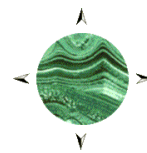


Malachite Resources NL

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QUARTERLY REPORT 3 Months Ending 30 September 2003

HIGHLIGHTS

Tooloom Gold Project, NSW

- Field work at **Tooloom** has delineated several attractive new drill targets, including:
 - **Phelps**, where a large body of gold-bearing, hydrothermal breccia lies within a broad gold-in-soil geochemical anomaly, open to the southwest;
 - **Joes Gully**, where an altered and mineralised porphyry has been mapped at and just upstream from the main zone of previous alluvial gold mining; and
 - **Watsons**, where a broad shear zone anomalous in gold, silver and base metals cuts through a copper-bearing felsic porphyry with strong stockwork quartz veining.
- An initial drilling program to test these and other Tooloom targets is planned for the December Quarter 2003.

AGI Database

- A second new gold project has been secured utilising the AGI Database (BHP Billiton alliance):
 - **Lynd River**, located 200 km west southwest of Cairns in N. Queensland, offers targets analogous to the Mt Leyshon and Kidston gold deposits.

Corporate

- Exploration expenditure for the Quarter was \$176,000.

Tooloom Gold Project, NSW (Malachite 100%)

Tooloom was the main focus of exploration activity for Malachite in the September Quarter, with a view to delineating drill targets at a number of prospect areas within the region. Geological mapping and soil geochemical surveys were conducted at the Phelps and Joes Gully prospects, while further mapping and rock geochemical sampling was carried out at Watsons, Mt Amy, Rise and Shine and Cullens prospects.

The results at Phelps in particular are very promising, as mapping has shown that the previously identified breccia body is larger than first thought, ranging from 100 to 200 m wide and at least 600 in length. It is open to the west and lies within a broad gold-in-soil geochemical anomaly which is also open to the west (Figure 1).

The strongest soil geochemistry coincides with a zone where the breccia displays not only open space quartz but also pyrite and arsenopyrite as a matrix to the fragments. The breccia is invariably anomalous in gold but at a low level, typically 0.1 to 0.4 g/t Au. Petrological examination of the quartz in the breccia matrix, and comparison with epithermal gold systems elsewhere in eastern Australia, provides support for an interpretation that the exposed part of the Phelps breccia may be located above a boiling zone, which is where the bulk of any gold in the original hydrothermal system would be expected to precipitate. If comparison with epithermal systems in Queensland is valid, the depth to the top of the boiling zone could be in the range of 50 to 250 m.

Similar work was conducted at Joes Gully, where a well-defined gold-in-soil geochemical anomaly was also identified, with a width of 500 m and open to the north (Figure 2). The geochemical anomaly is centred on a newly recognised body of intrusive porphyry, approximately 120 m wide, which is strongly altered and contains auriferous quartz veins. Sampling of outcrops of porphyry and adjacent mineralised rocks returned encouraging values, with gold up to 13.3 g/t Au and silver up to 96 g/t Ag. Significantly, much of the gold recovered from mining of the alluvial material in the base of Joes Gully, as recently as 2001, was coarse grained and angular, implying minimal transport (Figure 3) and many of the nuggets comprised gold/vein-quartz composites. The Company believes that much if not all of the Joes Gully alluvial gold, including the nuggets, was derived from the newly mapped porphyry and nearby mineralised rocks. Joes Gully is therefore regarded as a very attractive target for drilling.

