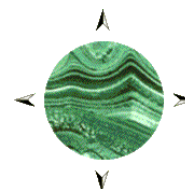


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Announcement

ASX: MAR

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MORE GOLD AT PHOENIX: DEEPER DRILLING ENHANCES MINE POTENTIAL.

HIGHLIGHTS

New drilling at Phoenix has considerably enhanced its potential to become a mine.

Gold mineralisation is remarkably uniform across 20-40m true widths.

Mineralisation is still open at 220m depth and to the northeast.

PHRD23A: 40m @ 1.60 g/t Au, 5 g/t Ag, 0.06% Cu and 0.06% Sb.

PHRD24: 48m @ 2.21 g/t Au, 5 g/t Ag, 0.07% Cu and 0.19% Sb.

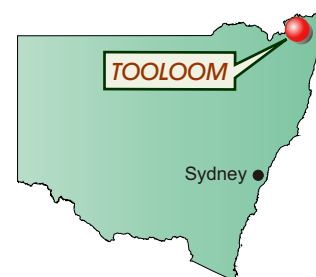
PHRD25A: 42m @ 1.78 g/t Au, 10 g/t Ag, 0.06% Cu and 0.06% Sb.

Significant local enrichment in silver, antimony, copper and bismuth may add extra value.

Malachite is now seeking a joint venture partner for:

- resource drilling at Phoenix;
- advancing the project to feasibility; and
- exploration of other Tooloom prospects.

Malachite Resources NL (ASX: MAR) advises that assay results have now been received for drilling conducted last November and December at the **Phoenix Prospect**, part of the **Tooloom Gold Project**, located in northern NSW. The results significantly increase the chances of Malachite's new gold discovery at Phoenix becoming a viable mine.



Managing Director, Garry Lowder, commented:

"The latest results indicate that a 500,000 ounce gold equivalent resource in the Phoenix breccia pipe is a realistic objective. At the same time, we are now seeing metal zoning that may point to the ultimate source of the gold, silver and base metals intersected in the breccia pipe. That source could be a much larger target."

The main aims of the last drilling program were to obtain core intersections in the breccia and to test the next 100m or so of depth extent in the Breccia Zone, beneath earlier reverse circulation percussion ("RC") drilling. A total of 1,258m of pre-collared diamond core drilling was completed at Phoenix in the recent program and the assay results for that drilling are listed in Table 1. Five of the holes were drilled into the Breccia Zone (see Figures 1 to 3 below), each intersecting sulphide mineralisation and strong alteration over wide zones.

