

# MALACHITE RESOURCES LIMITED

A.B.N. 86 075 613 268



## CONSOLIDATED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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This financial report covers both Malachite Resources Limited as an individual entity and the consolidated entity consisting of Malachite Resources Limited and its subsidiaries. The financial report is presented in Australian currency.

Malachite Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Malachite Resources Limited  
Suite 1502, Tower B  
799 Pacific Highway  
Chatswood NSW 2067.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 31 August 2010. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at a minimum cost to the company. All ASX releases, financial reports and other information are available on our website: [www.malachite.com.au](http://www.malachite.com.au).

## MALACHITE RESOURCES LIMITED

### Annual Consolidated Financial Report For The Financial Year Ended 30 June 2010

#### DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Malachite Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

#### DIRECTORS

The names and positions of the directors of the consolidated entity during the whole of the financial year and up to the date of this report are:

**Garry George Lowder, BSc (Hons), PhD, FAusIMM, MAICD**

Chairman and Managing Director, Age 66

Geologist with over 40 years Australian and international experience in both the public and private sectors. Founded Malachite Resources in 1997, after spending four years as Director General of Mineral Resources in NSW. Previously held senior positions in several Australian and overseas mining companies. Has a strong record of success in mineral exploration, mining, corporate management and government administration, much of it focussed on NSW, with key roles in the discovery of the Northparkes Copper and Cowal Gold deposits. Non-executive director of ASX-listed Straits Resources Limited. Graduate of the University of Sydney (BSc Hons), the University of California at Berkeley (PhD) and the Advanced Management Program at the Harvard Business School.

**Russell Matthew Devenish Meares, BSc (Hons), MSc, FAusIMM, MAIG, GAICD**

Executive Director, Age 63

Geologist with over 35 years experience in mineral exploration and mining. Has worked extensively in both technical and management roles in Australia, Asia and the South West Pacific. Experience ranges from project generation through to ore reserve estimation and economic evaluation. Has played key roles in the discovery of several ore deposits in Australia, Papua New Guinea and Fiji. Has been the consolidated entity's exploration manager since 1997. Graduate of University of NSW (BSc Hons) and James Cook University of North Queensland (MSc) and Company Directors' course of Australian Institute of Company Directors.

**Warren John Staude, BSc, MSc, MAusIMM, F Fin, MAICD**

Non-Executive Director, Age 67

Has over 40 years professional experience in the mining, exploration and resource finance industries. Has worked in Government, in industry, as a private consultant and on the academic staff at Macquarie University. Spent a number of years with the AMP Society's resource investment team, where he was involved in evaluating the operational and financial performance of numerous resource operations. Also spent some time in the stockbroking industry, before joining GIO Australia Asset Management, where he managed GIO's listed and direct resource equity investments in Australia and internationally. He is currently a non-executive director of Central West Gold NL, Frontier Resources Limited, Eagle Eye Metals Ltd, Excelsior Gold Ltd, Aphrodite Gold Ltd and Stonehenge Metals Ltd, all ASX-listed companies. In the past three years was also a director of Seafloor Resources Limited and Appgas Limited. Graduate of University of Sydney (BSc), Macquarie University (MSc) and holds a Graduate Diploma from the Securities Institute of Australia. A member of the Joint Ore Reserves Committee and the Valmin Committee.

**Denis M. O'Neill BSc (App. Geol.), MAusIMM**

Non-Executive Director, Age 60

Geologist with 35 years professional experience in mineral exploration and mining, both in Australia and abroad. Has worked in technical and management roles that include 14 years with Macmin Silver Ltd, where he was a Director. Four years as Chief Geologist for the Delta Gold Group of Companies in Australia and 7 years directing exploration projects in Italy, Ireland and the United Arab Emirates for Noranda Mines Ltd. Associated with the discovery of the "Reward" and "Highway" VHMS ore bodies (Charters Towers) earlier in his career and more recently the "Twin Hills" silver deposit at Texas, NSW. Graduate of the University of NSW (BSc in Applied Geology).

**Roy M. Randall B.Com., LL.B.**

Non-executive Director Age 74

Roy Randall is a former partner of the Sydney office of Stikeman, Elliott, Canada's pre-eminent international law firm. Prior to joining Stikeman, Elliott in early 1997 he was a partner at Freehill Hollingdale and Page in Sydney. Roy has more than 35 years broad practical experience in many areas of corporate legal practice and has also worked as a merchant banker. His extensive legal experience has extended to the areas of natural resources, structuring international transactions and infrastructure development. He has represented both issuers and underwriters in connection with initial public offerings for mining companies and advised on takeovers in the mining sector.

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

In the last three years none of the directors have held directorships in public companies other than those listed individually above.

**Andrew J. Cooke LLB, FAICS**

Company Secretary

Lawyer with over 20 years experience in law, corporate finance and as a Company Secretary of listed resource companies. Responsible for corporate administration together with stock exchange and regulatory compliance.

**MALACHITE RESOURCES LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' MEETINGS**

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of Directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Dr Garry G Lowder	9	9	-	-	-	-
Mr Russell MD Meares	9	9	-	-	-	-
Mr Denis M O'Neill	9	9	-	-	1	1
Mr Warren J Staude	9	9	7	7	-	-
Mr Roy M. Randall	9	9	7	7	1	1

**DIRECTORS' INTERESTS**

	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Garry G Lowder	-	6,981,244	7,250,000	-
Mr Russell MD Meares	-	1,040,417	5,000,000	-
Mr Denis M O'Neill	-	-	800,000	-
Mr Warren J Staude	90,000	-	800,000	-
Mr Roy M. Randall	-	2,331,753	950,000	-

Full details of options issued are contained in Note 20.

**PRINCIPAL ACTIVITIES**

The principal activity of the consolidated entity during the financial year was exploration for economic deposits of gold, silver, copper, tin and other minerals.

No significant changes in the nature of the principal activities occurred during the financial year.

**OPERATING RESULTS**

The results of the operations of the consolidated entity during the financial year were as follows:

	2010	2009
	\$	\$
Loss after income tax	(4,118,113)	(3,429,730)

**DIVIDENDS**

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2010 (2009: Nil).

**REVIEW OF OPERATIONS**

During the past year exploration activity carried out by the consolidated entity continued to be focussed on the New England region of northern New South Wales, although a new project across the border in southern Queensland also began operating. Field work at Conrad, the Group's flagship project, was largely directed at the southeastern extension of the Conrad structure, beyond the limit of previous drilling. The objective was to delineate targets for a new phase of drilling in this area, aimed at identifying new mineralised shoots within the Conrad structure in this relatively unexplored part of the Conrad system. Several such targets were mapped out and a preliminary reverse circulation percussion drilling program was conducted in this area late in the period. No ore grade intersections were reported but significant silver-copper-tin mineralisation was encountered, over widths somewhat greater than in the main part of the lode to the northwest. Infill diamond drilling at the southeastern end of the previously drilled lode, a part of the Conrad system known as the Princess Shoot, began late in the period.

At Tooloom, which is currently the Group's principal exposure to gold exploration, diamond drilling took place at three prospects, namely Pine Gully, Back Creek and Joes Gully, testing shear-hosted or stockwork quartz vein styles of mineralisation. Results for Pine Gully and Back Creek were disappointing, but at Joes Gully a significant gold intersection of 21.5m @ 1.78g/t Au, including 1m @ 28.4g/t Au, was achieved. This intersection will be followed up with further drilling at a later stage.

The Group's tin assets are mostly concentrated at the Elsmore Project, where the main activity during the year was bulk sampling and evaluation of the Karaula paleo-alluvial tin deposit. The samples collected were tested with the Consolidated Entity's own cone concentrator, which is located at Jadree, the Group's 340ha freehold property situated adjacent to the Conrad mining leases. The results were encouraging, with many of the samples treated yielding attractive recoverable tin grades. Good progress was also made with metallurgical test work conducted on bulk samples of Karaula alluvium in Germany. This work is trialling a new, dry processing technology that could have positive implications for the economics of mining alluvial tin deposits at Elsmore and elsewhere. Further work on tin deposits at Elsmore is planned for the year ahead.

