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## QUARTERLY REPORT 3 Months Ending 30 June 2007

### KEY RESULTS

#### Conrad Silver Project, NSW

- Resource estimation drilling progressing very well.
- A total of 2,153 metres of drilling was completed.
- Multiple high grade lodes intersected, most with significant mineralised envelopes.
- Bulk tonnage style silver/base metal mineralisation also being defined.
- First resource estimate expected in September Quarter.

#### Tooloom Gold Project, NSW

- Aeromagnetic targets under cover at Phoenix tested by drilling.
- Hydrothermal alteration encountered but no significant mineralisation.
- Newmont has elected to withdraw from farm-in.

#### Mt Isa Region Copper Projects, Qld.

- Field work resumed at Mt Lidster and Volga Elderberry.
- Initial focus on ground-based electromagnetic survey.
- Significant anomalies identified, with results currently being interpreted.

#### Elsmore Tin/Tungsten Project, NSW

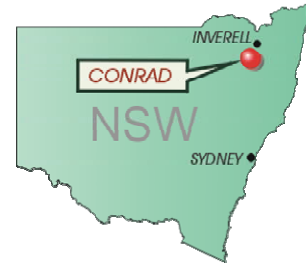
- Results of bulk sampling at Sheep Station Hill received.
- Variable but internally consistent assay results.
- Open pit mining potential downgraded.

#### Corporate

- Exploration expenditure during the Quarter was approximately \$955,000 (including \$250,000 contributed by Newmont).

### Conrad Silver Project, NSW

During the past Quarter detailed drilling at Conrad for resource estimation purposes progressed very well. This drilling continued to delineate excellent narrow vein, high grade, silver-rich, polymetallic base metal mineralisation in the vicinity of the King Conrad Shaft, together with a broad lower grade, bulk tonnage style mineralised zone (“Greisen Zone”) located between the Conrad and King Conrad lodes near the King Conrad Shaft.



**Figure 1: Conrad Silver Project: Location Map**

From April to June, 2007, nine new holes were completed and three more were extended, for a total of 2,153 metres of drilling, 75% of which was diamond drilling. Assays of mineralised intersections in holes CMDD39 to CMDD44 should be available very soon. Visual inspection of the core indicates that very attractive narrow lodes of massive sulphide mineralisation have been intersected over true widths in the order of 0.5 to 1m. In most cases the massive sulphide lodes are enclosed in envelopes of significant stringer and veinlet mineralisation, giving potential mining widths of several metres.

Assay results for holes drilled in the March Quarter at Conrad were received and released in three ASX announcements during the June Quarter. Details will not be reproduced here but can be found at:

[Drilling Report #1; 23 April 2007] - <http://www.malachite.com.au/pdf/asx/2007/MAR%20-%20ConradSilverDrillingReport1%2023042007.pdf>

[Drilling Report #2; 1 May 2007] - <http://www.malachite.com.au/pdf/asx/2007/MAR%20-%20Exploration%20Update%201%20May%202007.pdf>

[Drilling Report #3; 1 June 2007] - <http://www.malachite.com.au/pdf/asx/2007/MAR%20-%20Conrad%20Silver%20Drilling%20Report%201June07.pdf>

The Company has engaged the services of Cube Consulting Pty. Ltd., of Perth, WA, to assist it with mineral resource estimation in a manner compliant with the requirements of the JORC Code<sup>1</sup>. An initial estimate for resources in the King Conrad part of the system currently being drilled is expected in the September Quarter. During the next Quarter the drill rig will move on to the Davis Shaft area with a view to delineating additional near surface resources in that part of the Conrad Lode system.

Figure 2 below contains a diagrammatic composite longitudinal section of the Conrad Lode System, showing (i) known historic mining, (ii) the area where Malachite’s recent drilling has been concentrated (King Conrad Shaft area) that will be the basis of the initial resource estimate, and (iii) the proposed site of the next phase of resource drilling near Davis Shaft.

