

QUARTERLY REPORT 3 Months Ending 30 June 2005

HIGHLIGHTS

Tooloom Gold Project, NSW

➤ PHOENIX

- Drilling confirms exciting gold-antimony discovery.
- Mineralised zone 250 x 35m at surface, open at depth.
- Grades of the order of 2 – 2.5 g/t Au_{eq}, increasing with depth.
- Individual assays up to 16.45 g/t Au and 4.82% Sb.
- Follow-up drilling, leading to resource estimation, to begin by October.
- Valuable scope for synergy with Hillgrove gold-antimony mine.

Mt Ramsay Project, Tasmania

- Drill site access and field camp established.
- Drill rig and ancillary equipment mobilised on site.
- Two-hole, 800m drilling program commenced.

Conrad Silver Project, NSW

- Significant progress in access negotiations with native title claimants.

Elsmore Tin-Tungsten-Silver-Molybdenum Project, NSW

- Value of Sheep Station Hill mineralisation rises as the price of molybdenum soars to over \$US175 per kilogram.

Corporate

- \$169,715 in new capital was raised through placements.
- Exploration expenditure for the Quarter was approximately \$475,000

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 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 and Mr Meares each consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Tooloom Gold Project, NSW (Malachite 100%)

The past Quarter has seen a major step forward by the Company with the discovery of the **Phoenix** gold-antimony deposit in the northern part of the Tooloom Gold Project area. Earlier work had confirmed Phoenix as an important prospect. The recent results have turned it into a very significant new discovery, one of the few, truly “greenfields”¹ gold discoveries made in Australia in recent times.

The discovery comes as a result of a reverse circulation percussion drilling program comprising 1,856m in 13 holes. Most of these holes were focussed on the Phoenix breccia pipe and possible extensions, although three holes targeted the so-called “Creek Zone” to the southwest of the breccia pipe (Figure 1). Figure 2 is a longitudinal section through the breccia pipe, showing the intercepts achieved. Table 1 below summarises the results of the recent drilling and lists key intercepts.