The other tin project in the Group's portfolio is Delungra, where a reverse circulation percussion drilling program took place at the Standon tin prospect. A large and quite strong tin-in-soil geochemical anomaly was the target for drilling but the results were disappointing. It is now believed that the tin in the soil at Standon is derived from a small number of narrow, high grade veins, rather than the more pervasive stockwork of veins that was the target model. Lack of encouraging results at Standon and elsewhere at Delungra led to a decision at year end to relinquish title to this area.

# MALACHITE RESOURCES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### REVIEW OF OPERATIONS (CONTINUED)

An initial field program was conducted at the new Pikedale Project, located about 30km west of Stanthorpe in southern Queensland. Early indications for significant mineralisation at Pikedale are encouraging and more work is planned for the ensuing year.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

2010  
\$

Significant changes in the state of affairs of the Group during the financial year were as follows:

<b>(a)</b> An increase in contributed equity of \$2,375,549 (from \$25,099,153 to \$27,474,702) as a result of:	
Pursuant to share purchase plan 16,969,006 fully paid ordinary shares issued at 5.5 cents per share	933,295
Pursuant to share placement agreements 18,508,770 fully paid ordinary shares issued at 8.55 cents per share	1,582,500
	<hr/> 2,515,795
Less: Transaction costs relating to share issues	(140,246)
Net increase in share capital	<hr/> <hr/> 2,375,549

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

An infill diamond drilling program at the Conrad Silver Project continued until late August, when it was suspended to allow time to interpret the results achieved. The new drill holes were targeting silver-copper-tin mineralisation in what is known as the Princess Shoot. Each hole successfully intersected the Conrad Lode structure, with different holes reporting various proportions of quartz and sulphide mineralisation in the lode structure and adjacent wall rocks. Assay results were due to be reported once data for all holes drilled in the program had been received from the laboratory.

Elsewhere, the consolidated entity continued its investigation into the possible acquisition of an advanced gold project.

As at the date of this report Nanyang Mining Resources Investment Pty. Limited ("Nanyang") has failed to meet its obligation to provide subscription monies due for a convertible note to the value of \$3 million. The funds from Nanyang were due in full by 30 June 2010. The consolidated entity is of the view that the failure by Nanyang to provide these funds represents a breach of the subscription agreement for the \$3 million convertible note and has now advised Nanyang that it has terminated the subscription agreement due to Nanyang's breach and reserves its legal rights. At 30 June 2010 the group has not raised a liability and a corresponding receivable for the \$3 million convertible note for the reasons stated above. Following termination of the subscription agreement the consolidated entity does not envisage that Nanyang will participate in funding the Company through the convertible note facility.

Except as described above, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity's projects are at the exploration and evaluation stage only and as such it is not possible to postulate which, if any, will proceed to development and mining operations. The Conrad Silver Project is the most advanced of the consolidated entity's projects, but preliminary metallurgical and mining scoping studies that have been undertaken to date indicate a need for additional resources to be delineated by drilling before a feasibility study can be initiated.

The economic potential of the Karaula paleo-alluvial tin deposit at Elsmore has been advanced during the period, especially in the light of good results from metallurgical test work carried out in Germany, where new dry processing technology is being trialled. However, further work is needed before mining can be contemplated.

### ENVIRONMENTAL REGULATIONS

The consolidated entity's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decisions in what are generally known as the "Mabo" and "Wik" cases and any laws of the Commonwealth or of a State or Territory regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined in some parts of the consolidated entity's interests and certain mining titles may be affected by native title.

The consolidated entity has an environmental rehabilitation policy that is applied to each tenement upon grant. The policy has been adhered to and no breaches have occurred during the period.

### SHARE OPTIONS

	2010	2009
Options on issue beginning of year	20,360,000	50,291,919
Employee options issued	-	7,600,000
Employee options lapsed	(1,100,000)	(420,000)
Employee options exercised	-	-
Listed options expired	-	(29,346,669)
Listed options issued	-	-
Listed options exercised	-	(8,765,250)
Unlisted options granted	-	1,000,000
Options on issue end of year	<hr/> 19,260,000	<hr/> 20,360,000

**MALACHITE RESOURCES LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**SHARE OPTIONS (CONTINUED)**

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest of any other registered scheme.

Further information is given in Note 20 and 30 to the financial statements.

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

**Indemnification**

In accordance with the Constitution of Malachite Resources Limited each director and officer is indemnified on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by them as officers of Malachite Resources Limited or a related body corporate. The consolidated entity has not indemnified or agreed to indemnify the auditor of the consolidated entity against any liabilities incurred as auditor.

**Insurance Policies**

Since the end of or during the financial year the consolidated entity has paid premiums in respect of directors' and executive officers' liability and legal expenses insurance contracts for the year ended 30 June 2010. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the parent entity.

Directors have not included details of the nature of the liabilities covered, or the amount of the premium paid, as such disclosure is prohibited under the terms of the insurance contract.

**REMUNERATION REPORT**

The remuneration report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share based compensation
- (e) Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

**(a) Principles used to determine the nature and amount of remuneration**

The consolidated entity's policy for determining the nature and amount of emoluments of board members and senior executives of the consolidated entity is as follows:

The objective of the entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- attracts and retains well qualified and suitably experienced applicants
- has the goal of economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and, in the longer term, payment of dividends and delivering an adequate return on assets as well as focusing the executive on key non-financial drivers of value.
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short (STI) and long-term (LTI) incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current year. Recognition is given to earnings in setting executive remuneration but, as the consolidated entity is involved in mineral exploration rather than mineral mining and production, relevant experience, industry standards and the annual exploration outcomes, rather than earnings, are given greatest weight in remuneration considerations.

# MALACHITE RESOURCES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (CONTINUED)

Executive remuneration includes a base salary that is set with reference to the market, a short term incentive that comprises of an at risk bonus payable to reflect performance and a long term incentive that provides scope for equity participation over the longer term.

#### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also drawn on external sources of information to ensure non-executive directors' fees and payments are appropriate and in line with the market.

#### Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2010.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$100,000 per annum and was approved by shareholders at the AGM on 23 November 2009.

#### (b) Details of remuneration

Cash remuneration packages are set at levels that are intended to attract and retain executives capable of managing and enhancing the consolidated entity's operations. Remuneration of individual non-executive Directors is determined by the Board and may be varied from time to time but always such that the aggregate (currently \$70,168 per annum) is within the maximum amount (currently \$100,000 per annum) for which prior approval of the shareholders has been received.

Executive directors are entitled to long service leave of 12 weeks after a period of 7 years continuous service from the Original Commencement Date. After 7 years from the Original Commencement Date long service leave accrues at the rate of 1.3 weeks per year of service.

Details of the nature and amount of each element of the emoluments of each of the Directors of Malachite Resources Limited during the year ended 30 June 2010 are set out below.

	Short-term Employee Benefits			Post-employment Benefits	Long-term Benefits		Share Based Payments	
	Cash Salary and Fees	Cash Bonus	Non Monetary Benefits	Director's Superannuation Contributions	Long Service Leave	Termination Benefits	*Options	Total
	\$	\$	\$	\$			\$	\$
<b>2010</b>								
Dr GG Lowder	175,958	27,200	-	17,374	62,652	-	74,142	357,326
Mr RD Meares	178,063	22,500	-	18,051	68,861	-	49,968	337,443
Mr D O'Neill	21,458	-	-	1,931	-	-	7,303	30,692
Mr W Staude	21,458	-	-	1,931	-	-	7,303	30,692
Mr RM Randall	23,390	-	-	-	-	-	8,850	32,240
	<b>420,327</b>	<b>49,700</b>	<b>-</b>	<b>39,287</b>	<b>131,513</b>	<b>-</b>	<b>147,566</b>	<b>788,393</b>
					*			
<b>2009</b>								
Dr GG Lowder	177,666	-	-	15,990	(41,095)	-	109,972	262,533
Mr RD Meares	166,833	-	-	15,015	(37,718)	-	75,421	219,551
Mr D O'Neill	20,917	-	-	1,883	-	-	12,137	34,937
Mr W Staude	20,917	-	-	1,883	-	-	12,137	34,937
Mr RM Randall	22,799	-	-	-	-	-	13,457	36,256
	<b>409,132</b>	<b>-</b>	<b>-</b>	<b>34,771</b>	<b>(78,813)</b>	<b>-</b>	<b>223,124</b>	<b>588,214</b>

All executive officers of the consolidated entity are directors.

