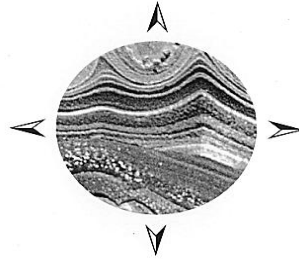


MALACHITE RESOURCES LIMITED

A.B.N. 86 075 613 268



CONSOLIDATED FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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

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

Malachite Resources Limited
Suite 1502, 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 in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 21 September 2009. The company has the power to amend and reissue the financial report.

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

MALACHITE RESOURCES LIMITED

Annual Consolidated Financial Report For The Financial Year Ended 30 June 2009

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Malachite Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

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 65

Geologist with over 40 years Australian and international experience in both the public and private sectors. Founded Malachite Resources in 1997, after spending four years as Director General of Mineral Resources in NSW. Previously held senior positions in several Australian and overseas mining companies. Has a strong record of success in mineral exploration, mining, corporate management and government administration, much of it focussed on NSW, with key roles in the discovery of the Northparkes Copper and Cowal Gold deposits. Non-executive director of ASX-listed Straits Resources Limited and of Macmin Silver Limited (until 5 November 2008). Graduate of the University of Sydney (BSc Hons), the University of California at Berkeley (PhD) and the Advanced Management Program at the Harvard Business School.

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

Executive Director, Age 62

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 66

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 59

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

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

Non-executive Director Age 73

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

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

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

Andrew J. Cooke LLB, FAICS

Company Secretary

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

MALACHITE RESOURCES LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' MEETINGS

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

	Board of Directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Dr Garry G Lowder	12	12	-	-	-	-
Mr Russell MD Meares	12	12	-	-	-	-
Mr Denis M O'Neill	12	11	-	-	-	-
Mr Warren J Staude	12	12	6	6	-	-
Mr Roy M. Randall	12	11	6	5	-	-

DIRECTORS' INTERESTS

	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Garry G Lowder	137,497	5,633,747	7,250,000	-
Mr Russell MD Meares	-	911,250	5,000,000	-
Mr Denis M O'Neill	-	-	800,000	-
Mr Warren J Staude	90,000	-	800,000	-
Mr Roy M. Randall	-	2,231,753	950,000	-

Full details of options issued are contained in Note 21.

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:

	2009	2008
	\$	\$
Loss after income tax	(3,429,730)	(1,197,190)

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 2009 (2008: Nil).

REVIEW OF OPERATIONS

The Conrad Silver Project continued to be the main focus for the Group during the year, with the greater part of exploration expenditure being incurred at this project. The principal activity at Conrad during the first half of the period was resource drilling and related matters. This resulted in a revised and upgraded resource estimate for the Conrad deposit, which was reported to the ASX in December, 2008. That estimate was based on approximately 25,000m of drilling, represented by 107 drill holes spread over a 2.2km strike length of the Conrad Lode. The total metal inventory for the project, based on no cut-off but a minimum 1.2m lode width, now stands at 19.2 million ounces (approximately 600 tonnes) of silver equivalent, about half of which is silver, while the balance is the silver equivalent value of the contained and recoverable copper, lead, zinc and tin. A higher grade component, defined by applying a cut-off grade of 300g/t silver equivalent, contains about 6 million ounces of silver equivalent. Additional higher grade zones have been identified but drill spacing is as yet too wide to allow these zones to be brought into the high grade resource estimate.

In the second half of the year field activities at Conrad concentrated on tracing the continuation of the Conrad Lode further to the southeast using geological and geophysical mapping techniques. Other activities included metallurgical test work conducted on samples of Conrad mineralisation extracted from drill cores. The results of that work have been favourable and augur well for future commercial concentrate production by conventional flotation methods should the mine be put back into production.

Elsewhere the main activities for the Group have related to tin exploration and evaluation at the Elsmore and Delungra Projects. At Elsmore, the focus was on the Karaula Lead alluvial tin deposit, where the extent of tin-bearing alluvium was mapped out by drilling and the excavation of pits and trenches. Metallurgical test work on bulk samples extracted in this program was also carried out. This work is ongoing and the results so far have been promising.

At Delungra, a large, strong and persistent tin-in-soil anomaly has been identified at a prospect known as Standon. This seems to reflect the presence in the bedrock beneath the soil of quartz-tourmaline-cassiterite veins that represent an attractive hard rock tin target.

During the period the Group withdrew from its joint venture at the Volga Copper Project and the nearby Mt Lidster Copper Project. As a result the Group currently has no involvement in the Mount Isa district, although opportunities continue to be monitored. The Tooloom Gold Project has effectively been on care and maintenance during the year.