TABLE 1: SUMMARY OF PHOENIX DRILLING, APRIL-MAY, 2005

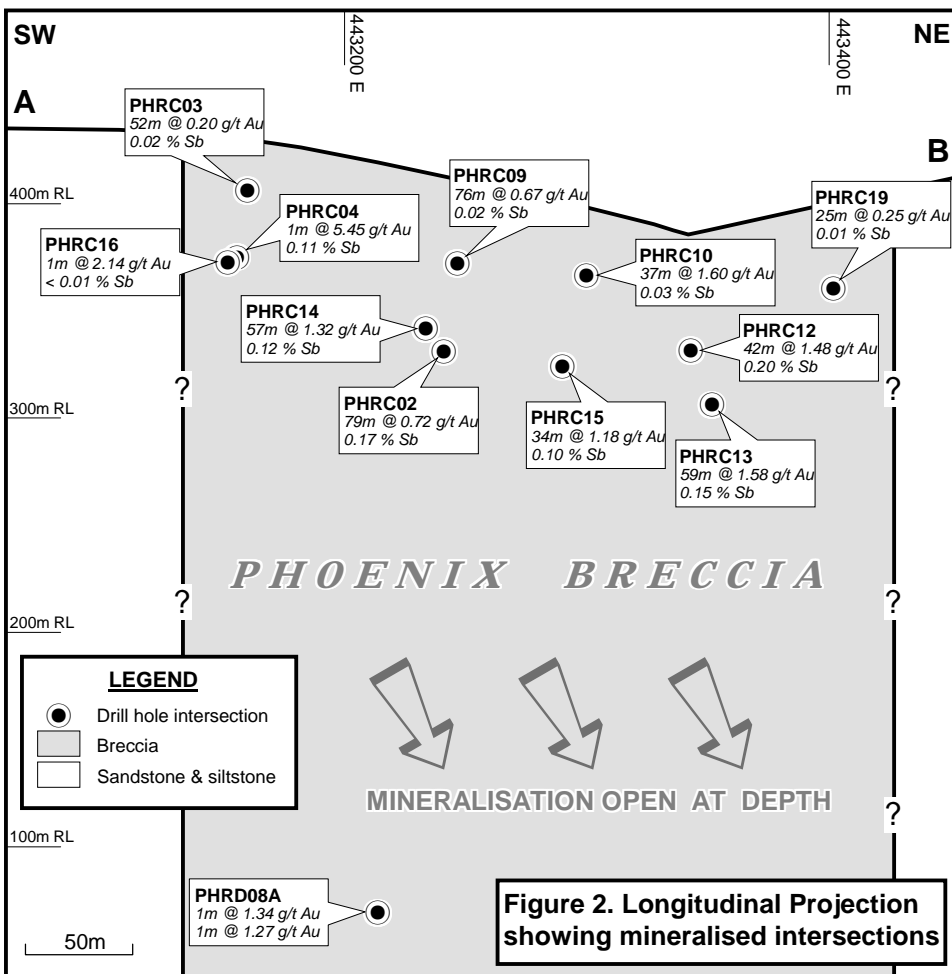
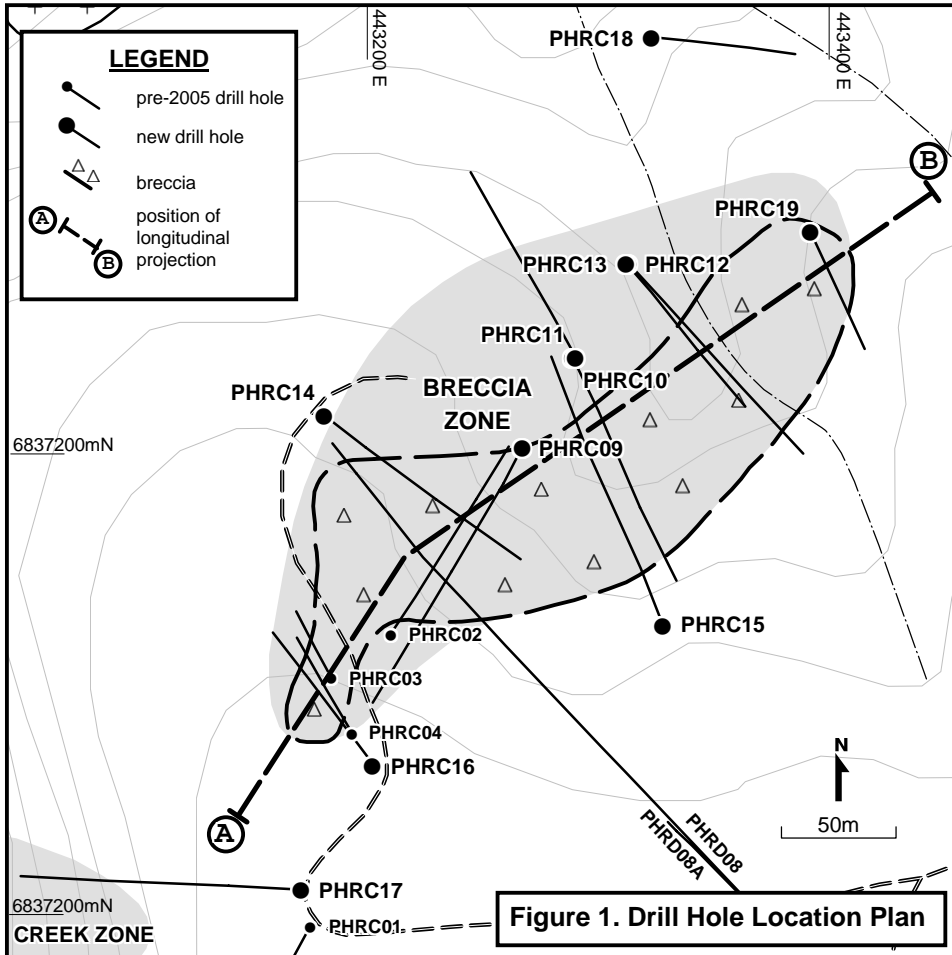
HOLE No. & TOTAL LENGTH	FROM (m)	TO (m)	LENGTH (m)	Au (g/t)	Sb (%)
PHRC09 – 189m	5	81	76	0.67	0.02
And	90	92	2	3.18	4.10
And	180	183	3	1.45	0.63
PHRC10 – 159m	7	70	63	1.28	0.06
Including	28	65	37	1.60	0.03
Including	43	53	10	2.13	0.04
PHRC11 – 129m	1	129	128	0.15	0.02
Including	61	67	6	0.36	0.10
And	77	78	1	0.92	0.01
PHRC12 – 159m	41	83	42	1.48	0.21
Including	53	54	1	7.79	0.07
And	75	76	1	1.35	1.35
PHRC13 – 177m	60	61	1	4.95	0.02
And	81	140	59	1.58	0.16
Including	85	97	12	2.45	0.29
PHRC14 – 149m	77	134	57	1.32	0.16
Including	102	104	2	9.20	3.42
Including	102	103	1	16.45	4.12
PHRC15 – 174m	111	145	34	1.18	0.10
PHRC16 – 123m	21	101	80	0.19	<0.01
Including	74	75	1	2.14	<0.01
PHRC17 – 185m	1	185	184	0.20	0.01
Including	25	28	3	0.89	<0.01
PHRC18 – 96m	48	54	6	0.27	0.01
PHRC19 – 84m	36	61	25	0.25	0.01
PHRC20 – 94m	12	15	3	0.14	<0.01
PHRC21 – 138m	104	107	3	0.27	<0.01

