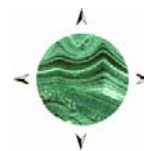


# Malachite Resources NL

ABN 86 075 613 268  
www.malachite.com.au



## QUARTERLY REPORT 3 Months Ending 30 June 2006

### HIGHLIGHTS

#### Tooloom Gold Project, NSW

- Newmont has agreed to farm in to the Project.
- Newmont may earn a 51% interest by spending \$5 million on exploration over five years from 1 July 2006.
- Minimum expenditure before withdrawal is \$1 million.
- Newmont may earn up to 75% interest by funding all costs to completion of bankable feasibility.
- Malachite is the initial Operator under the farm in agreement.
- An on-site planning meeting is scheduled for July, with field work to begin in August.

#### Conrad Silver Project, NSW

- New drilling programme commenced in June.
- Further excellent results achieved in the King Conrad area.
- Initial assays very encouraging, i.e.:
- CMRD11: 3.1m @ 383g/t Ag, 0.68% Cu, 5.97% Pb, 0.26% Zn, 0.94% Sn and 22g/t In; or 1,014g/t Ag<sub>eq</sub>.
- CMRD12: 1.4m @ 712g/t Ag, 2.32% Cu, 8.23% Pb, 5.46% Zn, 2.66% Sn and 63g/t In; or 2,778g/t Ag<sub>eq</sub>.
- Option to acquire Conrad mining leases exercised.

#### Corporate

- \$608,000 in new capital was raised in the Quarter, pursuant to the Company's Share Purchase Plan.
- Net exploration expenditure for the Quarter was approximately \$548,000.
- The Company's registered and administrative office was relocated to Chatswood, NSW, in April.

### Tooloom Gold Project, NSW (Malachite 100%)

No new exploration results were generated at Tooloom during the Quarter, as throughout this period the Company was engaged in negotiating a farm in at Tooloom. Several well known gold companies were invited to review data on the project and to make site inspections. Negotiations were initiated with a short list and this led to an agreement with Newmont Australia Limited (“Newmont”), a subsidiary of Newmont Mining Corporation, to establish a farm in at Tooloom, commencing on 1 July 2006.



**Figure 1: Tooloom Gold Project: Location Map**

Newmont Mining Corporation has gold reserves of over 93 million ounces and is highly regarded for its expertise, technology and approach to exploration, as well as its enviable track record of discovery success.

Terms of the Newmont farm in may be summarised as follows:

#### **Farm in Arrangements –**

- Newmont can earn a 51% interest in the Tooloom Gold Project by funding \$5 million in exploration expenditure within five years from 1 July 2006.
- Newmont must spend at least \$1 million by 30 June 2007 and cannot withdraw until that has been achieved.
- Malachite will be the Operator initially and will continue to operate until Newmont elects to assume that role.

Once Newmont has earned its 51% interest under the farm in arrangements a Joint Venture will be formed and each party will contribute to expenditure *pro rata*, unless Newmont elects to continue sole funding.

- If Newmont elects to continue sole funding at the Joint Venture stage it may increase its interest to 75% by providing all expenditure required for further exploration and the completion of a Bankable Feasibility Study.
- If, following completion of a Bankable Feasibility Study, the Joint Venture makes a decision to proceed with mining Malachite may
  - i) Elect to participate in the mining venture by funding its 25% interest *pro rata*;  
or
  - ii) Dilute its interest via straight line dilution;  
or
  - iii) Divest its interest in the Joint Venture.
- If Malachite elects to participate in mining it may require Newmont to arrange third party finance at market rates for Malachite’s share of costs, in return for which Malachite would transfer an additional 5% interest in the Joint Venture to Newmont.
- If either party’s interest falls by dilution to less than 10% it will convert to a 2% net smelter return royalty on minerals produced from the Joint Venture area.

