

MALACHITE RESOURCES NL

A.B.N. 86 075 613 268



CONSOLIDATED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

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

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

Malachite Resources NL
Suite 1502, Keycorp 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 and activities and in the directors' report on page 3, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 19 September 2007. 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 press releases, financial reports and other information are available on our website: www.malachite.com.au.

MALACHITE RESOURCES NL

**Annual Consolidated Financial Report
For The Financial Year Ended
30 June 2007**

DIRECTORS' REPORT

Your directors present their report on the consolidated entity together with the financial report for the financial year ended 30 June 2007.

DIRECTORS

The names and positions of the directors of the consolidated entity during or since the end of the financial year are:

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

Chairman and Managing Director, Age 63

Geologist with 40 years professional experience in Australia, Indonesia and Papua New Guinea. Expertise includes geological research, mineral exploration, mining and general management. Has held senior positions in public listed companies and was Director General of Mines in NSW from 1993 to 1997. Currently a non-executive director of ASX-listed Straits Resources Limited and Macmin Silver Limited. Credited with key roles in the discovery of several major ore deposits. Particular expertise in the geology and exploration of ore deposits related to intrusive systems. Graduate of University of Sydney (BSc Hons), 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 60

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.

Peter William Hopkins, BEc, LLB (Hons) (resigned 1 September 2006)

Non-Executive Director, Age 53

Practising solicitor, specialising in natural resources law, mergers and acquisitions and fund raising. Has over 25 years experience in advising in business and corporate law. Former partner in the business and resources practice of Phillips Fox in Sydney. Has been closely involved in management and development of mining and petroleum companies and now operates his own legal practice. Holds the degrees of BEc and LLB (Hons) from Australian National University. Past NSW and National President of Australian Mining and Petroleum Law Association.

Warren John Staude, BSc, MSc, MAusIMM

Non-Executive Director, Age 63

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. Currently a non-executive director of Central West Gold NL, Frontier Resources Limited, Eagle Eye Metals Ltd and Stonehenge Metals Ltd, all ASX-listed companies. 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, MAICD

Non-Executive Director, Age 56

Geologist with 32 years professional experience in mineral exploration and mining, both in Australia and abroad. Has worked in technical and management roles that include 10 years with Macmin Silver Ltd, where he is currently Managing 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. (appointed 1 September 2006)

Non-executive Director Age 70

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 previously represented both issuers and underwriters in connection with initial public offerings for gold 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 has held directorships in public companies other than those listed individually above.

Andrew J. Cooke LLB, FAICS

Company Secretary

Solicitor with 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.

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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	
	Held	Attended	Held	Attended
Dr Garry G Lowder	12	12	-	-
Mr Russell MD Meares	12	11	-	-
Mr Peter W Hopkins (resigned 1/9/06)	12	3	2	2
Mr Denis M O'Neill	12	10	-	-
Mr Warren J Staude	12	11	7	7
Mr Roy M. Randall (appointed 1/9/06)	12	8	5	5

DIRECTORS' INTERESTS

	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Garry G Lowder	100,000	4,999,997	1,267,497	570,000
Mr Russell MD Meares	-	688,750	1,000,000	140,000
Mr Peter W Hopkins (resigned 1/9/06)	-	-	-	-
Mr Denis M O'Neill	-	-	250,000	-
Mr Warren J Staude	90,000	-	290,000	-
Mr Roy M. Randall (appointed 1/9/06)	-	1,921,753	250,000	130,000

Full details of options issued are contained in Note 22.

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:

	2007	2006
	\$	\$
Loss after income tax	(910,048)	(517,836)

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 2007 (2006: Nil).

REVIEW OF OPERATIONS

During the past year the company's exploration activities were focussed primarily on the Tooloom Gold Project, the Conrad Silver Project and two newly acquired copper interests in northwestern Queensland - the Mt Lidster and Volga Projects. At Conrad exploration was funded by Malachite alone and considerable success has been achieved in identifying and delineating potentially economic silver-rich polymetallic base metal mineralisation in the vicinity of the King Conrad part of the old Conrad mine. Detailed resource definition drilling continues and both engineering and metallurgical studies have commenced with a view to facilitating rapid economic evaluation and advancement of this project. At Tooloom work was funded by Newmont Australia Ltd. under a farm-in arrangement that commenced on 1 July 2006. In July 2007 Newmont advised the company that, having spent just over its minimum requirement of \$1 million, it considered that targets large enough to be of interest to Newmont had been adequately tested and in consequence of that it would withdraw from the farm-in at the end of that month. Malachite retains a 100% interest in the Tooloom Project and now has a greatly enhanced database with which to implement ongoing exploration.

In the Mount Isa region of Queensland the company now has interests in two properties with significant potential for high grade copper mineralisation. Drilling has been conducted at one of them (Mt Lidster) with encouraging results, and the other (Volga) will be drilled in the 2007-2008 year. In the event that Malachite elects to proceed with Stage 2 of the Mt Lidster Sale & Purchase Agreement it will be required to pay \$50,000 in cash and to issue 250,000 Malachite shares and 1,000,000 share options exercisable at 28 cents on or before 13 September 2009 to the project vendor. In the case of the Volga Project, the Company is farming-in and may earn a 50% interest by spending \$3 million on exploration over three years, with a minimum commitment before withdrawal of \$1 million. If Malachite proceeds beyond the initial minimum commitment phase it must issue the project vendors with 1 million share options, exercisable at 25c over the ensuing two years, at the beginning of the second earning period and, if it continues in the project, issue the same again at the beginning of the third earning period.