Notes:

- Not shown separately here but also intercepted in some of these holes were several short intervals (1 to 5m) of elevated antimony values (0.1 to 2% Sb), some with and some without elevated gold values.
- In metal value terms, 1% Sb is roughly equivalent to 2.5 g/t Au at current prices.

Drilling in the **Breccia Zone** (Figure 1) was very successful, discovering a well defined body of gold-antimony mineralisation. All of the recent drilling in the Breccia Zone was relatively shallow and tested the mineralised zone in a depth range of 50 to 100m or so only. At this depth, gold grades are of the order of 1.5 to 2.5 g/t Au over significant widths, with the best intercept also being the deepest from the recent program: 12m @ 2.45 g/t Au in hole PHRC13 (Table 1). There are also several individual (1m) assays that are of substantially higher grade (maximum 16.45 g/t Au). These figures are significantly higher than gold values at surface, where breccia outcrop samples typically assay less than 0.5 g/t Au and many are below 0.1 g/t Au. It is presumably these low surface gold values that discouraged early prospectors from exploring the Phoenix area to the extent that they did at other Tooloom prospects.

¹ The term “greenfields” discovery usually refers to a discovery in an area that has no modern mining.



A key question to be answered in future drilling is whether gold grades continue to increase at depths below 100m. It may be, for example, that at this level the holes drilled may be at the top of a discrete ore shoot, perhaps controlled by a boiling zone², which is where the highest grades of gold might be expected. There is also a suggestion from the drilling data that the higher grade part of the mineralised zone plunges to the northeast. As Figure 2 shows, the mineralisation in the breccia is very much open at depth in this direction.