Key management personnel are the same for the group and the company.

There is no link between key management personnel remuneration and the share price or dividends.

All of the top paid executives are shown above.

\* Details of options issued are contained in note 30.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2010	2009	2010	2009	2010	2009
Dr GG Lowder	72%	58%	8%	-	21%	42%
Mr RD Meares	79%	66%	7%	-	15%	34%
Mr D O'Neill	76%	65%	-	-	24%	35%
Mr W Staude	76%	65%	-	-	24%	35%
Mr RM Randall	73%	63%	-	-	27%	37%

# MALACHITE RESOURCES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (CONTINUED)

#### (c) Service agreements

Remuneration and other terms of employment for executive directors are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and participation, when eligible, in the Malachite Resources Limited Employee & Contractors Option Plan ("ECOP"). Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with 3 months notice, subject to termination payments.

#### Directors' Interests

The relevant interest of each Director (including their associates) in the share capital of the Company as at 30 June 2010 are set out in note 7 to the financial statements.

#### (d) Share based compensation

##### Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan") which was most recently approved by shareholders at the Company's Annual General Meeting held 23 November 2009. The Plan is administered by the Board. Only eligible persons (and their associates) may be invited to participate in the Plan. Eligible persons include full time employees of the Company, permanent part-time employees, qualifying contractors and persons who may be a director, alternate director or company secretary of the Company or an entity in the Group. The Plan is designed to provide long term incentives for executives to deliver shareholder value. Under the Plan, participants are granted options which only vest if certain exploration outcomes or share price hurdles are achieved or at the end of the vesting period.

Options are granted under the plan for no consideration. Options granted under the Plan carry no dividend or voting rights. Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the Company. The exercise price is determined by the Directors at the time of issuing an invitation to participate in the Plan. Options granted under the Plan have been granted at a premium to the price at which the Company's shares were traded on the Australian Stock Exchange at the time of granting.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Date vested and exercisable	Value per Option at grant date	Performance Achieved	% Vested	% Forfeited
23 Nov 2006	30 Dec 2011	\$0.30	1/3 vest 23/11/07 1/3 vest 23/11/08 1/3 vest 23/11/09	\$0.0700	na na na	33% 33% 33%	- - -
22 Nov 2007	29 Nov 2012	\$0.431	based on exploration outcomes	\$0.0670	to be determined	na	-
25 Nov 2008	24 Nov 2013	\$0.200	1/3 vest 25/11/09 1/3 vest 23/11/10 1/3 vest 25/11/11	\$0.0248	na na na	33% - -	- - -

All options granted to Directors have been approved by Shareholders.

Benefits are payable (or vest) upon achievement of exploration based performance hurdles or upon expiry of vesting periods.

No options terms and conditions have been altered at any time, except for the price of options granted to Directors pursuant to shareholder approval on the 25th November 2008. These options which were priced at 8.8 cents were subsequently repriced by the Board to 20 cents to better align the interests of Directors with the Company's shareholders.

Details of options over ordinary shares in the company provided as remuneration to each director and officer of Malachite Resources Limited are set out below. When exercisable, each option is convertible into one ordinary share of Malachite Resources Limited. Further information on the options is set out in note 30 to the financial statements.

Directors and Officers	Number of options granted during the year		Number of options vested during the year		Total value of grant yet to vest	
	2010	2009	2010	2009	Minimum	Maximum
Dr GG Lowder	-	3,000,000	416,667	416,667	\$ -	\$ 294,064
Mr RD Meares	-	2,000,000	333,333	333,333	-	206,677
Mr D O'Neill	-	250,000	83,333	83,333	-	36,658
Mr W Staude	-	250,000	83,333	83,333	-	36,658
Mr RM Randall	-	400,000	83,333	83,333	-	38,831
Mr A J Cooke	-	250,000	83,333	83,333	-	36,658

## MALACHITE RESOURCES LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### REMUNERATION REPORT (CONTINUED)

##### (d) Share based compensation (continued)

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the previous remuneration tables. The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

During the current or prior year there were no options exercised by the directors under the employee option plan.

During the year no options were granted under the employee option plan

The model inputs for options granted during the year ended 30 June 2009 included:

- (a) nil (2009 - options are granted for: no consideration and have a five year life vesting in equal one third lots on the first three anniversaries of the grant date.)
- (b) nil (2009 exercise price: \$0.20 and \$0.20 )
- (c) grant date: nil (2009 - 25/11/08 and 23/12/08)
- (d) expiry date: nil (2009 - 25/11/13 and 25/11/13)
- (e) share price at grant date: nil (2009 25/11/08 - \$0.07 and 23/12/08 - \$0.08)
- (f) expected price volatility of the company's shares: nil (2009 - 70% )
- (g) expected dividend yield: nil (2009– 0.00%)
- (h) risk-free interest rate: nil (2009 –3.21%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

##### (e) Additional information

The consolidated entity's projects are all still at the exploration and evaluation stage and as a result, it does not yet have earnings from mining. In view of that, shareholder wealth is based on the market's view of the value of discoveries made to date, the consolidated entity's potential for future discovery success, and the quality and experience of its people. This is reflected in market capitalisation, which is also influenced by factors outside the consolidated entity's control, such as commodity prices and general market behaviour.

Accordingly, remuneration policy for key management personnel is based primarily on the extent to which the corporate exploration and evaluation objectives are met, recognising that the timeframe for exploration success commonly exceeds one year. Key performance criteria include measuring actual expenditure against budget, the quality and relevance of geological and other scientific or technical work applied, and the selection, management and performance of field staff and outside contractors, such as drilling contractors. Where a project is sufficiently advanced for it to be appropriate, achievement of resource definition goals is also given considerable emphasis, as the market generally values defined resources more than resource potential. This aspect plays a significant role in setting the long term incentive component of remuneration.

#### AUDITORS

##### Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

##### Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:



**MALACHITE RESOURCES LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS (CONTINUED)**

Consolidated	
2010	2009
\$	\$
41,000	36,031

## Assurance services

**Audit services**

PricewaterhouseCoopers Australian firm:

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

### Rounding of amounts

ASIC 98/100 The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

*J. Lawder*

GG LOWDER  
Managing Director

Sydney, 31 August 2010

**PricewaterhouseCoopers**  
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## Auditors' Independence Declaration

As lead auditor for the audit of Malachite Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Malachite Resources Limited during the year.



Brett Entwistle  
Partner  
PricewaterhouseCoopers

Sydney  
31 August 2010

MALACHITE RESOURCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated		Malachite Resources Limited	
		2010	2009	2010	2009
		\$	\$	\$	\$
Revenue from continuing operations	4	69,551	96,676	69,551	96,676
Accounting and audit expense		(48,003)	(41,558)	(48,003)	(41,558)
Corporate expenses	5	(299,712)	(203,413)	(299,712)	(203,413)
Depreciation and amortisation expense	5	(38,265)	(48,292)	(38,265)	(48,292)
Employee benefits expense		(731,664)	(673,828)	(731,664)	(673,828)
Exploration expenditure expensed	5	(2,951,941)	(2,397,988)	(2,951,941)	(2,397,988)
Occupancy expenses		(118,079)	(115,827)	(118,079)	(115,827)
Other expenses from ordinary activities		-	(45,500)	-	(45,500)
<b>Loss before Income Tax Expense</b>		<b>(4,118,113)</b>	<b>(3,429,730)</b>	<b>(4,118,113)</b>	<b>(3,429,730)</b>
Income tax expense	6	-	-	-	-
<b>Net Loss for the year</b>	22	<b>(4,118,113)</b>	<b>(3,429,730)</b>	<b>(4,118,113)</b>	<b>(3,429,730)</b>
Total comprehensive income for the period		(4,118,113)	(3,429,730)	(4,118,113)	(3,429,730)
Loss for the period is attributable to:					
Owners of the company		(4,118,113)	(3,429,730)	(4,118,113)	(3,429,730)
Total comprehensive income is attributable to:					
Owners of the company		(4,118,113)	(3,429,730)	(4,118,113)	(3,429,730)
Basic and diluted earnings/(loss) per share (cents per share)	9	(2.47)	(2.58)		

The statement of comprehensive income are to be read in conjunction with the accompanying notes.

