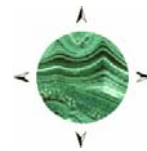


Malachite Resources NL

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QUARTERLY REPORT 3 Months Ending 31 December 2003

HIGHLIGHTS

Tooloom Gold Project, NSW

- **VERY ENCOURAGING INITIAL DRILL RESULTS AT TOOLOOM**
 - All five holes drilled at the **Phelps** prospect intersected long intervals of low grade gold mineralisation hosted by hydrothermal breccia, altered sandstone and intrusive porphyry;
 - The best mineralisation occurs within hydrothermal breccia: e.g. PHRC02 intersected 79 m of 0.72 g/t Au, 248 ppm Cu and 1744 ppm Sb, with individual 1 m values within this intercept of up to 2.68 g/t Au, 1105 ppm Cu and >2.5% Sb;
 - The breccia lies within a broad gold-in-soil geochemical anomaly, covering at least 3 km² and believed to represent a large, barely exposed, porphyry-related gold system;
 - Initial drilling tested only the northern end of this system; further field work shows that the breccia is wider and surface rock gold values are higher (up to 4.21 g/t Au) in the southern part of system;
 - Drilling is yet to take place at several other prospects, including an outcropping gold-bearing porphyry body at **Joes Gully**, about 5 km south of Phelps.

Elsmore Tin Mine, NSW

- Option to purchase 100% interest in dormant alluvial tin mine at **Elsmore**, in northern NSW, acquired;
- Substantial resources amenable to low cost alluvial mining and simple gravity concentration are thought to remain at Elsmore;
- An excellent opportunity for the Company to establish a cash flow rapidly and cheaply at a time when tin prices are rising strongly.

Corporate

- \$334,350 raised through share purchase plan;
 - Exploration expenditure for the Quarter was \$366,000.
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Tooloom Gold Project, NSW (Malachite 100%)

A preliminary reverse circulation percussion drilling program, totalling 614m in five holes, was completed at the **Phelps prospect**, which is the first gold target the Company has drilled at Tooloom. All five holes intersected low grade gold mineralisation over most of their lengths and there are significant intervals of higher grade (see Table 1). Although grades obtained to date are low overall, the results are seen as strongly encouraging, given the length of the intercepts and the persistence of mineralisation from metre to metre down-hole. For example, every metre within the 77m to 156m interval in PHRC02 contains gold, in the range 0.23 to 2.68 g/t Au, and anomalous gold is present throughout the remainder of the hole, with values generally in the range 0.05 to 0.93 g/t Au.

The best mineralisation is developed in hydrothermal breccia¹, where separate 1 metre assay samples range up to 5.45 g/t gold, 41 g/t silver, 0.2% copper and >2.5% antimony. Elsewhere the gold is hosted by altered sandstone of the Emu Creek Formation and to a limited extent by porphyritic intrusives. Pyrite, pyrrhotite, arsenopyrite, stibnite, minor chalcopyrite and traces of galena and molybdenite accompany the gold mineralisation. This sulphide mineral assemblage is consistent with an interpretation that the Phelps mineralisation is part of a porphyry-related system with considerable upside potential.

Table 1: PHELPS PROSPECT: SUMMARY OF DRILL INTERCEPTS

HOLE No.	AZIMUTH	INCLINATION	TOTAL DEPTH m	FROM m	TO m	LENGTH m	GOLD g/t
PHRC01 Including And	197°M	-60°	204	2 22 22	204 58 90	202 35 68	0.16 0.35 0.27
PHRC02 Including Including And And And	022°M	-57°	174	11 77 100 113 139 150	174 156 103 118 141 155	163 79 3 5* 2 5	0.42 0.72 1.16 0.63 1.85 1.12
PHRC03	320°M	-55°	54	2	54	52	0.20
PHRC04 Including	318°M	-57°	84	1 67	84 68	83 1	0.25 5.45
PHRC05 Including	098°M	-50°	98	1 27	98 29	97 2	0.16 1.50