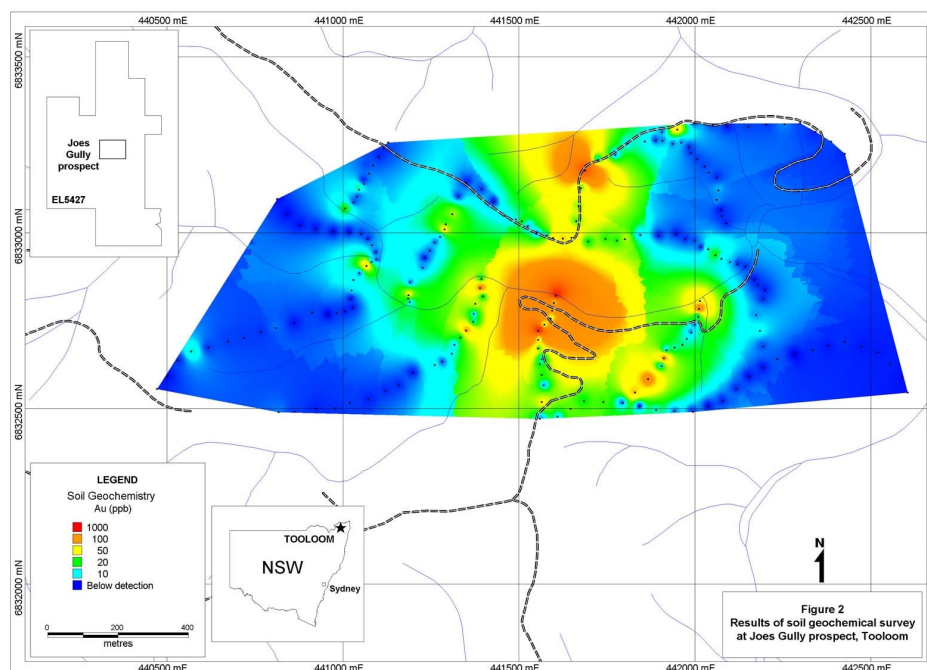
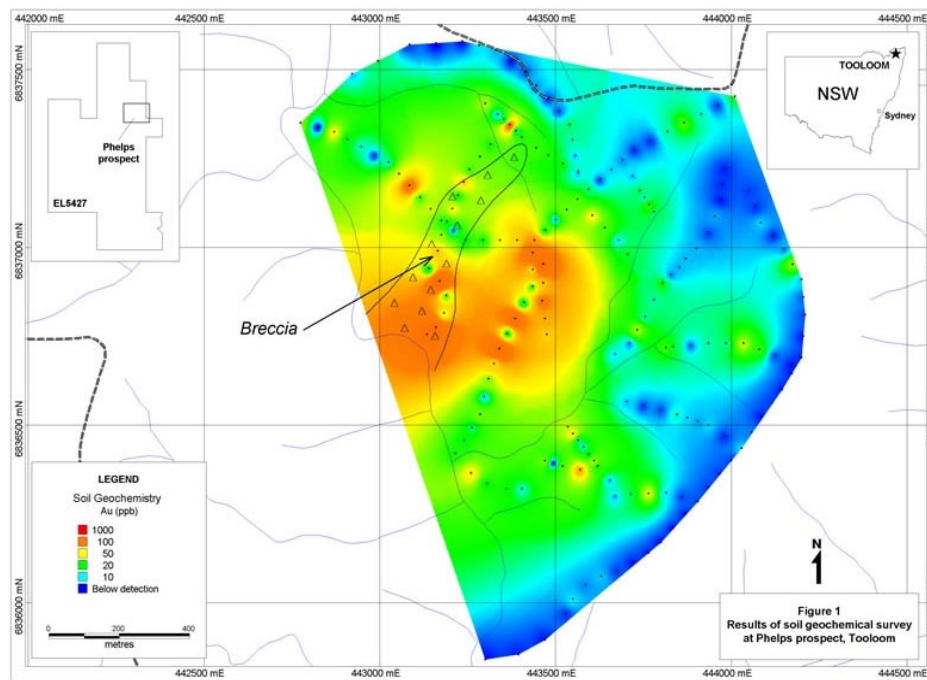




Figure 3: Coarse grained alluvial gold from Joes Gully at Tooloom. \$1 coin for scale.

Prospects at Tooloom now identified as possible targets for drilling include:

- Phelps** – mineralised hydrothermal breccia
- Joes Gully** – mineralised porphyry intrusive
- Watsons** – gold-silver anomalous shear zone within Cu-bearing felsic porphyry
- Rise & Shine** – stockwork quartz veins
- Wakey Wakey** – banded epithermal vein
- Mt Amy** – epithermal quartz-sulphide veins
- Nine Mile** – sheeted auriferous quartz veins
- Pine Gully** – mineralised fault zone
- Cullens** – hydrothermal/tectonic breccia with sulphide gossan matrix
- Back Creek** – quartz vein stockwork with visible gold in the quartz

Conrad Silver Project, NSW (Malachite 100%)

Minimal field work was conducted at Conrad in the Quarter, consisting mainly of reconnaissance geochemical sampling of dumps at old workings located along the Conrad structure, several kilometres to the southeast of the Conrad mine on freehold land. This work confirmed this area as worthy of follow up in the future.

The right to negotiate process under the *Native Title Act 1993 (C'th)* progressed, with the publication of a notice as required under Section 29 of the Act on 24 September 2003. The notification day nominated in this notice is 9 October 2003 and, under Section 30 of the Act, persons have until three months after that date to take steps to become native title parties in relation to the notice. The Company is undertaking this action in regard to native title in order to gain access to Crown land near the Conrad mine that will allow the next drilling program to be conducted more effectively.