MALACHITE RESOURCES LIMITED

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:

	2009
	\$
(a) An increase in contributed equity of \$2,183,975 (from \$22,915,178 to \$25,099,153) as a result of:	
Upon exercise of MAROA options 8,765,250 fully paid ordinary shares issued at 20 cents per share	1,753,050
Pursuant to share purchase plan 2,110,200 fully paid ordinary shares issued at 8 cents per share	168,816
Pursuant to share placement agreements 5,202,335 fully paid ordinary shares issued at 6 cents per share	312,140
	2,234,006
Less: Transaction costs relating to share issues	(50,031)
Net increase in share capital	2,183,975

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 7 August 2009 the Company announced that it was undertaking a Share Purchase Plan to raise additional funds to pursue specific exploration objectives in respect of each of the Tooloom Gold Project and the Delungra Tin Project and for additional working capital to fund the proposed Conrad joint venture process. The Share Purchase Plan closed 31 August 2009 raising \$933,295 resulting in the issue of 16,969,006 fully paid ordinary shares.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity's projects are at the exploration and evaluation stage only and as such it is not possible to postulate which, if any, will proceed to development and mining operations. The Conrad Silver Project is the most advanced of the consolidated entity's projects, with an interim mineral resource estimate having been reported and preliminary metallurgical and mining scoping studies also undertaken. Even so, it is too soon to determine whether the Conrad project can be developed economically. At Elsmore, the potential to develop the Karaula alluvial tin deposit as a relatively small scale mining operation is being assessed and the outcome will be significantly influenced by the results of metallurgical test work currently underway.

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

	2009	2008
Options on issue beginning of year	50,291,919	36,575,531
Employee options issued	7,600,000	7,310,000
Employee options lapsed	(420,000)	(300,000)
Employee options exercised	-	(100,000)
Listed options expired	(29,346,669)	-
Listed options issued	-	6,307,560
Listed options exercised	(8,765,250)	(501,172)
Unlisted options granted	1,000,000	1,000,000
Options on issue end of year	20,360,000	50,291,919

Further information is given in Note 21 and 31 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 LIMITED

DIRECTORS' REPORT (CONTINUED)

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

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

Insurance Policies

Since the end of or during the financial year the consolidated entity has paid premiums in respect of directors' and executive officers' liability and legal expenses insurance contracts for the year ended 30 June 2009. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the parent entity.

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

REMUNERATION REPORT

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

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

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

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

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

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

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

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 LIMITED

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 2009.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$100,000 per annum and was approved by shareholders at the AGM on 25 November 2008.

(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 \$68,399 per annum) is within the maximum amount (currently \$100,000 per annum) for which prior approval of the shareholders has been received.

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

Details of the nature and amount of each element of the emoluments of each of the Directors of Malachite Resources Limited during the year ended 30 June 2009 are set out below.

	Short-term Employee Benefits			Post-employment Benefits	Long-term Benefits	Termination Benefits	Share Based Payments	Total
	Cash Salary and Fees	Cash Bonus	Non Monetary Benefits	Director's Superannuation Contributions	Long Service Leave		*Options	
	\$	\$	\$	\$			\$	\$
2009								
Dr GG Lowder	177,666	-	-	15,990	(41,095)	-	109,972	262,533
Mr RD Meares	166,833	-	-	15,015	(37,718)	-	75,421	219,551
Mr D O'Neill	20,917	-	-	1,883	-	-	12,137	34,937
Mr W Staude	20,917	-	-	1,883	-	-	12,137	34,937
Mr RM Randall	22,799	-	-	-	-	-	13,457	36,256
	409,132	-	-	34,771	(78,813)	-	223,124	588,214
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	0	37,965	19,092	-	194,804	694,587

All executive officers of the consolidated entity are directors.

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

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

All of the top paid executives are shown above.

* Reduction in long term benefits as a result of all directors taking a pay cut of 10% as of November 1, 2008 until May 1, 2009 when the pay cut was further increased to 50%.

* Details of options issued are contained in note 31.

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	
	2009	2008	2009	2008	2009	2008
Dr GG Lowder	58%	70%	-	1%	42%	29%
Mr RD Meares	66%	75%	-	1%	34%	24%
Mr D O'Neill	65%	62%	-	-	35%	38%
Mr W Staude	65%	62%	-	-	35%	38%
Mr RM Randall	63%	62%	-	-	37%	38%

MALACHITE RESOURCES LIMITED

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

(c) Service agreements

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

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

Directors' Interests

The relevant interest of each Director (including their associates) in the share capital of the Company as at 30 June 2009 are set out in note 7 to the financial statements.

(d) Share based compensation

Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan") which was most recently approved by shareholders at the Company's Annual General Meeting held 25 November 2008. The Plan is administered by the Board. Only eligible persons (and their associates) may be invited to participate in the Plan. Eligible persons include full time employees of the Company, permanent part-time employees, qualifying contractors and persons who may be a director, alternate director or company secretary of the Company or an entity in the Group. The Plan is designed to provide long term incentives for executives to deliver shareholder value. Under the Plan, participants are granted options which only vest if certain exploration outcomes or share price hurdles are achieved or at the end of the vesting period.

