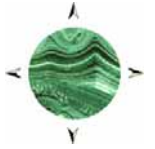


Malachite Resources NL

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



QUARTERLY REPORT 3 Months Ending 31 December 2006

HIGHLIGHTS

Tooloom Gold Project, NSW

- Newmont farm-in gathers momentum.
- Helicopter-borne aeromagnetic coverage extended to entire EL.
- Aeromagnetics indicate exciting new target under shallow cover north of Phoenix.
- New gold-bearing intrusive centre identified at Dividing Creek.
- High grade gold assays from new outcrop sampling near Joes Gully.
- Drilling to commence in March or April.

Conrad Silver Project, NSW

- Electrical geophysics successfully defines extension of King Conrad lode for 250m to northwest.
- Native title right to negotiate process completed, allowing access to all prospective land at Conrad.
- Drilling on previously excluded land northwest of King Conrad successfully intersects lode for further 200m along strike.
- Low grade disseminated greisen zone intersected in several holes, with grades implying significant bulk tonnage potential.
- Detailed resource drilling about to commence.

Mt Lidster Copper Project, Qld.

- Further drilling intersects more primary copper mineralisation.
- Grades and widths variable, but widths up to 12m encountered.
- Mineralisation poddy within structure but locally very high grade.
- E.g. highest 1m assay sample: 15.05% Cu.
- Best drill hole result is in MLRC09: 18m @ 2.4% Cu, including 2m @ 9.8% Cu.

Corporate

- \$4.3 million in new capital raised through placements.
- Exploration expenditure during the Quarter was approximately \$465,000.

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.



Figure 1: Tooloom Gold Project: Location Map

During the past Quarter, field work has concentrated on completing regional coverage of surface exploration techniques that are being utilised in defining targets for drilling in 2007. This has included regional coverage with Newmont’s proprietary BLEG_A stream sediment sampling and the flying of a helicopter-borne aeromagnetic and radiometric survey over the entire Tooloom exploration licence area. Selected parts of the project area were also covered with Newmont’s airborne electromagnetic (“EM”) system. Geological mapping, soil geochemical sampling and petrology were also carried out.

Key results of this work are:

- Identification of a new gold-bearing intrusive centre south of the Clarence River at a locality known as **Dividing Creek**, where anomalous gold is associated with the Jenny Lind Granite (see Plate 1). Follow up float and outcrop sampling in Dividing Creek located mineralised rock comprising up to 2% disseminated pyrite and/or arsenopyrite. A wide range of mineralised rock types were identified including vein quartz, intermediate intrusive and Emu Creek Formation sediments (locally with thin quartz stockwork veining). Initial Au assays were up to 0.8g/t Au.
- Application for an additional exploration licence to cover possible extensions of the Dividing Creek anomaly to the east of the existing EL6263. The new ELA 2879, known as “Bruxner”, comprises 84 units (approx. 250 km²) and will be covered with BLEG_A sampling and mapping when granted.
- Reinterpretation of local geology at Joes Gully and recording of some high grade gold values in surface rock chip sampling. Data compilation and additional mapping at the Joes Gully Prospect has generated new ideas as to the nature and possible location of auriferous systems. Follow up soil sampling has been encouraging and drilling of key targets is planned for 2007. Selective rock chip sampling returned gold assays of 152g/t Au at Diorite Dam and 43g/t Au from a shallow dipping bedding – parallel vein proximal to Kenny’s Vein in Kenny’s Creek.
- Further mapping and recognition of new targets at the Frasers prospect. A review of the Frasers magnetic data has highlighted the geological and structural complexity of the area and in addition a zone of phyllic alteration has been defined along the northern margin of the intrusive complex. A solid geological/structural interpretation for the greater Fraser Prospect incorporating the Back Creek, Nine Mile and Eaglehawk Gully prospects is being developed.
- Reinterpretation of existing geophysical and geochemical data has focussed attention on a substantial untested gold anomaly in the south eastern part of the Phoenix system. Additional processing of grid based IP data at Phoenix by Newmont geophysicists is being undertaken to enhance this significant conceptual target, which is expected to be drilled in 2007.
- Heli-magnetic and radiometric coverage was completed for the entire tenement at 100m line spacing and the data are currently being merged with the historical data flown by the Company in 2000.