Antimony, occurring as the mineral stibnite, generally accompanies the gold within the mineralised zone at Phoenix. Assay values (1m samples) for antimony vary widely, from below 0.01% Sb to 4.82 % Sb (and up to 8.38% Sb in PHRC02, one of the original, 2003 drill holes at Phoenix). It is not yet clear whether the high antimony zones represent narrow, tabular lodes or are simply local zones of enrichment within the breccia. With the current price of antimony at \$US3,450 per tonne (similar to that of copper), the gold-equivalent value of the intercept from 102-103m in PHRC14 (16.45 g/t Au and 4.12% Sb) equates to roughly 26 g/t Au_{eq} and the more typical grades of around 1.5–2 g/t Au and 0.25% Sb equate to 2–2.5 g/t Au_{eq}. Antimony clearly is likely to add considerable value to the Phoenix mineralisation overall, especially as the outlook for the metal is very positive. Copper and silver also tend to occur at elevated levels (up to 0.62% Cu and up to 48 g/t Ag over 1m) within the gold zone and they may also represent valuable by-products of any future production from Phoenix.

The three holes in the **Creek Zone** (Figure 1) intercepted much weaker mineralisation, although two of these holes (PPHRC20 and PHRC21) were quite shallow (due to high water inflows) and the third (PHRC17) reached only the northern margin of the zone. Further exploratory drilling is justified at the Creek Zone, where the target appears to be deeper than in the Breccia Zone. Such drilling should wait until a diamond drill rig is available to manage the high water flows and either deepen the existing holes or drill new ones.

Of particular importance is the presence of another gold-antimony deposit some 225km to the south of Phoenix at Hillgrove, near Armidale, owned by Straits Resources Limited (“Straits”) (ASX Code: SRL). Straits has indicated its intention to re-open the Hillgrove mine in 2006. Straits has also offered to assist Malachite in the evaluation of the Phoenix discovery and consideration of the potential for synergy between the two projects. At some stage in the future, for example, it may be possible to accelerate the development of Phoenix by producing only a bulk sulphide concentrate at Phoenix for transport to Hillgrove and final processing at that facility under a toll arrangement. Straits recently increased its stake in Malachite and is now the Company’s largest shareholder, with 7.4% of issued shares.

Planning is now underway for further drilling at Phoenix, expected to begin in late September or early October. At least 4,000m of drilling is planned, with the main objectives being to test widths and grades of mineralisation in the breccia pipe below 100m depth and to provide information that, together with existing drill data, will enable estimation of a mineral resource at Phoenix to commence. The Company has engaged the services of a recognised mineral resources expert to assist in planning of the next drilling program and to undertake the mineral resource estimation when sufficient data become available.

Mt Ramsay Project, Tasmania (Malachite farming-in)

Drilling at Mt Ramsay was scheduled to commence in May this year but the program was just getting underway at the end of June due to delays with drill rig availability. Nevertheless, the rig is now on site and is currently drilling the first of two holes, each planned to reach 400m in depth. The target at Mt Ramsay is a series of electrical conductors originally identified by analysis of data from a Tasmanian Government airborne geophysical (“EM”) survey conducted in 2002. Two groups of EM anomalies have been identified and the initial two holes will test the northern group of conductors, which are

² Where primary ore forming fluids boil due to release of pressure, depositing gold in the process.

located in rocks of the Crimson Creek Formation, which also hosts the Renison Bell tin deposit, some 23km to the south. The first results from Mt Ramsay drilling are expected by about mid August.

Conrad Silver Project, NSW (Malachite 100%)

Negotiations with native title claimants having an interest in prospective land to the southeast of the main Conrad old workings have finally made significant progress. An access agreement has been drawn up and is currently being circulated to the claimants for signing. Once that has been achieved it must be submitted to the Minister for his consent under Section 31 of the Native Title Act. Only when that is received can Malachite undertake field work on land affected by the Nucoorilma Native Title Claim. With the expectation that this will happen in the reasonably near future, plans are being made to re-commence field work at Conrad during the next Quarter.

Elsmore Tin Project, NSW (Malachite 100%)

No significant new work was carried out on this project during the past Quarter, as the Company's geologists were fully committed at Phoenix initially and later at Mt Ramsay. At this stage it seems unlikely that evaluation of the tin-tungsten-molybdenum mineralisation discovered at Sheep Station Hill will take place until the December Quarter this year. Similarly, further exploration of the alluvial and hard rock tin potential at Newstead will probably have to wait until that period. It is interesting to note, however, that the price of molybdenum has continued to rise strongly to over \$US80 per pound (over \$US175/kg) and at those prices molybdenum adds substantially to the value of the mineralisation discovered by Malachite at Sheep Station Hill.

