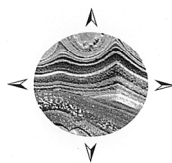


MALACHITE RESOURCES NL

A.B.N. 86 075 613 268



CONSOLIDATED FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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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 in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 12 September 2008. 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 2008

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Malachite Resources NL and the entities it controlled at the end of, or during, the year ended 30 June 2008.

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 64

Geologist with over 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 61

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.

Non-Executive Director, Age 65

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. In the past three years was also a director of Jupiter Mines Limited, 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, MAICD

Non-Executive Director, Age 58

Geologist with 33 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 is 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 71

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 has 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 NL

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	14	14	-	-	-	-
Mr Russell MD Meares	14	13	-	-	-	-
Mr Denis M O'Neill	14	14	-	-	3	3
Mr Warren J Staude	14	14	6	6	-	-
Mr Roy M. Randall	14	12	6	4	3	3

DIRECTORS' INTERESTS

	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Garry G Lowder	120,000	5,039,997	4,267,497	570,000
Mr Russell MD Meares	-	708,750	1,000,000	2,140,000
Mr Denis M O'Neill	-	-	550,000	-
Mr Warren J Staude	90,000	-	590,000	-
Mr Roy M. Randall	-	1,961,753	550,000	160,000

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:

	2008	2007
	\$	\$
Loss after income tax	(1,197,190)	(910,048)

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 2008 (2007: Nil).

REVIEW OF OPERATIONS

During the past year Malachite has concentrated its activities on the Inverell region of northern NSW, where the Conrad Silver Project has been the main point of focus. An intensive drilling program at Conrad has delineated a significant polymetallic mineral resource containing 8.8 million ounces of silver, or 17.7 million ounces on a silver equivalent basis. The resource is open at depth and along strike and a further resource upgrade, based on continuing drilling, is expected later in 2008. Most of the defined resource is contained within a narrow, high grade vein structure, known as the Conrad Lode, with some also in a second smaller vein, known as the King Conrad Lode. A different style of mineralisation, comprising a much broader but lower grade body, known as the Greisen Zone, is also included in the resource estimate. Much of the drilling is still only at wide spacing and hence a large part of the resource is in the inferred category. Infill drilling is underway to both increase confidence in the resource estimate and increase the amount of high grade ore delineated within the overall global resource. Preliminary metallurgical test work has been carried out on drill core samples of the King Conrad Lode and the results provide encouragement that economic metal recoveries and sulphide concentrates could be achieved in production. Elsewhere at Conrad, exploration has identified several sub-parallel mineralised structures that will be targets for reconnaissance drilling at a later date.

During the year the company purchased a property, known as "Jadree", which adjoins the Conrad mining leases at their south eastern end. Jadree includes a residence and approximately 340ha of freehold land. The residence is currently being used as a field camp and office and adjoining land is being utilised as a drill core handling and storage area. In the longer term it is envisaged that some of the Jadree land would be used for mine site facilities if the Conrad mine is reopened.

At Elsmore the key outcome in the period has been the recognition of potentially economic tin mineralisation within a semi-consolidated, paleo-alluvial deposit, known historically as the Karaula Lead, that occurs at surface in the vicinity of the Newstead Prospect. The deposit seems to comprise an old lake bed or outwash fan that is draped around a hill of tin-bearing granite and covers an area of at least 0.5km². Outcrop sampling and shallow drilling of the Karaula Lead by Malachite have shown that it has sufficient volume and indicative tin grades to offer important economic potential for an open pit mining operation that could generate significant cash flow for the company.

Elsewhere, the company has conducted relatively short drilling programs at the Tooloom Gold Project, and at the Mt Lidster and Volga Copper Projects. In each case the new results have been in line with previous drilling results and no important new outcomes have been achieved. Early stage exploration has been carried out at Abington and Delungra, while the holding of ground prospective for tin at Elsmore has been increased by the addition of another exploration licence, called Macintyre. Further details of these exploration programs and results can be found in the Operations Review section of this Annual Report.

MALACHITE RESOURCES NL

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

	2008
	\$
(a) An increase in contributed equity of \$6,864,100 (from \$16,051,078 to 22,915,178) as a result of:	
Upon exercise of MAROA options 501,172 fully paid ordinary shares issued at 20 cents per share	100,234
Pursuant to share placement agreements 4,874,334 fully paid ordinary shares issued at 25 cents per share	1,218,584
Pursuant to share placement agreements 18,922,753 fully paid ordinary shares issued at 30 cents per share	5,676,826
Upon exercise of employee options 100,000 fully paid ordinary shares issued at 20 cents per share	20,000
As consideration for extension of option of acquisition 250,000 fully paid ordinary shares issued at 27 cents per share	67,500
	7,083,144
Less: Transaction costs relating to share issues	(219,044)
Net increase in share capital	6,864,100

SUBSEQUENT EVENTS

The Company's Listed MAROA Options exercisable at 20 cents expired 31 August 2008. Throughout August and early September the Company allotted an aggregate of 8,775,250 shares upon the exercise of MAROA Options raising \$1,753,050 in new working capital.

