloom Gold Project, the Conrad Mine rich in silver and the Elsmore Project where high grades of tin and tungsten have been encountered. Some of these mines in New England have had complex mineralogy. Do any of Malachite's projects face likely challenges with respect to metallurgy and are there other specific risks operating in this area of Australia?

Malachite Resources MD – Garry Lowder

It is true that we are one of the most active explorers in New South Wales and we currently hold seven exploration licences in this state. Many years of experience in the exploration business has taught me that drilling is the key to discovery, so we drill as much as we can afford to ourselves. This is a somewhat high-risk strategy because it does burn up funds quickly, but it can also deliver high rewards, as demonstrated by the Phoenix gold discovery and the Conrad silver discovery.





We have been told that Tooloom is the best gold exploration project in New South Wales and we certainly think so. At Conrad, drilling is delivering much more than we dared to hope for and we are waiting for assays to see just how good it is. At Elsmore, we have hit some high grades of tin and tungsten but the mineralisation is very nuggetty and so we do need to do bulk sampling to see what the grade really is.

In terms of metallurgical treatment of these minerals, there is really no reason to expect difficulties with mineralogy at Tooloom. Historically, the gold at Tooloom was free gold, quite course grained, with a lot of nuggets. We have seen and still see a lot of nuggets at Tooloom and typically most of these nuggets are actually pieces of vein quartz with intergrown gold. So what they are in effect are pieces of "ore" that have just eroded off the hills and dropped into the gullies. For Conrad, yes it is polymetallic and it will have relatively complex metallurgy in terms of separating the minerals, but it has been a successful mine twice before in the days of much earlier technology and I do not see why we can't do at least as well as people did 50 and 100 years ago. For example, in the 1950s when Broken Hill South was operating the mine, it used conventional flotation and successfully produced saleable concentrates. I am sure we can do at least that well.

Compared to other risks throughout the region, there are really quite few in New England. Land access is good, so is infrastructure and there are good regional centres. There could be some issues with regard to environmental clearance because a project in New England will be a lot more visible than the one say, in the Tanami desert. But I don't think there will be any serious barrier because the areas we are working in are no more or less environmentally challenging than say, the Cadia gold mine out of Orange is.

Native title is an issue in parts of New England and there are a number of claims up there, but we have a memorandum of understanding with the Githabul people at Tooloom and we are cooperating very solidly with them. I should point out though that the key prospects at Tooloom are on freehold land. We have also nearly completed a right to negotiate process with the native title claimants at Conrad. So we are in a good position

there and do not see those issues as being any serious barrier.

Nicholas Raffan – Resources Analyst

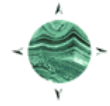
The Phoenix target within the Tooloom Gold Project is arguably the jewel in the crown evidenced by your recent announcement that Newmont Australia has agreed to farm into Tooloom an initial 51% interest by spending \$5M on exploration within 5 years, starting 1 July. In a general sense, what is the potential size and grade of Phoenix and is this a potential company maker for Malachite?

Malachite Resources MD – Garry Lowder

I don't think there is any doubt that Phoenix will be a company maker if its potential is fully realised. The surface footprint of what we have found at Phoenix is similar to that at Cadia Hill, which of course is a very large gold deposit. The geophysics we have done at Phoenix, mainly induced polarisation (*IP*), has shown us that we are dealing with a billion tonne sulphide system. It is more than a kilometre in diameter and at least 400m deep. All 26 drill holes we have put into Phoenix to date are, at the very least, gold anomalous. Some of them of course are of "ore" grade, but the question is: how much of this billion tonnes of mineralised rock is ore grade?

There is plenty of room within that billion tonnes for a multi-million ounce resource. With the Newmont joint venture, we have to now find which parts of the big Phoenix system constitute ore. We like to make an analogy with the gold deposits of the Tintina Belt in Alaska and Yukon. We note that in the Tintina Belt, gold deposits like Fort Knox, Donlin Creek or Pogo, range generally in the order of 1 to 25 million ounces of gold, which is a wide range, but most of them are multi-million ounce deposits. Typically, in Alaska, the ore deposits are actually contained within structures that lie within a broader halo of low-grade mineralisation and that model exactly fits what we found at Phoenix.





Nicholas Raffan – Resources Analyst

What is the nature of the other targets at Tooloom?

Malachite Resources MD – Garry Lowder

We have identified and named perhaps a dozen or 15 discrete prospects at Tooloom, but we find that they are clustered in groups around intrusive centres and so we have actually identified three other intrusive centres in the Tooloom district in addition to Phoenix. Each one has somewhat different characteristics. Some differ in the way the gold is developed but the common feature is the association with a well-defined intrusive centre. None of the other target areas has had as much work as Phoenix at this stage, so we don't know as much about them, but certainly they are there to be explored and we intend to do so with the Newmont joint venture. Of course, it is also entirely possible that there are other more subtly expressed systems. What we are looking at, at present, is pretty well all out cropping mineralisation. There are areas of cover and areas perhaps where other targets are more subtly expressed and we will be looking for these also with the Newmont joint venture. It is a large area to explore.

