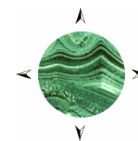


Malachite Resources NL

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QUARTERLY REPORT 3 Months Ending 31 March 2004

HIGHLIGHTS

Tooloom Gold Project, NSW

- **A VERY ATTRACTIVE DRILL TARGET, THOUGHT TO COMPRISE A LARGE, INTRUSIVE-RELATED, SULPHIDE MINERAL SYSTEM, HAS BEEN CONFIRMED AT PHELPS PROSPECT**
 - A geophysical (IP) survey at Phelps has revealed a strong chargeability anomaly over 1 km across and at least 400 m deep;
 - A well developed gold-in-soil geochemical anomaly overlies the IP target;
 - The Phelps hydrothermal breccia lies centrally within the IP and soil anomalies;
 - Earlier drilling was largely marginal to the IP anomaly or not deep enough to test it adequately;
 - Enhanced interpretation of aeromagnetic data for Tooloom shows Phelps prospect is also underlain by a well defined, circular magnetic anomaly, 2 km across;
- **A FURTHER DRILLING PROGRAM TO TEST THE PHELPS TARGET, AS WELL AS JOES GULLY AND SEVERAL OTHER TOOLOOM PROSPECTS, HAS BEGUN.**

Elsmore Tin Mine, NSW

- Geological mapping, trenching and assaying of trench samples has identified significant potential for an alluvial tin resource at Elsmore;
- Preliminary RC drilling of Elsmore hard rock targets has indicated the presence of primary tin mineralisation with accessory copper and molybdenum;
- Assay results for the drill samples are awaited.

Corporate

- \$1,024,000 was raised through share placements;
 - Exploration expenditure for the Quarter was \$282,000.
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Tooloom Gold Project, NSW (Malachite 100%)

Following encouraging drill results at the Phelps prospect late in 2003, the Company undertook comprehensive geophysical and geochemical surveys over the Phelps prospect during the past Quarter. This work was aimed at gaining a better understanding of the size and shape of the Phelps mineralised system, including some appreciation of the third dimension, prior to follow up drilling planned for the June Quarter 2004. This work, together with enhanced interpretation of existing aeromagnetic data over Phelps, has proven to be very successful, with an exciting 3-D picture emerging for Phelps, confirming that it is a very large and very attractive target.

The first step was to conduct a more detailed interpretation of regional aeromagnetic data generated by the Company in 2000, looking closely at the imagery for the Phelps prospect as such. This work showed that Phelps is underlain by a nearly circular magnetic low about 2 km across, with an off-set central magnetic high and distinct internal structure (Figure 1).

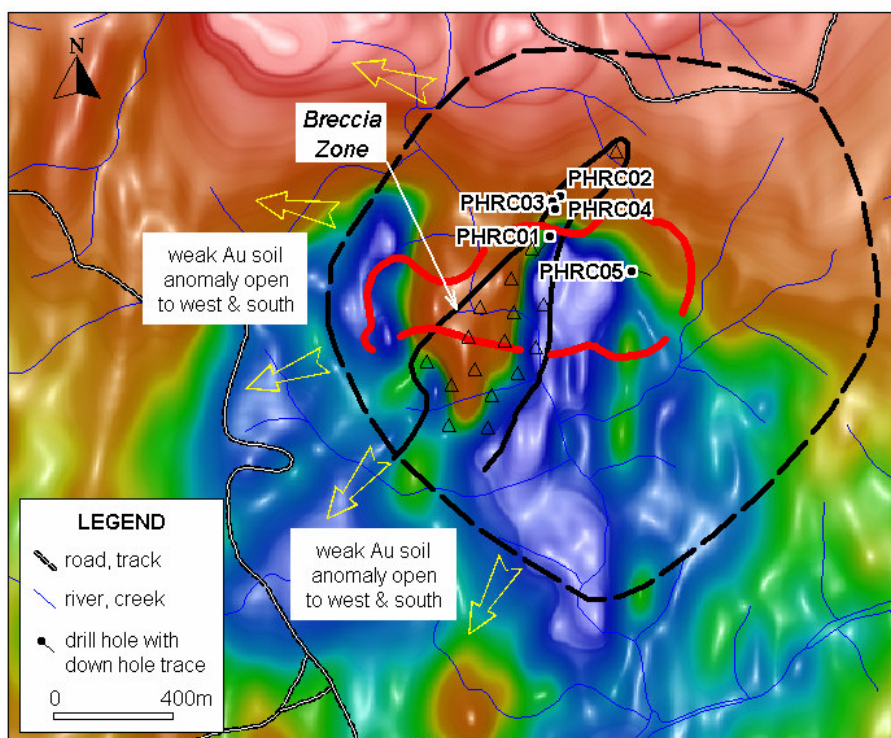


Figure 1: Aeromagnetic image of the Phelps prospect, showing location of breccia body (outlined in black, with internal triangle symbols) and initial drill holes (PHRC01 to PHRC 05). Also shown is the original gold in soil anomaly, indicated by the dashed red line (>100 ppb Au zone) and dashed black line (outer limit of gold in soil anomaly).