At Elsmore the company carried out a bulk sampling exercise to assess the mining potential of coarse grained tin/tungsten mineralisation known in numerous greisen veins at Sheep Station Hill. The results proved interesting but sub-economic. Exploration for a mineable tin deposit at Elsmore continues. Only minimal field work was conducted at the company's other projects and Malachite has withdrawn from its farm-in at Mt Ramsay Project in Tasmania. Further details of these exploration programs and outcomes can be found in the Chairman's Statement and Review of Operations.

MALACHITE RESOURCES NL

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

On 18 July 2007 Malachite Resources NL announced that Newmont Australia Ltd had advised that it did not wish to proceed to the next stage of the farm-in at Tooloom and that it would withdraw from that project at the end of July 2007. Malachite Resources NL will thus now retain a 100% ownership interest at Tooloom.

On 3 September 2007 Malachite Resources NL announced an invitation to shareholders to participate in a Share Purchase Plan. Under the Share Purchase Plan Australian and New Zealand shareholders can subscribe for up to \$5,000 worth of shares in the company at \$0.25 per share. The company anticipates that new capital will be raised as a result of shareholder participation in the Share Purchase Plan however is unable to predict how much might be raised.

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.

FUTURE DEVELOPMENTS

As the consolidated entity's areas of interest are at the exploration stage only, it is not possible to postulate likely developments. The consolidated entity is hoping to identify additional precious and base metal exploration and evaluation targets.

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

	2007	2006
Options on issue beginning of year	21,129,585	29,130,095
Employee options issued	3,920,000	175,000
Employee options lapsed	(25,000)	(100,000)
Employee options exercised	(150,000)	-
Listed options expired	-	(28,830,095)
Listed options issued	11,844,500	20,754,585
Listed options exercised	(293,554)	-
Unlisted options granted	150,000	-
Options on issue end of year	36,575,531	21,129,585

Further information is given in Note 22 to the financial statements.

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.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

In accordance with the Constitution of Malachite Resources NL 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 NL or a related body corporate. The consolidated entity has not indemnified or agreed to indemnify any auditor of the consolidated entity against a liability incurred as auditor.

Insurance Policies

Since the end of 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 2007. 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.

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DIRECTORS' REPORT (CONTINUED)

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

(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 company'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.

Drawing on external comparisons for reference, the company 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 economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant 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. Reference is made to the consolidated entity's earnings in the current year and this is compared and contrasted with earnings in the previous four years to establish patterns and trends, which are then applied as one measure of executive performance over those years. Due recognition is given to that measure 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.

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 2007.

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.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

(b) Details of remuneration

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 42,269 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 13 weeks long service leave after 7 years of service with the Company.

Details of the nature and amount of each element of the emoluments of each of the Directors of Malachite Resources NL during the year ended 30 June 2007 are set out below.

	Cash Salary and Fees	Cash Bonus	Director's Superannuation Contributions	Long Service Leave	*Options	Total
	\$	\$	\$		\$	\$
2007						
Dr GG Lowder	179,110	-	16,120	10,155	31,193	236,578
Mr RD Meares	167,900	8,000	15,831	12,171	24,954	228,856
Mr PW Hopkins (resigned 01/09/06)	2,080	-	187	-	-	2,267
Mr D O'Neill	13,740	-	1,237	-	6,238	21,215
Mr W Staude	13,740	-	1,237	-	6,238	21,215
Mr RM Randall (appointed 1/9/06)	12,709	-	-	-	6,238	18,947
	389,279	8,000	34,612	22,326	74,861	529,078
2006						
Dr GG Lowder	174,720	-	15,725	7,874	-	198,319
Mr RD Meares	159,900	2,000	14,571	7,030	-	183,501
Mr PW Hopkins (resigned 01/09/06)	12,480	-	1,123	-	-	13,603
Mr D O'Neill	12,480	-	1,123	-	-	13,603
Mr W Staude	12,480	-	1,123	-	-	13,603
	372,060	2,000	33,665	14,904	-	422,629

All executive officers of the consolidated entity are directors.

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

* Details of options issued are contained in note 33.

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	
	2007	2006	2007	2006	2007	2006
Dr GG Lowder	87%	100%	-	-	13%	-
Mr RD Meares	86%	99%	3%	1%	11%	-
Mr PW Hopkins (resigned 01/09/06)	100%	100%	-	-	-	-
Mr D O'Neill	71%	100%	-	-	29%	-
Mr W Staude	71%	100%	-	-	29%	-
Mr RM Randall (appointed 1/9/06)	67%	-	-	-	33%	-

(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 NL 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 2007 are set out in note 8 to the financial statements.

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Auditor's Independence Declaration

As lead auditor for the audit of Malachite Resources NL for the year ended 30 June 2007, 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 NL and the entities it controlled during the period.



Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
19 September 2007

MALACHITE RESOURCES NL

**INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

	Note	Consolidated		Malachite Resources NL	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue from ordinary activities	4	257,102	55,266	257,102	55,266
Other income	5	87,910	316,962	87,910	316,962
Accounting and audit expense		(135,765)	(50,850)	(135,765)	(50,850)
Corporate expenses	6	(192,557)	(177,856)	(192,557)	(177,856)
Depreciation and amortisation expense		(26,129)	(17,991)	(26,129)	(17,991)
Employee benefits expense		(462,142)	(351,146)	(462,142)	(351,146)
Exploration expenditure expensed		(251,023)	(190,132)	(251,023)	(190,132)
Occupancy expenses		(120,846)	(71,295)	(120,846)	(71,295)
Other expenses from ordinary activities		(66,598)	(30,794)	(66,598)	(30,794)
Loss before Income Tax Expense		(910,048)	(517,836)	(910,048)	(517,836)
Income tax expense	7	-	-	-	-
Net Loss for the year	24	(910,048)	(517,836)	(910,048)	(517,836)
Basic and diluted earnings/(loss) per share (cents per share)	10	(1.00)	(0.79)		

The Income Statements are to be read in conjunction with the notes set out on pages 13 to 28.