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

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

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

All options granted to Directors have been approved by Shareholders.

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

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

Details of options over ordinary shares in the company provided as remuneration to each director and officer of Malachite Resources Limited are set out below. When exercisable, each option is convertible into one ordinary share of Malachite Resources Limited. Further information on the options is set out in note 31 to the financial statements.

Directors and Officers	Number of options granted during the year		Number of options vested during the year		Total value of grant yet to vest	
	2009	2008	2009	2008	Minimum	Maximum
Dr GG Lowder	3,000,000	3,000,000	416,667	416,666	\$ -	\$ 1,630,084
Mr RD Meares	2,000,000	2,000,000	333,333	333,333	-	1,051,667
Mr D O'Neill	250,000	300,000	83,333	83,333	-	126,717
Mr W Staude	250,000	300,000	83,333	83,333	-	126,717
Mr RM Randall	400,000	300,000	83,333	83,333	-	156,717
Mr A J Cooke	250,000	250,000	83,333	-	-	141,083

MALACHITE RESOURCES LIMITED

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

(d) Share based compensation (continued)

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

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

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

- (a) options are granted for: no consideration and have a five year life vesting in equal one third lots on the first three anniversaries of the grant date. (2008 - no consideration and have a five year life in three tranches with three vesting triggers relating to exploration success.)
- (b) exercise price: \$0.20 and \$0.20 (2008 - \$0.431 and \$0.431)
- (c) grant date: 25/11/08 and 23/12/08 (2008 - 22/11/07 and 31/01/08)
- (d) expiry date: 25/11/13 and 25/11/13 (2008 - 22/11/12 and 22/11/12)
- (e) share price at grant date: 25/11/08 - \$0.07 and 23/12/08 - \$0.08 (2008 - 22/11/07 - \$0.36 and 31/01/08 - \$0.23)
- (f) expected price volatility of the company's shares: 70% (2008 - 80%)
- (g) expected dividend yield: 0.00% (2008 - 0.00%)
- (h) risk-free interest rate: 3.21% (2008 - 6.10%)
- (i) probability rate: none used (2008 - Tranche One 30%, Tranche Two 45% and Tranche Three 25%)

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

(e) Additional information

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

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

AUDITORS

Non-audit services

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

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

Auditor's independence declaration

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

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

MALACHITE RESOURCES LIMITED
DIRECTORS' REPORT (CONTINUED)

AUDITORS (CONTINUED)

	Consolidated	
	2009	2008
	\$	\$
Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	36,031	41,000

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

Rounding of amounts

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

Signed in accordance with a resolution of the directors.

On behalf of the Directors



GG LOWDER
Managing Director

Sydney, 21 September 2009

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 Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Malachite Resources Limited and the entities it controlled during the period.



Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
21 September 2009

MALACHITE RESOURCES LIMITED

**INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Malachite Resources Limited	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue from continuing operations	4	96,676	292,573	96,676	292,573
Accounting and audit expense		(41,558)	(44,388)	(41,558)	(44,388)
Corporate expenses	5	(203,413)	(449,677)	(203,413)	(449,677)
Depreciation and amortisation expense	5	(48,292)	(47,957)	(48,292)	(47,957)
Employee benefits expense		(673,828)	(707,332)	(673,828)	(707,332)
Exploration expenditure expensed	5	(2,397,988)	(60,395)	(2,397,988)	(60,395)
Occupancy expenses		(115,827)	(113,025)	(115,827)	(113,025)
Other expenses from ordinary activities		(45,500)	(66,989)	(45,500)	(66,989)
Loss before Income Tax Expense		(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)
Income tax expense	6	-	-	-	-
Net Loss for the year	23	(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)
Basic and diluted earnings/(loss) per share (cents per share)	9	(2.58)	(1.05)		