An initial planning meeting is to be held with representatives of Newmont on site at Tooloom in July and field work on the Project will get underway in August. No drilling is expected in the short term, as the immediate focus will be to complete the generation of exploration data sets for the whole of the Tooloom tenement (EL6263). Results will then be reviewed and the various targets and target concepts refined in the light of the new data. Malachite will have the benefit of advice from Newmont’s specialist geoscientists during this period and the Company will also be able to access various technologies and techniques that are

proprietary to Newmont. It is envisaged that a comprehensive drilling programme will follow early in 2007.

**Cheviot Hills** – The Cheviot Hills area, at the southern end of the Tooloom exploration licence, will not be subject to the farm in by Newmont as Malachite wishes to continue evaluating the gold-antimony lodes in that area. These lodes are narrow and unlikely to be of interest to Newmont but could have potential to generate cash flow for Malachite from a small mining operation and toll processing at Hillgrove. The Cheviot Hills area may be brought into the Newmont farm in at a later date.

### **Conrad Silver Project, NSW (Malachite 100%)**

During the Quarter exploration re-commenced on the mining leases at the King Conrad end of the Conrad lode system and was continuing in July. Work in the current program has included the following activities:

- Pegging of a “mine grid” in the King Conrad area
- Geological mapping of the mine grid
- Sampling of exposed massive sulphide lodes in Bora Creek
- A VLF-EM geophysical survey over the mine grid
- The commencement of a 9 hole drilling program to obtain additional intersections in the King Conrad lode and to test Alwell’s lode and northwest extensions to the Conrad lode

In addition, the option held by the Company over the Conrad mining tenements has been exercised by service of an appropriate notice on the holder of the tenements. Once the Minister has given his approval for transfer of the tenements to Malachite the Company will pay \$100,000 to the holder and Malachite will then have a 100% ownership interest in all the Conrad area tenements.

### **Surface Sampling**

To assist the targeting of drill holes in the critical King Conrad area where the Conrad lode breaks up into splays at its northwest end (including the King Conrad, Alwell’s and Conrad lodes), exposures of the Conrad and Alwell’s lode in Bora Creek were mapped and sampled. Some spectacular grades were reported for these samples, as can be seen from the results tabulated below. In addition to the high silver grades of up to 1,045 g/t Ag there are excellent values of copper (up to 2.28% Cu), lead (up to 16.95% Pb) and tin (up to 3.18% Sn). All of the samples also contain quite elevated values of bismuth, up to 0.12% Bi in sample 95505. The very good base metal grades mean that on a silver equivalent basis the assays are quite spectacular. Sample 95505 for example (Table 1), which contains 947 g/t Ag, 2.28% Cu, 3.84% Pb, 0.16% Zn and 3.16% Sn, can be expressed as 2,235 g/t Ag<sub>eq</sub>, or 71.9 oz/t Ag<sub>eq</sub>. In addition, follow up assaying has shown that these lodes also carry potentially economic levels of indium (In).

The creek exposures show that the main Conrad lode has cut and slightly displaced Alwell’s lode, which is oriented obliquely to the Conrad lode. The assays listed in Table 1 represent sampling across the exposed width of Alwell’s lode to the northwest (sample 95501) and southeast (samples 95502-95504) of the Conrad lode, and across the main Conrad lode itself (samples 95505 – 95507). The King Conrad lode is not exposed at surface.

### **Geophysics**

Due to the conductive nature of the massive sulphide lodes, a test Very Low Frequency Electromagnetic (VLF-EM) survey was conducted over the grid. Strong anomalies were located over the known sections of the King Conrad lode (as intersected in drill holes and from old mine records). The survey also traced the extension of the King Conrad lode for a

**TABLE 1: SURFACE SAMPLING NEAR THE KING CONRAD MINE**

Sample No.	Lode Name	Width of Lode Sampled (m)	Ag g/t	Cu %	Pb %	Zn %	Sn %	Ag Eq g/t (note 1)
95501	Alwell's	0.20	1045	0.70	16.95	0.10	0.79	1,842
95502	Alwell's	0.36	655	1.73	4.06	0.13	3.18	1,836
95503	Alwell's	0.96	13	0.03	0.31	0.01	0.07	44
95504	Alwell's	0.33	196	0.46	5.29	0.05	1.21	708
95502 to 95504	Alwell's (note 2)	Weighted average across 1.65m	115	0.29	1.29	0.03	0.59	343
95505	Conrad	0.69	947	2.28	3.84	0.16	3.16	2,235
95506	Conrad	0.23	470	1.62	1.26	0.07	2.31	1,354
95507	Conrad	0.35	600	1.92	14.25	0.06	2.49	1,944