Rivertree Silver and Boonoo Boonoo Gold-Silver Projects, NSW (Malachite 100%)

No field work was conducted at either project during the Quarter.

East Moonmera Copper-Gold Project, Qld (Malachite 100%)

A soil geochemical survey, using a mobile metal element technique, was conducted over the aeromagnetic anomaly on this property, with a view to assessing the potential for copper-gold mineralisation like that at the nearby Moonmera porphyry copper deposit. The soil geochemistry identified a broad copper anomaly partly coincident with the aeromagnetic low, with weaker anomalous gold and molybdenum.

Follow up work, however, has shown that this is a spurious anomaly in transported alluvium thought to be derived from off the tenement, probably from Moonmera itself. Given this disappointing result, and the lack of evidence in outcrop for an altered and mineralised porphyry system, the prospectivity of the East Moonmera EPM has been significantly downgraded and the tenement will be relinquished by the Company in the December Quarter.

AGI Database Project

Further progress has been made on the AGI Database project, which is an outcome of the Company's alliance with BHP Billiton. As previously announced, an application for an exploration tenement over a promising copper-gold-silver prospect, called Copperfield, located about 150 km west of Townsville in north Queensland, was lodged on 8 July 2003.

Further research into open file data on Copperfield has revealed that, contrary to the Company's earlier understanding, some drilling has been conducted in the area previously. Results appear to have been

anomalous but not highly so, although only one of the nine percussion holes was directed at the mineralised shear zone. Until Malachite can access the ground and carry out its own field program it is difficult to determine the significance of this previous work, but the Company believes that Copperfield remains a highly attractive target, given the excellent assay results from outcrop samples of the shear zone, where 111 samples averaged 4% Cu, 0.5 g/t Au and 20 g/t Ag.

At the end of the Quarter the Company lodged an application for a new tenement covering the second project to emerge from analysis of the AGI database. The new project is called **Lynd River** and is located 200 km west southwest of Cairns and 60 km southwest of Chillagoe, in north Queensland. The area concerned contains a number of aeromagnetic anomalies with features similar to those that characterise the Mt Leyshon and Kidston gold deposits, located elsewhere in the region.

Some of the anomalies at Lynd River are located within exposed Permo-Carboniferous Townsville – Mornington Island Igneous Belt basement, while others occur in areas of younger cover rocks. Limited previous exploration has recorded anomalous geochemistry associated with several of the aeromagnetic targets but most remain largely untested and none have been drilled. Grant of the tenement will require application of the expedited procedure under the Native Title Act and the Company does not expect to be able to commence field work until mid 2004.

New Projects

The Company has applied for an exploration licence over an area called Elsmore, located 16 km east of Inverell and about 25 km northeast of Conrad, in northern NSW. Given the strong association between silver and tin at Conrad, the main objective for exploration on the Elsmore EL will be to identify previously unrecognised silver potential at and around the former tin mines within the district. The area applied for contains a number of significant former tin mines, including the Newstead and Elsmore mines, and several silver prospects are recorded as well. At the same time, attention will be given to the possibility of economic deposits of tin, especially alluvial tin deposits, being located within the EL area.

Forward Plans

Geophysical surveys utilising the induced polarisation (“IP”) technique will be carried out at the Spring Gully and Silver King prospects at Rivertree, and at several prospects on the Boonoo Boonoo property, in the first part of the December Quarter. In each case, surface sampling has shown an association between gold/silver values and the presence of sulphide minerals (which the IP survey should detect at depth) and thus the geophysical program may enable better definition of future drill targets. At Tooloom, on the other hand, the relationship between gold and sulphide minerals is less clear and so IP surveying will not be conducted, at least for the time being.

A program of reverse circulation percussion drilling is planned at each of Tooloom, Boonoo Boonoo and Rivertree during November and December 2003. However, the exact timing of drilling at each property will depend on the availability and technical specifications of drill rigs available over the next 3-6 months. For access reasons, a track-mounted rig will be required at Tooloom and the same type of rig could satisfactorily perform the work planned for Boonoo Boonoo. A truck-mounted rig would be more suited to the drilling planned at Rivertree.

At least two of these three projects should therefore be drilled during the December Quarter, while drilling of the third may be deferred until early 2004, when further drilling is also proposed for Conrad.

Expenditure

Exploration expenditure during the period under review amounted to \$176,000.

Further Information

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