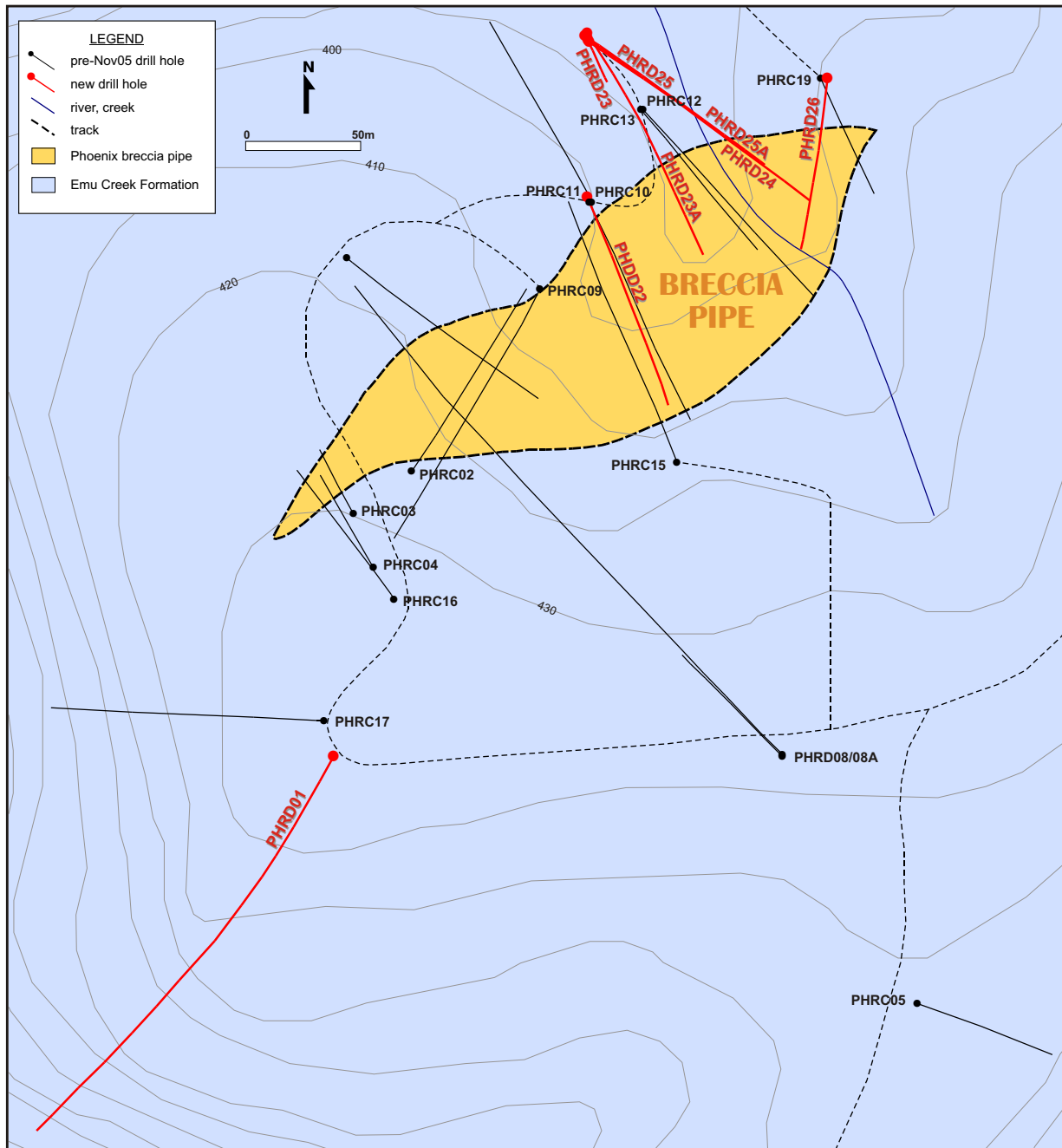


Figure 1: Plan of the Phoenix breccia pipe area, showing new drill holes in red.

On a hole by hole basis, gold values are remarkably uniform within the mineralised zone, where every metre recorded a significant gold value, nearly all of them between 1 and 3 g/t Au. There are sporadic higher values (to a maximum of 9.01 g/t Au) and occasional values a little below 1 g/t Au, but there are no real blanks within the mineralised zone. In other words, at a 1 g/t Au cut-off, there is virtually no internal waste, a definite advantage if it comes to mining.

Distinctly higher grade zones occur within the broader intercepts (see Figures 2 and 3), while antimony adds important value, especially in the upper levels, where gold contents tend to be lower. The intercept from 121-122m in PHRD24 (Table 1) has a gold-equivalent value of at least 9 g/t Au (pending more accurate assay of the antimony).

The latest drilling provides evidence that gold grades do increase with depth and to the northeast, although the trend is not uniform. There is also a slight increase in silver with depth, while antimony is best developed at shallower levels (e.g. 2.18% Sb at 121-122m in PHRD24). Copper is distinctly anomalous within the gold mineralised zone (typically 0.05 to 0.15% Cu, locally higher), although the peak value of 0.85% Cu at 164-165m in PHRD23A lies outside the main gold mineralised zone in that hole. The adjacent interval in PHRD23A (162.8-164m) recorded the highest silver (86 g/t Ag) and bismuth (0.13% Bi) values, together with 0.55% Cu. These additional metals may add significant value to Phoenix once their distribution and controls are better understood.