The magnetic low could represent a body of relatively non-magnetic intrusive rock, or it could indicate the presence of hydrothermal alteration which has destroyed the original magnetic susceptibility. Depth to source is not clear but the body is thought to be buried at a relatively shallow depth.

An electrical geophysical survey, using the off-set pole-dipole induced polarisation ("IP") method, was then carried out over the magnetic anomaly area, recording chargeability and resistivity. The chargeability response represents a measure of the relative abundance of sulphide minerals at depth, while resistivity generally reflects the presence of silicification. Assays from the initial drilling late in 2003 indicate a broad correlation between sulphide abundance and gold content. The IP survey revealed (Figure 2) that the Phelps breccia lies centrally within a very large and strong IP chargeability anomaly that extends from near surface to at least 400 m depth, with a distinct chargeability low in the centre.

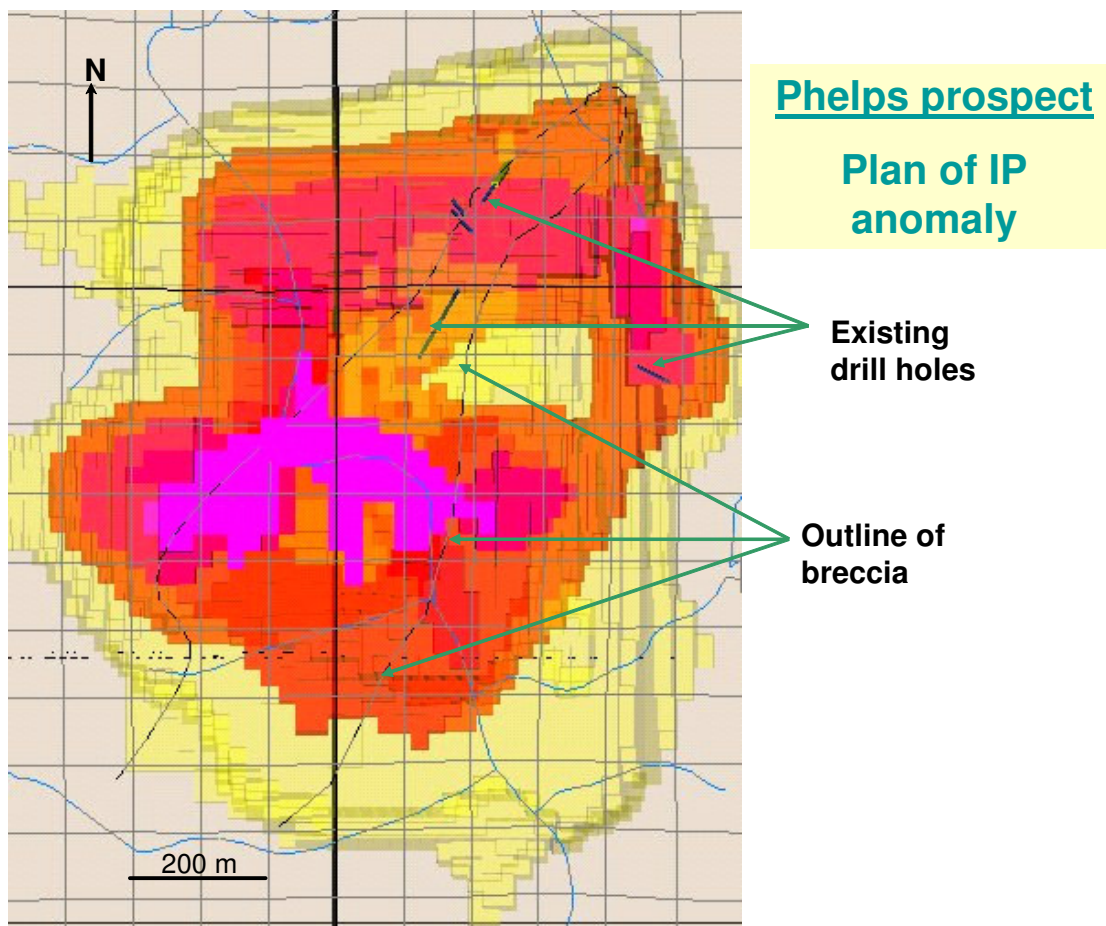


Figure 2: Modelled IP chargeability response over the Phelps prospect, plan view, showing location of mapped breccia body oriented northeast and located centrally within IP anomaly. The highest chargeability is represented by the magenta colour and the IP response grades down through red and orange to yellow (weakest response). The “doughnut” shape of the anomaly is apparent. (Note: Grid squares are each 100 m across.)