**MALACHITE RESOURCES LIMITED**

**BALANCE SHEETS AS AT 30 JUNE 2010**

	Note	Consolidated		Malachite Resources Limited	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	10	1,804,418	952,978	1,804,418	952,978
Trade and other receivables	11	64,160	43,356	64,160	43,356
<b>TOTAL CURRENT ASSETS</b>		<b>1,868,578</b>	<b>996,334</b>	<b>1,868,578</b>	<b>996,334</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	12	199,673	199,673	199,673	199,673
Investments	13	-	-	9,497,116	8,748,532
Property, plant and equipment	15	591,952	589,409	174,916	172,373
Exploration and evaluation expenditure	16	13,201,814	14,212,610	4,121,735	5,881,115
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,993,439</b>	<b>15,001,692</b>	<b>13,993,440</b>	<b>15,001,693</b>
<b>TOTAL ASSETS</b>		<b>15,862,017</b>	<b>15,998,026</b>	<b>15,862,018</b>	<b>15,998,027</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	1,604,122	181,925	1,604,122	181,925
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,604,122</b>	<b>181,925</b>	<b>1,604,122</b>	<b>181,925</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	18	-	-	1	1
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>		<b>1,604,122</b>	<b>181,925</b>	<b>1,604,123</b>	<b>181,926</b>
<b>NET ASSETS</b>		<b>14,257,895</b>	<b>15,816,101</b>	<b>14,257,895</b>	<b>15,816,101</b>
<b>EQUITY</b>					
Contributed equity	19	27,474,702	25,099,153	27,474,702	25,099,153
Option Expense Reserve	21	1,224,313	1,039,955	1,224,313	1,039,955
Accumulated Losses	22	(14,441,120)	(10,323,007)	(14,441,120)	(10,323,007)
<b>TOTAL EQUITY</b>		<b>14,257,895</b>	<b>15,816,101</b>	<b>14,257,895</b>	<b>15,816,101</b>

The Balance Sheets are to be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Attributable to owners of Malachite Resources Limited						
	Note	Contributed Equity	Reserves	Retained Earnings	Total	Total Equity
<b>Balance as at 1 July 2008</b>		22,915,178	659,017	(6,893,277)	16,680,918	- 16,680,918
Total comprehensive income for the year		-	-	(3,429,730)	(3,429,730)	- (3,429,730)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs		2,183,975	-	-	2,183,975	- 2,183,975
Employee and non-employee share options	30	-	380,938	-	380,938	- 380,938
<b>Balance as at 30 June 2009</b>		<b>25,099,153</b>	<b>1,039,955</b>	<b>(10,323,007)</b>	<b>15,816,101</b>	<b>- 15,816,101</b>
<b>Balance as at 1 July 2009</b>		<b>25,099,153</b>	<b>1,039,955</b>	<b>(10,323,007)</b>	<b>15,816,101</b>	<b>- 15,816,101</b>
Total comprehensive income for the year		-	-	(4,118,113)	(4,118,113)	- (4,118,113)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs		2,375,549	-	-	2,375,549	- 2,375,549
Employee and non-employee share options		-	184,358	-	184,358	- 184,358
<b>Balance as at 30 June 2010</b>		<b>27,474,702</b>	<b>1,224,313</b>	<b>(14,441,120)</b>	<b>14,257,895</b>	<b>- 14,257,895</b>

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

**MALACHITE RESOURCES LIMITED**

**CASH FLOWS STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	Note	Consolidated		Malachite Resources Limited	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to suppliers and employees (inclusive of GST)		(621,759)	(513,329)	(621,759)	(513,329)
Exploration and evaluation expenditure (inclusive of GST)		(1,931,166)	(4,242,872)	(1,931,166)	(4,242,872)
Interest received		68,824	96,494	68,824	96,494
Sundry receipts (inclusive of GST)		800	200	800	200
Net cash outflow from operating activities	29(c)	(2,483,301)	(4,659,507)	(2,483,301)	(4,659,507)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(40,808)	(4,479)	(40,808)	(4,479)
Net cash outflow from investing activities		(40,808)	(4,479)	(40,808)	(4,479)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from convertible note		1,000,000	-	1,000,000	-
Proceeds from share issues		2,515,795	2,234,006	2,515,795	2,234,006
Equity raising expenses		(140,246)	(50,031)	(140,246)	(50,031)
Net cash inflow from financing activities		3,375,549	2,183,975	3,375,549	2,183,975
NET INCREASE/(DECREASE) IN CASH HELD		851,440	(2,480,011)	851,440	(2,480,011)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		952,978	3,432,989	952,978	3,432,989
CASH AT THE END OF THE FINANCIAL YEAR	29(a)	1,804,418	952,978	1,804,418	952,978

The Cash Flows Statements are to be read in conjunction with the accompanying notes.

# MALACHITE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Malachite Resources Limited as an individual entity and the consolidated entity consisting of Malachite Resources Limited and its subsidiaries.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

##### *Compliance with IFRS*

The consolidated financial statements of Malachite Resources Limited group and the separate financial statements of Malachite Resources Limited also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

##### *Financial statement presentation*

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

##### *Significant Matters relating to the ongoing viability of operations*

The financial report is prepared on a going concern basis, which assumes that the consolidated entity will be able to source additional funding as required to fund forecast corporate operating costs and the planned exploration in 2010/2011. As is the case with all junior exploration companies, the consolidated entity is dependent on raising new capital from time to time in order to fund its ongoing operations. The consolidated entity has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The consolidated entity successfully raised \$933,295 from a Share Purchase Plan undertaken in August 2009. The consolidated entity is permitted to undertake a further Share Purchase Plan if it wishes to do so at any time after 28 August 2010 or in the alternative may elect to undertake a Rights Issue at any time to allow all shareholders to participate in the capital raising on an entitlements basis. In addition the consolidated entity has a full 15% capacity available to it to undertake a placement. The Company is adequately funded for the time being and accordingly will address funding for future operations at a future date as and when appropriate. Without successful capital raisings in the future uncertainty may arise in respect to the consolidated entity's ongoing operations.

The Board has reasonable grounds to believe that raising new capital will be achievable as and when required and that the consolidated entity will be in a position to realise its assets and settle its liabilities and commitments in the normal course of business and continue as a going concern. In addition the Board believes that, if required, it could materially reduce the consolidated entity's operating costs, as it has done from time to time in the past, to suit available financial resources and the timing of anticipated new capital raisings.

If the consolidated entity is unable to continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. No adjustments have been made in the financial statements relating to the measurement and classification of recorded asset and liability amounts that might be necessary should consolidated entity not continue as a going concern.

#### (b) Principles of consolidation

##### *(1) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Malachite Resources Limited ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Malachite Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Malachite Resources Limited.

# MALACHITE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *(ii) Joint ventures*

Jointly controlled assets

The consolidated entity's proportionate share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the Financial Statements. Details of the consolidated entity's interests in joint ventures are shown in Note 24.

#### **(c) Cash and cash equivalents**

For the purpose of the cash flows statements, cash and cash equivalents includes:

- cash on hand and at call deposits with banks or financial institutions; and
- investments in money market instruments with less than 90 days to maturity that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(d) Employee benefits**

##### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave and all other short-term employee benefit obligations are presented as other payables.

##### *(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *(iii) Share based compensation*

Share based compensation benefits are provided to employees via the Malachite Resources Limited Employee Option Plan. Information relating to the plan is set out in note 30.

##### *Options granted after 7 November 2002 and vested after 1 January 2005*

The fair value of options granted under the Malachite Resources Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

#### **(e) Exploration and Evaluation Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward where there is current activity and rights of tenure, to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves but nevertheless, active and significant operations in the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off, in full, in the year in which the decision to abandon the area is made or where it fails to meet the conditions outlined above for the carry-forward of these costs as an asset.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### **(f) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.