- Preliminary interpretation of the aeromagnetics has highlighted a very intriguing circular aeromagnetic low in an area of cover by younger rocks to the north of the 70K Tonalite, which adjoins the Phoenix prospect on its northern side. Anomalous drainage geochemistry surrounds this target area.
- The newly recognised low may be the result of a magnetically destructive intrusion or a breccia pipe like that exposed at Phoenix to the south. In either case significant gold mineralisation is possible. The younger cover in this area is thought to be quite thin and this target will be tested in 2007 drilling.
- Additional targets are likely to emerge when the airborne EM data have been processed and interpreted.

Field work at Tooloom has resumed and drilling is expected to follow in March or April.

Conrad Silver Project, NSW

Exploration at Conrad during the past Quarter consisted of geophysical surveying and reverse circulation percussion (“RC”) drilling aimed mainly at testing the northwestern extension of the King Conrad lode. Also during this period, approval to access land subject to a native title claim was finally given, following the signing by all parties of an agreement under Section 31 of the Native Title Act.



Figure 2: Conrad Silver Project: Location Map

Geophysics – A total of 6.7 line-km of electromagnetic surveying, using the EM-34 technique, was carried out in the vicinity of the King Conrad shaft, with a view to enhancing the data already produced by the more elementary VLF-EM technique. Readings were taken along lines roughly orthogonal to the King Conrad lode at 25m centres, with detailed follow up at 5m centres where warranted. Near the old shaft there was significant interference from various cultural features, including a tailings dam, scrap metal stockpiles and waste rock piles. Atmospheric interference also caused some problems at times, especially when electrical storms were active in the region. Nevertheless, very strong EM-34 anomalies were locally evident, particularly in the vicinity of Allwells Shaft. More subtle but distinct anomalies were recorded along the northwestern extension of the King Conrad Lode, with the EM-34 results defining the position of this lode for approximately 250m further to the northwest than previously known from drilling. The EM-34 anomalies also generally correlated with existing VLF-EM anomalies, reinforcing their appeal as future drill targets.

Down-hole EM surveying was also conducted on 11 existing drill holes, with a view to gaining a better, more three-dimensional view of lode distribution at depth. This work indicated that the King Conrad and nearby lodes are moderate electrical conductors but generally should be detectable with standard EM techniques. Off-hole and below-hole anomalies were also identified, providing valuable data for future drill hole planning.

Drilling – A total of 675m of reverse circulation percussion drilling was completed in seven holes during November 2006 (see Plate 2). Most of these holes were targeting the King Conrad lode but some were also intended to provide intersections of the disseminated, low grade greisen zone previously known only from CMRD15, as well as further data on the main Conrad lode in this vicinity.

This drilling was successful, extending the known position of the King Conrad lode a further 200m northwest of previous drilling. Intersections were generally narrow (<1m) and of lower grade than previously recorded for this lode near the King Conrad Shaft. The best intersection was obtained in CMRC23, with 2.2m true width at 105 g/t Ag, 1.74% Pb, 0.7%

Zn & 0.25% Sn, including 0.5m true width at 272 g/t Ag, 0.1% Cu, 5.11% Pb, 1.2% Zn & 0.46% Sn.

The disseminated mineralisation in greisen was intersected in four holes (CMRC21, 24, 25 & 26), where it consists of a strong to intensely micaceous alteration assemblage, with disseminations and small patches of galena, sphalerite, pyrite and minor chalcopyrite. Grades are locally good, with sulphides tending to be more abundant in zones whose geometry is still poorly understood, but which may be crude veins, large pods or just sections of strongly disseminated mineralisation. CMRC24 was the best mineralised intersection through the greisen zone, with a number of 1m samples returning >100g/t Ag (maximum 250g/t Ag) and the zone as a whole recording 41m @ 151g/t Ag_{EQ}.

The broadness of this zone has again been illustrated, although understanding its orientation will require further 3D modelling of the existing intersections. It is thought possible that the disseminated greisen zone represents a northwestern transition from the Conrad lode, which is much more massive to the southeast.

Native Title – During the period the Deed under Section 31 of the Native Title Act (*C'wlth*), previously signed by Malachite and the native title claimants, was signed by the Minister, completing the right to negotiate process and allowing the Company to access land previously not accessible. Most of the recent drilling was conducted on newly accessible land, immediately to the northwest of the King Conrad mining lease.

Mt Lidster Copper Project, Queensland

In September, 2006, the Company entered into an agreement with Volga Elderberry Pty. Ltd., providing Malachite with an option to purchase a 100% interest in a copper project known as Mt Lidster, located near the old Mary Kathleen uranium mine, about 60km east of Mt Isa in northwest Queensland (Fig. 3).