The drilling conducted by the Company at Phelps in late 2003 was aimed at the northern part of the breccia and at soil geochemical targets north and east of Kangaroo Creek. It is now clear that these holes tested only the northern and eastern margins of the IP anomaly and, in one case, the low in the centre. As shown in cross section (Figure 3), the main IP anomaly (red zone in Figure 3) has not been tested adequately by the first five drill holes. The best hole (PHRC02) just clipped the shoulder of the main anomaly, hole PHRC01 was drilled into the central chargeability low, holes PHRC 03 and 04 were too shallow and hole PHRC05, testing surface soil geochemistry, was drilled too far east to reach the IP anomaly. It is clear that deeper drilling and better oriented drill holes will be required to test the IP anomaly. In planning this follow up drilling, consideration has also been given to the possibility that gold is not only associated with sulphides but also occurs concentrated in structures, siliceous areas or other low-sulphide zones within, marginal to or oblique to the main body of sulphide minerals.

The IP anomaly appears to form a shell over a postulated intrusive centre at depth, such that from surface to depth a discrete anulus or “doughnut” shape, centred on the breccia body as mapped at surface, becomes apparent. This is shown in Figure 4, where a horizontal slice through the IP anomaly at RL 200 is portrayed.

Phelps prospect
Section of IP anomaly, looking southeast

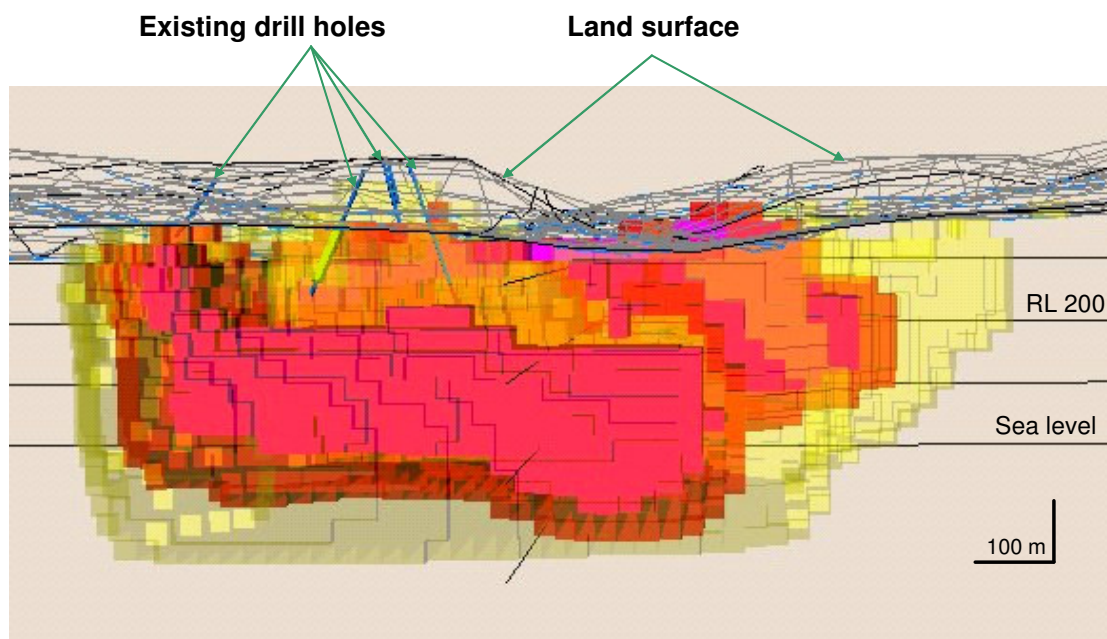


Figure 3: Cross section of modelled IP chargeability at Phelps prospect, looking southeast, showing location of existing drill holes (blue). The yellow section marked on one hole is the zone of highest gold within PHRC02 (79 m of 0.72 g/t Au). It is clear that the main IP anomaly has not yet been tested.

