

Malachite Resources NL

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ANNUAL GENERAL MEETING, 25 NOVEMBER 2008 CHAIRMAN'S ADDRESS

Ladies & Gentlemen

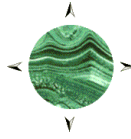
After more than 40 years in the mining business I have learned not to be too surprised by sudden and unexpected changes within the industry but the events of the past few months are not only beyond my experience but I suspect are unparalleled in the history of commerce. That we could go from such a high to such a low in such a short time beggars belief. For those of us that work so hard to create real wealth, wealth you can touch, wealth you can hold and weigh, wealth as visible and indisputable as this lump of pure silver, these are very disturbing times. But if you look beyond the headlines, beyond the Contracts for Difference and Credit Default Swaps, beyond the mountains of debt you find that ultimately, what people value are the things that they need for a place to live, a place to work and the tools necessary to build and operate them. In other words, they value stuff, not derivatives and bits of paper that promise the undeliverable. It was the lust for solid gold and silver that took Cortez to the heights of the Andes, that developed the American West, that populated the Australian colonies. It was coal and iron ore that drove the 18th century industrial revolution in Great Britain. It was coal and oil that fuelled the 20th century industrialisation of America. It was silver, lead and zinc, from Broken Hill, a hundred thousand million dollars worth, that gave birth to industry in a fledgling Australia. It was ever thus and will be ever thus, because one thing is for sure, all natural resources are finite.

Ladies and gentlemen, your company now owns a lot of stuff. The greatest concentration of your stuff is at the Conrad Silver Mine, where the stuff of value is silver, tin, copper, lead, zinc and indium, together with 340ha of land and a nice little house. The metals, of course, are in the Conrad Lode, the King Conrad Lode and the Greisen Zone, where we have now drilled 107 holes for a total of over 20,000 metres of drilling. The information obtained as a result of that drilling is allowing us to quantify the value of Conrad, to put hard numbers on the asset, to measure the wealth that we have created. In August this year we gave you an interim figure; in a few weeks time we will have a new, upgraded resource estimate for Conrad, a figure that even then will not be the end of the story, as the deposit we have drilled so far at Conrad remains open along strike and at depth.

We also know that there are sub-parallel mineralised structures elsewhere on our Conrad tenements, within a few kilometres of the Conrad Lode. Indeed, we put a couple of reconnaissance drill holes into one such target, known as Rose's Prospect, at the end of this year's drilling program and hit some very interesting silver-zinc-molybdenum mineralisation.

This opens up a whole new area for future exploration, for future wealth creation.

Having said that, it is apparent that, in the midst of the deepest and most threatening financial crisis in generations, Malachite must have a strategy not only to survive but to continue to grow and position itself to prosper when the world financial crisis abates and economies start to recover, as ultimately they will.



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Put simply, our strategy is this:

- i. We have reduced staff numbers and reduced other overhead costs wherever possible;
- ii. Non-executive director fees have been reduced by 16% and executive director salaries have been cut by 10%;
- iii. We are in a strong position in terms of our statutory expenditure commitments at the Tooloom Gold Project, so Tooloom will go on the back burner for the time being, minimising expenditure;
- iv. Our copper projects in the Mt Isa region are also in good standing and no field work is feasible now until April next year, after the tropical wet season, so costs will be minimal;
- v. We have completed all the planned drilling at Conrad and the only significant outstanding cost there is the current work on a revised and upgraded mineral resource estimate, which will be available soon;
- vi. After that, the only ongoing expenditure at Conrad will be for low cost regional prospecting, essentially people intensive work, aimed at lining up targets to pursue when more funds are available;
- vii. Once we have the upgraded resource estimate for Conrad the Board will consider the best way to take the project forward;
- viii. No decision will be made until we have all the data but in the present circumstances the option of bringing in a joint venture partner certainly looks attractive;
- ix. And then there is the Elsmore Tin Project, which has emerged as the key to our short term future and the best opportunity we have of generating a sustaining cash flow to see us through these difficult times.

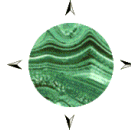
There are two main reasons why we like Elsmore. In the first instance, the price of tin has held up better than other base metals through the recent market plunges, especially the quoted Australian spot tin price, which is currently about \$21,700 per tonne, not a lot different from what it was back in July. This is important, as it is the Australian dollar price that will be relevant to us if we go into production. Furthermore, because of a supply-demand imbalance that is favourable to producers, the outlook for tin over the next few years is brighter than for almost all other metals.

The second reason we like Elsmore is the presence there of a semi-consolidated, paleo-alluvial deposit, known as the Karaula Lead, that sits at surface, on freehold land. This deposit would be easy to mine and easy to process, using simple, conventional gravity separation technology. We have already identified a gravity plant that appears suitable and would be available at very low cash cost to Malachite. The deposit is amenable to starting small, on a scale comparable to the sapphire mining that has characterised the Inverell district for years. We are also investigating a new dry separation technology being developed in Germany that has the potential to save on operating costs by largely eliminating the need for process water and the handling of wet waste products.

Our drilling in the Karaula deposit has shown that there is more than enough volume of mineralised material to allow a viable mining operation to commence. The main uncertainty at present is the grade of the alluvium overall, as we have had values ranging from less than 0.2kg of Sn per cubic metre to as much as 17kg of Sn per cubic metre in our drill samples.

The first of these would be uneconomic to mine; the second would represent bonanza material. Given the commonly coarse grain size of the tin mineral cassiterite at Karaula, and its uneven distribution, we recognise that we need to carry out bulk sampling if we are to assess the overall tin grade in a quantitative manner.

Accordingly, we are currently undertaking a systematic program of sampling using an excavator to dig to a maximum depth of 5m in several key areas within the Karaula deposit. The samples collected from that work will be treated in a cone concentrator in the near future and from that will come our best estimate of recoverable tin grades in the Karaula deposit.



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On present indications, if we find that we have at least 1 million cubic metres of material with an average grade of the order of 1.5kg of Sn per bench cubic metre, it looks like we would have a viable project. The capital cost of starting up at pilot scale should be less than \$1 million and our aim would be to generate \$1-2 million cash flow p.a. to begin with. Once that has been undertaken successfully, we would aim to expand production to a scale that would generate around \$5 million p.a. So we are now very focussed on making Elsmore and the Karaula Lead in particular into a mine within the next twelve months and we should have further news in that regard early in 2009.

At the same time, we are using our strategic position at Inverell to seek out and possibly acquire other cash flow businesses in the district. Two such opportunities are currently being considered.

Finally, Ladies and Gentlemen, let me once again express my sincere gratitude to my fellow directors and colleagues at Malachite. We are all committed to making the Company a success and if we are successful, then more than anything else it will be due to the ingenuity and hard work of the people who make up the Company. It that regard, it was particularly pleasing to see the efforts of our exploration team endorsed independently by our recent winning of the Australian Mining magazine's "Explorer of the Year" award, which recognised the national significance of the Conrad discovery.

Let me also acknowledge that we would not be where we are now if it were not for the loyalty of our shareholders and I thank you all very much for that support. I am sure we are all looking forward to better times and with your continuing support we will not only be here when that happens but also be emerging as a profitable, dividend-paying mining company in the mid-tier of the Australian industry.

Thank you.

G.G. LOWDER
Chairman