MALACHITE RESOURCES NL

BALANCE SHEETS AS AT 30 JUNE 2007

	Note	Consolidated		Malachite Resources NL	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	11	2,258,948	1,062,900	2,258,948	1,062,900
Receivables	12	146,598	74,661	146,598	74,661
Available for sale financial assets	13	-	50,000	-	50,000
Investments at fair value through profit or loss	13	140,000	127,500	140,000	127,500
TOTAL CURRENT ASSETS		2,545,546	1,315,061	2,545,546	1,315,061
NON-CURRENT ASSETS					
Receivables	14	247,173	195,173	247,173	195,173
Investments	15	-	-	2,795,834	1
Plant and equipment	17	163,043	74,907	163,043	74,907
Exploration and evaluation expenditure	18	8,218,492	5,548,455	5,422,659	5,548,455
TOTAL NON-CURRENT ASSETS		8,628,708	5,818,535	8,628,709	5,818,536
TOTAL ASSETS		11,174,254	7,133,596	11,174,255	7,133,597
CURRENT LIABILITIES					
Payables	19	513,284	429,322	513,284	429,322
TOTAL CURRENT LIABILITIES		513,284	429,322	513,284	429,322
NON-CURRENT LIABILITIES					
Payables	20	-	-	1	1
TOTAL NON-CURRENT LIABILITIES		-	-	1	1
TOTAL LIABILITIES		513,284	429,322	513,285	429,323
NET ASSETS		10,660,970	6,704,274	10,660,970	6,704,274
EQUITY					
Contributed equity	21	16,051,078	11,461,041	16,051,078	11,461,041
Option Expense Reserve	23	305,979	29,272	305,979	29,272
Accumulated Losses	24	(5,696,087)	(4,786,039)	(5,696,087)	(4,786,039)
TOTAL EQUITY		10,660,970	6,704,274	10,660,970	6,704,274

The Balance Sheets are to be read in conjunction with the notes set out on pages 13 to 28.

MALACHITE RESOURCES NL

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total equity at the beginning of the financial year	6,704,274	4,641,836	6,704,274	4,641,836
Net expenses recognised directly in equity	-	-	-	-
Loss for the year	(910,048)	(517,836)	(910,048)	(517,836)
Total recognised income and expense for the year	(910,048)	(517,836)	(910,048)	(517,836)
Transactions with equity holders in their capacity as equity holders				
Contributions of equity, net of transaction costs	4,590,037	2,574,948	4,590,037	2,574,948
Employee and non-employee share options	276,707	5,326	276,707	5,326
	4,866,744	2,580,274	4,866,744	2,580,274
Total equity at the end of the financial year	10,660,970	6,704,274	10,660,970	6,704,274
Total recognised income and expense for the year is attributable to:				
Members of Malachite Resources NL	(910,048)	(517,836)	(910,048)	(517,836)

The Statements of Changes in Equity are to be read in conjunction with the notes set out on pages 13 to 28.

MALACHITE RESOURCES NL

**CASH FLOWS STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

	Note	Consolidated		Malachite Resources NL	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees (inclusive of GST)		(760,279)	(353,595)	(770,279)	(353,595)
Exploration and evaluation expenditure (inclusive of GST)		(3,477,678)	(2,181,088)	(3,367,678)	(2,181,088)
Interest received		145,159	41,660	145,159	41,660
Sundry receipts (inclusive of GST)		123,137	14,967	123,137	14,967
Exploration expenditure refunded		636,527	133,720	636,527	133,720
Net cash outflow from operating activities	32(c)	<u>(3,333,134)</u>	<u>(2,344,336)</u>	<u>(3,233,134)</u>	<u>(2,344,336)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(114,265)	(8,241)	(114,265)	(8,241)
Proceeds from sale of investments		125,410	508,462	125,410	508,462
Payment for rental bonds		-	(37,673)	-	(37,673)
Tenement security deposits		(52,000)	(10,000)	(52,000)	(10,000)
Intercompany loans				(100,000)	
Net cash inflow from investing activities		<u>(40,855)</u>	<u>452,548</u>	<u>(140,855)</u>	<u>452,548</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		4,666,236	2,683,778	4,666,236	2,683,778
Equity raising expenses		(96,199)	(108,830)	(96,199)	(108,830)
Net cash inflow from financing activities		<u>4,570,037</u>	<u>2,574,948</u>	<u>4,570,037</u>	<u>2,574,948</u>
NET INCREASE/(DECREASE) IN CASH HELD		1,196,048	683,160	1,196,048	683,160
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		<u>1,062,900</u>	<u>379,740</u>	<u>1,062,900</u>	<u>379,740</u>
CASH AT THE END OF THE FINANCIAL YEAR	32(a)	<u><u>2,258,948</u></u>	<u><u>1,062,900</u></u>	<u><u>2,258,948</u></u>	<u><u>1,062,900</u></u>

The Cash Flows Statements are to be read in conjunction with the notes set out on pages 13 to 28.

MALACHITE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1 STATEMENT 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 NL as an individual entity and the consolidated entity consisting of Malachite Resources NL 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

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Malachite Resources NL comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

Early adoption of standards

The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

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 company'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.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Malachite Resources NL ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Malachite Resources NL 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 NL.