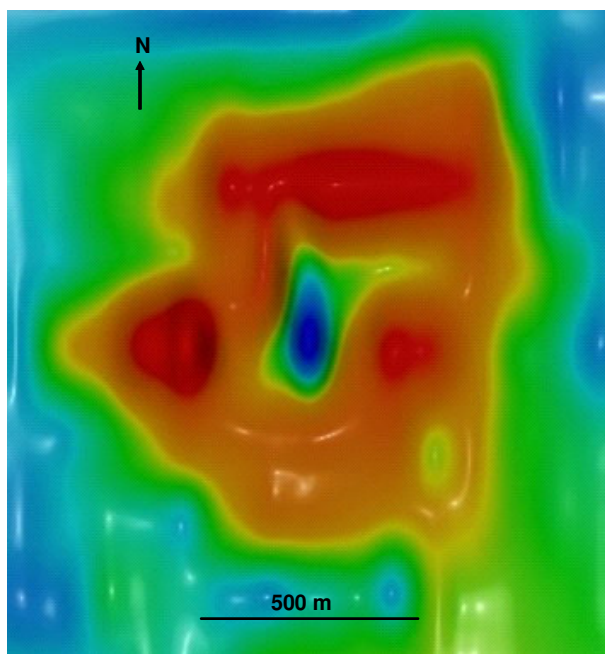


Figure 4: Horizontal slice through Phelps IP chargeability anomaly at RL 200, equivalent to 150-200 m below surface. (Red colour represents the highest chargeability, blue the lowest)

In conjunction with the geophysical survey, a soil geochemistry survey was undertaken at 200 x 100 m centres over the IP survey grid. This generated roughly 200 samples and confirmed the gold-in-soil anomaly indicated from the original, more limited ridge-and-spur sampling. Furthermore there is a good correlation between the gold-in-soil maximum and the strongest IP anomaly at surface, represented by the magenta zone in Figure 2. Key path-finder elements, including arsenic, antimony, bismuth and copper generally reinforce the gold anomaly and provide strong encouragement that this is indeed a large, intrusive-related mineral system.

A new program of up to 3,500 m of reverse circulation and diamond drilling has commenced at Tooloom, utilising two drill rigs. One rig will test zones of high chargeability as well as geochemical and geological targets at Phelps, while the second rig will test several other gold targets at Tooloom, including Joes Gully, Watsons and Cullens prospects.

Elsmore Tin Project, NSW (Malachite option to acquire 100%)

During the Quarter geological mapping was completed over the Elsmore property, outlining the distribution of granite, greisen and other rock types, as well as the presence of tailings and other residues of past mining. This work showed that while there is reasonable potential for alluvial deposits on the main Elsmore hill itself, the greater potential seems to be off the hill on flat areas where alluvial material has accumulated to unknown thickness and where there may be channels or other forms of buried concentration.

To evaluate this possibility, the Company carried out a program of trenching within these prospective areas, excavating a total of 35 short trenches to a maximum depth of about 4.5 m. The majority of these trenches revealed the presence of unconsolidated or poorly consolidated gravels at depths of 1 to 4 m below the present surface. The trenches were systematically sampled, photographed and then filled back in and rehabilitated. In each case, two vertical channel samples were taken, one for "total tin" assay and a duplicate for gravity processing where appropriate to assess "recoverable tin".

Preliminary assay results from the 84 samples collected in the trenching program show that tin is indeed present in the alluvial material shed from Elsmore hill, although in widely varying concentrations. Assayed tin values range from 9 to 1925 ppm Sn. These figures represent the total tin in each sample, rather than the liberated tin; it is the free tin content that is most relevant for alluvial mining, as tin still locked up in rock fragments would not be recovered. It is therefore intended to process the duplicates of the higher tin assay samples by a gravity method that will record values more indicative of tin recoverable in an alluvial mining operation. On present indications it appears that alluvial tin deposition has extended off the Elsmore property onto adjoining land held by the Company under its Elsmore exploration licence (EL 6196). This will be investigated further in the near future.

