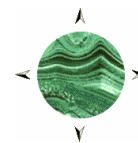


Malachite Resources NL

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QUARTERLY REPORT 3 Months Ending 31 March 2006

HIGHLIGHTS

Conrad Silver Project, NSW

- Drilling in March intersected multiple, polymetallic, sulphide-bearing lodes.
- True widths up to 3.3m, which is 4 times wider than expected.
- Assays are awaited.

Tooloom Gold Project, NSW

- Phoenix breccia mineralised zone extended to 220m depth by drilling.
- Grades average 1.5 to 2.5 g/t Au
- Important accessory antimony, copper and silver.
- Further targets at Phoenix identified for future drilling.
- Several major gold companies now reviewing participation in the project by way of joint venture.

Elsmore Project, NSW

- Sheep Station Hill greisen veins tested by shallow, large diameter diamond drilling.
- "Bonanza" grade tin and tungsten: 0.9m @ 7.2% Sn and 4.0% WO₃, equating to \$1,750/t in metal value at current prices.

Abington Project, NSW

- Application lodged for new EL west of Guyra: possible Phoenix gold analogue and "Hillgrove-type" gold-antimony veins.

Corporate

- \$758,500 in new capital was raised pursuant to placements.
 - Net exploration expenditure for the Quarter was approximately \$300,000
 - Relocating Headquarters from Lindfield to Chatswood on 24 April, 2006.
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Conrad Silver Project, NSW (Malachite 100%)

During the March Quarter the Company's silver exploration programme was reactivated with new drilling at the Conrad Silver Project, near Inverell in northern NSW (Fig. 1). Exploration by Malachite in 2003 had concentrated on the main Conrad mine area, where two holes near the Conrad shaft (Fig. 2) intersected the main lode at considerable depth and yielded:

0.75m (true width) @ 65g/t Ag, 0.23% Cu, 0.19% Pb, 0.14% Zn and 0.22% Sn in CMDD01; and
 0.8m (true width) @ 78g/t Ag, 0.05% Cu, 1.35% Pb, 0.03% Zn and <0.01% Sn in CMDD02.



Figure 1: Conrad Silver Project - Location Map

Drilling near the Davis shaft (Fig. 2) at that time intersected several parallel splits of the Conrad lode, with the most interesting results obtained in CMDD03, which intersected:

4.1m (true width) @ 98g/t Ag, 0.58% Cu, 0.26% Pb, 0.21% Zn and 0.55% Sn, and in

CMDD06, which intersected:

0.8m (true width) @ 97g/t Ag, 0.52% Cu, 0.13% Pb, 0.06% Zn and 0.58% Sn.

These results are quite significant, especially in the light of recent strong metal prices. The intercept in CMDD03, for example, has a contained metal value at current prices of \$178/t, which should be attractive for mining over a 4m width.

Unfortunately, the gap between CMDD01 and CMDD03, beneath the Moore shaft (Fig. 2), could not be drilled in 2003 due to access constraints. Since that time the Company has tracked down old mine records (from an archive at Melbourne University) showing clearly that the main ore shoot at Conrad plunges to the south east, beneath Moore shaft and between CMDD01 and CMDD03. This area thus has high priority for future drilling, once access becomes possible due to completion of native title formalities. An access agreement has been signed with the native title claimants and a Section 31 Deed is expected to be submitted to the Minister for Mineral Resources for approval in the near future.