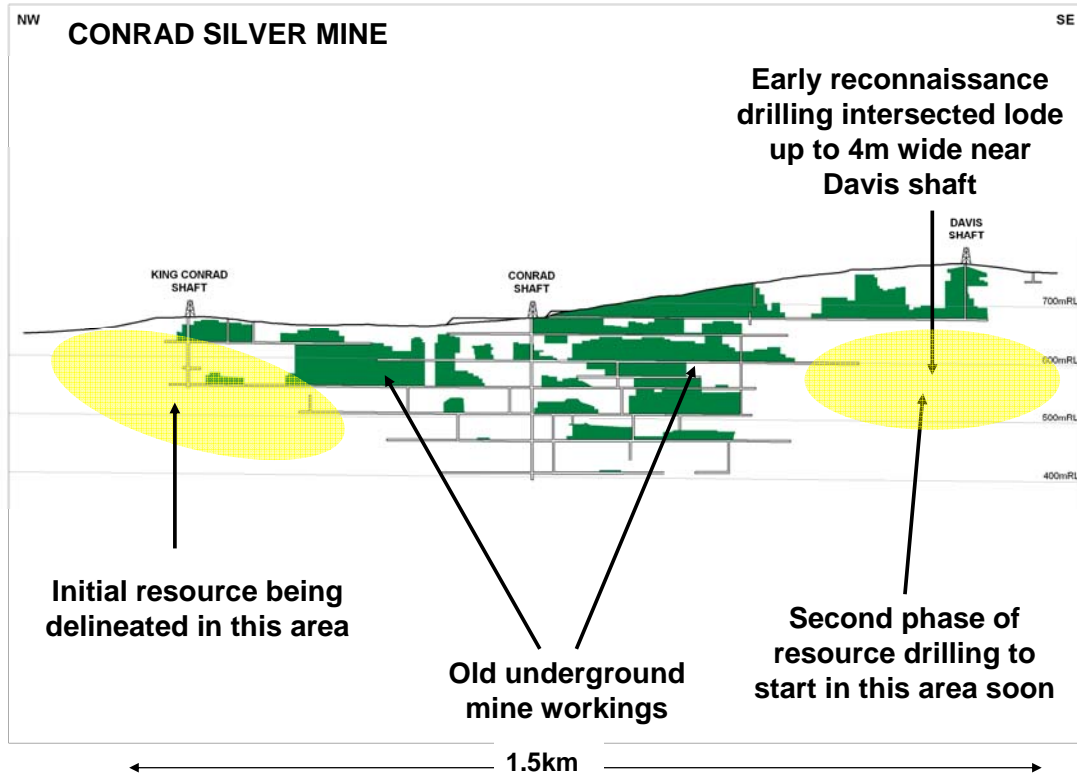
Figure 3 is a similar diagram in which the results of historic underground sampling for lead have been superimposed. Malachite’s results indicate a very strong correlation between lead and silver at Conrad, so the lead shoots shown could be considered as proxies for silver-rich shoots. The southeasterly plunge of these mineralised shoots is apparent, together with the very considerable deeper potential of the Conrad system, located beneath the historic mining.

As previously reported, the Conrad mineralisation contains significant amounts of the rare and very valuable metal indium, which currently enjoys a price around 2.5 times that of silver. Research to determine the mineralogical host of the indium at Conrad is yet to be undertaken, but a statistical analysis of metal assay values carried out in the June Quarter

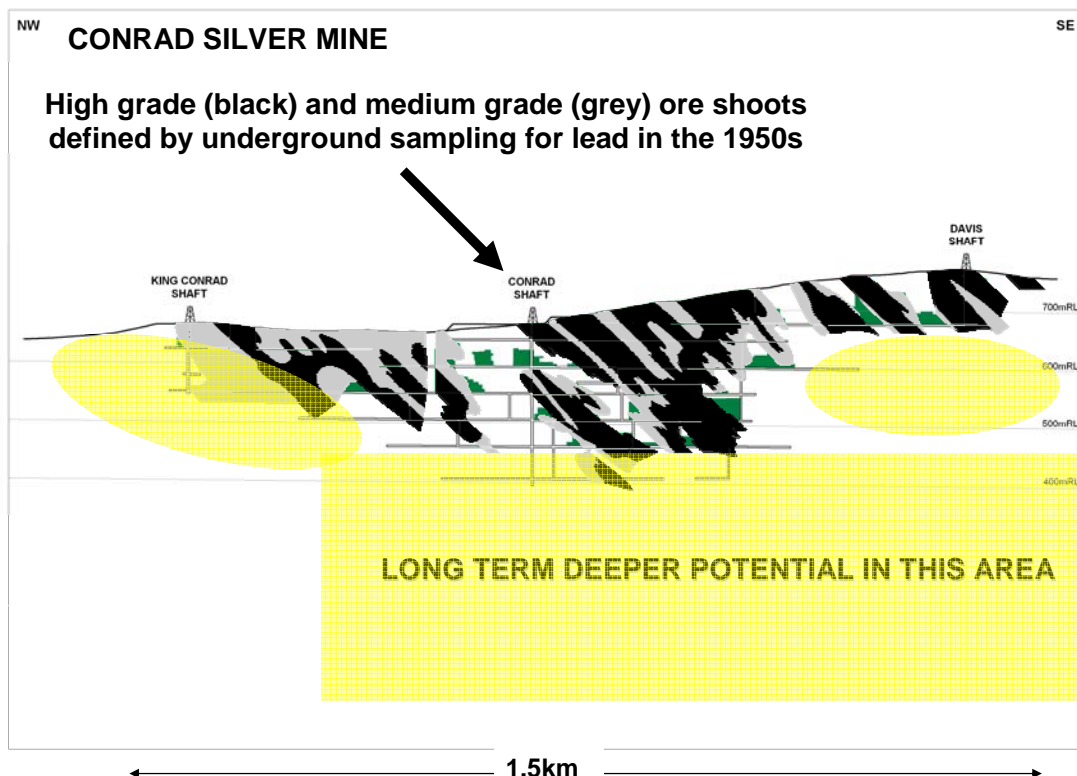
<sup>1</sup> JORC Code: The Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004. (Joint Ore Reserves Committee).