The Mt Lidster project is centred on a northeast-trending structure that is at least 650m long and outcrops well. It displays abundant gossan and gossanous quartz, much of it with prominent malachite (secondary copper) staining. Following a short and successful reverse circulation percussion drilling program in September, 2006, the Company undertook a second program in early December, 2006.

Twelve new shallow RC holes, totaling 959m, were drilled, with encouraging results (see Plate 3). The best intersection was in hole MLRC09, which cut an 18m massive sulphide zone from 76m to 94m (11.6m true width), with an average grade of 2.4% Cu, including 2m of 9.8% Cu.

Several holes intersected massive to semi-massive sulphide, with good copper values, mainly expressed as primary chalcopyrite. Other holes intersected the structure where it is dominated by quartz rather than sulphide. Copper grades correlate well with sulphide content and it is apparent from both drilling to date and inspection of the outcrop that mineralisation is concentrated into pods or shoots within the Mt Lidster structure, at least near surface. Copper mineralisation was also intersected in what appear to be parallel or splay structures, some examples of which can be seen at the surface. Significant amounts of gold and cobalt are present as accessory metals.

Much of the structure remains to be drill tested and as yet there has been no deep drilling at Mt Lidster at all. It is too soon to draw any conclusions about average grades within the Mt Lidster structure overall, but it is possible that, in a future mining context, the high grade massive sulphide pods may be sufficiently abundant to carry the interspersed lower grade



**Figure 3: Mt Lidster
Copper Project:
Location Map**

quartz-rich zones. It is also possible that the massive sulphide zones will expand or coalesce at depth, where drilling is yet to occur.

Elsmore Tin Project, NSW (Malachite 100%)

A short program of shallow RC drilling (five close-spaced holes in a single “fence” for 87m total drilling) was completed across the interpreted position of the tin-bearing deep lead at Newstead. The holes passed directly from weathered basalt into granite without intersecting the deep lead, suggesting that the deep lead is positioned to the north of the “fence” under the current position of King’s Creek. Anomalous tin was recorded in the weathered granite beneath the basalt but grades were fairly low.

Mt Ramsay Project, Tasmania

No new work has been conducted at Mt Ramsay.

Rivertree & Boonoo Boonoo Silver Projects, NSW

Macmin Silver Ltd. has now earned a 75% interest in these two properties. Drilling by Macmin at Spring Gully has intersected silver mineralisation similar to that already known from earlier drilling by Malachite. The Company is contributing its 25% share of costs to the on-going program at Rivertree and Boonoo Boonoo, which has low priority at present.

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

During the Quarter the Company issued approximately 19.1 million new shares at 22.5 cents, raising \$4.3 million in new working capital.

Exploration expenditure in the period was \$465,000 net of funds recovered under the Tooloom Farm-In by Newmont.

Forward Plans

The next Quarter will see Malachite commence detailed drilling at Conrad, with the aim of delineating a mineral resource over the next six to nine months. Drilling will be focussed in the vicinity of King Conrad shaft but will also test Conrad lode extensions to the southeast of Davis shaft. The potential for repetitions of the Conrad lode system in structures evident in regional aeromagnetic coverage will also be assessed.

At Tooloom, the initial program will see further drill target definition work ahead of drilling scheduled to commence in March or April, 2007.

No field work is expected for Mt Lidster in the period, as access to site is too difficult during the wet season. Field work in this case will resume as soon as the wet season is over.