(ii) Joint ventures

Jointly controlled assets

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the General Statements. Details of the consolidated entity's interests in joint ventures are shown in Note 26.

(b) 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.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Employee Entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave 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 reporting date. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share based payments

Share based compensation benefits are provided to employees via the Malachite Resources NL Employee Option Plan. Information relating to the plan is set out in note 33.

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

The fair value of options granted under the Malachite Resources NL 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.

(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 flow.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

(j) 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.

(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. Derivatives are also categorised as held for trading unless they are designed as hedges.

(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 12 and 14).

(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.

(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 25). 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

Basic and diluted earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares by the weighted number of ordinary shares outstanding during the financial year. No adjustment has been made to the basic earnings per share for any options issued by the company as outlined in Note 22 as they are not considered potential ordinary shares at reporting date and are therefore not dilutive.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 balance sheet 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)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(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

Interest Income

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

Other Income

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

Dividends

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

(q) 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.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretation is set out below

(i) AASB 7 *Financial Instruments: Disclosures and Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & ABAS 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standard will not effect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) AASB-1 10 *Interim Financial Reporting and Impairment*

AASB-1 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

Significant Matters relating to the ongoing viability of operations

The company is dependent on raising new capital from time to time in order to fund its ongoing operations. The directors are confident that capital raisings will be achieved as required although there is no commitment at this stage to do so other than as disclosed in note 29 – Events Subsequent to Reporting Date. Without successful capital raisings in the future some uncertainty may arise in respect the company's ongoing operations.

The directors are of the opinion that the company's existing expenditure commitments in respect of its current projects and operations can be met from currently available cash holdings. In addition the directors are of the opinion that in the event that it became necessary to realise any asset, such realization would be achieved for an amount being not less than the amount at which such asset is reflected in the financial report as at 30 June 2007.

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate 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.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Given the minimal exposure to foreign currencies, it is the current policy of the consolidated entity not to hedge foreign exchange risk.

(b) Credit risk

There is negligible credit risk on financial assets, excluding investments, of the consolidated entity since there is no exposure to individual customers or countries and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet and is minimised by using recognised financial intermediaries as counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's has no interest rate risk.

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 made do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

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 18 and relate primarily to capitalisation and evaluation costs from activities in New South Wales and Queensland.

4 REVENUE

From continuing Operations

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest	145,159	41,660	145,159	41,660
Services	111,943	13,606	111,943	13,606
	257,102	55,266	257,102	55,266

5 OTHER INCOME

Profit from disposal of other investments	75,410	203,462	75,410	203,462
Gain on revaluation of investments	12,500	113,500	12,500	113,500
Total other income	87,910	316,962	87,910	316,962

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
6 EXPENSES				
The loss before income tax includes the following expenses:				
Depreciation of non-current assets:				
- Plant & equipment	12,410	11,726	12,410	11,726
- Motor vehicles	13,719	6,265	13,719	6,265
Total Depreciation	26,129	17,991	26,129	17,991
Transfers to provisions:				
- Employee entitlements	30,220	13,119	30,220	13,119
- Employee share based payments	101,927	5,326	101,927	5,326
- Non-employee share based payments	174,780	-	174,780	-
Operating lease rental expenses	111,301	66,608	111,301	66,608
Write off of exploration expenditure	251,023	190,132	251,023	190,132
7 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	(910,048)	(517,836)	(910,048)	(517,836)
Prima facie income tax benefit calculated at 30% (2005 30%) of operating loss	(273,014)	(155,351)	(273,014)	(155,351)
Permanent differences:				
Non allowable items	31,937	2,070	31,937	2,070
Future income tax benefits not recognised	241,078	153,281	241,078	153,281
Income tax benefit attributable to operating loss	-	-	-	-
b) Franking account balance	-	230	-	230
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised.	1,009,853	1,461,375	1,009,853	1,461,375

8 KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Directors**

The directors of Malachite Resources NL during the year were:

Dr Garry G Lowder	- Chairman and Managing Director	
Mr Russell MD Meares	- Executive Director	
Mr Peter W Hopkins	- Non-Executive Director	(resigned 01/09/06)
Mr Warren J Staude	- Non-Executive Director	
Mr Dennis M O'Neill	- Non-Executive Director	
Mr Roy M. Randall	- Non-Executive Director	(appointed 1/9/06)

(b) Other key management personnel

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

All of the above persons were also key management personnel during the year ended 30 June 2007.

(c) Key Management Personnel compensation

Short-term employee benefits	411,605	388,964	411,605	388,964
Post-employment benefits	34,612	33,665	34,612	33,665
Share-based payments	74,861	-	74,861	-
	521,078	422,629	521,078	422,629

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 on pages 5 to 6.

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

8 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(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 NL 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	Number held 1 July 2006	Purchased during year	Sold during year	Issued on exercise of options	Number held 30 June 2007
2007					
Dr GG Lowder	4,112,500	890,000	-	97,497	5,099,997
Mr RD Meares	688,750	-	-	-	688,750
Mr PW Hopkins (resigned 01/09/06)	-	-	-	-	-
Mr D O'Neill	-	-	-	-	-
Mr W Staude	40,000	50,000	-	-	90,000
Mr RM Randall (appointed 1/9/06) * held as at 1 July 2006	1,861,753	60,000	-	-	1,921,753
	Number held 1 July 2005	Purchased during year	Sold during year	Issued on exercise of options	Number held 30 June 2006
2006					
Dr GG Lowder	3,710,006	402,494	-	-	4,112,500
Mr RD Meares	417,500	271,250	-	-	688,750
Mr PW Hopkins	-	-	-	-	-
Mr D O'Neill	-	-	-	-	-
Mr W Staude	25,000	15,000	-	-	40,000