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

MALACHITE RESOURCES LIMITED

BALANCE SHEETS AS AT 30 JUNE 2009

	Note	Consolidated		Malachite Resources Limited	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	10	952,978	3,432,989	952,978	3,432,989
Trade and other receivables	11	43,356	130,983	43,356	130,983
Financial assets at fair value through profit or loss	12	-	45,500	-	45,500
TOTAL CURRENT ASSETS		996,334	3,609,472	996,334	3,609,472
NON-CURRENT ASSETS					
Receivables	13	199,673	244,673	199,673	244,673
Investments	14	-	-	8,748,532	6,920,609
Property, plant and equipment	16	589,409	633,222	172,373	216,186
Exploration and evaluation expenditure	17	14,212,610	13,739,681	5,881,115	7,236,109
TOTAL NON-CURRENT ASSETS		15,001,692	14,617,576	15,001,693	14,617,577
TOTAL ASSETS		15,998,026	18,227,048	15,998,027	18,227,049
CURRENT LIABILITIES					
Trade and other payables	18	181,925	1,546,130	181,925	1,546,130
TOTAL CURRENT LIABILITIES		181,925	1,546,130	181,925	1,546,130
NON-CURRENT LIABILITIES					
Trade and other payables	19	-	-	1	1
TOTAL NON-CURRENT LIABILITIES		-	-	1	1
TOTAL LIABILITIES		181,925	1,546,130	181,926	1,546,131
NET ASSETS		15,816,101	16,680,918	15,816,101	16,680,918
EQUITY					
Contributed equity	20	25,099,153	22,915,178	25,099,153	22,915,178
Option Expense Reserve	22	1,039,955	659,017	1,039,955	659,017
Accumulated Losses	23	(10,323,007)	(6,893,277)	(10,323,007)	(6,893,277)
TOTAL EQUITY		15,816,101	16,680,918	15,816,101	16,680,918

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

MALACHITE RESOURCES LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
Total equity at the beginning of the financial year	16,680,918	10,660,970	16,680,918	10,660,970
Net expenses recognised directly in equity	-	-	-	-
Loss for the year	(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)
Total recognised income and expense for the year	(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)
Transactions with equity holders in their capacity as equity holders				
Contributions of equity, net of transaction costs	2,183,975	6,864,100	2,183,975	6,864,100
Employee and non-employee share options	380,938	353,038	380,938	353,038
	2,564,913	7,217,138	2,564,913	7,217,138
Total equity at the end of the financial year	15,816,101	16,680,918	15,816,101	16,680,918
Total recognised income and expense for the year is attributable to: Members of Malachite Resources Limited	(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)

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

MALACHITE RESOURCES LIMITED

**CASH FLOWS STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Malachite Resources Limited	
		2009 \$	2008 \$	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees (inclusive of GST)		(513,329)	(670,861)	(513,329)	(670,861)
Exploration and evaluation expenditure (inclusive of GST)		(4,242,872)	(4,726,750)	(4,242,872)	(4,726,750)
Interest received		96,494	282,324	96,494	282,324
Sundry receipts (inclusive of GST)		200	11,274	200	11,274
Net cash outflow from operating activities	30(c)	(4,659,507)	(5,104,013)	(4,659,507)	(5,104,013)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(4,479)	(534,683)	(4,479)	(117,647)
Proceeds from sale of property, plant and equipment		-	13,637	-	13,637
Tenement security deposits (paid)/refunded		-	2,500	-	2,500
Loans to related parties		-	-	-	(417,036)
Net cash outflow from investing activities		(4,479)	(518,546)	(4,479)	(518,546)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		2,234,006	7,015,644	2,234,006	7,015,644
Equity raising expenses		(50,031)	(219,044)	(50,031)	(219,044)
Net cash inflow from financing activities		2,183,975	6,796,600	2,183,975	6,796,600
NET INCREASE/(DECREASE) IN CASH HELD		(2,480,011)	1,174,041	(2,480,011)	1,174,041
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		3,432,989	2,258,948	3,432,989	2,258,948
CASH AT THE END OF THE FINANCIAL YEAR	30(a)	952,978	3,432,989	952,978	3,432,989

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

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial report of Malachite Resources Limited comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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

Critical accounting estimates

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

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. Without successful capital raisings in the future some uncertainty may arise in respect to the Group's ongoing operations.

The directors believe that the Group's existing expenditure commitments in respect of its current projects and operations can be met from currently available cash holdings and funds from the capital raising of \$933,295 subsequent to the reporting date (note 28). The directors accordingly have prepared the financial report on a going concern basis in the belief that the Group will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Malachite Resources Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Malachite Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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

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

(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 25.

(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 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Employee benefits

(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 compensation

Share based compensation benefits are provided to employees via the Malachite Resources Limited Employee Option Plan. Information relating to the plan is set out in note 31.

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

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

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

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

(e) Exploration and Evaluation Expenditure

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

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

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

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

(f) Fair value estimation

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

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

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

(g) Goods and Services Tax

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

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

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

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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

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

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

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

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

(j) Trade payables

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

(k) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 11 and 13).

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

1 SUMMARY 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 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(m) Earnings/(loss) per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(n) Plant and equipment

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

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

Depreciation is provided on plant and equipment.

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

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

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

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

(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.

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue Recognition

(i) Interest Income

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

(ii) Other Income

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

(iii) Dividends

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

(q) Trade receivables

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

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 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.

