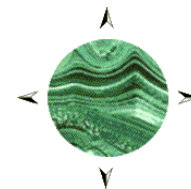


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ASX Announcement

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INTERIM UPDATE ON DRILLING AT TOOLOOM GOLD PROJECT

Malachite Resources Limited (ASX: MAR) provides the following interim update on the diamond drilling program currently underway at the Company's wholly owned Tooloom Gold Project.



Two holes have been completed at the Pine Gully Prospect and assays have now been received. Two holes have also been completed at the Back Creek Prospect and assays are awaited. The drill rig has moved to the Joes Gully Prospect, where it is currently deepening an older RC percussion hole that failed to reach its target when drilled in a previous drilling program.

Background – Tooloom is located in far northern NSW, about 30km east of the Queensland town of Stanthorpe. It is an old and largely forgotten goldfield that, in the 1860s, hosted as many as 10,000 people seeking the coarse grained alluvial gold that also first drew Malachite's attention to the area. Over the past 10 years or so Malachite has systematically explored the 200km² Tooloom goldfield, in the process identifying numerous hard rock prospects that were candidates for primary sources of the widespread alluvial gold at Tooloom.

Until recently, most attention, and nearly all of the previous drilling by the Company, was focussed at the Phoenix Prospect (Fig. 1), a very large gold-bearing sulphide system that has clear affinities with intrusion-related gold deposits, exemplified by several famous ore bodies in Alaska and the Yukon. Drilling of a breccia pipe at Phoenix produced encouraging but generally low grade gold intersections, of the order of 1 to 1.5g/t Au over as much as 40m. Limited drilling elsewhere in the Phoenix system produced widespread anomalous gold, including several results ranging from 1 to 3g/t Au over 1m, but no extensive ore grade or near ore grade intersections were made. More drilling, especially deep drilling, is required to test the Phoenix system more thoroughly.

Current Drilling Program – The drilling currently underway at Tooloom is aimed at testing targets at three prospects known as Pine Gully, Back Creek and Joes Gully (Fig. 1). These prospects are interpreted as offering smaller but possibly higher grade targets, compared with Phoenix.

At Pine Gully the target is a well defined shear zone that appears quite similar to the main gold-bearing structure at Gympie, some 270km north in Queensland. At Back Creek the target is a zone of quartz stockwork veining that contains visible gold in outcrop. At Joes Gully drilling will test a possible hard rock source of the numerous gold nuggets that have been produced in historic and modern alluvial mining downstream from the target area.

Pine Gully Prospect – The target at Pine Gully (which has not been drilled previously) is a northwest-trending shear zone that is intermittently exposed for about 1km in the valley of Mosquito Creek (Fig. 2). At both extremities the structure disappears beneath younger sedimentary rocks of the Jurassic-aged Clarence – Moreton Basin. Old workings are scattered along the structure, with two main adits¹ and one main shaft. Drill hole PGDD01 aimed to test below the #1 Adit (Fig. 2), while PGDD02 was directed at the depth extent of the structure below the #2 Adit.

Mapping of the exposures in the #2 Adit showed that gold mineralisation was closely related to quartz veins and breccia incorporated into the Pine Gully shear zone (see Figure 3). Previous sampling inside the #2 Adit returned high gold values, with quartz veins assaying up to 60g/t Au, and adjoining fault breccia assaying 5g/t Au (Fig. 3), making this an attractive target for drilling.

The first drill hole at Pine Gully intersected the Pine Gully shear zone over a down-hole length of 20m, representing a true width of about 14m. Gold is anomalous within this shear zone but the actual values are below economic levels (i.e. <0.5g/t Au).

The second drill hole at Pine Gully intersected obliquely a zone of intense brecciation, shearing and fault pug over a wider interval than in PGDD01 (from 370m to 410m, for a true width of about 23m). Alteration, shearing and veining (quartz, carbonate and quartz-carbonate veins) also extend for some metres laterally beside the main structure in this hole. Gold is present at anomalous levels within the shear zone but the actual values are again below economic levels.

The shear zone intersections in PGDD01 and PGDD02 were wider than expected, indicating that the Pine Gully structure is a major through-going feature.