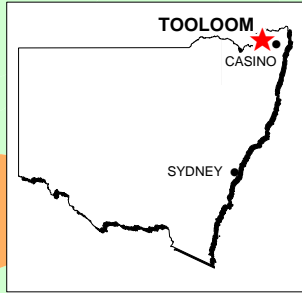
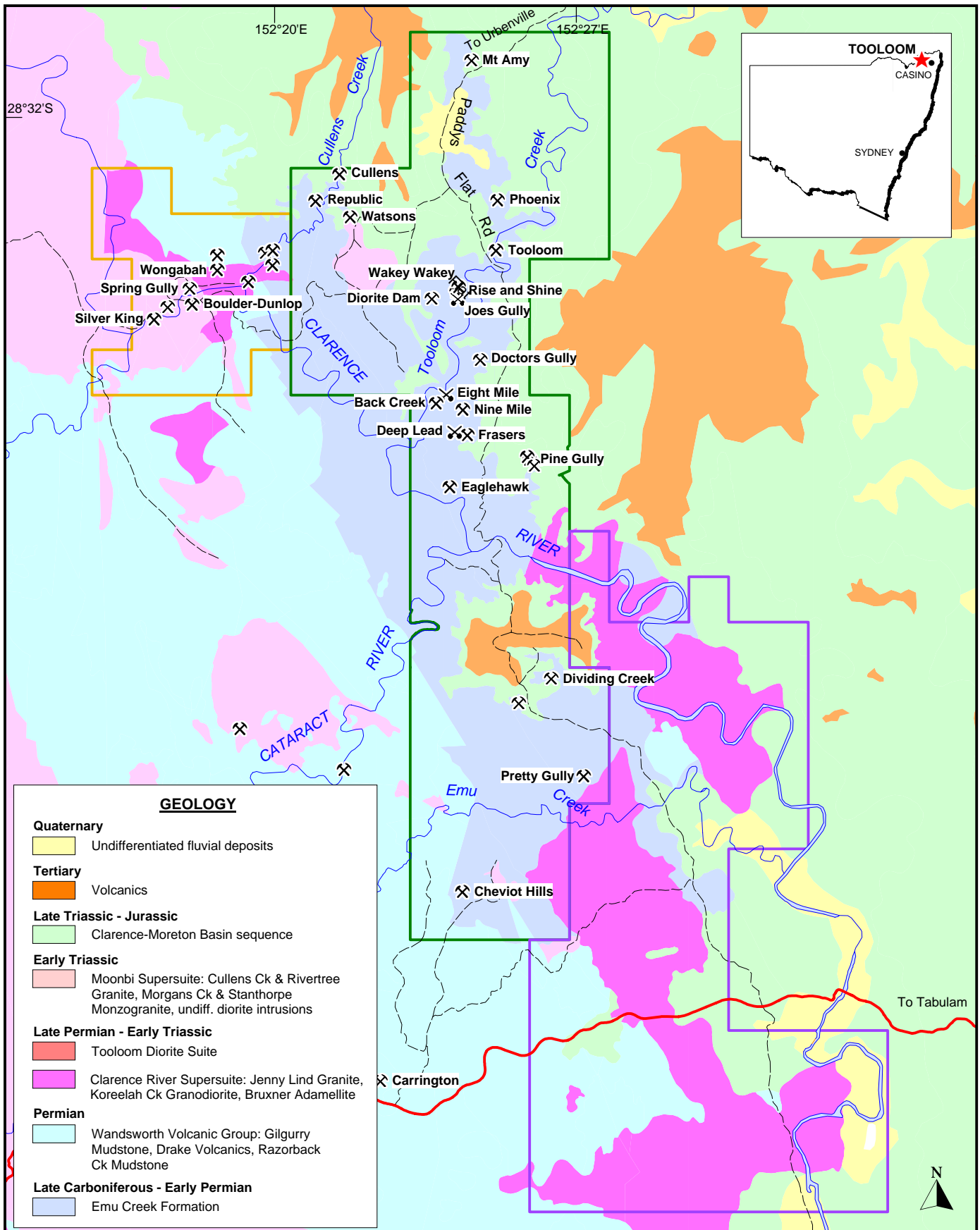
Further Information

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



G.G. LOWDER
Managing Director
30 January 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.



GEOLOGY

Quaternary	Undifferentiated fluvial deposits
Tertiary	Volcanics
Late Triassic - Jurassic	Clarence-Moreton Basin sequence
Early Triassic	Moonbi Supersuite: Cullens Ck & Rivertree Granite, Morgans Ck & Stanthorpe Monzogranite, undiff. diorite intrusions
Late Permian - Early Triassic	Toooloom Diorite Suite
	Clarence River Supersuite: Jenny Lind Granite, Koreelah Ck Granodiorite, Bruxner Adamellite
Permian	Wandsworth Volcanic Group: Gilgurry Mudstone, Drake Volcanics, Razorback Ck Mudstone
Late Carboniferous - Early Permian	Emu Creek Formation