Nicholas Raffan – Resources Analyst

A new drilling program has started at the Conrad mine, with the first hole intersecting an unexpected lode before intersecting the target Alwell's lode. Could you tell us a little bit about the history of this mine, and has Malachite considered the minimum resource required to move forward to the next step of a pre-feasibility study?

Malachite Resources MD – Garry Lowder

Conrad, as I mentioned earlier, operated twice before – firstly, from 1882 to around 1912 and then from about 1948 to 1957. In both these cases, mine closure was not due to lack of ore. In the first case, we understand that the mine closed in the lead up to the World War I due to intractable industrial relations problems. In the second instance, it was the collapse in the lead price in 1957 following the post-World War II lead boom that led to the closure of the mine. The historic mining is spread over about 1.5km of strike length of the Conrad structure. Four main shafts were constructed in those days and most of the production came from the main Conrad shaft

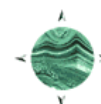
and the King Conrad shaft. In fact, Conrad and King Conrad operated as two separate mines for much of the early history of mining in the area.

The main Conrad structure is quite narrow, less than a metre wide, but it is very high grade. The average historic grade of production from Conrad was 600g per tonne silver, 8% lead, 4% zinc, 1.5% copper and 1.5% tin. At various times, in fact, the mine was known as a silver mine and at other times as a lead mine and at other times, a tin mine. So it has had a mixed history in terms of how you view it. The interesting thing about the King Conrad part of the system is that the lodes there seem to be different. They are certainly much wider than the main Conrad lode – we are seeing up to 5m in true widths so far. There are multiple lodes and structures at different orientations compared to the main structure. We don't really understand the geometry of the King Conrad system that well as yet, but we are working on it now as we continue drilling. We will put this together as time goes on. We find the King Conrad area particularly appealing because we have both grade and width in that area. There are also other silver prospects in the vicinity of the main Conrad mine that we have not even begun to look at yet, but will certainly do so in the next 12 months or so.

In terms of what our target is at Conrad – our initial resource target is 30 million ounces of silver, which is in value roughly equivalent to half a million ounces of gold. That sort of resource objective seems very realistic on the basis of past production and the drilling we have done so far. Moreover, there are significant base metals associated with silver at Conrad and the presence of copper, lead, zinc and tin adds at least 100%, if not more, extra value to the silver. We have recently also discovered that there are potential economic values of the rare metal indium in the mineralisation at Conrad. Indium is worth three times as much as silver, so it will not take a lot of indium to be a useful credit. This is something we are investigating further now.

The other thing that is probably very relevant for assessing what would make a viable mine at Conrad is to look at what is happening elsewhere. If you go some 150km to the south east, you come to the Hillgrove gold antimony mine, east of Armidale, which is being





redeveloped as a modern underground mine by Straits Resources. Hillgrove consists of a whole series of narrow high-grade gold-antimony veins and also some silver and tungsten. The width of the veins and the style of mining at Hillgrove are very similar to what we would envisage for Conrad, and Straits is starting up the mine at Hillgrove on a resource base of about 650,000 ounces of gold and 82,000 tonnes of contained antimony. The gross value of that metal is quite similar in magnitude to the gross value of about 60 or 70 million ounces of silver. So if we can find 30 million ounces of silver as such and then double that in value with the additional base metals, we will have a total resource of similar gross value to Hillgrove. So if Straits is successful at Hillgrove, we could anticipate that the same sort of thing could happen for us at Conrad.

Nicholas Raffan – Resources Analyst

Malachite has a joint venture with ASX-listed Macmin Silver Ltd to explore the Rivertree and Boonoo Boonoo Silver Projects. What synergies are created through this relationship?

Malachite Resources MD – Garry Lowder

Macmin is a specialist silver company. Currently, it is very focussed on developing the Twin Hills Silver Mine at Texas in Southern Queensland. Texas is west of Stanthorpe and Rivertree and Boonoo Boonoo are east of Stanthorpe, but are actually in New South Wales. We entered into a joint venture with Macmin because we can see good scope for some of the lodes at Rivertree and Boonoo Boonoo to become satellite operations of the Twin Hills mine. Whether or not there is something that would be a stand alone mine at Rivertree or Boonoo Boonoo remains to be seen, but if not, it is quite feasible that they could be successful as satellite operations. So it is good to have an association with Macmin on that score. Of course, it also means we can share expertise in terms of silver mineralogy, silver mining, silver exploration — we share access to drilling rigs and swap notes quite often to try and help each other along.

Nicholas Raffan – Resources Analyst

ASX-listed Straits Resources is one of Malachite's major shareholders. Does this bring benefits to Malachite and is there a standstill agreement that Straits will not make a hostile bid for Malachite within a particular time frame?