Note 1: Silver equivalent grades calculated on the basis of the following metal prices: Cu - \$US7,854/t; Pb - \$US1,045/t; Zn - \$US3,675/t; Sn - \$US8,275/t and Ag - \$US11.79/oz

Note 2: Samples 95502, 95503 and 95504 are contiguous samples taken across a 1.65m wide lode, which is highly mineralised on its margins and weakly mineralised in the centre.

further 450m to the northwest of the King Conrad shaft, with the conductor still open on the last line. The Conrad and Alwell's lodes were not detected in the VLF-EM survey, possibly due to their oblique orientation to the transmitting signal.

### **Drilling**

A programme involving nine pre-collared diamond core drill holes (CMRD 11 to CMRD 19) was underway at the end of the period. Most of the holes are targeting the King Conrad lode, but intersections have also been obtained in the Alwell's and Conrad lodes and a number of narrow (<1m) unnamed mineralised structures. Wider zones of more disseminated mineralisation have also been intersected. Two holes will test the southeast extension of the Conrad lode near Davis shaft.

Some of the intersections achieved to date are of a high grade, polymetallic, massive to semi-massive sulphide nature, and several of these are included within a lower grade sulphide stringer/disseminated halo. Assay results received for the first two of the new holes in July confirmed the high grade nature of these intersections and the full compliment of results is expected around the end of August. Key results for the first two new holes (as released to the ASX on 25 July 2006) are:

**CMRD11: 3.1m @ 383g/t Ag, 0.68% Cu, 5.97% Pb, 0.26% Zn, 0.94% Sn and 22g/t In; or 1,014g/t Ag<sub>eq</sub><sup>1</sup>.**

**CMRD12: 1.4m @ 712g/t Ag, 2.32% Cu, 8.23% Pb, 5.46% Zn, 2.66% Sn and 63g/t In; or 2,778g/t Ag<sub>eq</sub>.**

### **Elsmore Tin Project, NSW (Malachite 100%)**

No new field work was conducted at Elsmore during the Quarter.

### **Mt Ramsay Project, Tasmania (Malachite farming-in)**

No new field work was conducted at Mt Ramsay during the Quarter.

<sup>1</sup> Silver equivalent (Ag<sub>eq</sub>) values are calculated on the basis of the following metal prices: Ag - \$US0.35/g; Cu - \$US7,750/t; Pb - \$US1,020/t; Zn - \$US3,250/t; Sn - \$US8,230/t; and In - \$US1.00/g

### Lynd River, Queensland (Malachite 100%)

A brief field reconnaissance was carried out at this property during the period. No promising rocks were identified and no encouraging assays were reported for samples taken. The field work failed to support the original target concept. In view of better opportunities elsewhere it has been decided to relinquish the tenement.

### Rivertree Silver Project, NSW (Malachite 25%)

#### Summary

The Rivertree Project forms part of a Joint Venture with Macmin Silver Ltd. (“Macmin”) whereby Macmin is able to earn a 75% interest by funding on-going exploration of \$500,000 by November 2007. The recently completed drilling programme fulfilled this funding obligation by Macmin. 2,892 metres of RC drilling were completed for a total of 38 holes. Drill testing was undertaken at three prospects – namely Silver King, Spring Gully and Big Block. The best intercepts recorded at each prospect are listed as follows:

- Spring Gully, **2m at 250.5 g/t silver, 0.35 g/t gold, 0.32% zinc and 0.45% lead** in hole SGRC14 from 26m down-hole.
- Silver King, **1m at 147 g/t silver** in hole SKRC12 from 17m down-hole;
- Big Block, **3m at 78 g/t silver, 0.56% zinc, 0.79% lead** in hole BLRC2 from 192m down-hole.