showed that indium correlates very highly with zinc (correlation coefficient of 0.95), suggesting that recovery of indium into a zinc concentrate is likely. That has commonly been the experience elsewhere in the world where indium is an economic by-product.

**Figure 2: Longitudinal composite section of the Conrad Lode System, showing areas of current and future resource delineation.**

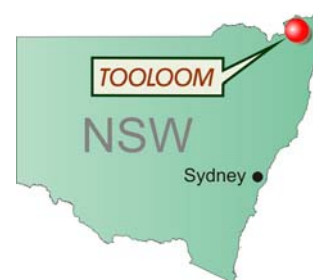


**Figure 3: Longitudinal composite section of the Conrad Lode System, showing lead-rich ore shoots delineated by underground sampling in the 1950s.**



### Tooloom Gold Project, NSW

Exploration at Tooloom is being conducted under a farm-in arrangement with Newmont Australia Limited (“Newmont”). Malachite is operating the exploration program, with substantial input from Newmont in terms of both technology and personnel. The technical content of the program is under the overall control of Newmont.



**Figure 4: Tooloom Gold Project: Location Map**

During the past Quarter, field work concentrated on initial drilling of aeromagnetic anomalies identified in the northern part of the Phoenix area, with one hole each drilled into the Phoenix 2 and Phoenix 3 zones. Some follow up drilling at the main Phoenix target (Phoenix 1) also took place.

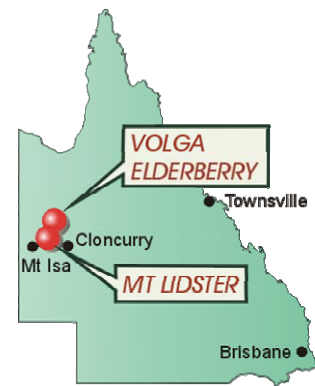
Results were generally disappointing, with neither of the covered geophysical targets (Phoenix 2 and 3) yielding mineralised intercepts. Hole PHDD28 was drilled to a depth of 176.5m in the Phoenix 2 anomaly. It penetrated 84.9m of Jurassic cover rocks before encountering relatively fresh 70K Tonalite. From around 155m to the end of the hole quite strongly altered tonalite was intersected but no mineralisation accompanied the alteration. Drill hole PHRD30 was also disappointing, penetrating 77.5m of cover rocks before intersecting sedimentary rocks of the Emu Creek Formation. These are somewhat altered locally, but no mineralisation was encountered and the hole was terminated at a depth of 133.8m. At Phoenix 1 a diamond core tail was added to a previous hole (PHRC07) and two reverse circulation percussion holes (PHRC27 and 29) were drilled in the southeastern portion of the system. Sporadic weakly anomalous gold intercepts (up to 0.5g/t Au) were obtained but there were no economic intersections.

Newmont has now advised Malachite that it does not wish to proceed to the next stage of the farm-in at Tooloom and that it will withdraw from the project at the end of July, 2007. This reflects Newmont’s view that the potential for “Newmont-sized” targets at Tooloom has been adequately tested and that their funds are better directed to higher priorities elsewhere. Newmont has spent over \$1 million at Tooloom since July 2006, focussing on airborne geophysical surveys, mapping and geochemical data collecting, with only 712m of drilling completed.

Malachite will thus now retain a 100% ownership interest at Tooloom, with a greatly enhanced database and numerous untested targets that offer gold potential very material to Malachite. These include undrilled parts of Phoenix and targets at Joes Gully, Cullens, Back Creek, Bill Jeffries and elsewhere within the 550km<sup>2</sup> tenement package that constitutes the Tooloom Gold Project. This represents a significant opportunity for Malachite to focus on next year as Conrad moves on from the pure exploration stage into pre-development studies. The Tooloom project will be given low priority for the rest of 2007 while human and financial resources are concentrated on Conrad and on the exciting copper potential emerging at Mt Lidster and Volga Elderberry in northwest Queensland, where field work is strictly seasonal. Tooloom will come very much back into focus during and after the next tropical “wet season” from December to April.