# MALACHITE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### (h) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (i) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

##### (i) Investment allowances

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

##### (ii) Tax consolidation legislation

Malachite Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Malachite Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amount, Malachite Resources Limited also recognises the current liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets and liabilities arising under tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution (or distribution from) wholly-owned tax consolidated entities.

#### (j) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 11 and 12).

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designed as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(l) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(m) Earnings/(loss) per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on plant and equipment.

Depreciation provided on plant and equipment is calculated on a diminishing value basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

- Motor Vehicles	5 - 6 years
- Plant and equipment	4 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount ( note 1(h) ).

# MALACHITE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (p) Revenue Recognition

##### (i) Interest Income

Interest income is recognised on a time proportion basis, taking into account the interest rates applicable to financial assets.

##### (ii) Other Income

Other income is measured at the fair value of the consideration received or receivable.

##### (iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

#### (q) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts as they are due for settlement.

#### (r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretation is set out below:

#### (s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board.

The Company operates predominantly in the one business segment and in one geographical area, namely Australian mineral exploration and evaluation.

##### *Change in accounting policy*

The group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. There has been no impact on the measurement of the company's assets and liabilities.

#### **AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Sharebased**

##### **Payment Transactions [AASB 2]** (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's or the parent entity's financial statements.

#### **AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues**

##### **[AASB 132]** (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's or the parent entity's financial statements.

#### **AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting**

##### **Standards arising from AASB 9** (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised \$15,000 of such gains in other comprehensive income. The group has not yet decided when to adopt AASB 9.

# MALACHITE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian**

#### **Accounting Standards** (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

#### **AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and**

#### **AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19** (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is yet to be determined if there will be any impact on the group or the parent entity's financial statements.

### 2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk), credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board and the financial risks faced by the Group are considered minimal at this stage.

Cash is held at one of the big four banks in Australia that is exposed to variable rates. This is managed through holding the cash in a high interest bearing account and is transferred to ordinary account as required.

	Consolidated		Malachite Resources Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	1,804,418	952,978	1,804,418	952,978
Trade and other receivables	64,160	43,356	64,160	43,356
	1,868,578	996,334	1,868,578	996,334
<b>Financial liabilities</b>				
Trade and other payables	1,604,122	181,925	1,604,122	181,925
	1,604,122	181,925	1,604,122	181,925

#### **(a) Market risk**

##### *(i) Interest rate risk*

The Group's and Parent's main interest rate risk arises from cash and cash equivalents and deposits with banks.

##### *Group and parent entity sensitivity*

At 30 June 2010, if interest rates had changed by +/- 100 base points from the year-end rates with other variables held constant, post-tax loss for the year would have been \$37,302 lower/higher (2009: change of 100 bps: \$63,791 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

##### *(ii) Foreign Exchange Risk*

The Group and the Parent entity operate domestically and are not exposed to significant foreign exchange risk.

##### *(iii) Price risk*

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. Neither the Group nor the parent entity are exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group has minimised its risk exposure and will continue to monitor the materiality in terms of possible impact on the profit and loss.

The price risk for these securities is immaterial in terms of the possible impact on profit or loss. It has therefore not been included in the sensitivity analysis.

#### **(b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions. The parent entity is also exposed to credit risk in respect of loans to controlled entities (refer to note 28(b)).

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

**MALACHITE RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**2 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk**

The Group manages liquidity risk by monitoring actual cash flows and maintaining sufficient cash to fund operations. Surplus funds are generally only invested in short term deposits with Australian Banks.

The Group does not have any borrowings facilities in place at the reporting date.

*Maturities of financial liabilities*

The table below analyses the Group's and Parent's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**Consolidated and Parent**

	<b>Less than 6 Months</b>	<b>6-12 Months</b>	<b>Between 1 and 2 Years</b>	<b>Between 2 and 5 Years</b>	<b>Over 5 Years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount (assets) / liabilities</b>
<b>2010</b>							
Non-derivatives							
Non-interest bearing	604,122		-	-	-	604,122	604,122
Fixed rate	-	1,000,000	-	-	-	1,000,000	1,000,000
<b>Total Non-derivatives</b>	<b>604,122</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,604,122</b>	<b>1,604,122</b>
<b>2009</b>							
Non-derivatives							
Non-interest bearing	181,925	-	-	-	-	181,925	181,925
Fixed rate	-	-	-	-	-	-	-
<b>Total Non-derivatives</b>	<b>181,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181,925</b>	<b>181,925</b>

**(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

**(e) Capital risk management**

The group has no long term debt therefore capital is raised as and when it is required to do further exploration activities.

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

# MALACHITE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### Exploration and evaluation expenditure

Certain exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether economically viable extraction operations can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to the income statement.

Carried forward exploration and evaluation expenditures are disclosed in note 16 and relate primarily to capitalisation and evaluation costs from activities in New South Wales and Queensland.

### 4 REVENUE

#### From continuing Operations

Interest  
Services

	Consolidated		Malachite Resources Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest	68,824	96,494	68,824	96,494
Services	727	182	727	182
	<b>69,551</b>	<b>96,676</b>	<b>69,551</b>	<b>96,676</b>

### 5 EXPENSES

The loss before income tax includes the following expenses:

#### Depreciation of non-current assets:

- Property, Plant & equipment  
- Motor vehicles

#### Total Depreciation

#### Employee entitlements

Employee share based payments  
Non-employee share based payments

#### Operating lease rental expenses

#### Write off of exploration expenditure

Property, Plant & equipment	20,742	26,725	20,742	26,725
Motor vehicles	17,523	21,567	17,523	21,567
	<b>38,265</b>	<b>48,292</b>	<b>38,265</b>	<b>48,292</b>
Employee entitlements	111,217	(138,738)	111,217	(138,738)
Employee share based payments	184,358	270,938	184,358	270,938
Non-employee share based payments	-	110,000	-	110,000
Operating lease rental expenses	110,260	108,540	110,260	108,540
Write off of exploration expenditure	2,951,941	2,397,988	2,951,941	2,397,988

### 6 INCOME TAX

a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax amount in the financial statements as follows:

#### Loss from ordinary activities

Prima facie income tax benefit calculated at 30%  
(2009 30%) of taxable loss

#### Non deductible items

#### Taxable losses not recognised

#### Income tax expense

Loss from ordinary activities	(4,118,113)	(3,429,730)	(4,118,113)	(3,429,730)
Prima facie income tax benefit calculated at 30% (2009 30%) of taxable loss	(1,235,434)	(1,028,919)	(1,235,434)	(1,028,919)
Non deductible items	56,882	82,855	56,882	82,855
Taxable losses not recognised	1,178,552	946,064	1,178,552	946,064
Income tax expense	-	-	-	-

b) Franking account balance

Franking account balance	230	230	230	230
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c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised.

Unused tax losses for which no deferred tax asset has been recognised.	6,070,280	5,259,968	6,070,280	5,259,968
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**MALACHITE RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**7 KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Directors**

The directors of Malachite Resources Limited during the year were:

Dr Garry G Lowder	- Chairman and Managing Director
Mr Russell MD Meares	- Executive Director
Mr Warren J Staude	- Non-Executive Director
Mr Dennis M O'Neill	- Non-Executive Director
Mr Roy M. Randall	- Non-Executive Director

**(b) Other key management personnel**

All key management personnel of the consolidated entity are directors of Malachite Resources Limited.

All of the above persons were also key management personnel during the year ended 30 June 2010.

**(c) Key Management Personnel compensation**

	<b>Consolidated</b>		<b>Malachite Resources Limited</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term employee benefits	551,840	330,319	551,840	330,319
Post-employment benefits	39,287	34,771	39,287	34,771
Share-based payments	147,566	223,124	147,566	223,124
	<b>738,693</b>	<b>588,214</b>	<b>738,693</b>	<b>588,214</b>

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) - (c) of the remuneration report.