On 11 August 2008 the Company announced a new estimate of mineral resources at the its 100% owned Conrad Silver Project. The new resource (containing 17.7 million ounces of silver equivalent) exceeded early expectations and strongly enhanced the prospect of re-opening the mine at Conrad.

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

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 move on to development. The Conrad Silver Project is the most advanced of the consolidated entity's projects, with detailed mineral resource delineation in progress and preliminary metallurgical and mining scoping studies underway. Even so, it is too soon to determine whether the Conrad project can be developed economically.

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

	2008	2007
Options on issue beginning of year	36,575,531	21,129,585
Employee options issued	7,310,000	3,920,000
Employee options lapsed	(300,000)	(25,000)
Employee options exercised	(100,000)	(150,000)
Listed options expired	-	-
Listed options issued	6,307,560	11,844,500
Listed options exercised	(501,172)	(293,554)
Unlisted options granted	1,000,000	150,000
Options on issue end of year	50,291,919	36,575,531

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.

MALACHITE RESOURCES NL

DIRECTORS' REPORT (CONTINUED)

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 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 2008. 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 payments
- (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.

Drawing on external comparisons for reference, the entity's 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.

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.

MALACHITE RESOURCES NL

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

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 2008.

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.

(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 \$59,226 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 NL during the year ended 30 June 2008 are set out below.

	Cash Salary and Fees	Cash Bonus	Director's Superannuation Contributions	Long Service Leave	*Options	Total
	\$	\$	\$		\$	\$
2008						
Dr GG Lowder	195,250	2,500	17,798	9,822	91,023	316,393
Mr RD Meares	183,250	2,500	16,717	9,270	65,540	277,277
Mr D O'Neill	19,167	-	1,725	-	12,747	33,639
Mr W Staude	19,167	-	1,725	-	12,747	33,639
Mr RM Randall	20,892	-	-	-	12,747	33,639
	437,726	5,000	37,965	19,092	194,804	694,587
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 1/9/06)	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

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 32.

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	
	2008	2007	2008	2007	2008	2007
Dr GG Lowder	70%	87%	1%	-	29%	13%
Mr RD Meares	75%	86%	1%	3%	24%	11%
Mr PW Hopkins (resigned 1/9/06)	-	100%	-	-	-	-
Mr D O'Neill	62%	71%	-	-	38%	29%
Mr W Staude	62%	71%	-	-	38%	29%
Mr RM Randall (appointed 1/9/06)	62%	67%	-	-	38%	33%

MALACHITE RESOURCES NL

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 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 2008 are set out in note 8 to the financial statements.

(d) Share based payments

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 22 November 2007. 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.

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
23 Nov 2006	31 Dec 2011	\$0.30	1/3 vest 23/11/07 1/3 vest 23/11/08 1/3 vest 23/11/09	\$0.0700
22 Nov 2007	30 Nov 2012	\$0.431	based on exploration outcomes	\$0.0670

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.

Options terms and conditions have not been altered at any time.

Details of options over ordinary shares in the company provided as remuneration to each director and officer of Malachite Resources NL are set out below. When exercisable, each option is convertible into one ordinary share of Malachite Resources NL. Further information on the options is set out in note 32 to the financial statements.

Directors and Officers	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
Dr GG Lowder	3,000,000	1,250,000	416,666	-
Mr RD Meares	2,000,000	1,000,000	333,333	-
Mr D O'Neill	300,000	250,000	83,333	-
Mr W Staude	300,000	250,000	83,333	-
Mr RM Randall	300,000	250,000	83,333	-
Mr A J Cooke	250,000	-	-	-

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.

MALACHITE RESOURCES NL

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

(d) Share based payments (continued)

The model inputs for options granted during the year ended 30 June 2008 included:

- (a) options are granted for: no consideration and have a five year life in three tranches with three vesting triggers relating to exploration success. (2007 - 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.)
- (b) exercise price: \$0.431 and \$0.431 (2007 - \$0.20 and \$0.30)
- (c) grant date: 22/11/07 and 31/01/08 (2007 - 11/08/06 and 23/11/06)
- (d) expiry date: 22/11/12 and 22/11/12 (2007 - 23/11/09 and 31/12/11)
- (e) share price at grant date: 22/11/07 - \$0.36 and 31/01/08 - \$0.23 (2007 - 11/08/06 - \$0.20 and 23/11/06 - \$0.225)
- (f) expected price volatility of the company's shares: 80% (2007 - 80%)
- (g) expected dividend yield: 0.00% (2007 - 0.00%)
- (h) risk-free interest rate: 6.10% (2007 - 6.10%)
- (i) probability rate Tranche One 30%, Tranche Two 45% and Tranche Three 25% (2007 - 100% and 50%)

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:

	Consolidated	
	2008	2007
	\$	\$
Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	41,000	34,000

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

Signed in accordance with a resolution of the directors.