TABLE 1: SUMMARY OF DRILL INTERSECTIONS AT PHOENIX FROM DRILLING IN NOVEMBER-DECEMBER, 2005.

HOLE No., INCLINATION, AZIMUTH & DEPTH		FROM m	TO m	DOWN- HOLE LENGTH m	Au g/t	Ag g/t	Cu ppm or %	Sb ppm or %
PHDD22* drilled at -50° to 145°M. Final depth 152.8m. True width factor (Note 2) = 0.64	From	6	10	4	1.09	<1	58	0.42%
	Including	9	10	1	3.90	<1	53	0.76%
	Also from	33	64	31	1.60	3	377	244
	Including	45	49	4	2.64	6	0.07%	0.05%
PHRD23A* drilled at -65° to 135°M. Final depth 270.4m. True width factor = 0.43	From	162.8	165	2.2	2.08	66	0.70%	0.51%
	Also from	172	212	40	1.60	5	0.06%	0.06%
PHRD24* drilled at -50° to 112°M. Final depth 193.3m. True width factor = 0.64	From	116	164	48	2.21	5	0.07%	0.19%
	Including	121	131	10	2.54	5	0.09%	0.32%
	Including	121	122	1	4.71	2	209	2.18%
	And	134	135	1	2.06	9	0.2%	1.55%
	And	151	152	1	1.45	2	402	1.20%
PHRD25A* drilled at -65° to 111°M. Final depth 255.1m. True width factor = 0.43	From	195	237	42	1.78	10	0.06%	0.06%
	Including	222	232	10	2.49	12	0.09%	0.07%
PHRD26** drilled at -60° to 175°M. Final depth 159m. True width factor = 0.5	From	100	120	20	0.9	8	415	0.05%
PHRD01 deepened by drilling at -60° to 197°M. Final depth 414m. True width factor = 0.5	No significant gold intercepts in deepened section (204 – 414m). Best individual assay result: 371-372m for 1m @ 0.07 g/t Au, 58 g/t Ag, 0.21% Pb, 211 ppm Bi, 251 ppm Sb, 240 ppm Zn.							