Malachite Resources MD – Garry Lowder

Straits is our largest shareholder, but no special arrangements or agreements are in place between Straits and us. I have been a director of Straits myself for nearly 10 years and I can say from that perspective that a hostile bid is very unlikely on Straits' part. However, having an association with Straits gives us lots of benefits. It gives us access to investors; it gives us access to technology, particularly the solvent extraction - electrowinning technology that Straits has specialised in; and perhaps most importantly, Straits would be a natural partner for some of our projects when it comes to mining. As I mentioned earlier, our business strategy says find something of a substantial size and bring in a mining partner to develop and operate it. In the case of Conrad, given that it is north west of Armidale and Straits' Hillgrove mine is east of Armidale, there seems to be a lot of potential synergy. The size, shape and value of the ore at Hillgrove are quite similar to what we are seeing at Conrad. So it would make a lot of sense in the right commercial circumstances for Straits to become our mining partner at Conrad.

There would be good synergy developed on the basis of the type of equipment used, the type of mining expertise and having a common base in the Armidale district. So we get a lot of value out of having Straits on the register.

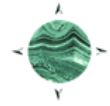
Nicholas Raffan – Resources Analyst

Do you see a potential takeover threat coming from Newmont?

Malachite Resources MD – Garry Lowder

I can't really speak for Newmont, as we have only just established this new joint venture with them. Presently, Newmont and we are very focused in getting the joint venture underway and successfully implementing the new exploration program.





Nicholas Raffan – Resources Analyst

Now that Newmont has committed to fund ongoing exploration at Tooloom, how will the exploration budget be reallocated over the next 12 months and how long will the current cash reserve last before a requirement to raise additional capital?

Malachite Resources MD – Garry Lowder

The good thing about the joint venture with Newmont is that Newmont is in no hurry to go in and start drilling again. They want us to sit back and review what we have done to date, what we know about the gold mineralisation and identify gaps in our knowledge and then set about filling those gaps. So for the rest of this year, we will not be doing any drilling at Tooloom. We will carry out airborne geophysics; we will be doing stream sediment and other geochemistry; and we will be undertaking further geological studies – whatever it takes to complete the understanding of what we have found and to identify additional targets so that when we start drilling early in 2007, we have a whole series of targets lined up ready to drill.

As far as our cash is concerned, apart from the Tooloom and the Newmont joint venture, which is now funding that, our cash burn rate is about A\$50,000 a month when we are not drilling and it jumps up to perhaps A\$150,000 a month when we are drilling. So it depends on just how much we are drilling and how active we are on other exploration programs as to how quickly our cash is used up. At this stage, we could certainly go through well into next year on the current liquidity. Which is not to say that we would not want to actually accelerate some of our programs and increase our drilling expenditure. So we will wait and see what we get in the assays from the current drilling at Conrad. We may need to raise further capital later this year to fund a follow up program at Conrad.

Nicholas Raffan – Resources Analyst

Finally, the business plan seeks a near-term modest cash flow from mining to help fund the exploration effort. Do you have a minimum cash flow target in mind, and what mineral and which locality will you target and when might shareholders expect this part

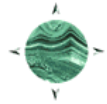
of the strategy to get implement and what will be the estimated capital cost?

Malachite Resources MD – Garry Lowder

We think around A\$4M-A\$5M per annum cash flow is a good target for us to set at this stage. Obviously, we would like to see it grow further down the track, but it is a good figure to start with because it would give us funding for a comfortable level of exploration and also give us some spare cash to capitalise on other developments in the future. As to where is it going to come from, based on evidence to date, perhaps one of the best bets has to be to develop one of these high-grade tin-tungsten opportunities that we have before us. We are going to do some bulk sampling at Sheep Station Hill and see what sort of grade we can recover from those greisen veins. We are also looking at a number of other similar style things that quite quickly could become cash flow for us. They would be low capital cost, something below A\$5M and even as low as A\$1M in some cases, and low risk. We would fund them with equity and not with debt. So the aim is not to bet the company on them, but simply to get things rolling to start generating some cash. In fact, they really lend themselves very much to a bootstrapping-type development where you start small and then you just grow as you start to generate earnings.

There are other possible sources of earnings for us as well – gold-antimony is one we are looking at. With Straits developing Hillgrove and having spare capacity in its mill, if we can find some gold-antimony veins in New England that are mineable, we can potentially mine them and either truck the ore or a pre-concentrate of the ore then truck that down to Hillgrove for final processing. We have already got an undertaking from Straits that it would assist us in that regard. The other area that we would be looking at in terms of where cash flow can come from is perhaps a small oxide copper deposit. Small, however, doesn't necessarily mean tiny, but perhaps 50,000-100,000 tonnes of contained copper that we could leach. We may not need to take the whole route to solvent extraction and electrowinning, as we might just produce copper sulphate as a saleable product – it is something that a number of other companies are doing and something we would also like to get into.





Overall, our best bets are in New South Wales but we are looking a bit further afield. Our most likely products would be tin and tungsten, partly because of their low technology to produce and low capital cost. They also offer the opportunity to bootstrap ourselves. So we are trying to implement one of these strategies. We have set

the next 12 months or between now and the middle of 2007 as the key time in which we are wanting to make sure we have something that is clearly on its way to being a cash flow for us. This is a very high priority for our activities in the coming months.

END OF INTERVIEW

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