On behalf of the Directors



GG LOWDER
Managing Director

Sydney, 12 September 2008

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of Malachite Resources NL for the year ended 30 June 2008, 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
12 September 2008

MALACHITE RESOURCES NL

**INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Malachite Resources NL	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue from ordinary activities	4	292,573	257,102	292,573	257,102
Other income	5	-	87,910	-	87,910
Accounting and audit expense		(44,388)	(44,644)	(44,388)	(44,644)
Corporate expenses	6	(449,677)	(288,860)	(449,677)	(288,860)
Depreciation and amortisation expense		(47,957)	(26,129)	(47,957)	(26,129)
Employee benefits expense		(707,332)	(462,142)	(707,332)	(462,142)
Exploration expenditure expensed		(60,395)	(251,023)	(60,395)	(251,023)
Occupancy expenses		(113,025)	(120,846)	(113,025)	(120,846)
Other expenses from ordinary activities		(66,989)	(61,416)	(66,989)	(61,416)
Loss before Income Tax Expense		(1,197,190)	(910,048)	(1,197,190)	(910,048)
Income tax expense	7	-	-	-	-
Net Loss for the year	24	(1,197,190)	(910,048)	(1,197,190)	(910,048)
Basic and diluted earnings/(loss) per share (cents per share)	10	(1.05)	(1.00)		

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

MALACHITE RESOURCES NL

BALANCE SHEETS AS AT 30 JUNE 2008

	Note	Consolidated		Malachite Resources NL	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	11	3,432,989	2,258,948	3,432,989	2,258,948
Receivables	12	130,983	146,598	130,983	146,598
Investments at fair value through profit or loss	13	45,500	140,000	45,500	140,000
TOTAL CURRENT ASSETS		3,609,472	2,545,546	3,609,472	2,545,546
NON-CURRENT ASSETS					
Receivables	14	244,673	247,173	244,673	247,173
Investments	15	-	-	6,920,609	2,795,834
Plant, equipment and property	17	633,222	163,043	216,186	163,043
Exploration and evaluation expenditure	18	13,739,681	8,218,492	7,236,109	5,422,659
TOTAL NON-CURRENT ASSETS		14,617,576	8,628,708	14,617,577	8,628,709
TOTAL ASSETS		18,227,048	11,174,254	18,227,049	11,174,255
CURRENT LIABILITIES					
Payables	19	1,546,130	513,284	1,546,130	513,284
TOTAL CURRENT LIABILITIES		1,546,130	513,284	1,546,130	513,284
NON-CURRENT LIABILITIES					
Payables	20	-	-	1	1
TOTAL NON-CURRENT LIABILITIES		-	-	1	1
TOTAL LIABILITIES		1,546,130	513,284	1,546,131	513,285
NET ASSETS		16,680,918	10,660,970	16,680,918	10,660,970
EQUITY					
Contributed equity	21	22,915,178	16,051,078	22,915,178	16,051,078
Option Expense Reserve	23	659,017	305,979	659,017	305,979
Accumulated Losses	24	(6,893,277)	(5,696,087)	(6,893,277)	(5,696,087)
TOTAL EQUITY		16,680,918	10,660,970	16,680,918	10,660,970

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

MALACHITE RESOURCES NL

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
Total equity at the beginning of the financial year	10,660,970	6,704,274	10,660,970	6,704,274
Net expenses recognised directly in equity	-	-	-	-
Loss for the year	(1,197,190)	(910,048)	(1,197,190)	(910,048)
Total recognised income and expense for the year	(1,197,190)	(910,048)	(1,197,190)	(910,048)
Transactions with equity holders in their capacity as equity holders				
Contributions of equity, net of transaction costs	6,864,100	4,590,037	6,864,100	4,590,037
Employee and non-employee share options	353,038	276,707	353,038	276,707
	7,217,138	4,866,744	7,217,138	4,866,744
Total equity at the end of the financial year	16,680,918	10,660,970	16,680,918	10,660,970
Total recognised income and expense for the year is attributable to: Members of Malachite Resources NL	(1,197,190)	(910,048)	(1,197,190)	(910,048)