Commenting on the results, Managing Director, Garry Lowder, said:

“We saw the Pine Gully shear zone as an attractive target, especially in the light of the exposures in the #2 Adit, so the low tenor of the gold values in the drill hole intersections is quite surprising. It is possible that the gold mineralisation is controlled by plunging shoots within the plane of the shear zone and we may have missed hitting a shoot in the two holes we drilled. We will have to take a closer look at this possibility to determine whether Pine Gully remains a target for future drilling. Meanwhile, let’s wait and see what happens at Back Creek and Joes Gully.”

For further information please visit the Company’s website: www.malachite.com.au
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or by email at: glowder@malachite.com.au



G. G. LOWDER
Managing Director
7 December 2009

¹ An ‘adit’ is a horizontal mine opening, or tunnel.

ABOUT MALACHITE – Malachite Resources is a Sydney-based resources company that listed on the ASX in November 2002 and is an active explorer for silver, tin, gold, copper and associated base metals in eastern Australia. The Company recently announced the creation of a strategic alliance with Nanyang Mining Resources Investment Pty. Limited (“Nanyang”) that will underpin Malachite’s future growth. The Company’s key assets are:

CONRAD: The Conrad Silver Project is located 25km south of Inverell in northern NSW. The Company is evaluating the scope to reopen the old Conrad mine, which has had two previous periods of production but has not operated for over 50 years. Drilling at Conrad by Malachite has intersected narrow high grade, massive sulphide, silver-rich base metal veins, like those mined in the past, and wide zones of lower grade, disseminated and stockwork veined, polymetallic mineralisation. At current prices, silver represents 50% of total recoverable metal value in the Conrad ore and tin, copper, lead and zinc make up the balance. The currently defined mineral resource at Conrad contains approximately 10Moz of silver, or 19Moz of silver equivalent. This resource remains open along strike and at depth. Conrad is expected to soon become a joint venture with Nanyang, pursuant to the new strategic alliance.

Malachite also has excellent exposure to tin, through its **ELSMORE** Project, located 20km east of Inverell, where the Company is considering the possible development of a paleo-alluvial tin deposit, known as the **Karaula Lead**, at the Newstead Prospect. The Karaula Lead appears to have the potential to support a small surface mining operation, which could be developed with low capital and operating costs and generate useful cash flow for the Company. Work is now underway to better quantify the Karaula Lead deposit, determine an appropriate processing route and assess the economic viability of mining.

Encouraging tin results have also recently emerged from the Standon Tin Prospect at the Company’s **DELUNGRA** Project, located west of Inverell, where an initial drilling program has just been completed.

The **TOOLOOM GOLD PROJECT** also in northeastern NSW, is based on a forgotten goldfield rediscovered by Malachite. Numerous prospects have been identified, including a significant greenfields discovery called **Phoenix**. The company is systematically exploring Phoenix and the other prospects at Tooloom, which are intrusion-related and have major ore potential. Drill-ready targets have been identified at four prospects within the Tooloom project area and a new diamond drilling program has commenced.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Dr Garry Lowder and Mr Russell Meares, who are a Fellows of the Australasian Institute of Mining and Metallurgy. Dr Lowder and Mr Meares are full time employees of Malachite Resources and 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.