#### Spring Gully Prospect

**24** holes (SGRC05 to 28) were drilled for a total of 1,545m with an average hole depth of approximately 65m. The bulk of the drilling tested the Spring Gully lode system over a strike length of 750 metres. The central and southern section of the lode system is interpreted to consist of a number of parallel lodes within a 50-60m corridor, which is centered along a diorite dyke system/swarm, within a medium grained granodiorite. The lodes are well developed, with associated quartz veining/veinlets and alteration (sericitic, potassic and/or chloritic), within a larger zone where quartz veining and associated alteration occur. Section 4 (Fig. 2) illustrates a cross section through the central part of the lode system and shows the position of the intercept in hole SGRC14.

The results of the drilling have demonstrated that a significant silver mineralising system exists at Spring Gully. The identification of a number of sub-parallel lodes holds out the possibility that where they coalesce significant economic widths of silver mineralisation might be located and thus represents a viable target for the joint venture to pursue.

#### Silver King

**12** holes were drilled for a total of **958** metres. Although the lodes are clearly defined geochemically, the silver values were not as elevated as the Spring Gully lodes and thus the drilling results have downgraded the prospect. In the area where Malachite had previously returned its best intercept of 1m at 291 g/t silver from 29m (SKRC02) Macmin encountered an intercept of 1m at 147 g/t silver from 17m (SKRC12).