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

MALACHITE RESOURCES NL

**CASH FLOWS STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Malachite Resources NL	
		2008 \$	2007 \$	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees (inclusive of GST)		(670,861)	(760,279)	(670,861)	(770,279)
Exploration and evaluation expenditure (inclusive of GST)		(4,726,750)	(3,477,678)	(4,726,750)	(3,367,678)
Interest received		282,324	145,159	282,324	145,159
Sundry receipts (inclusive of GST)		11,274	123,137	11,274	123,137
Exploration expenditure refunded		-	636,527	-	636,527
Net cash outflow from operating activities	31(c)	(5,104,013)	(3,333,134)	(5,104,013)	(3,233,134)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(534,683)	(114,265)	(117,647)	(114,265)
Proceeds from sale of property, plant and equipment		13,637	-	13,637	-
Proceeds from sale of investments		-	125,410	-	125,410
Tenement security deposits (paid)/refunded		2,500	(52,000)	2,500	(52,000)
Loans to related parties				(417,036)	(100,000)
Net cash inflow from investing activities		(518,546)	(40,855)	(518,546)	(140,855)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		7,015,644	4,666,236	7,015,644	4,666,236
Equity raising expenses		(219,044)	(96,199)	(219,044)	(96,199)
Net cash inflow from financing activities		6,796,600	4,570,037	6,796,600	4,570,037
NET INCREASE/(DECREASE) IN CASH HELD		1,174,041	1,196,048	1,174,041	1,196,048
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		2,258,948	1,062,900	2,258,948	1,062,900
CASH AT THE END OF THE FINANCIAL YEAR	31(a)	3,432,989	2,258,948	3,432,989	2,258,948

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

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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 (AIFRS). Compliance with AIFRS ensures that the consolidated financial report of Malachite Resources NL comply with International Financial Reporting Standards (IFRS).

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.

(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 2008 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 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 26.

(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.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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 32.

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 2008

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 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.

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.

The head entity, Malachite Resources NL, 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 NL 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. Details about tax funding agreement are disclosed in note 7.

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) 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. 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 12 and 14).

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets (continued)

(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 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.

(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

(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) 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.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 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-I 11 AASB 2 - *Group and Treasury Share Transactions* and AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11* AASB-I 11 and AASB 2007-1 are effective for annual reporting periods commencing on or after 1 March 2007. AASB-I 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The Group will apply AASB-I 11 from 1 July 2009, but it is not expected to have any impact on the Group's financial statements.

(ii) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will also need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(s) 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 Group's ongoing operations.

The directors are of the opinion that the Group's existing expenditure commitments in respect of its current projects and operations can be met from currently available cash holdings.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency 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.

(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 2008, if interest rates had changed by +/- 100 base points from the year-end rates with other variables held constant, post-tax profit for the year would have been \$45,637 lower /higher (2007: change of 100 bps: \$27,104 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.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 30(b)).

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

(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

	Less than 6 Months	6-12 Months	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total contractual cash flows	Carrying amount (assets)/liabilities
2008							
Non-derivatives							
Non-interest bearing	1,180,771	-	-	-	-	1,180,771	1,180,771
Variable rate	-	-	-	-	-	-	-
Total Non-derivatives	1,180,771	-	-	-	-	1,180,771	1,180,771
2007							
Non-derivatives							
Non-interest bearing	239,102	-	-	-	-	239,102	239,102
Variable rate	-	-	-	-	-	-	-
Total Non-derivatives	239,102	-	-	-	-	239,102	239,102

(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.

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

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.

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
4 REVENUE				
From continuing Operations				
Interest	282,324	145,159	282,324	145,159
Services	10,249	111,943	10,249	111,943
	292,573	257,102	292,573	257,102
5 OTHER INCOME				
Profit from disposal of other investments	-	75,410	-	75,410
Gain on revaluation of investments	-	12,500	-	12,500
Total other income	-	87,910	-	87,910
6 EXPENSES				
The loss before income tax includes the following expenses:				
Depreciation of non-current assets:				
- Property, Plant & equipment	27,571	12,410	27,571	12,410
- Motor vehicles	20,386	13,719	20,386	13,719
Total Depreciation	47,957	26,129	47,957	26,129
Transfers to provisions:				
- Employee entitlements	40,333	30,220	40,333	30,220
- Employee share based payments	232,238	101,927	232,238	101,927
- Non-employee share based payments	120,800	174,780	120,800	174,780
Operating lease rental expenses	105,171	111,301	105,171	111,301
Write off of exploration expenditure	60,395	251,023	60,395	251,023

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
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	(1,197,190)	(910,048)	(1,197,190)	(910,048)
Prima facie income tax benefit calculated at 30% (2007 30%) of operating loss	(359,157)	(273,014)	(359,157)	(273,014)
Permanent differences:				
Non allowable items	72,196	31,937	72,196	31,937
Future income tax benefits not recognised	286,961	241,078	286,961	241,078
Income tax benefit attributable to operating loss	-	-	-	-
b) Franking account balance	-	-	-	-
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised.	1,296,814	1,009,853	1,296,814	1,009,853

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 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 NL.

All of the above persons were also key management personnel during the year ended 30 June 2008.

(c) Key Management Personnel compensation

Short-term employee benefits	456,818	411,605	456,818	411,605
Post-employment benefits	37,965	34,612	37,965	34,612
Share-based payments	194,804	74,861	194,804	74,861
	689,587	521,078	689,587	521,078

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.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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.