(ii) Option holdings

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

Options

Options	Number held 1 July 2006	Converted from unlisted during year	Purchased during year	Lapsed during year	Exercised during year	Number held 30 June 2007
2007						
Listed						
Dr GG Lowder	239,994	-	445,000	-	(97,497)	587,497
Mr RD Meares	140,000	-	-	-	-	140,000
Mr PW Hopkins (resigned 01/09/06)	-	-	-	-	-	-
Mr D O'Neill	-	-	-	-	-	-
Mr W Staude	15,000	-	25,000	-	-	40,000
Mr RM Randall (appointed 1/9/06)* * held as at 1 July 2006	100,000	-	30,000	-	-	130,000
Unlisted						
Dr GG Lowder	-	-	1,250,000	-	-	1,250,000
Mr RD Meares	-	-	1,000,000	-	-	1,000,000
Mr PW Hopkins (resigned 01/09/06)	-	-	-	-	-	-
Mr D O'Neill	-	-	250,000	-	-	250,000
Mr W Staude	-	-	250,000	-	-	250,000
Mr RM Randall (appointed 1/9/06)	-	-	250,000	-	-	250,000
	Number held 1 July 2005	Converted from unlisted during year	Purchased during year	Lapsed during year	Exercised during year	Number held 30 June 2006
2006						
Listed						
Dr GG Lowder	2,993,604	-	239,994	(2,993,604)	-	239,994
Mr RD Meares	400,000	-	140,000	(400,000)	-	140,000
Mr PW Hopkins	150,000	-	-	(150,000)	-	-
Mr D O'Neill	-	-	-	-	-	-
Mr W Staude	162,500	-	15,000	(162,500)	-	15,000

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

8 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
(e) Other transactions with key management personnel				
Mrs ML Lowder, the spouse of director Dr GG Lowder, was employed in previous years as an accountant for which services she was paid a salary and has continued to provide services on an ad-hoc basis.	-	20,000	-	20,000
Mr PW Hopkins, resigned as Director on 1/09/06, has been engaged by the company to provide legal services for which he is paid a retainer and on going fees	45,080	-	45,080	-

Options

2007	Number held	Converted from unlisted	Purchased during year	Lapsed during year	Exercised during year	Number held
	1 July 2006	during year	year	during year	during year	30 June 2007
Unlisted						
Margaret Lowder	50,000	-	-	-	(50,000)	-

9 AUDITORS' REMUNERATION

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
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 <i>Corporations Act 2001</i>	34,000	32,050	34,000	32,050

10 EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share (cents per share)	(1.00)	(0.79)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings/ (loss) per share	91,172,742	65,940,071

The options outlined in Note 22 are not considered potential ordinary shares at reporting date and are not therefore dilutive.

11 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	2,258,948	1,062,900	2,258,948	1,062,900
	2,258,948	1,062,900	2,258,948	1,062,900

12 CURRENT ASSETS - RECEIVABLES

Accounts Receivable	44,226	-	44,226	-
Other debtors	4,087	3,278	4,087	3,278
Employee advances	7,500	7,000	7,500	7,000
Rental bonds	1,100	800	1,100	800
GST receivables	54,876	39,060	54,876	39,060
Prepayments	34,809	24,523	34,809	24,523
	146,598	74,661	146,598	74,661

13 CURRENT ASSETS - INVESTMENTS

Investments - Available for sale	-	50,000	-	50,000
	-	50,000	-	50,000
Investments - Fair value through P&L	140,000	127,500	140,000	127,500
	140,000	127,500	140,000	127,500

These investments are carried at their fair value.

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
14 NON-CURRENT ASSETS - RECEIVABLES				
Other Debtors	45,000	45,000	45,000	45,000
Tenement security deposits	164,500	112,500	164,500	112,500
Rental bonds	37,673	37,673	37,673	37,673
	<u>247,173</u>	<u>195,173</u>	<u>247,173</u>	<u>195,173</u>

15 NON-CURRENT ASSETS - INVESTMENTS				
Intercompany Loans	-	-	2,795,833	-
Shares in controlled companies	-	-	1	1
	<u>-</u>	<u>-</u>	<u>2,795,834</u>	<u>1</u>

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest	Ownership interest
			2007	2006
			%	%
Conrad Silver Mines Pty Ltd (formerly Elsmore Mining Pty Ltd)	Australia	Ordinary	100	100

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
17 PLANT AND EQUIPMENT				
Plant and equipment				
at cost	114,724	55,441	114,724	55,441
accumulated depreciation	(45,066)	(31,347)	(45,066)	(31,347)
	<u>69,658</u>	<u>24,094</u>	<u>69,658</u>	<u>24,094</u>
Motor Vehicles				
at cost	145,683	90,701	145,683	90,701
accumulated depreciation	(52,298)	(39,888)	(52,298)	(39,888)
	<u>93,385</u>	<u>50,813</u>	<u>93,385</u>	<u>50,813</u>
Total plant and equipment	<u>163,043</u>	<u>74,907</u>	<u>163,043</u>	<u>74,907</u>

Movement in property, plant and equipment

Consolidated and Parent	Motor	Plant &	Total
	Vehicles	Equipment	
Current Year	\$	\$	\$
Balance at 01 July 2006	50,813	24,094	74,907
Additions	54,982	59,283	114,265
Depreciation Expense	(12,410)	(13,719)	(26,129)
Disposals	-	-	-
Balance at 30 June 2007	<u>93,385</u>	<u>69,658</u>	<u>163,043</u>
Previous Year			
Balance at 01 July 2005	62,539	22,118	84,657
Additions	-	8,241	8,241
Depreciation Expense	(11,726)	(6,265)	(17,991)
Disposals	-	-	-
Balance at 30 June 2006	<u>50,813</u>	<u>24,094</u>	<u>74,907</u>

