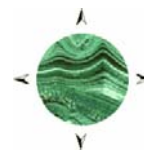


# Malachite Resources NL

ABN 86 075 613 268

www.malachite.com.au



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## QUARTERLY REPORT 3 Months Ending 30 September 2005

### HIGHLIGHTS

#### Tooloom Gold Project, NSW

##### ➤ CHEVIOT HILLS

- New gold-antimony prospect area identified.
- Located at Cheviot Hills, near southern end of Tooloom EL 6263.
- Prospect comprises multiple lodes similar to those at Hillgrove.
- Sampling of old mine dumps provided very encouraging results.
- Gold grades in dumps up to 113 g/t Au.
- Antimony grades in dumps up to 28.8% Sb.
- Similarity with Hillgrove offers excellent scope for early production of any Au-Sb resource defined at Cheviot Hills.

#### Mt Ramsay Project, Tasmania

- First diamond drill hole completed.
- Semi-massive pyrrhotite mineralisation intersected over wide zones.
- Mineralisation contains low but anomalous levels of tin and tungsten.
- Renison Bell/Mt Bischoff exploration model validated.

#### Pluton Gold Project, Queensland

- Right to earn 50% interest in a new gold project acquired.
- Gold-bearing breccia body near Mareeba in N. Qld.
- Surface gold values up to about 10 g/t Au.
- Drilling scheduled for November/December this year.

#### Corporate

- \$764,000 in new capital was raised pursuant to a rights issue.
  - Exploration expenditure for the Quarter was approximately \$220,000
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**Tooloom Gold Project, NSW (Malachite 100%)**

Field work on the Tooloom Project in the past Quarter has been focussed mainly on the Cheviot Hills area, near the southern extremity of the Company's EL 6263. At Cheviot Hills there are numerous old mine workings developed on a series of narrow lode structures that contain significant gold-antimony mineralisation. Sampling of some of the old mine dumps (see Figure 1 below) has produced some very encouraging assay results and a follow up program of trenching to expose the lodes and sampling of those trenches was underway in early October.



**Dump on the Victoria Lode**



**Old workings on the Perseverance Lode**

**Figure 1: OLD MINE DUMPS AT CHEVIOT HILLS**

Dumps along several of the lodes were sampled in the initial program and all were anomalous in gold, but the best results came from the Victoria and Lunatic West lodes (see Table 1 below). In the case of Victoria, 11 samples averaged 25.7 g/t Au, ranging from a low of 0.32 g/t Au to a high of 113 g/t Au. Antimony values in the Victoria lode were generally low, with a maximum of about 800 ppm Sb. In the case of the Lunatic West lode, gold values were lower but still significant in the 12 samples taken, averaging about 0.5 g/t Au, but the antimony values were nearly all high to very high, ranging up to 28.8% Sb (see Table 1). The Golden Crown lode also produced some encouraging gold results, in the range of 0.68 g/t Au to 14.50 g/t Au, while significant silver was reported in a few samples, the highest value being 81 g/t Ag.

These results are seen as very encouraging and a strong analogy between the gold-antimony lodes at Cheviot Hills and those at the Hillgrove gold-antimony mine near Armidale is recognised. Straits Resources Ltd. has announced its intention to reopen the Hillgrove mine next year to produce gold and antimony metal, through a process involving bulk sulphide flotation, caustic leaching and electro-winning. This could represent a very good opportunity for Malachite to generate earnings by defining a small gold-antimony resource at Cheviot Hills, installing a simple crush, grind and float plant to produce a bulk sulphide concentrate on site and then trucking this concentrate to Hillgrove for leaching and electro-winning of the metal. Straits Resources, which is Malachite's largest shareholder, has expressed its support in principle for this concept. In view of this, an initial drilling program is expected to take place at Cheviot Hills during the December Quarter, in conjunction with the resumption of drilling planned for the Phoenix Prospect, also located within EL 6263, 28km to the north of Cheviot Hills.