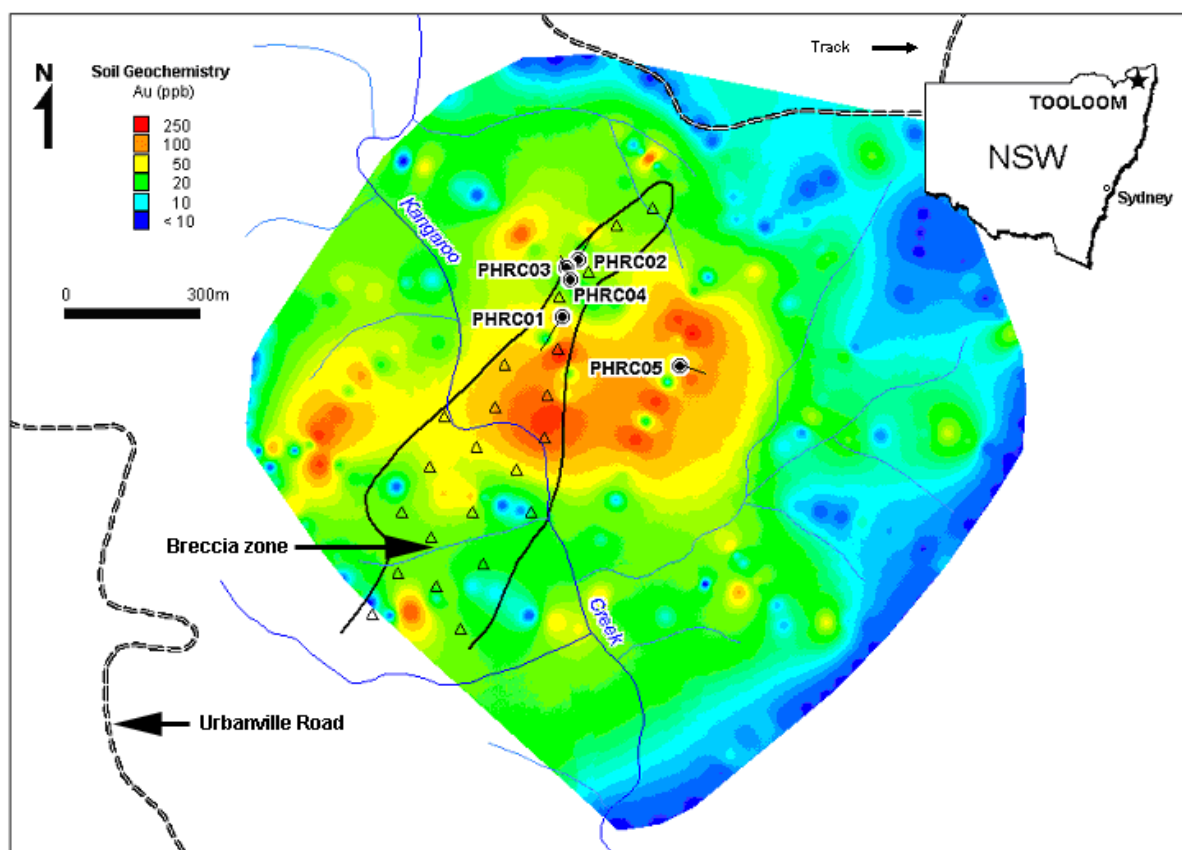
* This interval also contains 1.23% Sb.

The drilling conducted to date is very much of a preliminary nature and the size and shape of the breccia body are not yet well defined. All of the initial drilling was concentrated in the vicinity of the northern end of the breccia, east of Kangaroo Creek, as this is where the breccia was first identified, mapped and sampled (see Figure 1). While the drilling was underway, further geological mapping and soil and rock chip geochemical sampling extended the identified breccia zone across to the western side of Kangaroo Creek. Significantly, the breccia zone is much wider at surface in this area (up to 400m, compared with around 100m in the northern section, see Figure 1) and assays of samples from rock outcrops are higher, with one sample recording 4.21 g/t Au. The breccia zone has been mapped for 1.2 km from north to south, is still open to the south, and lies within a broad gold-in-soil anomaly covering more than 3 km².

It is too soon to draw conclusions about the ultimate potential of the Phelps system. While gold mineralisation does seem to be best developed within the breccia, it is not by any means confined to the breccia. PHRC05, for example, was drilled into altered sandstone well outside the breccia outcrop (Figure 1) but nevertheless intercepted mineralisation with an overall grade similar to that in PHRC01, drilled within the breccia zone (Table 1 and Figure 1). At this early stage attention should be focussed on the size, intensity and consistency of the Phelps mineralised system, rather than the grades obtained in initial drilling. The mineralisation intersected to date is open at depth and, as recent surface work shows, the greater part of the system is yet to be tested by drilling. There is ample scope for a very substantial ore deposit to lie within the more than 3 km² over which anomalous gold is known to extend at surface.