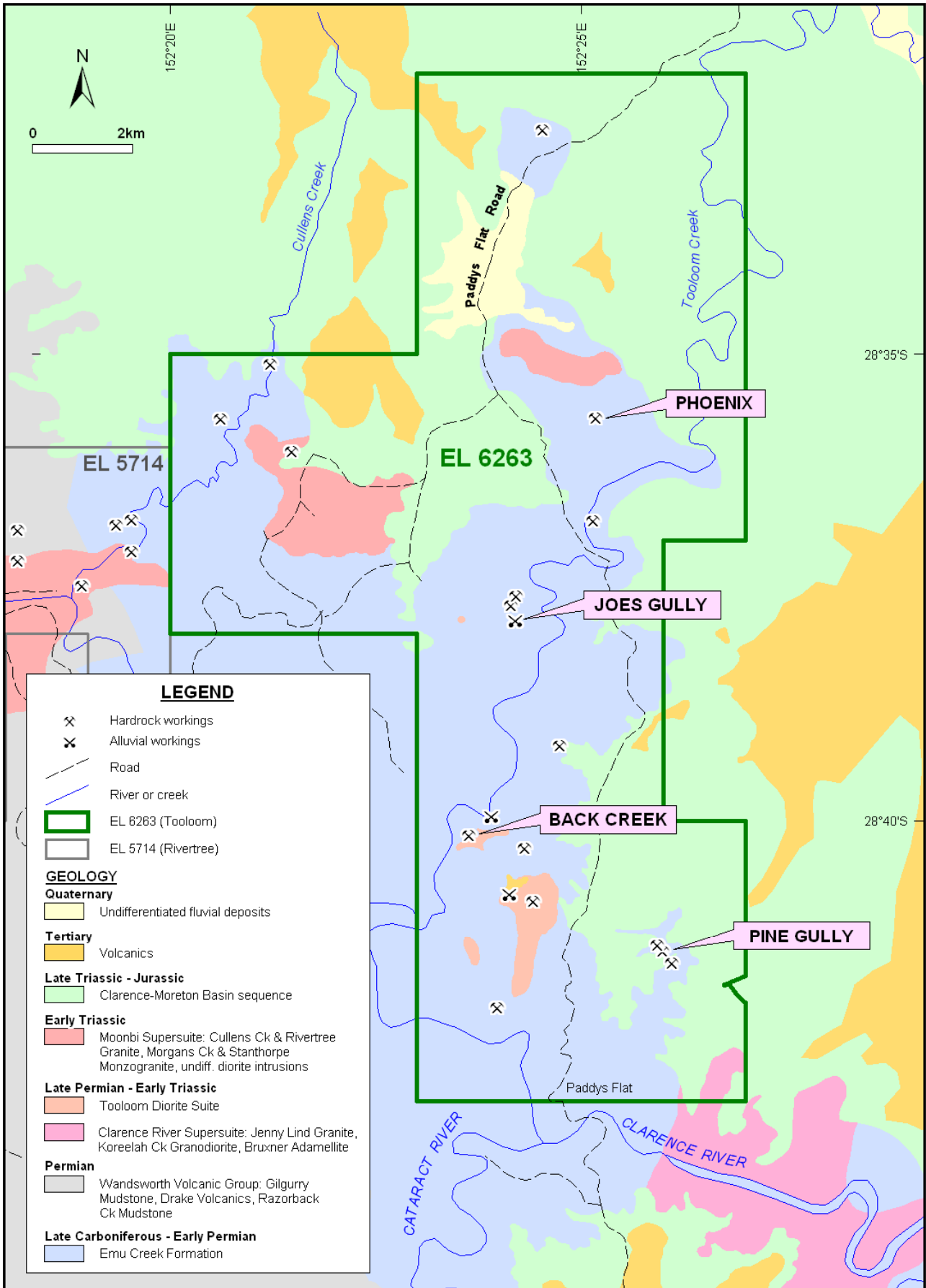


Figure 1. Geological map of the Tooloom Gold Project, showing prospect locations, including Pine Gully, Back Creek and Joes Gully, which are targets for the current phase of drilling, and Phoenix, which has been drilled previously