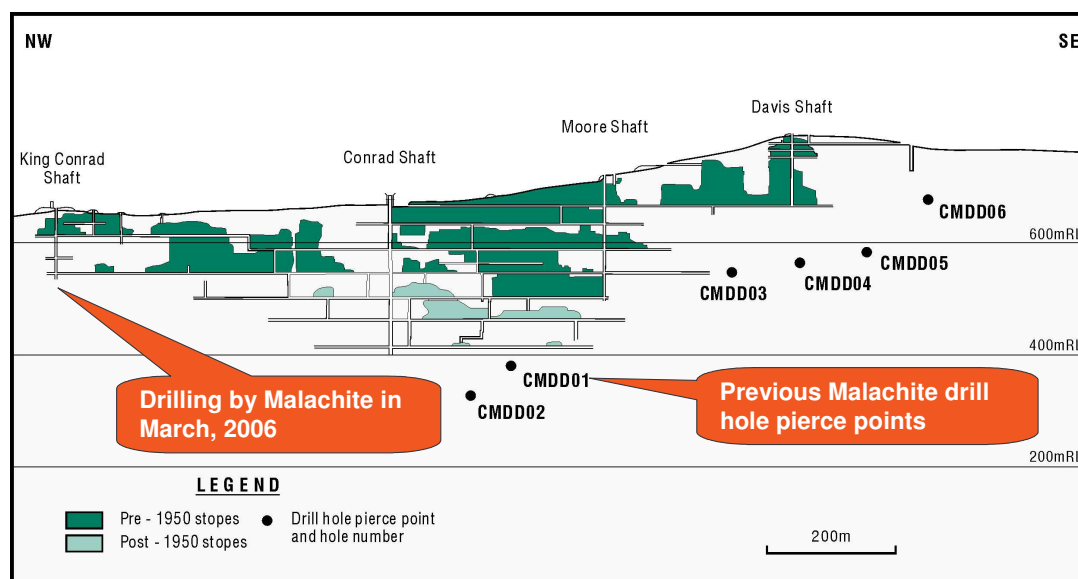


Figure 2: Longitudinal section of Conrad main lode, showing previous drilling by Malachite (CMDD01, etc.) and location of new drilling in March, 2006.

The new drilling conducted by Malachite in the March Quarter comprised 703m in four successful holes (CMRD07a, -08, and -10 and CMRC09), targeting lodes in the King Conrad area (Fig. 2). This area had not been drilled previously, even though records of historic underground sampling (see Table 1 below) provide encouragement that narrow, high grade silver lodes might be intersected. Each of the new holes at King Conrad penetrated sulphide-bearing lodes, ranging in true width from 0.4m to 3.3m, with multiple lode intersections in holes CMRD8 and CMRD10. Holes CMRD7a and CMRD10 also penetrated voids that are believed to represent mined out lodes at shallow depth.

The wider intersections were unexpected, given the narrow widths reported in the historic underground sampling (Table 1), as was the presence of so many lodes. This result is very promising for economic potential if the assays are favourable. Full details of the recent King Conrad drilling will be released once all assay results have been received.

TABLE 1: UNDERGROUND SAMPLING AT THE KING CONRAD MINE IN 1904-05

Lode Name	Width of Lode	Ag ozs/t (g/t)	Cu %	Pb %	Zn %	Sn %
Alwall's	32cm @ and 80cm @	88 (2700) 24 (740)	6.2 trace	26 17	N/R 3.2	6.1 N/R
North	40cm @	17 (530)	0.4	12	2.7	0.4
North East	30cm @	24 (740)	0.5	10	N/R	1.1
Main	73cm @	17.5 (545)	0.4	14	N/R	0.3

Note: N/R indicates not reported.

Tooloom Gold Project, NSW (Malachite 100%)

Compilation and analysis of assay results for drilling conducted at **Phoenix** in late 2005 took place early in the March Quarter. This work confirmed that the mineralised zone within the breccia pipe extends to at least 220m depth. The best result was achieved in hole PHRD24, which intersected 48m @ 2.21g/t Au, 5g/t Ag, 0.19% Sb and 0.07% Cu. This intercept represents a true width of approximately 31m.