	Number held 1 July 2007	Purchased during year	Sold during year	Issued on exercise of options	Number held 30 June 2008
Shares					
2008					
Dr GG Lowder	5,099,997	60,000	-	-	5,159,997
Mr RD Meares	688,750	20,000	-	-	708,750
Mr D O'Neill	-	-	-	-	-
Mr W Staude	90,000	-	-	-	90,000
Mr RM Randall	1,811,753	150,000	-	-	1,961,753

	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	-	-	-	-	-
Mr D O'Neill	-	-	-	-	-
Mr W Staude	40,000	50,000	-	-	90,000
Mr RM Randall	1,751,753	60,000	-	-	1,811,753

(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.

	Number held 1 July 2007	Converted from unlisted during year	Acquired during year	Lapsed during year	Exercised during year	Number held 30 June 2008
Options						
2008						
Listed						
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	130,000	-	30,000	-	-	160,000
Unlisted						
Dr GG Lowder	1,250,000	-	3,000,000	-	-	4,250,000
Mr RD Meares	1,000,000	-	2,000,000	-	-	3,000,000
Mr D O'Neill	250,000	-	300,000	-	-	550,000
Mr W Staude	250,000	-	300,000	-	-	550,000
Mr RM Randall	250,000	-	300,000	-	-	550,000

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

8 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to Key Management Personnel

(ii) Option holdings (continued)

Options

2007	Number held 1 July 2006	Converted from unlisted during year	Purchased during year	Lapsed during year	Exercised during year	Number held 30 June 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)*	100,000	-	30,000	-	-	130,000
* held as at 1 July 2006						
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

Consolidated		Malachite Resources NL	
2008	2007	2008	2007
\$	\$	\$	\$

(e) Other transactions with key management personnel

Mr P W Hopkins did not hold a key management position during the financial year ending 30 June 2008 (2007: Mr P W Hopkins, resigned as Director on 1/09/06, was engaged by the company to provide legal services for which he is paid a retainer and on going fees).

-	45,080	-	45,080
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9 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*

41,323	34,000	41,323	34,000
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10 EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share (cents per share) (1.05) (1.00)

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings/ (loss) per share 113,695,853 91,172,742

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	3,432,989	2,258,948	3,432,989	2,258,948
	3,432,989	2,258,948	3,432,989	2,258,948

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
12 CURRENT ASSETS - RECEIVABLES				
Accounts Receivable	-	44,226	-	44,226
Other debtors	-	4,087	-	4,087
Employee advances	11,000	7,500	11,000	7,500
Rental bonds	2,080	1,100	2,080	1,100
GST receivables	83,556	54,876	83,556	54,876
Prepayments	34,347	34,809	34,347	34,809
	<u>130,983</u>	<u>146,598</u>	<u>130,983</u>	<u>146,598</u>

(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 riskmanagement policy of the Group and the credit quality of the entity's receivables.

	Consolidated		Malachite Resources NL	
	2008	2008	2008	2008
	\$	\$	\$	\$
13 CURRENT ASSETS - INVESTMENTS				
Investments - Fair value through P&L	45,500	140,000	45,500	140,000
	<u>45,500</u>	<u>140,000</u>	<u>45,500</u>	<u>140,000</u>

These investments are carried at their fair value.

14 NON-CURRENT ASSETS - RECEIVABLES

Other Debtors	45,000	45,000	45,000	45,000
Tenement security deposits	162,000	164,500	162,000	164,500
Rental bonds	37,673	37,673	37,673	37,673
	<u>244,673</u>	<u>247,173</u>	<u>244,673</u>	<u>247,173</u>

15 NON-CURRENT ASSETS - INVESTMENTS

Intercompany Loans	-	-	6,920,608	2,795,833
Shares in controlled companies	-	-	1	1
	<u>-</u>	<u>-</u>	<u>6,920,609</u>	<u>2,795,834</u>

16 INVESTMENT IN CONTROLLED ENTITY

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest	Ownership interest
			2008	2007
			%	%
Conrad Silver Mines Pty Ltd (formerly Elsmore Mining Pty Ltd)	Australia	Ordinary	100	100

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
17 PROPERTY, PLANT AND EQUIPMENT				
Property, Plant and equipment				
at cost	590,843	114,724	173,807	114,724
accumulated depreciation	(72,637)	(45,066)	(72,637)	(45,066)
	518,206	69,658	101,170	69,658
Motor Vehicles				
at cost	161,046	145,683	161,046	145,683
accumulated depreciation	(46,030)	(52,298)	(46,030)	(52,298)
	115,016	93,385	115,016	93,385
Total property, plant and equipment	633,222	163,043	216,186	163,043