2 FINANCIAL RISK MANAGEMENT

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

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

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	952,978	3,432,989	952,978	3,432,989
Trade and other receivables	43,356	130,983	43,356	130,983
Financial assets at fair value through profit or loss	-	45,500	-	45,500
	996,334	3,609,472	996,334	3,609,472
Financial liabilities				
Trade and other payables	181,925	1,546,130	181,925	1,546,130
	181,925	1,546,130	181,925	1,546,130

(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 2009, if interest rates had changed by +/- 100 base points from the year-end rates with other variables held constant, post-tax loss for the year would have been \$63,791 lower /higher (2008: change of 100 bps: \$45,637 lower/higher), as a result of lower/higher interest income from cash and cash equivalents and deposits with banks.

(ii) Foreign Exchange Risk

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

(iii) Price risk

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

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

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

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures in respect of outstanding receivables and committed transactions. The parent entity is also exposed to credit risk in respect of loans to controlled entities (refer to note 29(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
2009							
Non-derivatives							
Non-interest bearing	181,925	-	-	-	-	181,925	181,925
Variable rate	-	-	-	-	-	-	-
Total Non-derivatives	181,925	-	-	-	-	181,925	181,925

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

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	1,546,130	-	-	-	-	1,546,130	1,546,130
Variable rate	-	-	-	-	-	-	-
Total Non-derivatives	1,546,130	-	-	-	-	1,546,130	1,546,130

(d) Fair value estimation

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

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

(e) Capital risk management

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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 17 and relate primarily to capitalisation and evaluation costs from activities in New South Wales and Queensland.

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
4 REVENUE				
From continuing Operations				
Interest	96,494	282,324	96,494	282,324
Services	182	10,249	182	10,249
	96,676	292,573	96,676	292,573

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
5 EXPENSES				
The loss before income tax includes the following expenses:				
Depreciation of non-current assets:				
- Property, Plant & equipment	26,725	27,571	26,725	27,571
- Motor vehicles	21,567	20,386	21,567	20,386
Total Depreciation	48,292	47,957	48,292	47,957
Employee entitlements	(138,738)	40,333	(138,738)	40,333
Employee share based payments	270,938	232,238	270,938	232,238
Non-employee share based payments	110,000	120,800	110,000	120,800
Operating lease rental expenses	108,540	105,171	108,540	105,171
Write off of exploration expenditure	2,397,988	60,395	2,397,988	60,395
6 INCOME TAX				
a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax amount in the financial statements as follows:				
Loss from ordinary activities	(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)
Prima facie income tax benefit calculated at 30% (2008 30%) of taxable loss	(1,028,919)	(359,157)	(1,028,919)	(359,157)
Non deductible items	82,855	72,196	82,855	72,196
Taxable losses not recognised	946,064	286,961	946,064	286,961
Income tax expense	-	-	-	-
b) Franking account balance	230	230	230	230
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised.	5,259,968	4,149,449	5,259,968	4,149,449

7 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The directors of Malachite Resources Limited during the year were:

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

(b) Other key management personnel

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

All of the above persons were also key management personnel during the year ended 30 June 2009.

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

7 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

(ii) Option holdings

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

	Number held 1 July 2008	Converted from unlisted during year	Acquired during year	Lapsed during year	Exercised during year	Number held 30 June 2009	Vested and exercisable
Options							
2009							
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	160,000	-	-	-	(160,000)	-	-
Unlisted							
Dr GG Lowder	4,250,000	-	3,000,000	-	-	7,250,000	833,333
Mr RD Meares	3,000,000	-	2,000,000	-	-	5,000,000	666,666
Mr D O'Neill	550,000	-	250,000	-	-	800,000	166,666
Mr W Staude	550,000	-	250,000	-	-	800,000	166,666
Mr RM Randall	550,000	-	400,000	-	-	950,000	166,666
Options							
	Number held 1 July 2007	Converted from unlisted during year	Acquired during year	Lapsed during year	Exercised during year	Number held 30 June 2008	Vested and exercisable
2008							
Listed							
Dr GG Lowder	587,497	-	-	-	-	587,497	587,497
Mr RD Meares	140,000	-	-	-	-	140,000	140,000
Mr D O'Neill	-	-	-	-	-	-	-
Mr W Staude	40,000	-	-	-	-	40,000	40,000
Mr RM Randall	130,000	-	30,000	-	-	160,000	160,000
Unlisted							
Dr GG Lowder	1,250,000	-	3,000,000	-	-	4,250,000	416,666
Mr RD Meares	1,000,000	-	2,000,000	-	-	3,000,000	333,333
Mr D O'Neill	250,000	-	300,000	-	-	550,000	83,333
Mr W Staude	250,000	-	300,000	-	-	550,000	83,333
Mr RM Randall	250,000	-	300,000	-	-	550,000	83,333

Consolidated		Malachite Resources Limited	
2009	2008	2009	2008
\$	\$	\$	\$

8 AUDITORS' REMUNERATION

Remuneration of the auditor of the consolidated entity for:

Audit services

Fees paid to PricewaterhouseCoopers Australian firm

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

36,031	41,323	36,031	41,323
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MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
9 EARNINGS/(LOSS) PER SHARE	\$	\$	\$	\$
Basic and diluted earnings/(loss) per share (cents per share)	(2.58)	(1.05)		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings/ (loss) per share	133,135,175	113,695,853		
<p>The options outlined in Note 21 are considered potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.</p>				
10 CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	952,978	3,432,989	952,978	3,432,989
	952,978	3,432,989	952,978	3,432,989
11 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES				
Other debtors	1,257	-	1,257	-
Employee advances	7,497	11,000	7,497	11,000
Rental bonds	1,100	2,080	1,100	2,080
GST receivables	6,273	83,556	6,273	83,556
Prepayments	27,229	34,347	27,229	34,347
	43,356	130,983	43,356	130,983

(a) Impaired receivables

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

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

(b) Interest rate risk

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

(c) Fair value and credit risk

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

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

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
12 CURRENT ASSETS - INVESTMENTS				
Investments - Fair value through P&L	-	45,500	-	45,500
	-	45,500	-	45,500

These investments are carried at their fair value.

13 NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Other Debtors	-	45,000	-	45,000
Tenement security deposits	162,000	162,000	162,000	162,000
Rental bonds	37,673	37,673	37,673	37,673
	199,673	244,673	199,673	244,673

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
14 NON- CURRENT ASSETS - INVESTMENTS				
* Investment in subsidiaries	-	-	8,748,531	6,920,608
Shares in controlled companies	-	-	1	1
	-	-	8,748,532	6,920,609

* Investment in subsidiaries includes loans to the subsidiaries

15 INVESTMENT IN CONTROLLED ENTITY

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest 2009 %	Ownership interest 2008 %
Conrad Silver Mines Pty Ltd (formerly Elsmore Mining Pty Ltd)	Australia	Ordinary	100	100

16 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment				
at cost	178,286	173,807	178,286	173,807
accumulated depreciation	(99,362)	(72,637)	(99,362)	(72,637)
	78,924	101,170	78,924	101,170
Property				
at cost	417,036	417,036	-	-
accumulated depreciation	-	-	-	-
	417,036	417,036	-	-
Motor Vehicles				
at cost	161,046	161,046	161,046	161,046
accumulated depreciation	(67,597)	(46,030)	(67,597)	(46,030)
	93,449	115,016	93,449	115,016
Total property, plant and equipment	589,409	633,222	172,373	216,186

Movement in property, plant and equipment

Consolidated	Motor Vehicles \$	Property, Plant & Equipment \$	Total \$
Current Year			
Balance at 01 July 2008	115,016	518,206	633,222
Additions	-	4,479	4,479
Depreciation Expense	(21,567)	(26,725)	(48,292)
Disposals	-	-	-
Balance at 30 June 2009	93,449	495,960	589,409
Previous 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

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movement in property, plant and equipment (continued)

Parent	Motor Vehicles	Property, Plant & Equipment	Total
Current Year	\$	\$	\$
Balance at 01 July 2008	115,016	101,170	216,186
Additions	-	4,479	4,479
Depreciation Expense	(21,567)	(26,725)	(48,292)
Disposals	-	-	-
Balance at 30 June 2009	93,449	78,924	172,373
Previous 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

17 EXPLORATION AND EVALUATION EXPENDITURE

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

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
	14,212,610	13,739,681	5,881,115	7,236,109

Movement for year

Balance at beginning of year	13,739,681	8,218,492	7,236,109	5,422,659
Expenditure during year	2,870,917	5,581,584	2,870,917	5,581,584
Expenditure reimbursed during year	-	-	-	-
Amounts written off	(2,397,988)	(60,395)	(2,397,988)	(60,395)
Amounts transferred to subsidiary entity	-	-	(1,827,923)	(3,707,739)
Balance at end of year	14,212,610	13,739,681	5,881,115	7,236,109

18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade creditors	24,785	1,180,771	24,785	1,180,771
Other creditors	58,545	128,025	58,545	128,025
Employee entitlements	98,595	237,334	98,595	237,334
	181,925	1,546,130	181,925	1,546,130

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

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

Annual leave obligation expected to be settled after 12 months	5,057	17,042	5,057	17,042
Long service leave obligation expected to be settled after 12 months	58,649	121,699	58,649	121,699
	63,706	138,741	63,706	138,741

The consolidated entity had 12 employees (2008: 14 employees) at 30 June 2009

(b) Risk exposure

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

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
19 NON CURRENT LIABILITIES - TRADE AND OTHER PAYABLES				
Amounts due to controlled entities	-	-	1	1
20 CONTRIBUTED EQUITY				
140,718,663 fully paid ordinary shares (2008: 124,640,878)	25,099,153	22,915,178	25,099,153	22,915,178
	25,099,153	22,915,178	25,099,153	22,915,178