#### Big Block Prospect

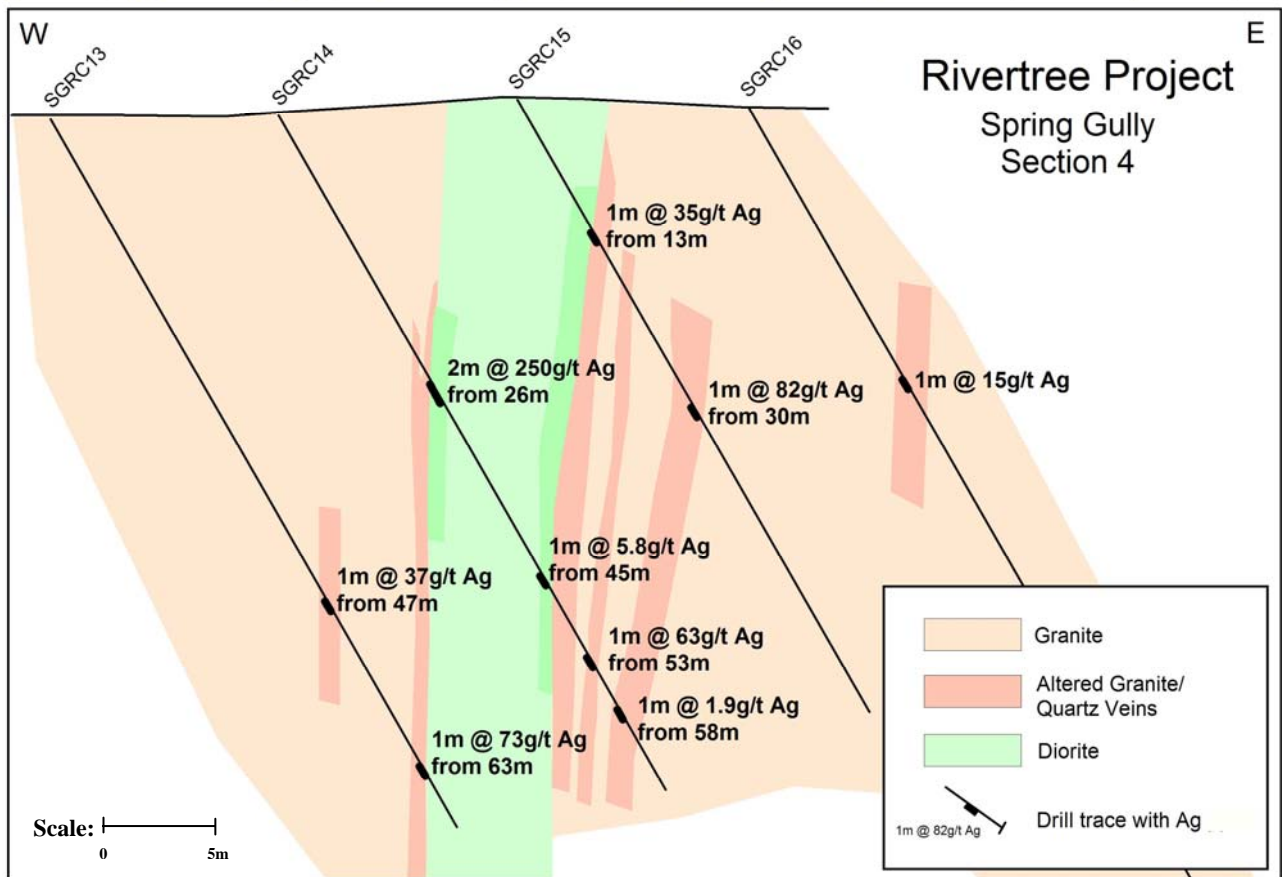
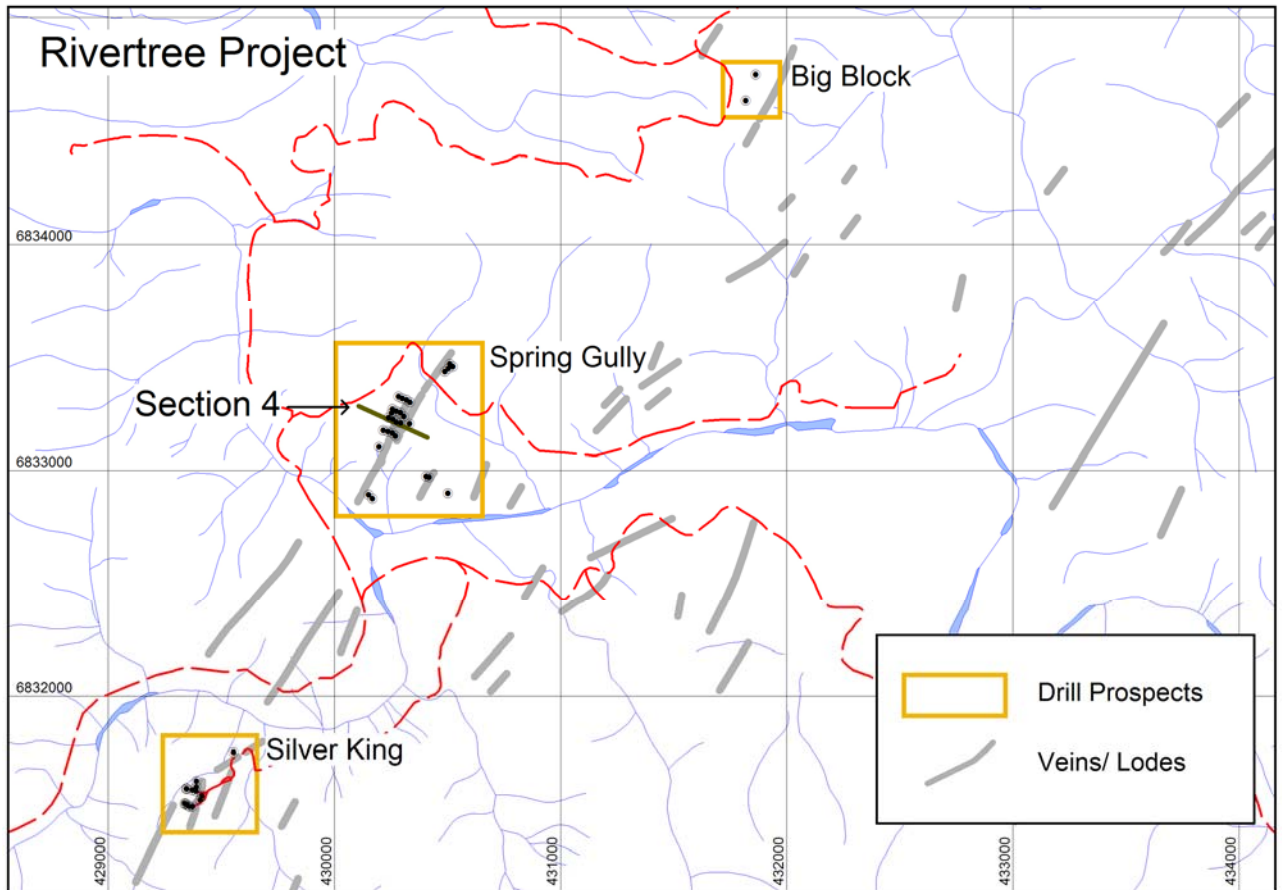
Two holes were drilled for a total of 389 metres. Unfortunately, constraints imposed by topography meant that drill holes were sited a considerable distance from the lode to be tested, resulting in target depths of 200m. Poor ground conditions resulted in hole BLRC01 not reaching its target depth. Hole BLRC02 did reach the target lode at 192 down-hole intersecting 3 metres at 78 g/t silver, 0.56% zinc and 0.79% lead from 192m down-hole.