¹ Hydrothermal breccia: rock that has been explosively fragmented below the surface and then healed in place by later deposition of quartz and sulphides.

Figure 1: DRILL HOLE LOCATION PLAN, GOLD SOIL GEOCHEMISTRY AND LOCATION OF BRECCIA ZONE, PHELPS PROSPECT

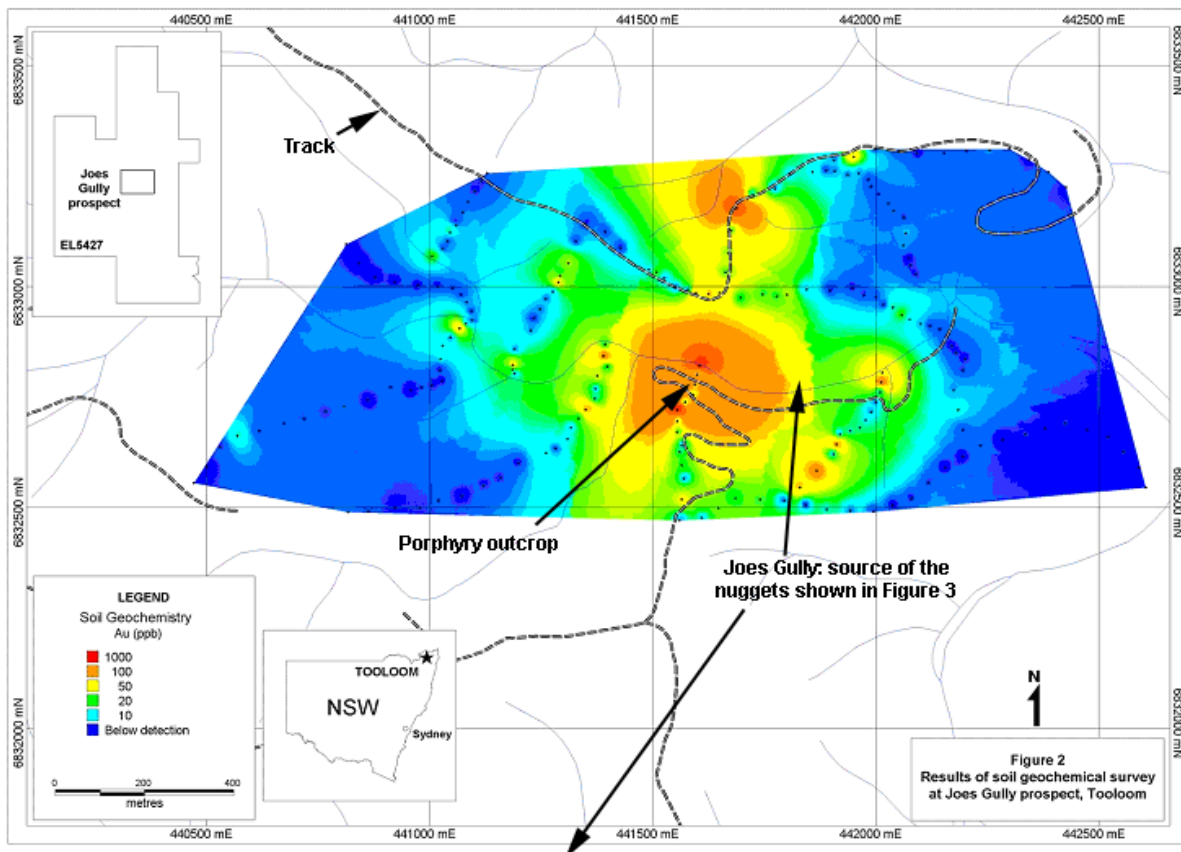


It had been intended to drill some of the other targets at Toooloom before the end of 2003 but after several wet weather and mechanical delays, this proved to be impossible. However, it is anticipated that a number of additional prospects will be drilled in the first half of 2004, when follow up drilling will also take place at the Phelps prospect.

The results to date at Phelps have considerably enhanced the attractiveness of the other Toooloom prospects, especially the outcropping, gold-bearing porphyry at **Joes Gully**, 5 km to the south of Phelps. No breccia has yet been identified at Joes Gully but there is a gold-in-soil anomaly similar to that at Phelps (see Figure 2), higher gold and silver values have been reported in outcrop samples (up to 13.3 g/t Au and 96 g/t Ag), and there is a much better developed alluvial gold train than at Phelps. Indeed, alluvial gold mining took place in Joes Gully as recently as 2001.