LEGEND

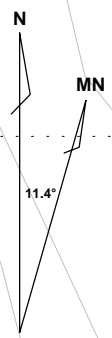
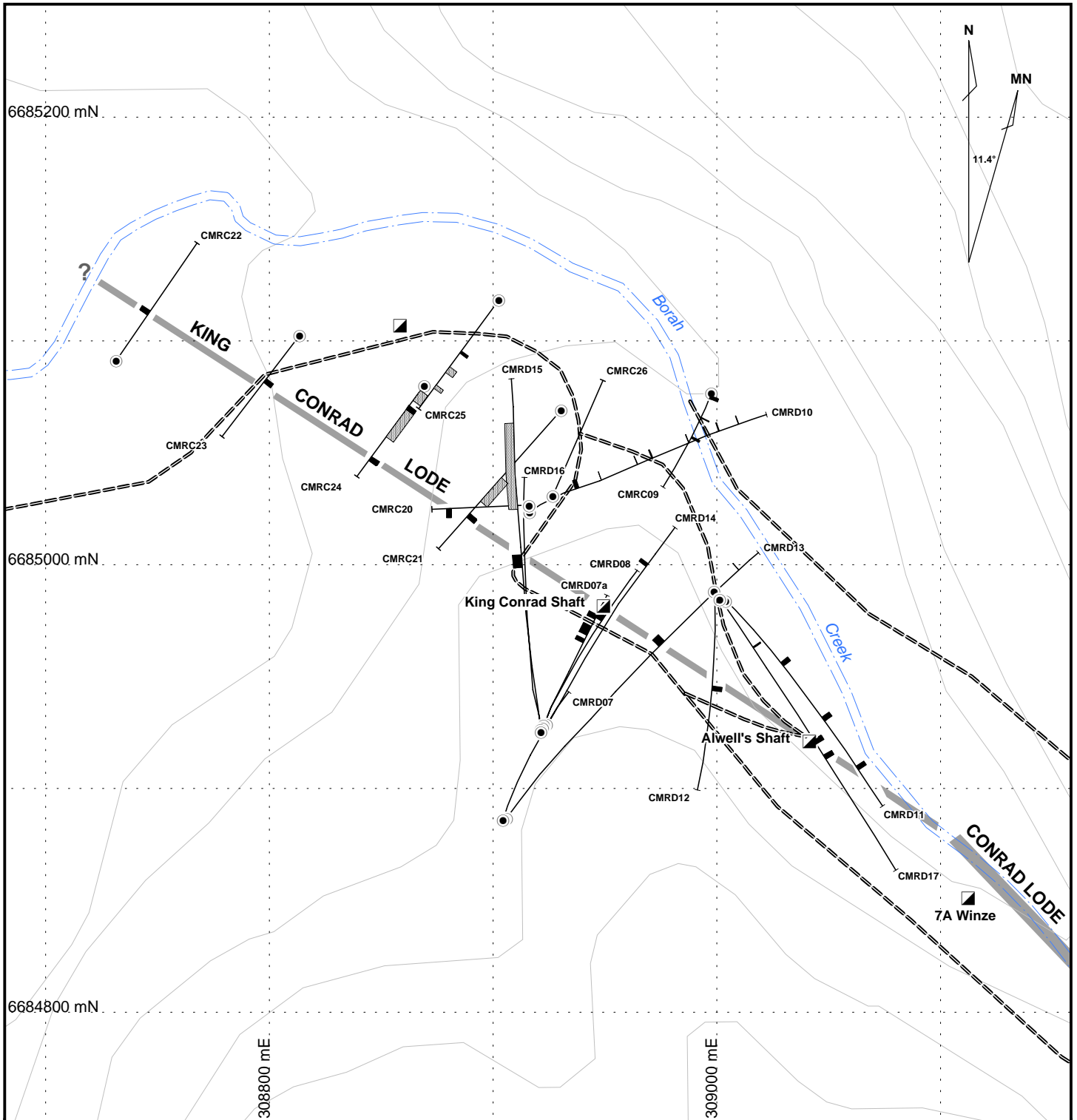
⊗	Phoenix Prospect	EL6263 (Toooloom)
⊗	Hardrock workings	ELA2879 (Bruxner)
⊗	Alluvial workings	EL5714 (Rivertree)
—	Highway	
- - -	Road	
—	River or creek	

0 5 10
kilometres

MALACHITE RESOURCES NL

TOOLOOM REGIONAL TENEMENTS
Location Plan showing Prospects

Scale: 1:200000	Date: January 2007
	Plate 1



6685200 mN








6685000 mN

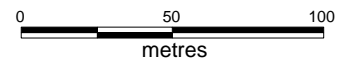
6684800 mN


308800 mE

309000 mE

LEGEND

-  Shaft, winze
-  December 2006 drill hole showing projected hole trace, massive and disseminated sulphide intercepts
-  Previous drill hole showing projected hole trace, massive and disseminated sulphide intercepts
-  Creek
-  Track
-  Topographic contour (10m interval)
-  Interpreted position of main lodes



 MALACHITE RESOURCES NL	
CONRAD PROJECT KING CONRAD AREA Drillhole Plan	
Scale: 1:2500	Date: January 2007
Proj/Grid: GDA94/MGA56	Plate 2