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
18 EXPLORATION AND EVALUATION EXPENDITURE				
Costs carried forward in respect of areas of interest in exploration and evaluation phases	8,218,492	5,548,455	5,422,659	5,548,455
Movement for year				
Balance at beginning of year	5,548,455	3,889,500	5,548,455	3,889,500
Expenditure during year	3,557,587	1,982,807	3,457,587	1,982,807
Expenditure reimbursed during year	(636,527)	(133,720)	(636,527)	(133,720)
Amounts written off	(251,023)	(190,132)	(251,023)	(190,132)
Amounts transferred to subsidiary entity	-	-	(2,695,833)	-
Balance at end of year	8,218,492	5,548,455	5,422,659	5,548,455
19 CURRENT LIABILITIES - PAYABLES				
Trade creditors	239,102	210,112	239,102	210,112
Other creditors	77,181	52,429	77,181	52,429
Employee entitlements	197,001	166,781	197,001	166,781
	513,284	429,322	513,284	429,322
The consolidated entity had 10 employees (2006: 8 employees) at 30 June 2007				
20 NON CURRENT LIABILITIES - PAYABLES				
Amounts due to controlled entities	-	-	1	1
21 CONTRIBUTED EQUITY				
99,992,619 fully paid ordinary shares (2006: 78,635,065)	16,051,078	11,461,041	16,051,078	11,461,041
	16,051,078	11,461,041	16,051,078	11,461,041

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

Movement in ordinary share capital

Balance at beginning of year	11,461,041	8,886,093	11,461,041	8,886,093
Shares issued during year				
1,625,000 (2006:3,802,000) issued at 16 cents per share pursuant to share placement agreements	260,000	608,320	260,000	608,320
19,189,000 (2006:nil) issued at 22.5 cents per share pursuant to share placement agreements	4,317,525	-	4,317,525	-
150,000 (2006:nil) issued at 20 cents per share upon exercise of employee options	30,000	-	30,000	-
293,554 (2006:nil) issued at 20 cents per share upon exercise of options	58,711	-	58,711	-
100,000 (2006:nil) issued at 20 cents per share for services provided	20,000	-	20,000	-
Nil (2006: 13,114,000) issued at 10 cents per share pursuant to share placement agreements	-	1,311,400	-	1,311,400
Nil (2006: 7,640,585) issued at 10 cents per share pursuant to rights issue	-	764,058	-	764,058
Transaction costs relating to share issues	(96,199)	(108,830)	(96,199)	(108,830)
Balance at end of year	16,051,078	11,461,041	16,051,078	11,461,041

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

22 OPTIONS

Expiry Date	Exercise Price	Number					Number
		on issue 1 July 2006	Granted during year	Transferred during year	Lapsed during year	Exercised during year	on issue 30 June 2007
Listed							
31.08.2008	0.20	20,754,585	11,844,500	-	-	(293,554)	32,305,531
		20,754,585	11,844,500	-	-	(293,554)	32,305,531
Unlisted							
23.11.2009	0.20	375,000	50,000	-	(25,000)	(150,000)	250,000
13.09.2008	0.24	-	150,000	-	-	-	150,000
31.12.2011	0.30	-	3,870,000	-	-	-	3,870,000
		375,000	4,070,000	-	(25,000)	(150,000)	4,270,000
Total Options on issue		21,129,585	15,914,500	-	(25,000)	(443,554)	36,575,531

Consolidated		Malachite Resources NL	
2007	2006	2007	2006
\$	\$	\$	\$

23 RESERVES

Option expense reserve					
Balance at beginning of year		29,272	23,946	29,272	23,946
Option Expenses		276,707	5,326	276,707	5,326
Balance at end of year		305,979	29,272	305,979	29,272

Nature and purpose of reserves

Share based payments reserve

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

24 ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(4,786,039)	(4,268,203)	(4,786,039)	(4,268,203)
Net loss for year	(910,048)	(517,836)	(910,048)	(517,836)
Accumulated losses at end of financial year	(5,696,087)	(4,786,039)	(5,696,087)	(4,786,039)

25 COMMITMENTS FOR EXPENDITURE

(a) **Capital Expenditure Commitments**

There are no capital commitments at the end of the financial year (2006: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.

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating leases				
Not later than one year	117,274	113,922	117,274	113,922
Later than 1 year but not later than 5 years	227,714	335,214	227,714	335,214
Later than 5 years	-	-	-	-
	344,988	449,136	344,988	449,136

(c) **Tenement Commitments**

Tenement Expenditure required under tenement licence

Not later than one year	406,000	199,000	406,000	199,000
Later than 1 year but not later than 2 years	648,000	426,000	648,000	426,000
Later than 2 years	-	-	-	-
	1,054,000	625,000	1,054,000	625,000

Tenement Expenditure required under farm-in agreement

Not later than one year	800,000	-	800,000	-
Later than 1 year but not later than 2 years	1,000,000	-	1,000,000	-
Later than 2 years	-	-	-	-
	1,800,000	-	1,800,000	-

Total Tenement Expenditure	2,854,000	625,000	2,854,000	625,000
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MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

COMMITMENTS FOR EXPENDITURE (CONTINUED)

(c) Tenement Commitments (continued)

In the event that Malachite elects to proceed with Stage 2 of the Mt Lidster Sale & Purchase Agreement it will be required to pay \$50,000 in cash and to issue 250,000 Malachite shares and 1,000,000 share options exercisable at 28 cents on or before 13 September 2009 to the project vendor. In the case of the Volga Project, the Company is farming-in and may earn a 50% interest by spending \$3 million on exploration over three years, with a minimum commitment before withdrawal of \$1 million. If Malachite proceeds beyond the initial minimum commitment phase it must issue the project vendors with 1 million share options, exercisable at 25c over the ensuing two years, at the beginning of the second earning period and, if it continues in the project, issue the same again at the beginning of the third earning period.