Movement in property, plant and equipment

Consolidated	Motor	Property, Plant	Total
	Vehicles	& Equipment	
	\$	\$	\$
Current Year			
Balance at 01 July 2007	93,385	69,658	163,043
Additions	58,564	476,119	534,683
Depreciation Expense	(20,386)	(27,571)	(47,957)
Disposals	(16,547)	-	(16,547)
Balance at 30 June 2008	115,016	518,206	633,222
Previous 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	93,385	69,658	163,043
Parent			
Current Year			
Balance at 01 July 2007	93,385	69,658	163,043
Additions	58,564	59,083	117,647
Depreciation Expense	(20,386)	(27,571)	(47,957)
Disposals	(16,547)	-	(16,547)
Balance at 30 June 2008	115,016	101,170	216,186
Previous Year			
Balance at 01 July 2007	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 2008	93,385	69,658	163,043

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
18 EXPLORATION AND EVALUATION EXPENDITURE				
Costs carried forward in respect of areas of interest in exploration and evaluation phases	13,739,681	8,218,492	7,236,109	5,422,659
Movement for year				
Balance at beginning of year	8,218,492	5,548,455	5,422,659	5,548,455
Expenditure during year	5,581,584	3,557,587	5,581,584	3,457,587
Expenditure reimbursed during year	-	(636,527)	-	(636,527)
Amounts written off	(60,395)	(251,023)	(60,395)	(251,023)
Amounts transferred to subsidiary entity	-	-	(3,707,739)	(2,695,833)
Balance at end of year	13,739,681	8,218,492	7,236,109	5,422,659
19 CURRENT LIABILITIES - PAYABLES				
Trade creditors	1,180,771	239,102	1,180,771	239,102
Other creditors	128,025	77,181	128,025	77,181
Employee entitlements	237,334	197,001	237,334	197,001
	1,546,130	513,284	1,546,130	513,284
(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				
Annual leave obligation expected to be settled after 12 months	17,042	12,356	17,042	12,356
Long service leave obligation expected to be settled after 12 months	121,699	135,222	121,699	135,222
	138,741	147,578	138,741	147,578
The consolidated entity had 14 employees (2007: 10 employees) at 30 June 2008				
(b) Risk exposure				
Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.				
20 NON CURRENT LIABILITIES - PAYABLES				
Amounts due to controlled entities	-	-	1	1

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
21 CONTRIBUTED EQUITY				
124,640,878 fully paid ordinary shares (2007: 99,992,619)	22,915,178	16,051,078	22,915,178	16,051,078
	<u>22,915,178</u>	<u>16,051,078</u>	<u>22,915,178</u>	<u>16,051,078</u>

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	16,051,078	11,461,041	16,051,078	11,461,041
Shares issued during year				
501,172 (2007:nil) issued at 20 cents per share upon exercise of MAROA options	100,234	-	100,234	-
4,874,334 (2007: nil) issued at 25 cents per share pursuant to share placement agreements	1,218,584	-	1,218,584	-
18,922,753 (2007:nil) issued at 30 cents per share pursuant to share placement agreements	5,676,826	-	5,676,826	-
100,000 (2007:150,000) issued at 20 cents per share upon exercise of employee options	20,000	30,000	20,000	30,000
250,000 (2007:nil) issued at 27 cents per share as consideration for extension of option of acquisition	67,500	-	67,500	-
Nil (2007:1,625,000) issued at 16 cents per share pursuant to share placement agreements	-	260,000	-	260,000
Nil (2007:19,189,000) issued at 22.5 cents per share pursuant to share placement agreements	-	4,317,525	-	4,317,525
Nil (2007:293,554) issued at 20 cents per share upon exercise of options	-	58,711	-	58,711
Nil (2007:100,000) issued at 20 cents per share for services provided	-	20,000	-	20,000
Transaction costs relating to share issues	(219,044)	(96,199)	(219,044)	(96,199)
Balance at end of year	<u>22,915,178</u>	<u>16,051,078</u>	<u>22,915,178</u>	<u>16,051,078</u>

22 OPTIONS

Expiry Date	Exercise Price	Number on issue		Transferred during year	Lapsed during year	Exercised during year	Number on issue
		1 July 2007	Granted during year				
Listed							
31.08.2008	0.20	32,305,531	6,307,560	-	-	(501,172)	38,111,919
		<u>32,305,531</u>	<u>6,307,560</u>	<u>-</u>	<u>-</u>	<u>(501,172)</u>	<u>38,111,919</u>
Unlisted							
23.11.2009	0.20	250,000	-	-	-	(100,000)	150,000
13.09.2008	0.24	150,000	-	-	-	-	150,000
31.12.2011	0.30	3,870,000	-	-	(300,000)	-	3,570,000
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	-	1,410,000	-	-	-	1,410,000
		<u>4,270,000</u>	<u>8,310,000</u>	<u>-</u>	<u>(300,000)</u>	<u>(100,000)</u>	<u>12,180,000</u>
Total Options on issue		<u>36,575,531</u>	<u>14,617,560</u>	<u>-</u>	<u>(300,000)</u>	<u>(601,172)</u>	<u>50,291,919</u>