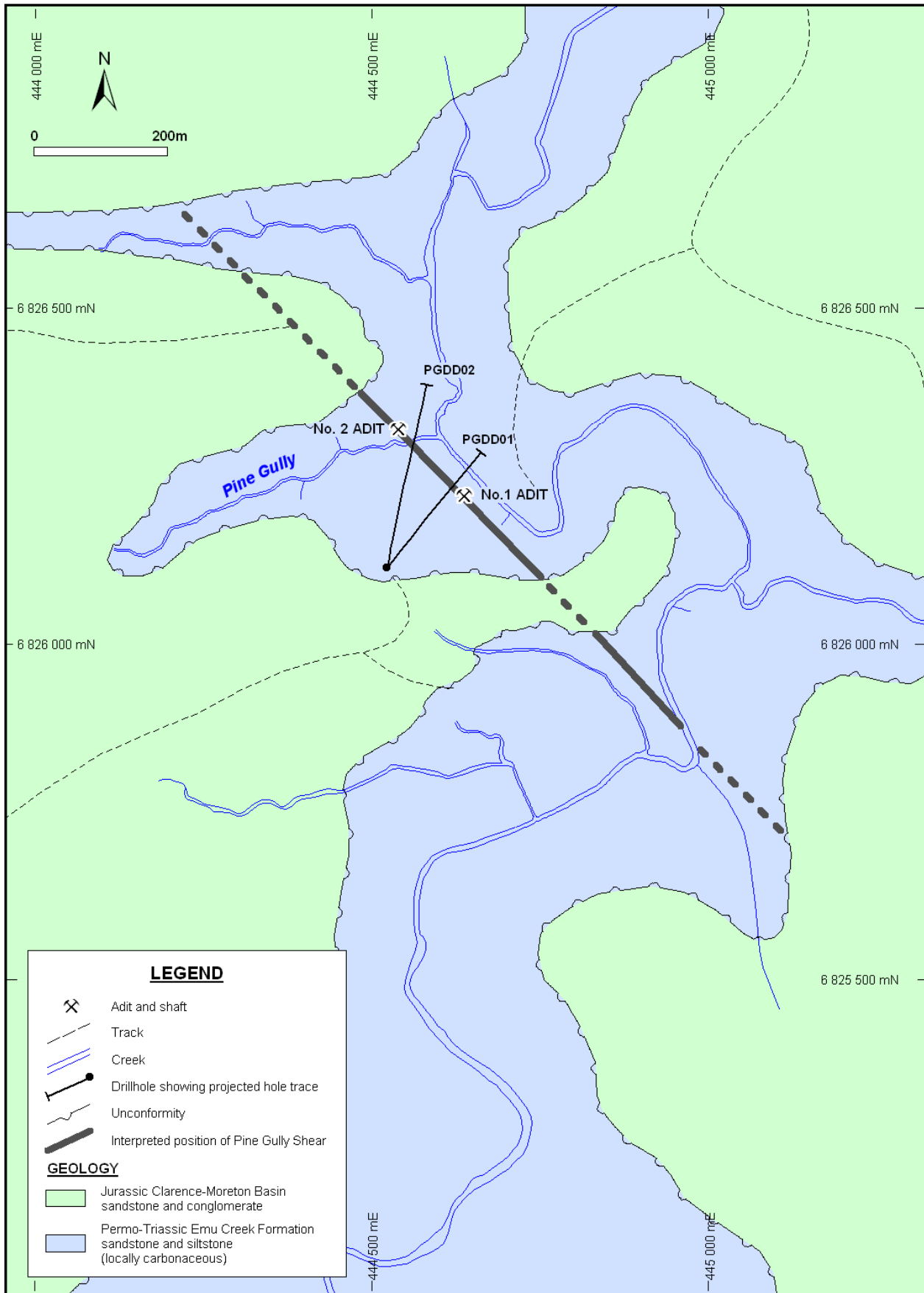
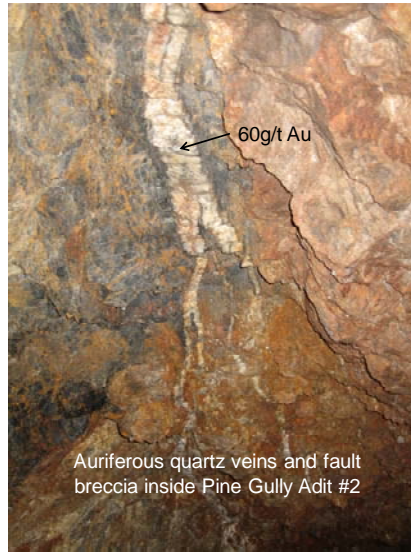


Figure 2. Sketch map of the Pine Gully Prospect area, showing locations of the two main adits, the Pine Gully Shear Zone and the two holes drilled to date

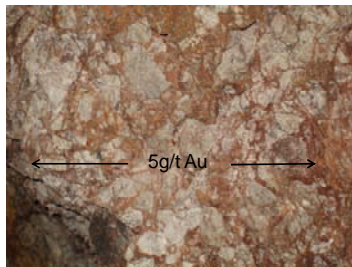
FIGURE 3: Pine Gully Prospect. The Pine Gully Shear Zone, as exposed within #2 Adit and as seen in drill core from 200m vertically below the adit.



Old mine Adit #2 at Pine Gully



Auriferous quartz veins and fault breccia inside Pine Gully Adit #2



↑ Pine Gully Shear Zone: Inside Pine Gully Adit #2 ... ↑

↓ and 200m vertically below the adit in drill hole PGDD02 ↓



Pine Gully Shear Zone in Drill Core:

PGDD02