**TABLE 1: Assay Results for Sampling of the Victoria and Lunatic West Lodes at Cheviot Hills**

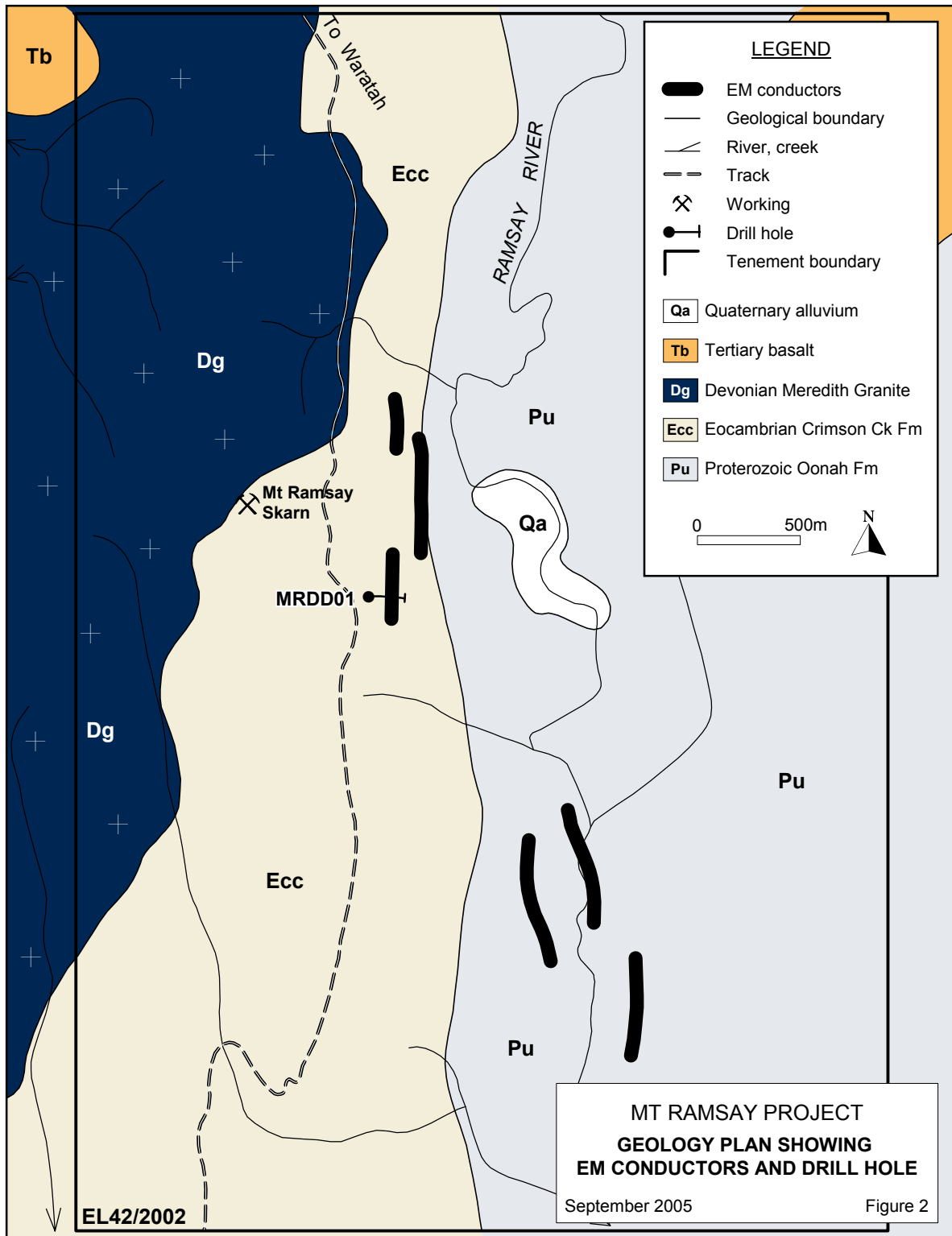
Lode	Sample No.	Gold (g/t Au)	Antimony (ppm or % Sb)
"Victoria"	593740	19.83	359
	593741	48.45	100
	593742	3.49	20
	593743	3.82	233
	592744	113	283
	593745	83.7	267
	593746	0.37	147
	593747	0.32	51
	593748	0.49	32
	593749	5.75	32
	593750	5.09	806
"Lunatic West"	593769	0.15	8.91%
	593770	0.11	6.24%
	593771	0.41	1.91%
	593772	0.74	2.48%
	593773	0.22	18.85%
	593774	0.41	1700
	593775	1.20	28.8%
	593776	2.32	270
	593777	0.98	0.78%
	593778	0.45	11.60%
	593779	0.03	1510
	593780	0.17	533