**(d) Equity instrument disclosures relating to Key Management Personnel**

**(i) Share holdings**

The number of shares in the company held during the financial year by each director of Malachite Resources Limited and other key management personnel or the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

**Shares**

**2010**

	<b>Number held 1 July 2009</b>	<b>Purchased during year</b>	<b>Sold during year</b>	<b>Issued on exercise of options</b>	<b>Number held 30 June 2010</b>
Dr GG Lowder	5,771,244	1,210,000	-	-	6,981,244
Mr RD Meares	940,417	100,000	-	-	1,040,417
Mr D O'Neill	-	-	-	-	-
Mr W Staude	90,000	-	-	-	90,000
Mr RM Randall	2,231,753	100,000	-	-	2,331,753

**2009**

	<b>Number held 1 July 2008</b>	<b>Purchased during year</b>	<b>Sold during year</b>	<b>Issued on exercise of options</b>	<b>Number held 30 June 2009</b>
Dr GG Lowder	5,159,997	23,750	-	587,497	5,771,244
Mr RD Meares	737,917	62,500	-	140,000	940,417
Mr D O'Neill	-	-	-	-	-
Mr W Staude	90,000	-	-	-	90,000
Mr RM Randall	1,961,753	110,000	-	160,000	2,231,753

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

7 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to Key Management Personnel (continued)

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Malachite Resources Limited and the other key management personnel of the Group, including their personally related parties, are set out below.

	Number held 1 July 2009	Converted from unlisted during year	Acquired during year	Lapsed during year	Exercised during year	Number held 30 June 2010	Vested and exercisable
<b>Options</b>							
<b>2010</b>							
<b>Listed</b>							
Dr GG Lowder	-	-	-	-	-	-	-
Mr RD Meares	-	-	-	-	-	-	-
Mr D O'Neill	-	-	-	-	-	-	-
Mr W Staude	-	-	-	-	-	-	-
Mr RM Randall	-	-	-	-	-	-	-
<b>Unlisted</b>							
Dr GG Lowder	7,250,000	-	-	-	-	7,250,000	1,250,000
Mr RD Meares	5,000,000	-	-	-	-	5,000,000	1,000,000
Mr D O'Neill	800,000	-	-	-	-	800,000	250,000
Mr W Staude	800,000	-	-	-	-	800,000	250,000
Mr RM Randall	950,000	-	-	-	-	950,000	250,000
<b>Options</b>							
<b>2009</b>							
<b>Listed</b>							
Dr GG Lowder	587,497	-	-	-	(587,497)	-	-
Mr RD Meares	140,000	-	-	-	(140,000)	-	-
Mr D O'Neill	-	-	-	-	-	-	-
Mr W Staude	40,000	-	-	(40,000)	-	-	-
Mr RM Randall	160,000	-	-	-	(160,000)	-	-
<b>Unlisted</b>							
Dr GG Lowder	4,250,000	-	3,000,000	-	-	7,250,000	833,333
Mr RD Meares	3,000,000	-	2,000,000	-	-	5,000,000	666,667
Mr D O'Neill	550,000	-	250,000	-	-	800,000	166,667
Mr W Staude	550,000	-	250,000	-	-	800,000	166,667
Mr RM Randall	550,000	-	400,000	-	-	950,000	166,667

Consolidated		Malachite Resources Limited	
2010	2009	2010	2009
\$	\$	\$	\$

8 AUDITORS' REMUNERATION

Remuneration of the auditor of the consolidated entity for:

Audit services

Fees paid to PricewaterhouseCoopers Australian firm

Audit and review of financial reports and other audit work under the  
*Corporations Act 2001*

41,000	36,031	41,000	36,031
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MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

9 EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share (cents per share)

Consolidated		Malachite Resources Limited	
2010	2009	2010	2009
\$	\$	\$	\$

(2.47) (2.58)

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings/ (loss) per share

166,704,963 133,135,175

The options outlined in Note 20 are considered potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

10 CASH AND CASH EQUIVALENTS

Cash at bank and on hand

1,804,418 952,978 1,804,418 952,978

1,804,418 952,978 1,804,418 952,978

11 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Accounts Receivable	200	-	200	-
Other debtors	1,722	1,257	1,722	1,257
Employee advances	6,500	7,497	6,500	7,497
Rental bonds	1,840	1,100	1,840	1,100
GST receivables	27,528	6,273	27,528	6,273
Prepayments	26,370	27,229	26,370	27,229
	64,160	43,356	64,160	43,356

(a) Impaired receivables

The creation and release of the provision for impaired receivables is included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash.

There are no impaired receivables for the Group or Parent and there were no receivables past due for the Group or Parent.

(b) Interest rate risk

Information about the Group's and the Parent's exposure to interest rate risk in relation to receivables is provided in note 2.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is their carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

12 NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Tenement security deposits	162,000	162,000	162,000	162,000
Rental bonds	37,673	37,673	37,673	37,673
	199,673	199,673	199,673	199,673

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated		Malachite Resources Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>13 NON- CURRENT ASSETS - INVESTMENTS</b>				
* Investment in subsidiaries	-	-	9,497,115	8,748,531
Shares in controlled companies	-	-	1	1
	-	-	9,497,116	8,748,532

**13 NON- CURRENT ASSETS - INVESTMENTS**

\* Investment in subsidiaries  
Shares in controlled companies

\* Investment in subsidiaries includes loans to the subsidiaries

**14 INVESTMENT IN CONTROLLED ENTITY**

Name of controlled entity	Country of incorporation	Class of share	Ownership interest 2010 %	Ownership interest 2009 %
Conrad Silver Mines Pty Ltd (formerly Elsmore Mining Pty Ltd)	Australia	Ordinary	100	100

**15 PROPERTY, PLANT AND EQUIPMENT**

	Consolidated		Malachite Resources Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
Plant and equipment				
at cost	219,094	178,286	219,094	178,286
accumulated depreciation	(120,104)	(99,362)	(120,104)	(99,362)
	98,990	78,924	98,990	78,924
Property				
at cost	417,036	417,036	-	-
accumulated depreciation	-	-	-	-
	417,036	417,036	-	-
Motor Vehicles				
at cost	161,046	161,046	161,046	161,046
accumulated depreciation	(85,120)	(67,597)	(85,120)	(67,597)
	75,926	93,449	75,926	93,449
Total property, plant and equipment	591,952	589,409	174,916	172,373

**Movement in property, plant and equipment**

Consolidated	Motor Vehicles	Property, Plant & Equipment	Total
	\$	\$	\$
<b>Current Year</b>			
Balance at 01 July 2009	93,449	495,960	589,409
Additions	-	40,808	40,808
Depreciation Expense	(17,523)	(20,742)	(38,265)
Disposals	-	-	-
Balance at 30 June 2010	75,926	516,026	591,952
<b>Previous Year</b>			
Balance at 01 July 2008	115,016	518,206	633,222
Additions	-	4,479	4,479
Depreciation Expense	(21,567)	(26,725)	(48,292)
Disposals	-	-	-
Balance at 30 June 2009	93,449	495,960	589,409

**MALACHITE RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Movement in property, plant and equipment (continued)**

**Parent**

**Current Year**

Balance at 01 July 2009  
Additions  
Depreciation Expense  
Disposals

Balance at 30 June 2010

**Previous Year**

Balance at 01 July 2008  
Additions  
Depreciation Expense  
Disposals

Balance at 30 June 2009

Motor Vehicles	Property, Plant & Equipment	Total
\$	\$	\$
93,449	78,924	172,373
-	40,808	40,808
(17,523)	(20,742)	(38,265)
-	-	-
75,926	98,990	174,916
115,016	101,170	216,186
-	4,479	4,479
(21,567)	(26,725)	(48,292)
-	-	-
93,449	78,924	172,373

**16 EXPLORATION AND EVALUATION EXPENDITURE**

Costs carried forward in respect of areas of interest in exploration and evaluation phases

Movement for year

Balance at beginning of year

Expenditure during year

Amounts written off

Amounts transferred to subsidiary entity

Balance at end of year

Consolidated 2010	Consolidated 2009	Malachite Resources Limited 2010	Malachite Resources Limited 2009
\$	\$	\$	\$
13,201,814	14,212,610	4,121,735	5,881,115
14,212,610	13,739,681	5,881,115	7,236,109
1,941,145	2,870,917	1,941,145	2,870,917
(2,951,941)	(2,397,988)	(2,951,941)	(2,397,988)
-	-	(748,584)	(1,827,923)
13,201,814	14,212,610	4,121,735	5,881,115

**17 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES**

Trade creditors

Other creditors

Employee entitlements

Unsecured Convertible Note

241,326	24,785	241,326	24,785
152,984	58,545	152,984	58,545
209,812	98,595	209,812	98,595
1,000,000	-	1,000,000	-
1,604,122	181,925	1,604,122	181,925

**(a) Amounts not expected to be settled within the next 12 months**

Employee entitlements includes accruals for annual leave and long service leave. The entire obligation is presented as current, since the group does not have a conditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

Annual leave obligation expected to be settled after 12 months

Long service leave obligation expected to be settled after 12 months

15,660	5,057	15,660	5,057
105,210	58,649	105,210	58,649
120,870	63,706	120,870	63,706

The consolidated entity had 12 employees (2009: 12 employees) at 30 June 2010

**MALACHITE RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**17 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES (CONTINUED)**

**(b) Risk exposure**

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

**(c) Unsecured Convertible Note**

1 Convertible Note with a face value of \$1,000,000 repayable, at Malachite's election, either wholly by the issue of new shares, or up to 50% in cash and the balance as new shares.