26 INTERESTS IN JOINT VENTURES

Mt Ramsay: The consolidated entity had the right to earn a minimum 30% interest in the Mt Ramsay joint venture. The joint venture was terminated during the year and Exploration and Evaluation Expenditure relating to Mt Ramsay previously carried as Non-current Assets was transferred to Expenses and written off.

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

Tooloom: For the period 1 July 2006 to 30 June 2007 Newmont Australia Ltd had the right to earn a minimum 51 % interest in the Tooloom joint venture. Newmont withdrew from the Tooloom joint venture in July 2007 and the consolidated entity continues to hold a 100% interest in the project, for which interests are shown in the balance sheet as Non-current assets.

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interests were shown in the balance sheet as Non-current assets				
Exploration and evaluation expenditure (Mt Ramsay)	-	241,249	-	241,249
Exploration and evaluation expenditure (Rivertree)	27,215	-	27,215	-
Exploration and evaluation expenditure (Tooloom)	3,911,007	-	3,911,007	-
Total non-current assets	3,938,222	241,249	3,938,222	241,249

27 CONTINGENT LIABILITIES

There are no contingent liabilities (2006:nil)

28 SEGMENT INFORMATION

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

29 EVENTS SUBSEQUENT TO REPORTING DATE

On 18 July 2007 Malachite Resources NL announced that Newmont Australia Ltd had advised that it did not wish to proceed to the next stage of the farm-in at Tooloom and that it would withdraw from that project at the end of July 2007. Malachite Resources NL will thus now retain a 100% ownership interest at Tooloom.

On 3 September 2007 Malachite Resources NL announced an invitation to shareholders to participate in a Share Purchase Plan. Under the Share Purchase Plan Australian and New Zealand shareholders can subscribe for up to \$5,000 worth of shares in the company at \$0.25 per share. The company anticipates that new capital will be raised as a result of shareholder participation in the Share Purchase Plan however is unable to predict how much might be raised.

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.

30 RELATED PARTY TRANSACTIONS

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 8.

(b) Loans to/from related parties

	Consolidated		Malachite Resources NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Loans to subsidiaries</i>				
Beginning of year	-	-	-	-
Loans advanced	-	-	2,795,833	-
Loan repayments received	-	-	-	-
Interest charged	-	-	-	-
Interest received	-	-	-	-
End of year	-	-	2,795,833	-

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

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

Joint venture with Macmin Silver Ltd

The Group and Macmin have two common directors. The Company is in an exploration and evaluation joint venture with Macmin as detailed in note 26.

31 FINANCIAL INSTRUMENTS

a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 0 to the financial statements.

b) Interest Rate Risk

The consolidated entity has not entered into interest rate hedging transactions. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below :-

2007	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED INTEREST MATURING in 1 YEAR or LESS	NON- INTEREST BEARING	TOTAL
Financial Assets						
Cash	11	6.00%	2,258,948	-	-	2,258,948
Security Deposits	14	3.00%	105,000	-	104,500	209,500
Rental Bond	12	6.15%	37,673	-	-	37,673
Receivables	12,14	-	-	-	111,789	111,789
Investments	13,15	-	-	-	140,000	140,000
Total Assets			2,401,621	-	356,289	2,757,910
Financial Liabilities						
Payables	19	-	-	-	77,181	77,181
Total Liabilities			-	-	77,181	77,181
Net financial assets			2,401,621	-	279,108	2,680,729

2006	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED INTEREST MATURING in 1 YEAR or LESS	NON- INTEREST BEARING	TOTAL
Financial Assets						
Cash	11	4.80%	1,062,900	-	-	1,062,900
Security Deposits	14	5.50%	50,000	-	62,500	112,500
Rental Bond	12	5.50%	37,673	-	-	37,673
Receivables	12,14	-	-	-	95,138	95,138
Investments	13,15	-	-	-	177,500	177,500
Total Assets			1,150,573	-	335,138	1,485,711
Financial Liabilities						
Payables	19	-	-	-	52,429	52,429
Total Liabilities			-	-	52,429	52,429
Net financial assets (liabilities)			1,150,573	-	282,709	1,433,282

c) Foreign Exchange Risk

Given the minimal exposure to foreign currencies, it is the current policy of the consolidated entity not to hedge foreign exchange risk.

d) Credit Risk

There is negligible credit risk on financial assets, excluding investments, of the consolidated entity since there is no exposure to individual customers or countries and the consolidated entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet and is minimised by using recognised financial intermediaries as counterparties.