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

One diamond drill hole was completed at Mt Ramsay during the period, with results that support the Company's view on the prospectivity of the area. The target at Mt Ramsay is a series of electrical conductors ('EM' anomalies) that were originally detected by a Tasmanian Government airborne survey. These EM anomalies, which are also magnetic highs, had been interpreted by Malachite as likely to represent sulphide mineralisation at depth, specifically the magnetic sulphide mineral pyrrhotite. Given the geological setting of the Mt Ramsay anomalies, it was thought that if present, such pyrrhotite mineralisation could contain tin, as in the case of the nearby Renison Bell and Mt Bischoff tin mines, where massive and semi-massive pyrrhotite bodies host the tin ore.

The drill hole completed (MRDD01, see Figure 2) tested one of the anomalies located within the Crimson Creek Formation and was drilled to a total depth of 410m. Multiple zones of brecciation and sulphide mineralisation were intersected in the hole, including a wide zone of over 50m from about 355m down-hole. The hole was still in mineralisation when drilling was terminated due to the depth capacity of the rig. The mineralisation intersected is hosted by pale coloured, calc-silicate hornfels rock, which is commonly brecciated and contains from 5% to 25% sulphides (dominantly pyrrhotite, with trace chalcopyrite) as veins, blebs, semi-massive to irregular aggregates and breccia-matrix fill. The intensity of mineralisation varies within the broader mineralised zone, with the most interesting material developed from 355.2m to 360.9m (5.7m) and from 364.6m to 382.3m (17.7m) down-hole. Weaker brecciation and mineralisation continued from 382.3m to the end of the hole.

The nature of the pyrrhotite mineralisation encountered at Mt Ramsay, and its presence within calc-silicate hornfels, is very much consistent with the Renison Bell and Mt Bischoff model and the mineralisation does contain tin. However, assay values in this first hole were



only weakly anomalous, with the highest tin value in the drill core assays being 180 ppm Sn, while tungsten reported a maximum of 110 ppm WO<sub>3</sub>. The zones richest in pyrrhotite, including a 5.7m zone from 355.2m to 360.9m down-hole and a 17.7m zone from 364.6m to 382.3m down-hole, average about 120 ppm Sn, compared with a background average below 50 ppm Sn in more weakly pyrrhotitic parts of the hole.

The Company is encouraged by the first drill hole at Mt Ramsay, as it clearly validates the exploration model. It is now thought very likely that all of the other anomalies (see Figure 2) are also caused by pyrrhotite mineralisation. It is disappointing not to have recorded higher tin values in the first hole, but very few ore bodies are discovered by one drill hole. Having validated the model, the task for the future will be to determine, using geochemistry and ground-based geophysics, where within this and the other anomalies at Mt Ramsay the best tin and tungsten (or indeed other metals) are likely to occur and then to direct future drilling at those “hot spots”.

Drilling at Mt Ramsay in July and August proved to be very challenging and expensive, as unusually severe winter weather, including gales and heavy snow, severely hampered operations and delayed progress. Because of that, a planned second hole, 750m north of the first hole, was postponed until the 2005-2006 summer period when, subject to results and the necessary approvals, a new program of drilling should take place. Ideally future holes will be drilled from sites to be constructed near the base of the Mt Ramsay slope for the northern group of conductors and in the valley of the Ramsay River for the southern group and drilling will be entirely helicopter-supported.