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
23 RESERVES				
Option expense reserve				
Balance at beginning of year	305,979	29,272	305,979	29,272
Option Expenses	353,038	276,707	353,038	276,707
Balance at end of year	659,017	305,979	659,017	305,979
Nature and purpose of reserves				
<i>Share based payments reserve</i>				
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	(5,696,087)	(4,786,039)	(5,696,087)	(4,786,039)
Net loss for year	(1,197,190)	(910,048)	(1,197,190)	(910,048)
Accumulated losses at end of financial year	(6,893,277)	(5,696,087)	(6,893,277)	(5,696,087)
25 COMMITMENTS FOR EXPENDITURE				
(a) Capital Expenditure Commitments				
There are no capital commitments at the end of the financial year (2007: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	121,127	117,274	121,127	117,274
Later than 1 year but not later than 5 years	113,973	227,714	113,973	227,714
Later than 5 years	-	-	-	-
	235,100	344,988	235,100	344,988
(c) Tenement Commitments				
Tenement Expenditure required under tenement licence				
Not later than one year	354,000	406,000	354,000	406,000
Later than 1 year but not later than 2 years	618,000	648,000	618,000	648,000
Later than 2 years	-	-	-	-
	972,000	1,054,000	972,000	1,054,000
Tenement Expenditure required under farm-in agreement				
Not later than one year	500,000	800,000	500,000	800,000
Later than 1 year but not later than 2 years	1,000,000	1,000,000	1,000,000	1,000,000
Later than 2 years	-	-	-	-
	1,500,000	1,800,000	1,500,000	1,800,000
Total Tenement Expenditure	2,472,000	2,854,000	2,472,000	2,854,000

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

25 COMMITMENTS FOR EXPENDITURE (CONTINUED)

(c) Tenement Commitments (continued)

In the event that Malachite elects to proceed with Stage 3 of the Mt Lidster Sale & Purchase Agreement it must give notice to the project vendor on or before 13 February 2009 and thereafter will be required to \$1,000,000 in cash and to issue 4,000,000 share options (exercisable at 32 cents on or before 13 September 2010) to the project vendor subject to and upon transfer of the Mt. Lidster Mining Licence to Malachite. Malachite would then also become liable to pay to VEPL a production royalty of 2% or 2.5% of payable metal value, depending on whether the copper price is respectively below or above \$US3,500 per tonne.

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. If Malachite does not withdraw from the Joint Venture and Farm-In Agreement it must on 30 June 2009 issue the project vendors with a further 1 million share options (exercisable at 25c on or before 30 June 2011).

26 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.

Tooloom: Newmont withdrew from the Tooloom joint venture in July 2007 and the consolidated entity continues to hold a 100% interest in the project. (2007 : 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 for which interests are shown in the balance sheet as Non-current assets.)

	Consolidated		Malachite Resources NL	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interests were shown in the balance sheet as Non-current assets				
Exploration and evaluation expenditure (Rivertree)	23,466	27,215	23,466	27,215
Exploration and evaluation expenditure (Tooloom)	-	3,911,007	-	3,911,007
Total non-current assets	23,466	3,938,222	23,466	3,938,222

27 CONTINGENT LIABILITIES

There are no contingent liabilities (2007: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

The Company's Listed MAROA Options exercisable at 20 cents expired 31 August 2008. Throughout August and early September the Company allotted an aggregate of 8,775,250 shares upon the exercise of MAROA raising \$1,753,050 in new working capital.

On 11 August 2008 the Company announced a new estimate of mineral resources at the its 100% owned Conrad Silver Project. The new resource (containing 17.7 million ounces of silver equivalent) exceeded early expectations and strongly enhanced the prospect of re-opening the mine at Conrad.

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.

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

Consolidated		Malachite Resources NL	
2008	2007	2008	2007
\$	\$	\$	\$

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

Loans to subsidiaries

Beginning of year	-	-	2,795,833	-
Loans advanced	-	-	4,124,775	2,795,833
Loan repayments received	-	-	-	-
Interest charged	-	-	-	-
Interest received	-	-	-	-
End of year	-	-	6,920,608	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.