Figure 3 illustrates gold nuggets recovered in modern alluvial mining in Joes Gully. Significantly, these nuggets consist of intergrown coarse gold and quartz, implying a nearby source containing gold-bearing quartz veins. The gold-in-soil anomaly shown in Figure 2 and the recently mapped and sampled Joes Gully porphyry are located just upstream from where these nuggets were recovered. There would appear to be excellent potential for discovery of a second centre of significant gold mineralisation at Joes Gully. Drill testing of the Joes Gully area is therefore a high priority.

Figure 2: GOLD SOIL GEOCHEMISTRY AT JOES GULLY.



**Figure 3:
NUGGETS RECOVERED FROM JOES
GULLY, ca. 1998**

The Joes Gully nuggets comprise coarse gold intergrown with vein quartz.

Scale:

3 cm

Elsmore Tin Project, NSW (Malachite option to acquire 100%)

In November, 2003, the Company, through its wholly owned subsidiary, Elsmore Mining Pty. Ltd., secured an opportunity to establish a significant cash flow by acquiring an option to purchase the Elsmore alluvial tin mine, located in northern New South Wales, approximately 16 km east of Inverell and about 25 km from the Company's Conrad silver project. The aim is to fund the Company's growth through gold and silver exploration with earnings from tin mining at Elsmore.

The Elsmore property represents an opportunity for low-cost entry by Malachite to the tin industry at a time when the tin price has appreciated strongly, underpinned by increasing demand, diminishing stockpiles and the recovering world economy. The London Metal Exchange ("LME") tin price has improved by over 50% since the beginning of 2003 to current levels of approximately \$US6,500 per tonne. As shown in Figure 4, the price of tin in Australian currency fell in the first half of 2003, mainly due to the appreciation of the Australian dollar against the US dollar. However, since mid 2003, the AUD price of tin has increased significantly, notwithstanding the continuing appreciation of the Australian currency relative to the US currency.

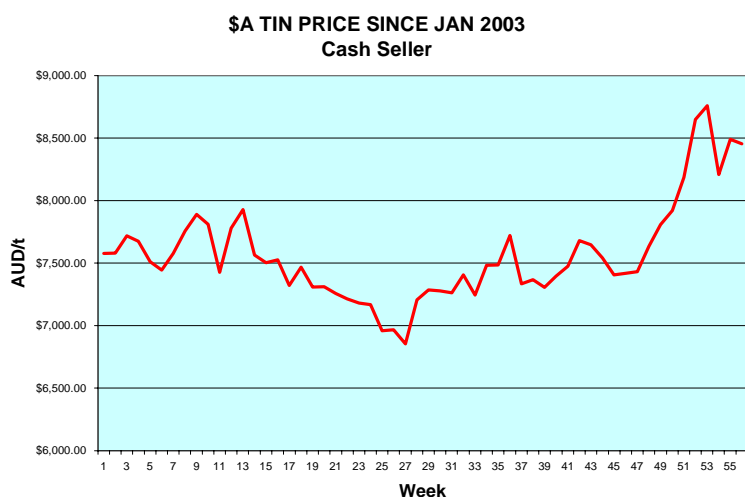


Figure 4:

LME TIN PRICE (IN AUSTRALIAN CURRENCY) SINCE JANUARY 2003

Both the land and the minerals at Elsmore (excluding gold) are owned privately and Malachite has been granted a 12 month option to purchase the land, minerals and on-site infrastructure, with a view to reopening the mine. Because of this private ownership, no mining lease would be required for mining and no Government royalties would be payable from tin production. Malachite has paid the current owners a non-refundable option fee of \$25,000 and advanced a further \$40,000 on a refundable basis. During the option period Malachite will investigate the scope for early production of alluvial tin and, for the longer term, primary (hard rock) tin, kaolin (a substantial deposit of high quality kaolin occurs on the property) and other minerals that may occur within the Elsmore mineralised system. The exercise price of the option is \$4 million, payable in four annual instalments of \$1 million each, commencing immediately upon exercise of the option.

Malachite has also applied for and been offered an exploration licence over a 300 km² area surrounding Elsmore and will investigate a number of recorded silver prospects, other old hard rock tin workings and several known alluvial tin deposits within that area which could represent additional production for the Company if the reopening of Elsmore goes ahead.