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

(a) Movement in ordinary share capital

Balance at beginning of year	22,915,178	16,051,078	22,915,178	16,051,078
Shares issued during year				
8,765,250 (2008:501,172l) issued at 20 cents per share upon exercise of MAROA options	1,753,050	100,234	1,753,050	100,234
nil (2008: 4,874,334) issued at 25 cents per share pursuant to share placement agreements	-	1,218,584	-	1,218,584
nil (2008:18,922,753) issued at 30 cents per share pursuant to share placement agreements	-	5,676,826	-	5,676,826
nil (2008:100,000) issued at 20 cents per share upon exercise of employee options	-	20,000	-	20,000
nil (2008:250,000) issued at 27 cents per share as consideration for extension of option of acquisition	-	67,500	-	67,500
2,110,200 (2008:nil) issued at 8 cents per share pursuant to share purchase plan	168,816	-	168,816	-
5,202,335 (2008:nil) issued at 6 cents per share pursuant to share placement agreements	312,140	-	312,140	-
Transaction costs relating to share issues	(50,031)	(219,044)	(50,031)	(219,044)
Balance at end of year	25,099,153	22,915,178	25,099,153	22,915,178

(b) Capital risk management

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

21 OPTIONS

Expiry Date	Exercise Price	Number on issue		Transferred during year	Expired during year	Exercised during year	Number on issue 30 June 2009
		1 July 2008	Granted during year				
Listed							
31.08.2008	0.20	38,111,919	-	-	(29,346,669)	(8,765,250)	-
		38,111,919	-	-	(29,346,669)	(8,765,250)	-
Unlisted							
23.11.2009	0.20	150,000	-	-	(50,000)	-	100,000
13.09.2008	0.24	150,000	-	-	(150,000)	-	-
31.12.2011	0.30	570,000	-	-	(120,000)	-	450,000
31.12.2011	0.30	3,000,000	-	-	-	-	3,000,000
13.09.2009	0.28	1,000,000	-	-	-	-	1,000,000
22.11.2012	0.431	5,900,000	-	-	-	-	5,900,000
22.11.2012	0.280	1,410,000	-	-	(100,000)	-	1,310,000
30.06.2010	0.250	-	1,000,000	-	-	-	1,000,000
25.11.2013	0.200	-	5,900,000	-	-	-	5,900,000
25.11.2013	0.200	-	1,700,000	-	-	-	1,700,000
		12,180,000	8,600,000	-	(420,000)	-	20,360,000
Total Options on issue		50,291,919	8,600,000	-	(29,766,669)	(8,765,250)	20,360,000

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
22 RESERVES				
<i>Share based payments reserve</i>				
Balance at beginning of year	659,017	305,979	659,017	305,979
Option Expenses	380,938	353,038	380,938	353,038
Balance at end of year	<u>1,039,955</u>	<u>659,017</u>	<u>1,039,955</u>	<u>659,017</u>
The share based payments reserve is used to recognise the fair value of options issued .				
23 ACCUMULATED LOSSES				
Accumulated losses at beginning of financial year	(6,893,277)	(5,696,087)	(6,893,277)	(5,696,087)
Net loss for year	(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)
Accumulated losses at end of financial year	<u>(10,323,007)</u>	<u>(6,893,277)</u>	<u>(10,323,007)</u>	<u>(6,893,277)</u>
24 COMMITMENTS FOR EXPENDITURE				
(a) Capital Expenditure Commitments				
There are no capital commitments at the end of the financial year (2008: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	111,333	121,127	111,333	121,127
Later than 1 year but not later than 5 years	2,695	113,973	2,695	113,973
Later than 5 years	-	-	-	-
	<u>114,028</u>	<u>235,100</u>	<u>114,028</u>	<u>235,100</u>
(c) Tenement Commitments				
Tenement Expenditure required under tenement licence				
Not later than one year	463,000	354,000	463,000	354,000
Later than 1 year but not later than 2 years	594,500	618,000	594,500	618,000
Later than 2 years	-	-	-	-
	<u>1,057,500</u>	<u>972,000</u>	<u>1,057,500</u>	<u>972,000</u>
Tenement Expenditure required under farm-in agreement				
Not later than one year	-	500,000	-	500,000
Later than 1 year but not later than 2 years	-	1,000,000	-	1,000,000
Later than 2 years	-	-	-	-
	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Total Tenement Expenditure	<u>1,057,500</u>	<u>2,472,000</u>	<u>1,057,500</u>	<u>2,472,000</u>

In the case of the Volga Project, the Company has withdrawn from the Joint Venture and Farm-In Agreement.

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

25 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.

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interests were shown in the balance sheet as Non-current assets				
Exploration and evaluation expenditure (Rivertree)	1,414	23,466	1,414	23,466
Total non-current assets	1,414	23,466	1,414	23,466

26 CONTINGENT LIABILITIES

There are no contingent liabilities (2008:nil).