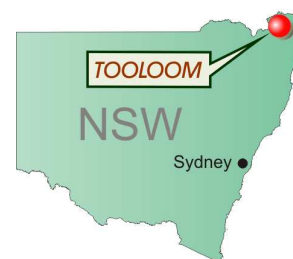


Figure 3: Tooloom Gold Project: Location Map

While gold grades encountered so far at Phoenix are relatively low, subtle changes in grade and metal assemblage suggest scope for further improvement with depth within the breccia pipe. Furthermore, the presence of significant antimony adds important credit to the gold values. In PHRD24, for example, at current antimony prices (\$US5,500/t Sb) the presence of antimony adds the equivalent of 0.5g/t Au to the total contained metal value. Elsewhere at Phoenix there are numerous sporadic intersections of much higher Sb grades, up to a maximum over 1m of 8.38% Sb, which in gold-equivalent terms amounts to 24g/t Au. Further value at Phoenix is added by elevated copper and silver assays (see Table 2).

The "Creek Zone" target, 400m south of the breccia pipe, was also tested by deepening an earlier hole, PHRC01, to 414m. While there were no economic intercepts in the deepened part of this hole, there were elevated values of silver, antimony, lead, zinc and bismuth, hosted by a highly fragmental sedimentary breccia, which point to an attractive target for future drilling. Table 2 below summarises the results of drilling at Phoenix late in 2005.

A single hole was drilled to test the mineralised structure at **Nine Mile**, located about 10km south of Phoenix. Unexpectedly this hole intersected an intrusive body at depth and the surface anomaly remains inadequately tested. Future drilling will take place along strike to the southeast, where the structure has been traced by magnetics and soil geochemistry.

TABLE 2: SUMMARY OF DRILL INTERSECTIONS AT PHOENIX FROM DRILLING IN NOVEMBER-DECEMBER, 2005.

HOLE No., INCLINATION, AZIMUTH & DEPTH		FROM m	TO m	DOWN- HOLE LENGTH m	Au g/t	Ag g/t	Cu ppm or %	Sb ppm or %
PHDD22* drilled at -50° to 145°M. Final depth 152.8m. True width factor (Note 2) = 0.64	From	6	10	4	1.09	<1	58	0.42%
	Including	9	10	1	3.90	<1	53	0.76%
	Also from	33	64	31	1.60	3	377	244
	Including	45	49	4	2.64	6	0.07%	0.05%
PHRD23A* drilled at -65° to 135°M. Final depth 270.4m. True width factor = 0.43	From	162.8	165	2.2	2.08	66	0.70%	0.51%
	Also from	172	212	40	1.60	5	0.06%	0.06%
PHRD24* drilled at -50° to 112°M. Final depth 193.3m. True width factor = 0.64	From	116	164	48	2.21	5	0.07%	0.19%
	Including	121	131	10	2.54	5	0.09%	0.32%
	Including	121	122	1	4.71	2	209	2.18%
	And	134	135	1	2.06	9	0.2%	1.55%
	And	151	152	1	1.45	2	402	1.20%
PHRD25A* drilled at -65° to 111°M. Final depth 255.1m. True width factor = 0.43	From	195	237	42	1.78	10	0.06%	0.06%
	Including	222	232	10	2.49	12	0.09%	0.07%
PHRD26** drilled at -60° to 175°M. Final depth 159m. True width factor = 0.5	From	100	120	20	0.9	8	415	0.05%
PHRD01 deepened by drilling at -60° to 197°M. Final depth 414m. True width factor = 0.5	No significant gold intercepts in deepened section (204 – 414m). Best individual assay result: 371-372m for 1m @ 0.07 g/t Au, 58 g/t Ag, 0.21% Pb, 211 ppm Bi, 251 ppm Sb, 240 ppm Zn.							

Note 1: * indicates 1 g/t Au cut-off; ** indicates 0.7 g/t Au cut-off

Note 2. To ascertain the approximate true width intersected, multiply the down-hole length by the true width factor for each hole.

Note 3. PHRD23 and PHRD25 were abandoned at shallow depth.