Copperfield, Queensland (Malachite 100%)

A reverse circulation percussion drilling program, comprising 6 holes totalling 747m, was completed at the Company's Copperfield Prospect in north Queensland in late April. The main target was a narrow quartz-sulphide lode expressed at surface by malachite-rich quartz and gossan, outcropping discontinuously over about 1.5km of strike length. The southern end of this lode is underlain by a strong geophysical (IP) anomaly which was also a target for the recent drilling and two or three of the holes were aimed at surface ironstones that could represent gossans over parallel repetitions to the west of the main lode. One hole targeted surface copper mineralisation in granite.

The best assay results from this drilling were in CFRC04 and comprised 1m at 1.17% Cu, 0.09 g/t Au and 14.6 g/t Ag from 55 to 56m down-hole and 8m at 0.11% Cu from 73 to 81m (EOH) down-hole. Slightly elevated copper values and very weakly anomalous gold values were recorded in some of the other holes but no significant intercepts were made.

CFRC04 was drilled into granite, whereas each of the other holes penetrated a sequence of thinly bedded turbidite sedimentary rocks. Chalcopyrite, the ore mineral of copper, was noted on fracture surfaces and as rare disseminated grains in a number of places within the turbidites and occurs as narrow massive sulphide veins, together with pyrite, and as disseminations in the granite. No discrete lode structure was recognised in the drill holes and it is assumed therefore that the lode, which is so prominent at surface, is at best discontinuous at depth.

The high surface copper values in the lode outcrops are thought to reflect surface enrichment of copper, leached out of the weakly mineralised turbidite in the near-surface environment and concentrated in the quartz-rich parts of the lode structure; gold and silver may have been enriched in a similar manner. The IP anomaly appears to be due to fine, disseminated pyrite, with only trace chalcopyrite.

No further exploration at Copperfield is justified by the reconnaissance drilling results and the tenement will not be retained within the Company's exploration portfolio.

Lynd River, Queensland (Malachite 100%)

No field work has yet been undertaken at Lynd River but compilation of previous exploration data continued, together with re-interpretation of existing geophysical and geochemical data for the area. It appears that most of the targets exist under shallow cover (<100m) but some may outcrop. An initial field investigation is planned for August this year.

Boonoo Boonoo Gold-Silver Project, NSW (Malachite 40%);

Rivertree Silver Project, NSW (Malachite 40%)

These two properties have been farmed out to Macmin Silver Ltd., which has not yet commenced further exploration on the ground.

AGI Database Project

No activity in the past Quarter.

Forward Plans

July and August will see the primary focus on the Mt Ramsay Project in Tasmania, where drilling of the first of two initial drill holes has recently commenced. At Phoenix, preparation for the next stage of exploration drilling, leading on to initial resource estimation, will continue, with drilling expected to re-commence by early October. Field reconnaissance will be carried out at Lynd River in August. Some field work may be undertaken at Elsmore during this Quarter, but the main intended follow up is not expected to occur at Sheep Station Hill and Newstead until the December Quarter. If, as is hoped, the Company receives the Minister's consent to explore on native title land at Conrad during the September Quarter there will be some initial exploration along strike from the Conrad mine, probably mapping and geochemistry mainly, possibly with a geophysical (IP) survey to follow. The Company will continue to consider new acquisition opportunities as they arise.

Corporate

During the past Quarter \$169,371.50 in new capital was raised by the issuance of 1,693,715 new shares at 10 cents. The Company now has 54,078,480 shares on issue.

Exploration expenditure during the period under review amounted to approximately \$475,000.

Further Information

For further information please contact Garry Lowder on (02) 9415 6833 or by email at glowder@malachite.com.au.



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