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

32 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 NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash	2,258,948	1,062,900	2,258,948	1,062,900
	<u>2,258,948</u>	<u>1,062,900</u>	<u>2,258,948</u>	<u>1,062,900</u>

(b) Non-cash financing and investing activities

Ordinary shares issued for services rendered	20,000	-	20,000	-
150,000 unlisted options issued to Volga Elderberry Pty Ltd	17,280	-	17,280	-
2,250,000 listed options issued to Volga Elderberry Pty Ltd	157,500	-	157,500	-
	<u>194,780</u>	<u>-</u>	<u>194,780</u>	<u>-</u>

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

Operating loss after income tax	(910,048)	(517,836)	(910,048)	(517,836)
Non cash				
Depreciation	26,129	17,991	26,129	17,991
Employee entitlements expense	30,220	13,119	30,220	13,119
Employee share-based payments	101,927	5,326	101,927	5,326
Non-employee share-based payments	174,780	-	174,780	-
Exploration expenditure written off	251,023	190,132	251,023	190,132
Revaluation of investments to market value	(12,500)	(113,500)	(12,500)	(113,500)
Exploration expenditure refunded	-	133,720	-	133,720
Ordinary shares issued for services rendered	20,000	-	20,000	-
Net (profit) loss on sale of assets	(75,410)	(203,462)	(75,410)	(203,462)
	<u>(393,879)</u>	<u>(474,510)</u>	<u>(393,879)</u>	<u>(474,510)</u>
Changes in assets and liabilities				
Decrease/(Increase) in receivables	(61,651)	44,952	(61,651)	44,952
Decrease/(Increase) in prepayments	(10,286)	877	(10,286)	877
(Increase) in exploration and evaluation expenditure	(2,921,060)	(1,982,807)	(2,821,060)	(1,982,807)
Increase/(decrease) in payables	53,742	67,152	53,742	67,152
Net cash inflow/(outflow) from operating activities	<u>(3,333,134)</u>	<u>(2,344,336)</u>	<u>(3,233,134)</u>	<u>(2,344,336)</u>

33 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan") which was approved by the Board on 9 August 2004. 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.

Options are granted under the plan for no consideration. Options granted are for a five year life vesting in equal one third lots on the first three anniversaries of the grant date and a three or five year period and fully vested on the date of grant.

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 had an exercise price of 30 cents and 20 cents, and accordingly, 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.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

SHARE-BASED PAYMENTS (CONTINUED)

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

Grant Date	Expiry Date	Exercise Price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity - 2007								
23 Nov 2004	23 Nov 2009	\$0.20	175,000	-	(150,000)	-	25,000	-
6 May 2005	23 Nov 2009	\$0.20	75,000	-	-	-	75,000	-
25 Nov 2005	23 Nov 2009	\$0.20	100,000	-	-	-	100,000	-
24 Feb 2006	23 Nov 2009	\$0.20	25,000	-	-	(25,000)	-	-
11 Aug 2006	23 Nov 2009	\$0.20	0	50,000	-	-	50,000	-
23 Nov 2006	31 Dec 2011	\$0.30	0	3,870,000	-	-	3,870,000	-
Total			375,000	3,920,000	(150,000)	(25,000)	4,120,000	-
Weighted average exercise price			\$0.20	\$0.30	\$0.20	\$0.20	\$0.20	
Consolidated and parent entity - 2006								
23 Nov 2004	23 Nov 2009	\$0.20	225,000	-	-	(50,000)	175,000	-
6 May 2005	23 Nov 2009	\$0.20	75,000	-	-	-	75,000	-
25 Nov 2005	23 Nov 2009	\$0.20	-	100,000	-	-	100,000	-
24 Feb 2006	23 Nov 2009	\$0.20	-	75,000	-	(50,000)	25,000	-
Total			300,000	175,000	-	(100,000)	375,000	-
Weighted average exercise price			\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	

No options were forfeited during the period covered by the above tables.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was, the options issued on: 11/08/06 were valued at 10.712 cents per option, 23/11/06 were valued at 7.0 cents per option (2006 - options issued on: 23/11/05 were valued at 4.242 cents per option, 24/02/06 were valued at 4.339 cents per option and 06/05/06 were valued at 6.342 cents per option). 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 2007 included:

- options are granted for: no consideration and have a three year life, vesting from grant date and no consideration and have a five year life vesting in equal one third lots on the first three anniversaries of the grant date. (2006 - no consideration and have a five year life, vesting from grant date.)
- exercise price: \$0.20 and \$0.30 (2006 - \$0.20)
- grant date: 11/08/06 and 23/11/06 (2006 - 25 November 2005 and 24 February 2006)
- expiry date: 23/11/09 and 31/12/11 (2006 - 23 November 2009)
- share price at grant date: 11/08/06 - \$0.20 and 23/11/06 - \$0.225 (2006 - 25 November 2005 - \$0.09 and 24 February 2006 - \$0.10)
- expected price volatility of the company's shares: 80% (2006 - 123.15%)
- expected dividend yield: 0.00% (2006 - 0.00%)
- risk-free interest rate: 6.10% (2006 - 5.55%)
- probability rate 100% and 50% (2006 - 100%)

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 NL

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 27 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 2007 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 set out on pages 4 to 6 of the directors report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *corporations Regulations 2001* ; and

The directors have been given the declarations by the Managing Director (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, 19 September 2007

Independent auditor's report to the members of Malachite Resources NL

**PricewaterhouseCoopers
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Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Malachite Resources NL (the company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Malachite Resources NL and the Malachite Resources NL 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.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 5 to 6 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' 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 control 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 compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' report.

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

For further explanation of an audit, visit our website
<http://www.pwc.com/au/financialstatementaudit>.

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 on the financial report

In our opinion, the financial report of Malachite Resources NL is in accordance with the *Corporations Act 2001*, including:

- (a) the financial report of Malachite Resources NL 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 2007 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*.
- (b) the financial report complies with International Financial Reporting Standards as disclosed in Note 1 a).

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 5 to 6 of the directors' report comply with Accounting Standard AASB 124.



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney
19 September 2007