



Malachite Resources NL

ABN 86 075 613 268

Annual General Meeting - 22 November 2007 Chairman's Address

Ladies & Gentlemen

Next Monday marks the fifth anniversary of Malachite's listing on the Australian Stock Exchange. Over the last five years, and indeed over the ten years since we began business, we have seen many changes in the resources industry, ranging from some very lean times, with rock bottom commodity prices, to the present buoyant conditions, which are unlike any that have gone before. From the outset, but particularly since our ASX listing, we have sought to become a mid-tier player in the Australian resources industry, with a focus on gold, silver and base metals in eastern Australia.

Initially, our horizon was limited to discovery of high quality mineral deposits in our area of interest, aiming to enjoy the uplift in company value that, by tradition, should come with such discoveries. To a greater or lesser extent, we have reached that horizon and now must consider where we should go from here.

While we have pursued our goals we have seen the environment in which we operate change in several important ways. In the last few years especially Australia has seen a resources boom, probably the strongest since the days of the great gold rushes of the 19th century. Hundreds of new exploration companies have been listed on the ASX, all aspiring to the company-making discovery that is every exploration geologist's *raison d'être*. Amongst this plethora of competitors Malachite has established itself as a pace setter and, unlike most of our peer group, we have indeed made a company-making discovery. We are now ready to move on to the next phase of growth by becoming a true mining company, with production, profits, and even perhaps some dividends! In the changing business environment in which we operate, this, we believe, is what the market now expects of us. It is also the reason that we are about to raise new capital, primarily to fund the assessment of mining economics at the Conrad Silver Project but also to take our other projects to major decision points.

Conrad should be the making of this company and can be expected drive our future market value. In one sense, Conrad is not a new discovery, as it has been an operating mine twice before. But for the last fifty years it has sat idle, unexplored and unwanted. Among the ingredients to Malachite's success at Conrad is our recognition, more than five years ago, that the old mine has substantial unexplored potential. At that time too, we predicted that silver, then worth just \$4.80 an ounce, was primed for a major revaluation and revival of interest. Today silver is worth three times as much and according to many pundits is set to go very much higher in the next few years. If and when that happens Malachite will be one of the very few companies listed on the ASX that offers significant, direct exposure to silver and we can expect our shares to be keenly sought after for that reason at least.

Interest in Malachite will come not just because we have that exposure to silver but also because our silver asset is of such high quality. The Conrad deposit is of high grade, the first and most powerful criterion for a successful mine. The ore is certainly rich in silver but it also contains important levels of copper, lead, zinc and tin, four base metals that are fundamental building blocks of modern technology and our standard of living. It also contains the rare metal, indium, which is worth more than silver and is essential for plasma and LCD television and computer screens. At upwards of \$750 a kilogram there is a strong incentive for us to find a way to recover and be paid for the indium at Conrad.

The Conrad mineralisation we have drilled to date is very coarse grained, which makes for good metallurgical characteristics. Indeed, the early indications are that it is amenable to upgrading by simple gravity concentration before processing in a conventional sulphide flotation plant.

Analysis of mining methods and economics is as yet at a very early stage but preliminary modelling indicates that the high grade lodes should be able to be extracted by long-hole open stoping, with a minimum mining width of 1.5m allowing use of modern, mechanised equipment. The lodes are relatively soft and easily workable but are contained within hard, fresh granite that should make for excellent ground conditions when it comes to underground mining. What that all means is that mining costs at Conrad should be very competitive.

Conrad also offers a second type of silver mineralisation in a body we call the Greisen Zone. This is lower in grade but very much larger in size than the high grade narrow Conrad and King Conrad Lodes. It would appear to be amenable to bulk mining methods and much of the silver in the Greisen Zone may be present as native silver. If so, we may be able to recover it with gravity concentration and produce a saleable product early in the mine's life, while the rest of the plant is still being built.

I think it is clear that Conrad is a very high quality asset and it is entirely appropriate for it to be our flagship project. It is not alone, however, as we have three other key assets that will be part of the company's future. In the first case there is Tooloom Gold. Not much work has been undertaken at Tooloom since Newmont withdrew from the joint venture in mid 2007 but that does not mean that its importance to Malachite is diminished. On the contrary, petrological research carried out in house over the last few months and the significantly enhanced database generated with Newmont funding are pointing to numerous prospects that demand evaluation and drill testing. Field work at Tooloom should resume in the new year with renewed vigour and an increased understanding of the controls on gold mineralisation.

Over the past 12 months or so Malachite has become involved in exploration for copper in the Mount Isa region of northwest Queensland. Mount Isa is a world class copper province, with several major ore bodies and innumerable smaller deposits. Our work at Volga and Mt Lidster is at a fairly early stage but we are encouraged by the grades and styles of mineralisation we are seeing and expect this area to become a major focus for our exploration efforts in 2008 and beyond.

The fourth key asset for Malachite is the Elsmore Project, also in the Inverell area about 25km from Conrad. At Newstead and elsewhere on the Elsmore tenement we have significant potential for discovery of a tin deposit that might be amenable to rapid development and production. This could lead to a modest but valuable cash flow to fund our growth until Conrad becomes our mainstay. We are currently testing some new gravity concentration technology that may reduce the already low capital cost of any likely tin mine at Newstead. With the Australian spot tin price at around \$23,000 per tonne there is a strong incentive for us to turn one of our tin prospects into a mine as soon as possible.

Ladies and gentlemen, Malachite now has an excellent mix of pre-development projects that are headed towards mining and very promising exploration plays that could deliver new mines in the years ahead. But none of that will happen without the other key ingredient to a

successful mining company – people. It is great to be participating in an unprecedented mining boom but one side effect of that is the intensity of demand for skilled people.

Like all mining companies in Australia at present we have suffered delays to our programs simply because we could not get the people to operate them. That includes both geologists and drillers, both of whom are in short supply at present. We have recognised the potential of projects like Volga and Elsmore for some time but for most of the past year we have been unable to procure the people necessary to work on them at the rate we would like to see. We were sorry to lose one of our best geologists to the stockbroking industry during the year, leaving us very short-handed for the past six months or so. I am happy to report today, however, that we were delighted to add senior geologist Mike Donnelly to our staff in September, where he joined senior geologist Mark Derriman and geologists Oliver Bayley and Bianca Pietrass-Wong. We have also just successfully recruited a new junior geologist, to start as a new graduate in January, and we have lined up a new senior contract geologist to commence work in the new year. This will give Malachite a highly competent geological crew of seven people, led very ably by Exploration Manager, Russell Meares. With such a talented team I think we can look forward to some timely and exciting results in the months ahead.

Importantly, the geological team is strongly backed up by our Field Operations Supervisor, Gareth King, and by our capable field assists, such as Shane McAuley. In turn the field crew is very well supported by geo-computing consultant, Chris Bannerman, our accountant, Wendy Emerson, PA and Office Manager, Maryanne Alderson, company secretary, Andrew Cooke and of course, your Board of Directors, who provide all of us with wisdom, insight, experience and first rate corporate governance. I thank each of these colleagues for their strong support, encouragement and commitment to Malachite and its future success.

Finally, ladies and gentlemen, let me also express my sincere thanks to our loyal shareholders, without whose enthusiasm and support for what we are doing there would be no Malachite Resources.

Thank you.

A handwritten signature in cursive script, appearing to read 'G.G. Lowder', written in black ink.

G.G. LOWDER
Chairman
22 November 2007