From the outset it was recognised that the primary tin mineralisation in the rock underlying the hill at Elsmore, which is the likely source of the alluvial tin mined historically, could represent an interesting hard rock resource. The Elsmore greisen complex covers an area of at least 2 km² and there are several places where cassiterite (the ore mineral of tin) is visible in outcrop or in surface boulders. Malachite's mapping identified several shallow shafts and one or two adits where previous investigation of hard rock tin had been carried out. Apart from these, however, there seems to have been very little attention paid to the tin potential of the hard rock at Elsmore and no record of prior drilling of the hard rock has been found.

Limited rock sampling by Malachite has shown that tin values in greisen vary widely, generally in the range 200 to 3000 ppm tin. However, the visible presence of coarse grained cassiterite in many places, especially where sheeted and stockwork quartz veins are present, makes objective sampling and estimation of the overall tin grade of the greisen very difficult (due to "nugget effect"). For this reason it was decided to carry out a reconnaissance RC drilling program at an early stage to provide objective samples of this type of mineralisation in the near surface environment. Several target areas, most where tin is well represented at surface, were chosen for drilling and 631 m of RC drilling was completed in 10 holes. Approximately 400 drill samples were submitted for assay and results are awaited.

Visual examination of the drill cuttings showed that significant tin mineralisation, in the form of cassiterite, is present in most of the holes over zones up to several metres wide. Accessory copper, as chalcopyrite, and molybdenum, as molybdenite, were observed in association with cassiterite in a number of cases, at levels that may be economically significant. Further details of Elsmore drilling will be available in about two weeks.

Conrad Silver Project, NSW (Malachite 100%)

No field work was conducted in the last Quarter at Conrad but some progress has been made with regard to the native title process. Only one native title party has emerged in response to the statutory advertising under the Native Title Act and Malachite has supplied information about its proposed program on potential native title land to that party. It is hoped that an on-site meeting with representatives of the native title party can take place very soon and that resolution of any issues arising can be effected promptly. Once that has been done, and the Minister for Mineral Resources has consequently given his permission to work in those areas, the Company is ready to begin field work. Initially, this is likely to involve an IP survey and further surface mapping and sampling to

explore the southeastern extension of the Conrad structure. Drilling of targets defined in this way will follow, either late in 2004 or in 2005, depending on the rate of progress with the native title party.

Meanwhile, the Company has successfully located copies of old underground sections for the Conrad mine that were stored in archives in Melbourne. These show the ore distribution at depth in the mine as it was known when the mine closed in 1957. As was suspected from the 2003 drilling results, these old sections clearly show that the best ore is concentrated in shoots that plunge to the southeast, beneath the Moore shaft. This is the key area where the Company was unable to drill in 2003 due to surface conditions and where drilling is proposed from the north side of the lode, on Crown land, once the native title issue is resolved.

Boonoo Boonoo Gold-Silver Project, NSW (Malachite 100%)

No exploration activity took place in the past Quarter, other than site rehabilitation works. Targets remain for testing at Specimen Gully and Star of Hope when a suitable rig is available but these have low priority in view of the results at Tooloom.

Rivertree Silver Project, NSW (Malachite 100%)

No exploration activity took place in the past Quarter. Further work is justified but has low priority at present.

AGI Database Project

Minimal activity took place with respect to the AGI Database project in the past Quarter, but some further processing occurred and it is believed that there is still good scope to generate further projects from analysis of the AGI database when priorities permit.

Forward Plans

Tooloom will continue to be the main priority for the Company in the June Quarter. A new drilling program at Phelps and several other prospects has begun and first results should be available by late May. Two rigs will be operating the program, one dedicated solely to Phelps and the other testing Joes Gully, Cullens, Watsons and perhaps other prospects in the Tooloom area. The Phelps rig is a large, track-mounted multi-purpose rig that can undertake both RC percussion and diamond core drilling, which is required as much of the IP target at Phelps is below the practical depth limitation of RC drilling. The second rig is capable of RC drilling only, to depths of about 200 m, but is smaller and more manoeuvrable, allowing access to confined sites in Joes Gully and elsewhere.

Follow up work at Elsmore will also take place in the June Quarter. This will be aimed at further testing of the alluvial tin potential as well as the hard rock tin mineralisation intersected by drilling in March. Exploration will also commence on the Company's EL 6196, which surrounds the Elsmore property. Numerous old tin workings are recorded within EL 6196, probably the most important of which is the Newstead mine, where a large greisen body like that at Elsmore is known to occur.

No field work is planned for Rivertree or Boonoo Boonoo in the next Quarter.

Expenditure

Exploration expenditure during the period under review amounted to \$282,000.

Further Information

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