This was located within a broader geochemically elevated zone from 191 metres to end of hole at 201 metres. The drilling programme at Big Block did not provide an adequate test of the lode system and further drilling will be required. The general area around the Big Block lodes requires geochemical soil sampling (ridge and spur) and further prospecting and mapping to locate additional targets.

**Selected Assays Rivertree: > 20g/t Ag: Silver King, Spring Gully and Big Block and >0.5% Pb and Zn (ie >5000ppm). All 1m sample intervals.**

Hole No.	GDA94 Zone 56		From (m)	To (m)	Ag (g/t)	Zn (ppm)	Pb (ppm)	Au (g/t)
	East	North						
SGRC01	430254.20	6833251.20	37	38	43.8	2900	2280	0.11
SGRC01	430254.20	6833251.20	38	39	85.3	1485	817	0.07
SGRC01	430254.20	6833251.20	58	59	47.9	1480	6260	0.12
SGRC02	430333.70	6833203.00	37	38	40.7	4630	2520	0.53
SGRC03	430197.90	6833102.20	41	42	49	4620	1300	0.3
SGRC04	430168.20	6832875.80	96	97	51.5	9900	7060	0.03
SGRC04	430168.20	6832875.80	97	98	70	9400	9500	0.18
SGRC04	430168.20	6832875.80	125	126	21.9	2800	758	0.06
SGRC05	430282.90	6833324.70	53	54	42	5800	1630	0.26
SGRC06	430300.70	6833317.20	14	15	40	3610	3040	0.26
SGRC06	430300.70	6833317.20	15	16	50	5100	2660	0.28
SGRC06	430300.70	6833317.20	42	43	40	2680	1740	0.16
SGRC07	430320.20	6833309.60	53	54	126	12400	14500	1.02
SGRC10	430273.70	6833260.40	21	22	43	1415	841	0.05
SGRC10	430273.70	6833260.40	24	25	105	14900	8300	0.6
SGRC10	430273.70	6833260.40	43	44	88	8300	7800	0.2
SGRC11	430292.00	6833253.30	29	30	234	11800	7300	0.1
SGRC12	430307.20	6833236.60	32	33	16.7	14900	1965	0.06
SGRC12	430307.20	6833236.60	33	34	1.4	6100	238	0.01
SGRC12	430307.20	6833236.60	34	35	42	7900	3140	0.53
SGRC12	430307.20	6833236.60	35	36	17.1	5900	1345	0.22
SGRC13	430240.10	6833231.70	47	48	37	5100	3070	0.13
SGRC13	430240.10	6833231.70	63	64	73	6500	9200	0.16
SGRC14	430258.00	6833224.10	26	27	471	2860	8300	0.56
SGRC14	430258.00	6833224.10	27	28	30	3560	703	0.15
SGRC14	430258.00	6833224.10	45	46	5.8	7400	563	0.06
SGRC14	430258.00	6833224.10	53	54	63	11500	9100	0.47
SGRC14	430258.00	6833224.10	58	59	1.9	12200	96	0.02
SGRC15	430274.20	6833210.10	13	14	35	1795	1290	0.19
SGRC15	430274.20	6833210.10	30	31	82	2660	1570	0.04
SGRC18	430235.80	6833170.60	29	30	32	460	1265	0.07
SGRC18	430235.80	6833170.60	53	54	19	6400	898	0.26
SGRC19	430256.90	6833163.60	20	21	21	5900	1160	0.09
SGRC19	430256.90	6833163.60	21	22	26	3980	510	0.23
SGRC19	430256.90	6833163.60	67	68	50	6400	6400	0.52
SGRC19	430256.90	6833163.60	68	69	48	9400	4300	0.52
SGRC20	430271.00	6833150.00	34	35	95	7900	8400	0.88
SGRC21	430504.60	6833448.60	53	54	14.2	8500	852	0.22
SGRC21	430504.60	6833448.60	54	55	21	12000	357	0.07
SGRC21	430504.60	6833448.60	55	56	85	7500	1370	0.06
SGRC27	430503.50	6832900.20	21	22	82	146	445	0.02
SKRC02	429243.49	6831404.08	29	30	291	8910	8760	0.17
SKRC04	429269.15	6831398.64	21	22	34	2960	2790	0.08
SKRC06	429287.40	6831413.11	38	39	32	1550	1750	0.1
SKRC10	429256.12	6831326.80	51	52	23	2110	1560	0.09
SKRC10	429256.12	6831326.80	52	53	36	15800	1570	0.1
SKRC12	429270.90	6831327.01	17	18	147	2470	1935	0.15
BLRC2	431710.00	6834450.00	192	193	45	1990	4700	0.06
BLRC2	431710.00	6834450.00	193	194	95	8800	16200	0.39
BLRC2	431710.00	6834450.00	194	195	94	6000	2880	0.18