The Conversion price is the lower of 18 cents or 90% of the 30-day VWAP at maturity.

The Coupon is 10% payable six-monthly in arrears and paid entirely in shares, priced at 90% of the 30-day VWAP when each interest payment is due.

Term is 12 months from date of issue, 17 May 2010.

**18 NON CURRENT LIABILITIES - TRADE AND OTHER PAYABLES**

Amounts due to controlled entities

**19 CONTRIBUTED EQUITY**

176,196,439 fully paid ordinary shares  
(2009: 140,718,663)

Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.

**(a) Movement in ordinary share capital**

	<b>Consolidated</b>		<b>Malachite Resources Limited</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Amounts due to controlled entities	-	-	1	1
176,196,439 fully paid ordinary shares	27,474,702	25,099,153	27,474,702	25,099,153
(2009: 140,718,663)	27,474,702	25,099,153	27,474,702	25,099,153
Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.				
<b>(a) Movement in ordinary share capital</b>				
Balance at beginning of year	25,099,153	22,915,178	25,099,153	22,915,178
Shares issued during year				
nil (2009:8,765,250) issued at 20 cents per share upon exercise of MAROA options	-	1,753,050	-	1,753,050
16,969,006 (2009:nil) issued at 5.5 cents per share pursuant to share purchase plan	933,295	-	933,295	-
18,508,770(2009:nil) issued at 8.55 cents per share pursuant to share placement agreements	1,582,500	-	1,582,500	-
nil (2009:2,110,200) issued at 8 cents per share pursuant to share purchase plan	-	168,816	-	168,816
nil (2009:5,202,335) issued at 6 cents per share pursuant to share placement agreements	-	312,140	-	312,140
Transaction costs relating to share issues	(140,246)	(50,031)	(140,246)	(50,031)
Balance at end of year	27,474,702	25,099,153	27,474,702	25,099,153

**(b) Capital risk management**

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain an optimal capital structure to reduce the cost of capital. The Group and parent entity monitor capital on a regular basis in order to maintain the objectives. The Group's strategy has remained unchanged from the prior year.

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

20 OPTIONS

Expiry Date	Exercise Price	Number on issue 1 July 2009	Granted during year	Transferred during year	Expired during year	Exercised during year	Number on issue 30 June 2010
<b>Listed</b>							
31.08.2008	0.20	-	-	-	-	-	-
<b>Unlisted</b>							
23.11.2009	0.20	100,000	-	-	(100,000)	-	-
13.09.2008	0.24	-	-	-	-	-	-
31.12.2011	0.30	450,000	-	-	-	-	450,000
31.12.2011	0.30	3,000,000	-	-	-	-	3,000,000
13.09.2009	0.28	1,000,000	-	-	(1,000,000)	-	-
22.11.2012	0.431	5,900,000	-	-	-	-	5,900,000
22.11.2012	0.280	1,310,000	-	-	-	-	1,310,000
30.06.2010	0.250	1,000,000	-	-	-	-	1,000,000
25.11.2013	0.200	5,900,000	-	-	-	-	5,900,000
25.11.2013	0.200	1,700,000	-	-	-	-	1,700,000
		20,360,000	-	-	(1,100,000)	-	19,260,000
Total Options on issue		20,360,000	-	-	(1,100,000)	-	19,260,000

Consolidated		Malachite Resources Limited	
2010	2009	2010	2009
\$	\$	\$	\$

21 RESERVES

*Share based payments reserve*

Balance at beginning of year	1,039,955	659,017	1,039,955	659,017
Option Expenses	184,358	380,938	184,358	380,938
Balance at end of year	1,224,313	1,039,955	1,224,313	1,039,955

The share based payments reserve is used to recognise the fair value of options issued.

22 ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(10,323,007)	(6,893,277)	(10,323,007)	(6,893,277)
Net loss for year	(4,118,113)	(3,429,730)	(4,118,113)	(3,429,730)
Accumulated losses at end of financial year	(14,441,120)	(10,323,007)	(14,441,120)	(10,323,007)

23 COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

There are no capital commitments at the end of the financial year (2009:nil)

(b) Lease Commitments

Operating leases relate to office facilities. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

Operating leases

Not later than one year	136,614	111,333	136,614	111,333
Later than 1 year but not later than 5 years	392,577	2,695	392,577	2,695
Later than 5 years	-	-	-	-
	529,191	114,028	529,191	114,028

**MALACHITE RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**23 COMMITMENTS FOR EXPENDITURE (CONTINUED)**

**(c) Tenement Commitments**

**Tenement Expenditure required under tenement licence**

Not later than one year	438,500	463,000	438,500	463,000
Later than 1 year but not later than 2 years	505,500	594,500	505,500	594,500
Later than 2 years	-	-	-	-
	<u>944,000</u>	<u>1,057,500</u>	<u>944,000</u>	<u>1,057,500</u>

**Tenement Expenditure required under farm-in agreement**

Not later than one year	-	-	-	-
Later than 1 year but not later than 2 years	-	-	-	-
Later than 2 years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Total Tenement Expenditure**

	<u>944,000</u>	<u>1,057,500</u>	<u>944,000</u>	<u>1,057,500</u>
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In the case of the Volga Project, the Company has withdrawn from the Joint Venture and Farm-In Agreement.

**24 INTERESTS IN JOINT VENTURES**

Rivertree: The consolidated entity holds a 25% participating interest in the Rivertree joint venture. Interests are shown in the balance sheet as Non-current assets.

	<b>Consolidated</b>		<b>Malachite Resources Limited</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interests were shown in the balance sheet as Non-current assets				
Exploration and evaluation expenditure (Rivertree)	4,241	1,414	4,241	1,414
Total non-current assets	<u>4,241</u>	<u>1,414</u>	<u>4,241</u>	<u>1,414</u>

**25 CONTINGENT LIABILITIES**

There are no contingent liabilities (2009:nil).

**26 SEGMENT INFORMATION**

The economic entity operates in one segment only being mineral exploration and development in Australia.

**27 EVENTS SUBSEQUENT TO REPORTING DATE**

An infill diamond drilling program at the Conrad Silver Project continued until late August, when it was suspended to allow time to interpret the results achieved. The new drill holes were targeting silver-copper-tin mineralisation in what is known as the Princess Shoot. Each hole successfully intersected the Conrad Lode structure, with different holes reporting various proportions of quartz and sulphide mineralisation in the lode structure and adjacent wall rocks. Assay results are due to be reported once data for all holes drilled in the program has been received from the laboratory.

Elsewhere, the consolidated entity continued its investigation into the possible acquisition of an advanced gold project.

As at the date of this report Nanyang Mining Resources Investment Pty. Limited ("Nanyang") has failed to meet its obligation to provide subscription monies due for a convertible note to the value of \$3 million. The funds from Nanyang were due in full by 30 June 2010. The consolidated entity is of the view that the failure by Nanyang to provide these funds represents a breach of the subscription agreement for the \$3 million convertible note and has now advised Nanyang that it has terminated the subscription agreement due to Nanyang's breach and reserves its legal rights. At 30 June 2010 the group has not raised a liability and a corresponding receivable for the \$3 million convertible note for the reasons stated above. Following termination of the subscription agreement the consolidated entity does not envisage that Nanyang will participate in funding the Company through the convertible note facility.