### **Mt Lidster & Volga Elderberry Copper Projects, Queensland**

With the end of the tropical wet season, which severely restricts access, field work has resumed at these copper projects located east and northeast of Mt Isa (Fig. 5). At **Volga Elderberry** a 7x1km grid was laid out and then a ground electromagnetic (EM) survey, using a Terratem system, was undertaken. The survey was conducted on lines 100m apart and used a 50x50m moving loop configuration. Although results are still being interpreted, it is clear that numerous conductors have been identified, both at the Volga prospect (where prior drilling intersected 13.8m @ 2.9% Cu, including 2.5m @ 11.9% Cu) and elsewhere on the tenements. Some prospecting and rock chip geochemical sampling was also carried out at the Volga and Nitpicker prospects, with individual samples assaying up to 13.45% Cu and (separately) 2.57g/t Au.



**Figure 5: Location map for Malachite copper projects in NW Qld., showing Mt Lidster and Volga Elderberry**

At **Mt Lidster**, where Malachite has already conducted drilling with encouraging results (see ASX release dated 30 January 2007:

<http://www.malachite.com.au/pdf/asx/2007/MAR%20-%20MtLidster%20RC%20DrillResults%20300107.pdf>) the Terratem

survey also identified significant conductors, including some that have been drilled by Malachite and some that have not yet been drilled. On the basis of the Terratem results a more limited fixed loop survey using a Crone PEM system was conducted as well. This confirmed that a very interesting conductor exists to the west of the outcropping mineralised structure that has been the focus of drilling to date. The new feature is now also interpreted as a good target for future drilling.

To allow more time for completion of the EM surveys and interpretation of the results at Mt Lidster the vendor of the tenement (Volga Elderberry Pty. Ltd.) agreed to an extension to Stage 1 of Malachite's existing option over the property to 13 September 2007.

A drill rig has been sourced and will be available to commence drilling at Volga Elderberry and further drilling at Mt Lidster in September.

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

During the Quarter assays were received for 31 bulk samples (each approximately 300kg in size) that were collected at **Sheep Station Hill** in the previous Quarter. The bulk samples were excavated from some of the linear, sub-parallel outcrops of tin/tungsten-bearing greisen lodes that are spread across the hill. Each sample site was represented by three assay samples split from the crushed and homogenised bulk sample.



**Figure 6: Elsmore Tin project location map**

The results within each sample group are generally quite consistent, indicating that the crushing and homogenisation process was effective. However, the results between each sample group, representing the 31 original bulk samples, vary widely, from a low of 195ppm tin (Sn) to a high of 1.20% Sn, averaging 1389ppm Sn. Tungsten values also vary significantly, from a low of <10ppm WO<sub>3</sub> to a high of 0.36% WO<sub>3</sub>. The highest tungsten sample also contains 0.33% Sn, while the highest tin sample contains only 93ppm WO<sub>3</sub>. A few samples also contain elevated bismuth (to a maximum of 1227ppm Bi) while only one sample contained elevated molybdenum (106ppm Mo). The maximum copper value was 850ppm Cu.

These results downgrade the potential for an open pit tin/tungsten resource at Sheep Station Hill, although the distribution of the better values needs to be examined to see if there are any patterns that suggest some parts of the hill are better mineralised than others.

### **Mt Ramsay Project, Tasmania**

Malachite has withdrawn from the Mt Ramsay Project as exploration results there have been only moderately encouraging and the Company now has much better targets in northern NSW and northwest Queensland.

### **Rivertree & Boonoo Boonoo Silver Projects, NSW**

Macmin Silver Ltd. has earned a 75% interest in these two properties. No new results of significance were generated in the past Quarter.

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

No new activities were undertaken during the past Quarter.

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

No new work has been undertaken since the last report.

### **Corporate**

Exploration expenditure in the period was \$955,000, including an amount of approximately \$250,000 that was contributed by Newmont as part of their obligation to fund the Tooloom Project under the farm-in agreement.

### **Forward Plans**

The primary focus for Malachite in the coming months will be the delineation of resources at Conrad. This project clearly has the potential to be a “company-maker” for Malachite and as such it must be given top priority. Some further work will take place on the Mt Isa region copper projects, where in the short term the key effort will be to complete the interpretation of geophysical results and the identification of targets for a reconnaissance drilling program scheduled for September-October. Some low key follow up work is also likely at Elsmore (Newstead prospect) and at Abington.

### **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  
18 July 2007

*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.*