Results from late 2005 drilling at Cheviot Hills, near the southern boundary of the Tooloom EL, approximately 12km north of Drake, were also received early in the March Quarter. In all, 19 holes were drilled to depths ranging from 50 to 100m and 1,232m of RC drilling was completed in total. Results are encouraging as a first pass effort, as several intercepts in the order of 0.5 to 1 g/t Au over 1 to 3 metres were obtained and the maximum antimony value (over 1m) was 0.43% Sb. Virtually all holes intersected the lode position, which was variably expressed as voids or backfill in old workings, quartz or quartz-sulphide lode material, or zones of strong alteration over several metres. Strong correlations between gold and arsenic and between gold and sulphur were noted, pointing to the application of soil geochemistry and induced polarisation geophysics as target definition techniques in future exploration. In the case of the Victoria lode, gold also showed a strong correlation with copper, with values up to 0.31% Cu recorded. The significance of the copper mineralisation in the Victoria lode samples is uncertain, but it does suggest that there is a “bigger picture” at Cheviot Hills that is yet to be understood.

The Company is now seeking a joint venture partner to fund further exploration at Tooloom, including more drilling at Phoenix. Late in the Quarter representatives of several major gold companies visited Tooloom to review the results achieved to date and the further exploration potential of the project. A high level of interest was expressed by each participant and the Company expects to undertake negotiations with a preferred joint venture candidate in May.

Elsmore Tin Project, NSW (Malachite 100%)

During the past Quarter approximately 250m of diamond core drilling was conducted at the **Sheep Station Hill** prospect, within the Elsmore Project. Previous work at this locality had defined a series of parallel greisen veins that contain coarse grained aggregates of cassiterite (ore mineral of tin) and wolframite (ore mineral of tungsten), as well as significant molybdenum, copper and silver. Shallow reverse circulation percussion drilling last year showed that grades are highly erratic, reflecting the “nugget effect” of the coarse grained minerals.



Figure 4: Elsmore Project – Location Map

In the recent programme four shallow, large diameter diamond core holes (SHDD52 to SHDD55) were drilled, to a maximum depth of 25.5m, adjacent to earlier RC percussion holes. The new holes were of PQ core size (approximately 8.5cm core diameter), providing a better opportunity to examine the nature of the greisen veins and ore mineral occurrences. Generally assay results for these holes were consistent with previous RC drilling results, with one exception. Hole SHDD53 intersected “bonanza” grade cassiterite and wolframite, including an intercept of 0.9m (from 5.4m to 6.3m down-hole) @ 7.18% Sn and 4.0% WO₃. The value, at current metal prices, of the tin and tungsten in rock of that grade is over \$1,750 per tonne¹. Almost adjacent to this high grade zone, separated by just 10cm of granite, was another greisen vein that assayed 0.04% Sn and 1.26% WO₃ over a 1.3m length. True widths for these intercepts are approximately 2/3 of the down-hole length.

These results show very clearly the strong “nugget effect” of the coarse grained cassiterite and wolframite aggregates at Sheep Station Hill and reinforce the need to undertake bulk sampling to better estimate the average grade. The problem is akin to the nugget effect which is well documented for gold-bearing quartz reefs in many of the Victorian gold fields, where drilling does not generally deliver a reliable estimate of grade. It is very indicative of the nugget effect problem that although SHDD53 was drilled parallel to and just 1m away from SHRC07, the greisen vein that yielded bonanza tin/tungsten grades in SHDD53 assayed only 308 ppm² Sn and 570 ppm WO₃ where it was intersected in SHRC07. Conversely, a molybdenum assay of 0.14% Mo in SHRC07 was matched by only 24 ppm Mo in SHDD53.

A single, 180m diamond core hole, SHDD51, was also drilled at Sheep Station Hill, to determine the depth extent of the numerous greisen veins exposed at surface on the hill. This hole showed that, disappointingly, the greisen veins remain separated and tend to narrow down with depth (rather than coalescing into a larger single body as hoped) and cut out altogether at about 60m vertically below the surface.

Notwithstanding the difficulty of grade estimation by drilling, the bonanza tin/tungsten grades intersected in SHDD53 (at only 5m depth) offer strong encouragement to pursue near surface resources at Sheep Station Hill that could be extracted by selective mining of greisen veins in a shallow open pit and processed by simple gravity concentration to produce cash flow for the Company within a short timeframe.