Except as described above, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**28 RELATED PARTY TRANSACTIONS**

**(a) Key management personnel**

Disclosures relating to key management personnel are set out in note 7.

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Loans to/from related parties

*Loans to subsidiaries*

	Consolidated		Malachite Resources Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
Beginning of year	-	-	8,748,531	6,920,608
Loans advanced	-	-	748,584	1,827,923
Loan repayments received	-	-	-	-
Interest charged	-	-	-	-
Interest received	-	-	-	-
End of year	-	-	9,497,115	8,748,531

This loan has arisen due to the transfer of capitalised exploration expenditure relating to the Conrad Silver project to Conrad Silver Mines Pty Ltd, a wholly owned subsidiary of the parent entity.

29 NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the balance sheet as follows:-

	Consolidated		Malachite Resources Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash	1,804,418	952,978	1,804,418	952,978
	1,804,418	952,978	1,804,418	952,978

(b) Non-cash financing and investing activities

Ordinary shares issued for acquisition cost	-	-	-	-
1,000,000 unlisted options issued to Volga Elderberry Pty Ltd	-	110,000	-	110,000
	-	110,000	-	110,000

(c) Reconciliation of operating profit after income tax to net cash flows from operating activities

	Consolidated		Malachite Resources Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
Operating loss after income tax	(4,118,113)	(3,429,730)	(4,118,113)	(3,429,730)
<b>Non cash</b>				
Depreciation	38,265	48,292	38,265	48,292
Employee entitlements expense	111,217	(138,738)	111,217	(138,738)
Employee share-based payments	184,358	270,938	184,358	270,938
Non-employee share-based payments	-	110,000	-	110,000
Exploration expenditure written off	2,951,941	2,397,988	2,951,941	2,397,988
Revaluation of investments to market value	-	45,500	-	45,500
Ordinary shares issued for services rendered	-	-	-	-
Net (profit) loss on sale of assets	-	-	-	-
	(832,332)	(695,750)	(832,332)	(695,750)
<b>Changes in assets and liabilities</b>				
Decrease/(Increase) in receivables	(21,663)	125,509	(21,663)	125,509
Decrease/(Increase) in prepayments	859	7,118	859	7,118
(Increase) in exploration and evaluation expenditure	(1,941,145)	(2,870,917)	(1,941,145)	(2,870,917)
Increase/(decrease) in payables	310,980	(1,225,467)	310,980	(1,225,467)
Net cash inflow/(outflow) from operating activities	(2,483,301)	(4,659,507)	(2,483,301)	(4,659,507)

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

30 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan") which was most recently approved by shareholders at the Company's Annual General Meeting held 23 November 2009. The Plan is administered by the Board. Only eligible persons (and their associates) may be invited to participate in the Plan. Eligible persons include full time employees of the Company, permanent part-time employees, qualifying contractors and persons who may be a director, alternate director or company secretary of the Company or an entity in the Group. The Plan is designed to provide long term incentives for executives to deliver shareholder value. Under the Plan, participants are granted options which only vest if certain exploration outcomes are achieved or at the end of the vesting period.

Options are granted under the plan for no consideration. Options granted under the Plan carry no dividend or voting rights. Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the Company. The exercise price is determined by the Directors at the time of issuing an invitation to participate in the Plan. Options granted under the Plan have been granted at a premium to the price at which the Company's shares were traded on the Australian Stock Exchange at the time of granting.

Set out below are summaries of options granted under the plan:

Consolidated and parent entity - 2010

Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted during the year	Exercised during the year	Expired or forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
23 Nov * 2004	23 Nov 2009	\$0.20	25,000			(25,000)	-	-
25 Nov * 2005	23 Nov 2009	\$0.20	50,000			(50,000)	-	-
25 Nov * 2005	23 Nov 2009	\$0.20	25,000			(25,000)	-	-
11 Aug * 2006	23 Nov 2011	\$0.30	3,450,000				3,450,000	-
22 Nov 2007	30 Nov 2012	\$0.43	5,900,000				5,900,000	-
31 Jan 2008	30 Nov 2012	\$0.431	1,310,000				1,310,000	-
25 Nov 2008	25 Nov 2013	\$0.20	5,900,000				5,900,000	-
23 Dec 2008	25 Nov 2013	\$0.20	1,700,000				1,700,000	-
Total			18,360,000	-	-	(100,000)	18,260,000	-
	Weighted average exercise price		\$0.31	\$0.00	\$0.00	\$0.31	\$0.31	



**MALACHITE RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**30 SHARE-BASED PAYMENTS (CONTINUED)**

Consolidated and parent entity - 2009

Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted during the year	Exercised during the year	Expired or forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
* 23 Nov 2004	23 Nov 2009	\$0.20	25,000				25,000	25,000
* 25 Nov 2005	23 Nov 2009	\$0.20	50,000				50,000	50,000
* 24 Feb 2006	23 Nov 2009	\$0.20	25,000				25,000	25,000
* 11 Aug 2006	23 Nov 2009	\$0.20	50,000			(50,000)	-	-
23 Nov 2006	31 Dec 2011	\$0.30	3,570,000			(120,000)	3,450,000	2,300,000
22 Nov 2007	30 Nov 2012	\$0.43	5,900,000				5,900,000	-
* 31 Jan 2008	30 Nov 2012	\$0.43	1,410,000			(100,000)	1,310,000	-
25 Nov 2008	25 Nov 2013	\$0.20		5,900,000			5,900,000	-
23 Dec 2008	25 Nov 2013	\$0.20		1,700,000			1,700,000	
Total			11,030,000	7,600,000	-	(270,000)	18,360,000	2,400,000
Weighted average exercise price			\$0.39	\$0.200	\$0.00	\$0.31	\$0.31	

\* Options issued to employees outside of key management personnel.

**Fair value of options granted**

The assessed fair value at grant date of options granted during the year ended 30 June 2010 were: no options were granted (2009 : the options issued on 25/11/08 were valued at .0248 cents per option, 23/12/08 were valued at .0305 cents ). The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2010 included:

- (a) nil (2009 - options are granted for: no consideration and have a five year life vesting in equal one third lots on the first three anniversaries of the grant date.)
- (b) nil (2009 exercise price: \$0.20 and \$0.20 )
- (c) grant date: nil (2009 - 25/11/08 and 23/12/08)
- (d) expiry date: nil (2009 - 25/11/13 and 25/11/13)
- (e) share price at grant date: nil (2009 25/11/08 - \$0.07 and 23/12/08 - \$0.08)
- (f) expected price volatility of the company's shares: nil (2009 - 70% )
- (g) expected dividend yield: nil (2009— 0.00%)
- (h) risk-free interest rate: nil (2009 —3.21%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**MALACHITE RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

**30 SHARE-BASED PAYMENTS (CONTINUED)**

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based transactions recognised during the period as part of employee benefits expense were as follows:

Options issued under the plan

<b>Consolidated</b>		<b>Malachite Resources Limited</b>	
<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
184,358	270,938	184,358	270,938
184,358	270,938	184,358	270,938

# MALACHITE RESOURCES LIMITED

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements ; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date: and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable ; and
- (c) the audited remuneration disclosures of the directors report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *corporations Regulations 2001* ; and

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting standards as issued by the International Acc Stds Board.

The directors have been given the declarations by the Managing Director and the Company's Accountant (who also carries out the function of Chief Financial Officer) required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors .

On behalf of the Directors



GG Lowder  
Managing Director

Sydney, 31 August 2010

## Independent auditor's report to the members of Malachite Resources Limited

### Report on the financial report

We have audited the accompanying financial report of Malachite Resources Limited (the company), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Malachite Resources Limited and the Malachite Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

**Independent auditor's report to the members of  
Malachite Resources Limited (continued)**

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Malachite Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 5 to 8 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Malachite Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers



Brett Entwistle  
Partner

Sydney  
31 August 2010