Field work at Elsmore has commenced and the Company's efforts will be focussed on delineating mineable resources of tin (i.e. actually cassiterite, the tin-bearing mineral) within the several different kinds of tin deposit that occur on the property. In essence these are:

1. **Deep lead** – previous mining of the Elsmore deep lead by the current owner recovered grades of the order of 12 kg/m³ of tin as cassiterite; the lead is covered by up to 20 m of overburden, some of which is tin-bearing tailings from older mining. There is scope for significant volumes of this material but resource definition will require air core drilling.
2. **Alluvial tin** – tin liberated from primary sources by erosion and accumulated and concentrated in natural surface drainages. Most of this type of material is likely to have been mined in the past, as it is easily accessible, but some resources may remain. Testing will be mainly by bulk sampling methods.
3. **Colluvial tin** – tin in soils, weathered bedrock and other soft surface materials. Extensive mining of such material has taken place in the past but substantial areas remain either unmined or with only the soil and not the weathered bedrock removed. To be tested by auger drilling and bulk sampling methods.
4. **Tailings** – the Elsmore property contains at least 10 old tailings dumps from earlier alluvial mining and these are thought to contain from 0.25 to 1 kg/m³ of recoverable tin. Re-mining and re-treatment of some of these tailings deposits may be economically viable and bulk sampling methods will be combined with drilling to assess this possibility.
5. **Laterite** – tin occurs at least locally in laterite (surface ironstone) with grades that suggest some concentration during a previous weathering episode, perhaps during the Tertiary period. Tonnage is likely to be small but grades are encouraging – up to 1.7% Sn having been reported in assays of samples collected by Malachite to date. To be evaluated by further sampling, including bulk sampling.

6. **Primary bedrock** – reconnaissance sampling by Malachite to date has returned some encouraging values of tin in the greisen bedrock that underlies much of the alluvial area at Elsmore. Several areas have been selected for reverse circulation percussion drilling on the basis of interesting tin values in the host greisen and the presence of numerous tin-bearing quartz veins, some with coarse cassiterite in crystals up to 2 or 3 cm in size, typically intergrown with large crystals of smoky quartz. Small quantities of this material are currently being mined by a tributer to produce specimen quality samples of cassiterite.

The Elsmore property also contains a substantial deposit of high quality kaolin. Some attention will be given to evaluating the economic potential of the kaolin deposit but this work is of secondary priority in relation to assessment of the potential for economic tin deposits.

Conrad Silver Project, NSW (Malachite 100%)

Minimal field work was conducted at Conrad in the Quarter, pending resolution of native title issues on Crown land adjoining the existing mining leases at the main old Conrad workings. Access to this land is required for effective field operations, including further drilling. The terms of the Company's exploration licence prohibit work on land on which native title exists without the prior written consent of the Minister for Mineral Resources. The Company requested the Minister's consent in April, 2003 and this activated the right to negotiate procedures under the *Native Title Act 1993 (C'th)*. A notice as required under Section 29 of the Act of was published by the Department of Mineral Resources on 24 September 2003. The notification day nominated in this notice was 9 October 2003 and, under Section 30 of the Act, persons have until three months after that date (i.e. to 9 January 2004) to take steps to become native title parties in relation to the notice.

Meanwhile, field activity has been largely restricted to rehabilitation work on areas disturbed by drilling conducted in the June Quarter of 2003.

Boonoo Boonoo Gold-Silver Project, NSW (Malachite 100%)

An initial program of reconnaissance RC drilling comprising 14 holes and a total of 917 m was completed at the Boonoo Boonoo gold-silver property in November. This followed a short program of soil geochemistry and a geophysical survey, utilising the IP technique.

The best result from drilling was obtained for one of the holes drilled at the Star of Hope (formerly called Browns) Lode, with a 1m intercept of 6.25 g/t Au and 285 g/t Ag. Other intercepts obtained were generally of low tenor, although the intercepts in the Demonstration and Golden Crown Lodes show some promise. Anomalous intercepts obtained at Boonoo Boonoo are listed in Table 2.