Note 1: * indicates 1 g/t Au cut-off; ** indicates 0.7 g/t Au cut-off

Note 2. To ascertain the approximate true width intersected, multiply the down-hole length by the true width factor for each hole.

Note 3: Antimony assays above 0.5% are to be re-assayed by a more accurate method; based on past experience, values are likely to increase.

Note 4. PHRD23 and PHRD25 were abandoned at shallow depth.

The mineralisation intersected to date in the breccia pipe is still open at depth and to the northeast. Metal zoning interpreted from the drilling results may represent a vector pointing towards an ultimate source of the precious and base metals in that direction. Such a source could be large and will be a key target for future drilling.

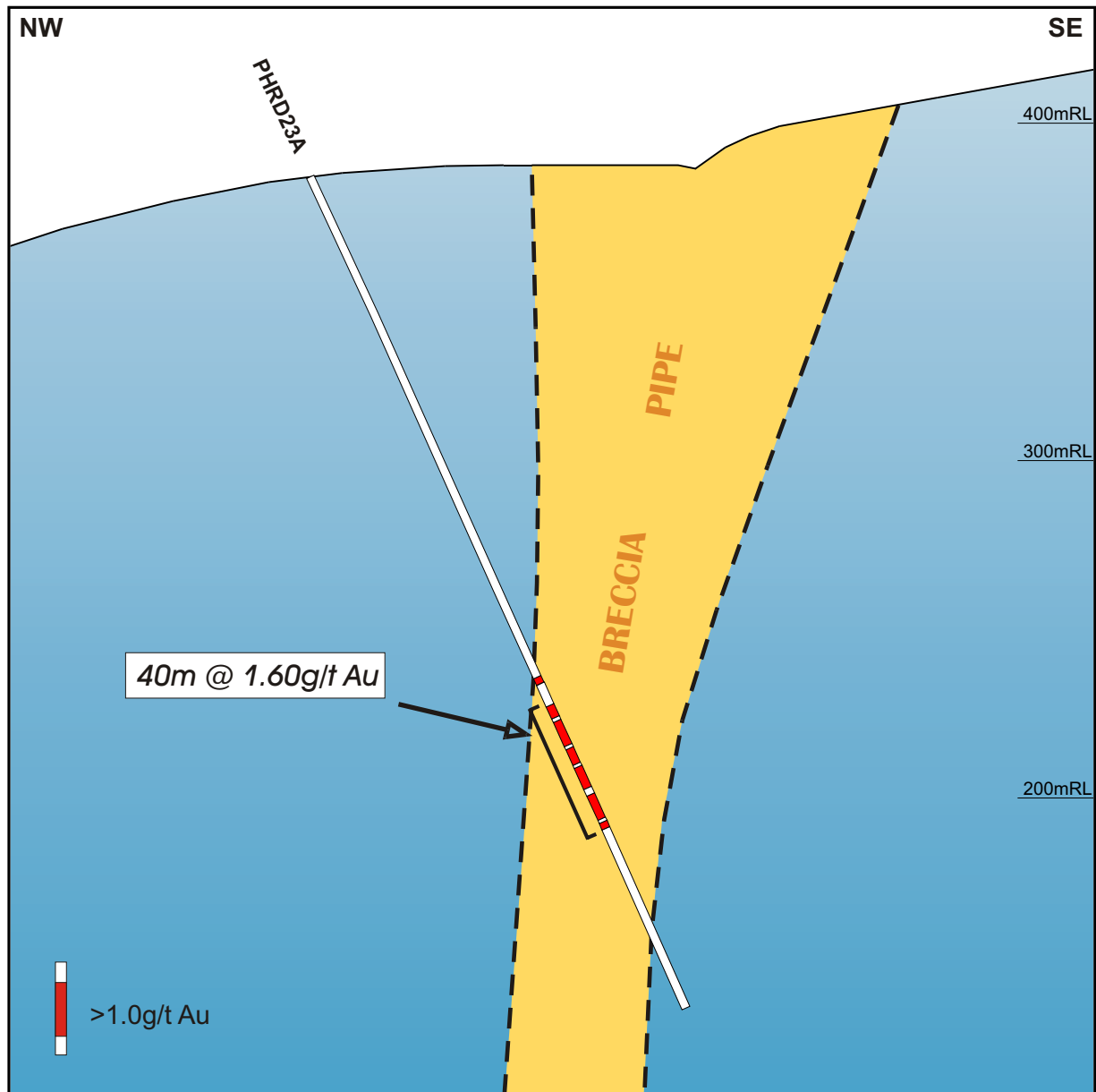


Figure 2: Cross-section of breccia pipe, showing main gold intercept in drill hole PHRD23A

The sixth hole drilled at Phoenix was a 210m diamond tail added to an early RC hole, PHRD01. This hole (Figure 1) was deepened to test the depth extent of the Creek Zone, located some 400m southwest of the Breccia Zone. PHRD01 intersected only weakly anomalous gold but there is some elevated silver, lead and zinc in the deeper part of the hole, hosted by a relatively permeable sedimentary breccia horizon, with sulphide minerals, including abundant pyrrhotite, subordinate arsenopyrite and sporadic aggregates of sphalerite and galena up to 2 or 3cm across, concentrated in the matrix.

The mineralisation intersected in the breccia pipe is characterised by consistency and the intensity of the accompanying alteration. It is clear that the breccia has been an excellent pathway for hydrothermal fluid flow, resulting in strong fluid-rock interaction. Other structures that show evidence of being fluid pathways are yet to be tested at Phoenix and the sulphide-bearing sedimentary breccia horizon intersected in the deepened PHRD01 is particularly interesting in that regard.

According to Dr Lowder:

“The PHRD01 intercept appears to be a distinct horizon within the host Emu Creek Formation stratigraphy and as such, it offers great scope for a major, flat-lying body of mineralisation whose grades may increase laterally. We don't yet know in which direction to look for better grades, whether towards the centre of the system or further out, into a lower temperature depositional environment. Either way, this mineralised horizon represents a very attractive target for future exploration.”