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 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		
2008	2007	2008	2007	
\$	\$	\$	\$	
Cash	3,432,989	2,258,948	3,432,989	2,258,948
	3,432,989	2,258,948	3,432,989	2,258,948

(b) Non-cash financing and investing activities

Ordinary shares issued for acquisition cost	67,500	20,000	67,500	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
1,000,000 unlisted options issued to Volga Elderberry Pty Ltd	120,800	-	120,800	-
	188,300	194,780	188,300	194,780

MALACHITE RESOURCES NL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

31 NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

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

Operating loss after income tax	(1,197,190)	(910,048)	(1,197,190)	(910,048)
Non cash				
Depreciation	47,957	26,129	47,957	26,129
Employee entitlements expense	40,333	30,220	40,333	30,220
Employee share-based payments	232,238	101,927	232,238	101,927
Non-employee share-based payments	120,800	174,780	120,800	174,780
Exploration expenditure written off	60,395	251,023	60,395	251,023
Revaluation of investments to market value	94,500	(12,500)	94,500	(12,500)
Ordinary shares issued for services rendered	67,500	20,000	67,500	20,000
Net (profit) loss on sale of assets	2,910	(75,410)	2,910	(75,410)
	<u>(530,557)</u>	<u>(393,879)</u>	<u>(530,557)</u>	<u>(393,879)</u>
Changes in assets and liabilities				
Decrease/(Increase) in receivables	15,153	(61,651)	15,153	(61,651)
Decrease/(Increase) in prepayments	462	(10,286)	462	(10,286)
(Increase) in exploration and evaluation expenditure	(5,581,584)	(2,921,060)	(5,581,584)	(2,821,060)
Increase/(decrease) in payables	992,513	53,742	992,513	53,742
	<u>(5,104,013)</u>	<u>(3,333,134)</u>	<u>(5,104,013)</u>	<u>(3,233,134)</u>
Net cash inflow/(outflow) from operating activities	<u>(5,104,013)</u>	<u>(3,333,134)</u>	<u>(5,104,013)</u>	<u>(3,233,134)</u>

32 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan") which was most recently by shareholders at the Company's Annual General Meeting held 22 November 2007. 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.

MALACHITE RESOURCES NL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

32 SHARE-BASED PAYMENTS (CONTINUED)

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

Consolidated and parent entity - 2008

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
* 23 Nov 2004	23 Nov 2009	\$0.20	25,000				25,000	-
* 6 May 2005	23 Nov 2009	\$0.20	50,000		(50,000)		-	-
* 25 Nov 2005	23 Nov 2009	\$0.20	100,000		(50,000)		50,000	-
* 24 Feb 2006	23 Nov 2009	\$0.20	25,000				25,000	-
* 11 Aug 2006	23 Nov 2009	\$0.20	50,000				50,000	-
23 Nov 2006	31 Dec 2011	\$0.30	3,870,000			(300,000)	3,570,000	-
22 Nov 2007	30 Nov 2012	\$0.431	-	5,900,000			5,900,000	-
* 31 Jan 2008	30 Nov 2012	\$0.431	-	1,410,000			1,410,000	-
Total			4,120,000	7,310,000	(100,000)	(300,000)	11,030,000	-
Weighted average exercise price			\$0.20	\$0.431	\$0.20	\$0.20	\$0.20	

Consolidated and parent entity - 2007

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
* 23 Nov 2004	23 Nov 2009	\$0.20	175,000	-	(150,000)	-	25,000	-
* 6 May 2005	23 Nov 2009	\$0.20	75,000	-	-	(25,000)	50,000	-
* 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	-	50,000	-	-	50,000	-
23 Nov 2006	31 Dec 2011	\$0.30	-	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	\$0.20	\$0.20	\$0.20	\$0.20	

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

* Options issued to employees outside of key management personnel.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

32 SHARE-BASED PAYMENTS (CONTINUED)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2008 were as follows: the options issued on: 22/10/07 were valued at 6.7045 cents per option, 31/01/08 were valued at 3.72 cents per option (2007 : 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). 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 2008 included:

- (a) options are granted for: no consideration and have a five year life in three tranches with three vesting triggers relating to exploration success. (2007 - 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.)
- (b) exercise price: \$0.431 and \$0.431 (2007 - \$0.20 and \$0.30)
- (c) grant date: 22/11/07 and 31/01/08 (2007 - 11/08/06 and 23/11/06)
- (d) expiry date: 22/11/12 and 22/11/12 (2007 - 23/11/09 and 31/12/11)
- (e) share price at grant date: 22/11/07 - \$0.36 and 31/01/08 - \$0.23 (2007 - 11/08/06 - \$0.20 and 23/11/06 - \$0.225)
- (f) expected price volatility of the company's shares: 80% (2007 - 80%)
- (g) expected dividend yield: 0.00% (2007 - 0.00%)
- (h) risk-free interest rate: 6.10% (2007 - 6.10%)
- (i) probability rate Tranche One 30%, Tranche Two 45% and Tranche Three 25% (2007 - 100% and 50%)

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 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 2008 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

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, 12 September 2008

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

Report on the financial report

We have audited the accompanying financial report of Malachite Resources NL (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement 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.

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, 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.

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.

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

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

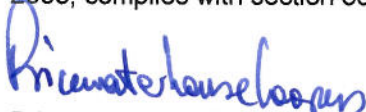
- (a) the financial report of Malachite Resources NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report with International Financial Reporting Standards as disclosed in Note 1.

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 2008. 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 NL for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Marc Upcroft
Partner

Sydney
12 September 2008