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

A short program of soil geochemistry was carried out on freehold land to the southeast of the Conrad mine, near some old mine workings known as “Borah Extended”. This showed a distinct anomaly associated with the projected trace of the Conrad structure in this area and some follow up work is justified. This is likely to be carried out in conjunction with exploration on ground to the northwest which is subject to native title, once access to that ground is attained. The agreement providing for this access has been submitted to the Department of Primary Industries for action in regard to the production of a Section 31 Agreement under the Native Title Act, which will represent the Minister’s approval that is necessary for work to proceed. The Company must then engage representatives of the native title claimants to conduct a cultural heritage survey on the land in question before any ground disturbance takes place.

#### **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 elsewhere. However, new field work is expected to take place next Quarter and given the current very high prices for molybdenum (around \$A100/kg) and tungsten (around \$US25,000 per tonne of WO<sub>3</sub>), considerable attention will be given to the distribution of these metals at Sheep Station Hill.

#### **Pluton Gold Project, Queensland (Malachite Earning 50%)**

In August the Company entered into an agreement with Mr R. De Lacey under which Malachite will conduct exploration on Mr De Lacey’s Pluton Gold Prospect, located about 20km southwest of Mareeba in north Queensland. Pluton is contained within EPM 14648, of four sub-blocks, and comprises a breccia body with gold values up to about 10 g/t Au in surface outcrops. Malachite has committed to a minimum expenditure of \$50,000 at Pluton, including not less than three reverse circulation percussion drill holes, to be completed by February 2006. The Company may earn a 50% interest in Pluton by the expenditure of a total of \$300,000 (including the initial \$50,000) by February 2007.

The prospect is located on freehold land and access arrangements have been made with the landowners. A sealed public road leads to the boundary of the property on which the initial drill target is located. It is expected that drilling will take place in November or December, with up to 500m of drilling in a minimum of three holes.

### *Copperfield, Queensland (Malachite 100%)*

This tenement was relinquished during the past Quarter.

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

No new work has taken place.

### *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 only very recently begun further exploration on the ground.

### *AGI Database Project*

This is no longer an active project, although the Company continues to have access to the AGI Database for research when required.

### *Forward Plans*

The main focus for the December Quarter will be the Tooloom Gold Project, where a new round of drilling is scheduled to commence at the Phoenix Prospect before the end of October. This will comprise up to 4,000m of drilling, including both reverse circulation percussion (“RC”) and diamond drilling. The principal objective is to test the Phoenix breccia pipe at depths below about 100m. Some of the drilling will be directed at selected other targets within the broader Phoenix system and a first hole may also be drilled into the Nine Mile Prospect. The rig is also expected to spend some time at Cheviot Hills, where up to 500m of RC drilling will be utilised to test the gold-antimony lodes that have been identified in this location.

Elsewhere it is anticipated that an initial 500m RC drilling program will be carried out at Pluton and planning for bulk sampling of tin/tungsten-bearing greisen veins at Sheep Station Hill (Elsmore Project) will be completed. The bulk sampling itself will probably be undertaken in the first Quarter of 2006.

### *Corporate*

During the past Quarter \$764,058.50 in new capital was raised pursuant to a 1 for 3 rights issue, resulting in the issue of 7,640,585 new shares at 10 cents, with attaching new options having an exercise price of 20 cents and an expiry date of 31 August 2008. All the new shares and new options were listed on the ASX in October. The Company now has 61,719,065 shares on issue. The Shortfall from the rights issue is expected to be covered by placements, subject to shareholder approval, in late November.

Exploration expenditure during the period under review amounted to approximately \$220,000.

**Further Information**

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



G.G. LOWDER  
Managing Director  
20 October 2005

*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.*