Table 2: BOONOO BOONOO PROJECT: SUMMARY OF ANOMALOUS DRILL INTERCEPTS

HOLE No.	AZIMUTH	INCLIN-ATION	TOTAL DEPTH m	FROM m	TO m	LENGTH m	GOLD g/t	SILVER g/t
Specimen Gully Lode (northern end)								
BBRC01	148°M	-50°	54	31	32	1	0.26	10.2
BBRC05	143°M	-70°	66	46	47	1	0.22	11.1
BBRC06	130°M	-50°	78	18	19	1	0.22	1.5
Star of Hope Lode								
BBRC02	302°M	-55°	54	33	34	1	6.25	285
BBRC03	309°M	-51°	42	21	22	1	0.38	25.3
BBRC04	130°M	-54°	72	47	48	1	0.63	7.8
Demonstration Lode								
BBRC10	105°M	-50°	60	30	31	1	1.93	120
Golden Crown Lode								
BBRC11	350°M	-50°	42	29	42	13	0.35	0.6
Including				36	37	1	0.74	0.8

Further reconnaissance drilling is justified at the Star of Hope Lode, where the best intercept is in the southern-most hole (BBRC02). The only other holes in this lode (BBRC03 and BBRC04) are 90 m to the northeast. There is thus scope to follow up on the high grade intercept obtained by drilling between BBRC02 and the other holes, as well as to the southwest of BBRC02, where the lode can be traced at surface for about 30 m before disappearing under cover. Furthermore, the adjacent Specimen Gully Lode has been tested only at its northeastern end, by holes BBRC05, -06 and -07, and at its far southwestern end by BBRC08. The most intensively worked central part of the lode was not accessible for the recent program, as some track construction would be required. A further four or five RC holes may therefore be drilled into the Specimen Gully/Star of Hope Lodes at an appropriate time in the future.

Rivertree Silver Project, NSW (Malachite 100%)

Five further RC holes, totalling 588 m, were drilled at Rivertree, four to test the Spring Gully Lode and one to test a geophysical anomaly at Silver King. This followed an IP survey aimed at better delineation of drill targets. Up to four discrete lodes were recognised in the Spring Gully drilling but grades overall were low. The one hole at Silver King did not intersect significant mineralisation nor adequately explain the geophysical anomaly. The best results from Spring Gully drilling are listed in Table 3. No further work is planned at Rivertree for the time being.

Table 3: RIVERTREE PROJECT: ANOMALOUS DRILL INTERCEPTS

HOLE No.	AZIMUTH	INCLIN-ATION	TOTAL DEPTH m	FROM m	TO m	LENGTH m	GOLD g/t	SILVER g/t
Spring Gully Lode								
SGRC01	112°M	-50°	108	37 58	39 59	2 1	0.09 0.12	64.5 47.9
SGRC02	292°M	-50°	126	36	38	2	0.29	36.7
SGRC03	110°M	-50°	102	41	42	1	0.30	49
SGRC04	290°M	-50°	144	96 106 125	98 107 126	2 1 1	0.09 0.46 0.06	60 1.2 22
Silver King IP Anomaly								
SKRC03	280°M	-50°	108	54	55	1	0.03	16

AGI Database Project

Research utilising the AGI Database, which is an outcome of the Company's alliance with BHP Billiton, continued but no new tenement applications or other acquisitions were made.

At the end of the Quarter a report on AGI activities in 2003 was prepared and submitted to BHP Billiton, as required under the AGI Agreement. A meeting was then held with representatives of BHP Billiton and it was agreed that Malachite can have continued access to the AGI Database in 2004. Malachite wishes to focus its attention on the search for more gold-silver-copper properties like the two already generated at Copperfield and Lynd River.

Forward Plans

Tooloom will be a key focal point for the Company in the next few months. Follow up at Phelps will be given high priority and is expected to involve an IP survey over the prospect and extension of the mapping and soil sampling that has been so effective in delineating the system to date. Drilling originally planned for 2003 at Joes Gully and several other prospects at Tooloom should also be underway by April.

The March Quarter 2004 will also see the Company concentrate considerable effort on evaluating the Elsmore tin opportunity, with a view to reaching a decision point by the end of the June Quarter. If justified by results, the Company hopes to be producing tin at Elsmore by early 2005.

Once the right to negotiate process has been completed at Conrad, hopefully by the end of March, an IP survey will be conducted along the southeastern extension of the main line of lode and in the

vicinity of possible repetitions of the Conrad setting, as defined by interpretation of aeromagnetic data. IP anomalies will be followed up with lines of soil geochemistry and possibly trenching to help define drill targets. Further drilling is expected to then take place in the June or September Quarter, possibly in conjunction with RC drilling planned for the nearby Elsmore tin mine.

No field work, other than disturbed site rehabilitation, is planned for Rivertree or Boonoo Boonoo in the next Quarter.

Expenditure

Exploration expenditure during the period under review amounted to approximately \$366,000.

Further Information

For further information please contact Garry Lowder on (02) 9415 6833 or 0417 212 099, or by email at glowder@malachite.com.au.



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27 January, 2004