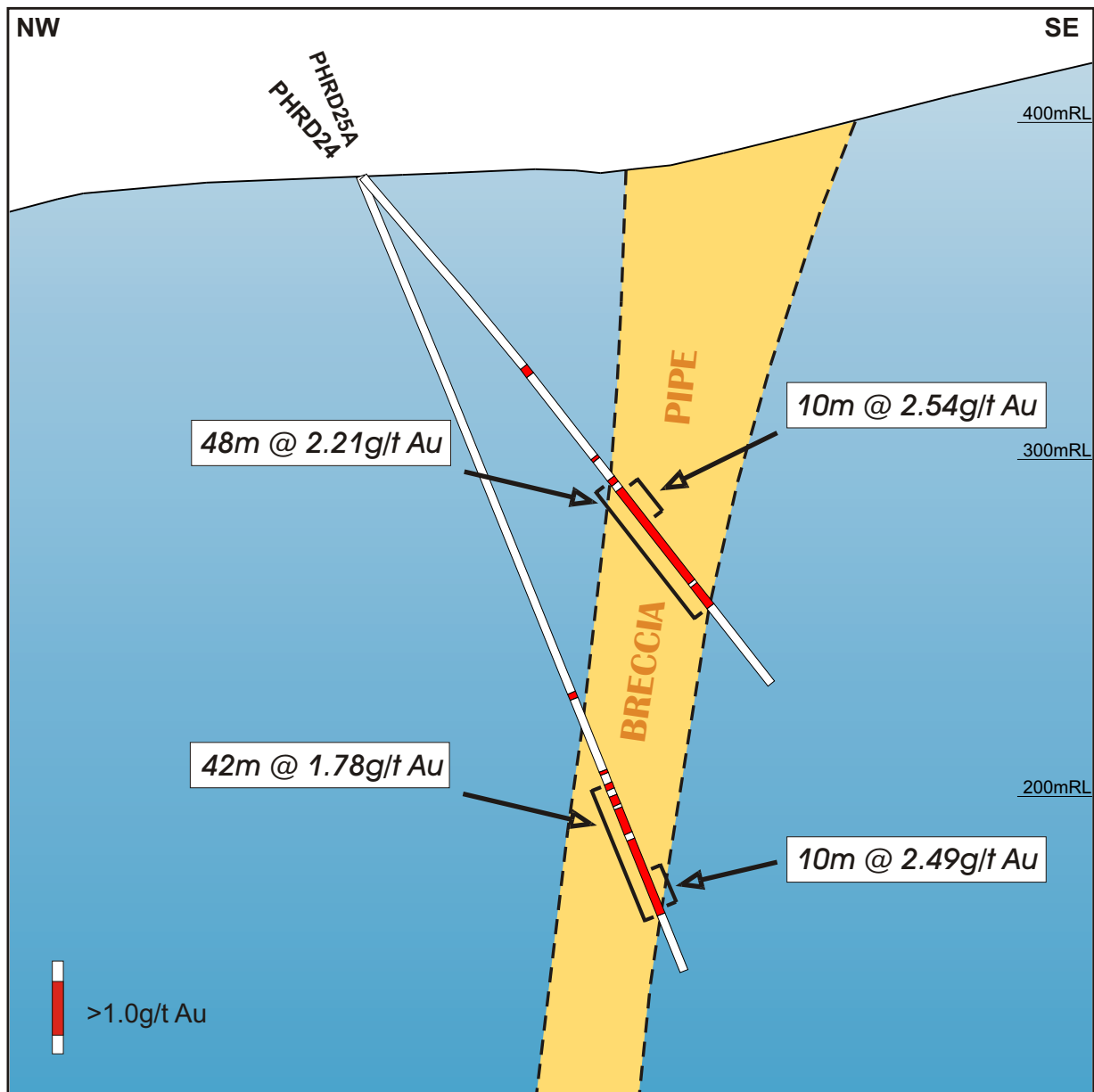


Figure 3: Cross-section of breccia pipe, showing main gold intercepts in drill holes PHRD24 and PHRD25A.

Much more drilling will be required at Phoenix to bring the breccia-hosted mineralisation up to resource status, to test other targets, such as the possible stratabound zone in PHRD01, and to locate the postulated ultimate source of the metals. Having demonstrated the *bona fides* of the Phoenix discovery, Malachite now intends to seek a joint venture partner to fund the proposed additional drilling and resource definition at Phoenix, as well as explore the many other prospects at Tooloom.

As Dr Lowder pointed out:

“Phoenix is a grass roots discovery and as such, we are still feeling our way with each new drill program. What will really make the difference will be the discovery of a high grade mineralised zone equivalent to Zone 7 at Porgera or to Ridgeway at Cadia. Both of those projects were looking quite marginal until the high grade zones were discovered. Phoenix is a very big system, like Porgera and Cadia and the important thing is, the more we drill at Phoenix, the better it looks.”

After completion of drilling at Phoenix the rig was moved 28km south to test the “Hillgrove-type” gold-antimony lodes at Cheviot Hills, near Drake. On the way south, the rig was diverted to the **Nine Mile** area, 10km south of Phoenix, in order to drill a single pre-collared diamond drill hole as a preliminary test of the Nine Mile gold-bearing sheeted quartz vein zone, identified from surface geochemistry, trenching and mapping. That hole, NMRD01, intersected weakly mineralised Emu Creek Formation sedimentary rocks from surface to 126m then unexpectedly encountered an intrusive porphyry rock to its final depth of 300m. No sheeted vein zone was intersected in the drill hole and the only significant gold values were in the first 100m, where there were three separate 1m zones that assayed from 1 to 1.5 g/t Au. The gold is accompanied by weakly anomalous arsenic, but there is no silver and base metals are not anomalous. The porphyry intercept is only weakly mineralised, but it does contain an occasional trace of gold accompanied by anomalous arsenic.

The Nine Mile mineralised structure, which was the target of NMRD01, has been defined at surface, using aeromagnetism and soil geochemistry, for at least 2km to the southwest of Nine Mile. Future drilling will target the southwestern lateral extent of the Nine Mile structure, where there is less chance of intersecting the porphyry drilled in NMRD01.

At **Cheviot Hills** a total of 19 RC holes tested six lodes to depths of up to 100m. Assay results for that drilling will be reported separately once they have been received from the laboratory.

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The information in this report that relates to Exploration Results is based on information compiled by Dr Garry Lowder and Mr Russell Meares, both of whom are Fellows of the Australasian Institute of Mining and Metallurgy. Dr Lowder and Mr Meares have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Dr Lowder and Mr Meares consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.