Exploration is continuing at Elsmore, with a focus on the **Newstead** area, some 5km to the southeast, in the short term. Reconnaissance prospecting is also being conducted over the remainder of the Elsmore EL. Once that has been completed it is expected that a bulk sampling programme, possibly involving sites at both Sheep Station Hill and Newstead, will be undertaken.

¹ Or roughly equivalent to 2.2 ozs/t of gold.

² Note that 1000 ppm is equivalent to 0.1%

Mt Ramsay Project, Tasmania (Malachite farming-in)

No new field work was conducted at Mt Ramsay. During the Quarter TasGold Ltd., which was earning an interest equally with Malachite, withdrew from the Mt Ramsay Joint Venture. Malachite has not withdrawn and may elect to assume TasGold's rights and obligations under the existing joint venture. The Company has proposed to BHP Billiton a new basis for continuing exploration at Mt Ramsay by Malachite alone and a response is awaited.

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 carried out a short drilling program at Boonoo Boonoo in December, 2005 and commenced drilling at Rivertree in March, 2006. The drilling at Boonoo Boonoo produced some interesting results, including 3m @ 5.34 g/t Au and 212g/t Ag in the Star of Hope lode, where Malachite had previously recorded encouraging gold and silver values. Follow up at Boonoo Boonoo is anticipated later in 2006. No results are available for Rivertree as yet.

Oberon Project, NSW (Malachite 100%)

The Company has been granted an exploration licence (EL6545) at Oberon, in the NSW Central West, and anticipates commencing field work by mid year. The initial focus will be on the Duckmaloi tungsten-bismuth-gold prospect, where drilling by previous explorers produced some interesting results, including 8.6m @ 0.49% WO₃ and 10m @ 0.28% WO₃ and 0.3% Bi, with associated anomalous gold, silver and copper.

Abington Project, NSW (Malachite 100%)

Malachite has applied for an exploration licence over an area west of Guyra in northern NSW, where it has recognised potential for "Phoenix-type" intrusion related gold deposits and "Hillgrove-type" gold-antimony vein deposits.

Forward Plans

In the coming months the formation of a joint venture at Tooloom will be a primary focus for the Company. It is hoped to have this in place and to have re-commenced exploration at Tooloom before the end of the June Quarter. The other principal activity for Malachite is expected to be at Conrad, where follow up drilling is anticipated in the King Conrad area, pending receipt of assay results from the previous programme. Further mapping, sampling and target definition will be carried out at Elsmore and at Cheviot Hills, followed by drilling if results warrant it. Initial field programmes are also expected to take place at Oberon and possibly at Abington, while a reconnaissance visit to Lynd River is also scheduled.

Corporate

During the past Quarter \$758,500 in new capital was raised pursuant to placements, resulting in the issue of 7,585,000 new shares at 10 cents, with attaching new options having an exercise price of 20 cents and an expiry date of 31 August 2008. These represent the balance of the shortfall from the rights issue undertaken in the September Quarter, 2005, plus a small additional issue. The Company now has approximately 74.8 million shares and 20.7 million options listed on the ASX.

On Monday, 24 April, 2006 the Company will relocate from its existing office in Lindfield to a new office located within the Chatswood CBD. The new address and telephone numbers that will apply from that date are appended below.

Net exploration expenditure during the period under review (after recovery of joint venture contributions) amounted to approximately \$300,000.

Further Information

For further information please contact Garry Lowder on (02) 9415 6833 or by email at glowder@malachite.com.au, or visit the Company's website: **www.malachite.com.au**



G.G. LOWDER
Managing Director
13 April 2006

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.

APPENDIX

From 24 April, 2006, the Company will operate from:

**Citadel Towers
Suite 1502, Tower B
799 Pacific Highway
CHATSWOOD NSW 2067**

The postal address will be:

**Malachite Resources NL
P O Box 5218
WEST CHATSWOOD NSW 1515**

The Company's new telephone numbers will be:

Telephone No: (02) 9411 6033

Facsimile No: (02) 9411 6066