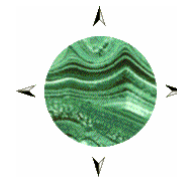


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Announcement

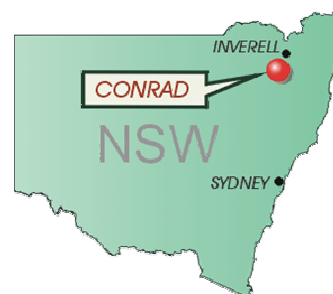
ASX: MAR

16 June 2006

EXCITING START TO NEW DRILLING AT CONRAD SILVER PROJECT: Indium an Added Bonus

- **The first hole in a new drilling programme at the Conrad Silver Project intersected the historically very rich Alwell's lode over a 3.5m true width.**
- **Alwell's lode consists of galena-rich massive and semi-massive sulphide that should report excellent silver grades when assayed.**
- **A second 3m wide lode was unexpectedly intersected earlier in the hole.**
- **The second lode is similar to Alwell's but lower in total sulphide content.**
- **The second drill hole intersected the King Conrad lode, which occurs as a narrow massive sulphide zone.**
- **The rare and highly valuable metal INDIUM has been found to occur in the Conrad lodes in potentially economic amounts.**

Malachite Resources NL (ASX: MAR) advises that strong encouragement has already come from a new programme of drilling at the Company's Conrad Silver Project (MAR: 100%). Excellent silver and base metal grades are expected when core samples are assayed. The Company has also found that the Conrad mineralisation includes potentially economic levels of the rare and highly valuable metal, indium.



**Figure 1:
Conrad Silver Project
location map**

Alwell's Lode – As mined historically, Alwells' lode was narrow but contained the highest silver grades (750g/t Ag to 2,750g/t Ag). Not only did the first new drill hole (CMRD11) intersect this lode over a much greater than expected true width of approximately 3.5m but also the intersection is very well mineralised, comprising galena-rich massive and semi-massive sulphide. At Conrad generally there is a good correlation between the best silver grades and high lead contents. In Malachite's sampling of Allwell's lode outcrops the best silver grade of 1,045g/t Ag was associated with the highest lead content of 16.95% Pb. The lode intersections from the new drill holes have not yet been assayed but the abundance of galena (the ore mineral of lead) in CMRD11 drill core indicates that high to very high silver values can be expected.

Old mine records indicate that Alwell's lode widens with depth, from 20cm where exposed in Borah Creek at surface to 32cm at the 80' (25m) level to 42cm at the 150' (46m) level to 81cm at the 190' (58m) level. Malachite's drill hole CMRD11 intersected Alwell's lode at 200m below surface, well below old workings, where the drilling shows it to be 350cm (3.5m) wide. If this trend continues to greater depth it will considerably enhance tonnage potential for this rich lode.

The second, unexpected lode encountered before Alwell's lode in CMRD11 has similar mineralogy to Alwell's lode but with less abundant total sulphide. It may be a splay off Alwell's lode or separate parallel lode. Sporadic stringer-type mineralised veins occur between the two lodes and continue beyond Alwell's lode to the end of this hole. CMRD11 intersected Alwell's lode near where the King Conrad lode branches off so it is possible that the widely developed stringer veins reflect a broad, perhaps pipe-like body of mineralisation surrounding the junction of the two lodes, substantially enhancing tonnage potential if so.

King Conrad Lode – The second drill hole, CMRD12, targeting the King Conrad lode, intersected a narrow zone of mineralisation which although only 0.5m wide consists of massive sulphide that should assay very well. The King Conrad intersection in this hole does not seem to be accompanied by the halo mineralisation that adjoins the massive part of this lode where it was intersected by an earlier hole, CMRD08, which cut the King Conrad lode about 70m to the northwest and about 80m deeper than CMRD12. In the CMRD08 case the total lode package was 2.9m wide. Whether this reflects local variation or is a more systematic change is not yet known. Drill hole CMRD13, which is now underway, is being drilled to greater depth half way between CMRD08 and CMRD12 and should help answer this question.

Indium Bonus – Recently the Company tested a number of Conrad samples for the presence of indium, which is a rare and highly valuable metal in demand for use in flat screen televisions and other electronic applications. The price of indium has risen strongly in recent times and it currently stands at approximately \$US1,000/kg, or roughly three times the price of silver. Malachite recently tested indium contents in selected samples of sulphide lode outcrops and previous drill core intersections at Conrad. Indium contents in the lode outcrops were found to be in the range 24 to 47ppm In, while in samples from previous drilling of the King Conrad lode indium contents ranged from 1 to 10ppm In. These results are very interesting, particularly for the lode outcrop samples, and with indium worth three times as much as silver it is possible that this rare metal will add significant extra value to Malachite's silver discovery at Conrad. All future assaying of lode intersections from drilling will include indium.

Future Plans – Mineralised intersections from drill holes CMRD11 and CMRD12 are now being cut and will be sent off for assay shortly. Results are not expected until mid July and more details of the current drilling programme will be released at that time.

Meanwhile, one or two additional holes are to be drilled at King Conrad before the rig is moved about 1km southeast to drill three more holes into the Conrad lode in the vicinity of Davis shaft.

The Company also expects to complete the native title process in the very near term, allowing access to key parts of the Conrad mine area which are currently off limits for exploration and drilling.

About Conrad – The Conrad Silver Project is located about 20km south of Inverell in northern NSW (Fig. 1). The project is centred on the old Conrad mine, which last operated as a high grade, underground silver-base metal mine in 1957. MAR holds a 100% interest in tenements and rights to tenements covering the whole of the project area. Previous drilling by Malachite has confirmed continuity at depth of the main Conrad lode and has identified multiple lodes over widths much wider than historic mining indicated for the King Conrad part of the system. In total the Conrad and King Conrad lode groups have potential for at least 30 million ounces of silver in high grade mineralisation where associated copper, lead, zinc and tin could double or even treble overall values, and the presence of indium, hitherto unsuspected, could also add additional value.

About Malachite – Malachite Resources is a Sydney-based resources company that listed on the ASX in November 2002 and is an active explorer for gold, silver and base metals in Eastern Australia. The Company has made a significant green fields gold discovery, called **Phoenix**, at Tooloom, in northeast NSW and negotiations for a joint venture with a major gold mining company for further exploration at Tooloom are at an advanced stage. In addition to Conrad and Tooloom the Company has several other properties in the New England region of NSW that offer excellent potential for the discovery of economic gold, silver, copper, tin, tungsten and antimony deposits, with most prospects being polymetallic in nature. Malachite is also active in north Queensland and in western Tasmania.

For further information please visit the Company's website: www.malachite.com.au

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G.G. LOWDER
Managing Director
16 June 2006

The information in this report that relates to Exploration Results is based on information compiled by Dr Garry Lowder, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Lowder has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Dr Lowder consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.