Fig. 2 Rivertree Drill Areas



**Boonoo Boonoo Gold-Silver Project, NSW (Malachite 25%):**

No new work was conducted. Macmin has earned a 75% interest.

**Oberon Project, NSW (Malachite 100%)**

The Company holds an exploration licence (EL6545) at Oberon, in the NSW Central West. Due to higher priorities elsewhere field work has not yet commenced at Oberon.

**Abington Project, NSW (Malachite 100%)**

Malachite holds an exploration licence (EL6560) over an area west of Guyra in northern NSW, where it has recognised potential for “Phoenix-type” intrusion related gold deposits and “Hillgrove-type” gold-antimony vein deposits. A preliminary inspection of the Baxter’s mine area was carried out in the Quarter but no other significant field work has yet occurred at Abington.

**Forward Plans**

The major exploration activities by Malachite in the September Quarter will be drilling at Conrad and the commencement of field work under the new farm in arrangements with Newmont at Tooloom.

**Corporate**

During the past Quarter \$608,000 in new capital was raised pursuant to the Company’s Share Purchase Plan, resulting in the issue of 3,800,000 new shares at 16 cents. A further \$260,000 was raised in July, 2006, by the placement of 1,625,000 shares at 16 cents. The Company now has approximately 80 million shares and 21 million options listed on the ASX.

In April, 2006, the Company relocated from its office from Lindfield to a new office located within the Chatswood CBD.

Net exploration expenditure during the period under review amounted to approximately \$548,000.

**Further Information**

For further information please contact Garry Lowder on (02) 9411 6033 or by email at [glowder@malachite.com.au](mailto:glowder@malachite.com.au), or visit the Company’s website: [www.malachite.com.au](http://www.malachite.com.au)



G.G. LOWDER  
Managing Director  
31 July 2006

*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, and Mr Denis O’Neill, who is a Member of that Institute. Dr Lowder, Mr Meares and Mr O’Neill each 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 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, Mr Meares and Mr O’Neill each consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.*