27 SEGMENT INFORMATION

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

28 EVENTS SUBSEQUENT TO REPORTING DATE

On 7 August 2009 the Company announced that it was undertaking a Share Purchase Plan to raise additional funds to pursue specific exploration objectives in respect of each of the Tooloom Gold Project and the Delungra Tin Project and for additional working capital to fund the proposed Conrad joint venture process. The Share Purchase Plan closed 31 August 2009 raising \$933,295 resulting in the issue of 16,969,006 fully paid ordinary shares.

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.

29 RELATED PARTY TRANSACTIONS

(a) Key management personnel

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

(b) Loans to/from related parties

Loans to subsidiaries

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
Beginning of year	-	-	6,920,608	2,795,833
Loans advanced	-	-	1,827,923	4,124,775
Loan repayments received	-	-	-	-
Interest charged	-	-	-	-
Interest received	-	-	-	-
End of year	-	-	8,748,531	6,920,608

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

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

30 NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

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

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash	952,978	3,432,989	952,978	3,432,989
	<u>952,978</u>	<u>3,432,989</u>	<u>952,978</u>	<u>3,432,989</u>

(b) Non-cash financing and investing activities

Ordinary shares issued for acquisition cost	-	67,500	-	67,500
1,000,000 unlisted options issued to Volga Elderberry Pty Ltd	110,000	120,800	110,000	120,800
	<u>110,000</u>	<u>188,300</u>	<u>110,000</u>	<u>188,300</u>

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

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating loss after income tax	(3,429,730)	(1,197,190)	(3,429,730)	(1,197,190)
Non cash				
Depreciation	48,292	47,957	48,292	47,957
Employee entitlements expense	(138,738)	40,333	(138,738)	40,333
Employee share-based payments	270,938	232,238	270,938	232,238
Non-employee share-based payments	110,000	120,800	110,000	120,800
Exploration expenditure written off	2,397,988	60,395	2,397,988	60,395
Revaluation of investments to market value	45,500	94,500	45,500	94,500
Ordinary shares issued for services rendered	-	67,500	-	67,500
Net (profit) loss on sale of assets	-	2,910	-	2,910
	<u>(695,750)</u>	<u>(530,557)</u>	<u>(695,750)</u>	<u>(530,557)</u>
Changes in assets and liabilities				
Decrease/(Increase) in receivables	125,509	15,153	125,509	15,153
Decrease/(Increase) in prepayments	7,118	462	7,118	462
(Increase) in exploration and evaluation expenditure	(2,870,917)	(5,581,584)	(2,870,917)	(5,581,584)
Increase/(decrease) in payables	(1,225,467)	992,513	(1,225,467)	992,513
Net cash inflow/(outflow) from operating activities	<u>(4,659,507)</u>	<u>(5,104,013)</u>	<u>(4,659,507)</u>	<u>(5,104,013)</u>

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

31 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The Company operates an Employees and Contractors Option Plan ("Plan") which was most recently approved by shareholders at the Company's Annual General Meeting held 25 November 2008. The Plan is administered by the Board. Only eligible persons (and their associates) may be invited to participate in the Plan. Eligible persons include full time employees of the Company, permanent part-time employees, qualifying contractors and persons who may be a director, alternate director or company secretary of the Company or an entity in the Group. The Plan is designed to provide long term incentives for executives to deliver shareholder value. Under the Plan, participants are granted options which only vest if certain exploration outcomes are achieved or at the end of the vesting period.

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

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

Consolidated and parent entity - 2009

Grant Date	Expiry Date	Exercise Price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Expired or forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
* 2004	23 Nov 2009	\$0.20	25,000				25,000	25,000
* 2005	23 Nov 2009	\$0.20	50,000				50,000	50,000
* 2006	23 Nov 2009	\$0.20	25,000				25,000	25,000
* 2006	23 Nov 2009	\$0.20	50,000			(50,000)	-	-
2006	31 Dec 2011	\$0.30	3,570,000			(120,000)	3,450,000	2,300,000
2007	30 Nov 2012	\$0.431	5,900,000				5,900,000	-
* 2008	30 Nov 2012	\$0.431	1,410,000			(100,000)	1,310,000	-
2008	25 Nov 2013	\$0.20		5,900,000			5,900,000	-
2008	25 Nov 2013	\$0.20		1,700,000			1,700,000	-
Total			11,030,000	7,600,000	-	(270,000)	18,360,000	2,400,000
Weighted average exercise price			\$0.39	\$0.20	\$0.00	\$0.31	\$0.31	

MALACHITE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

31 SHARE-BASED PAYMENTS (CONTINUED)

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 or forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
* 2004	23 Nov 2009	\$0.20	25,000				25,000	25,000
* 2005	6 May 2009	\$0.20	50,000		(50,000)		-	-
* 2005	25 Nov 2009	\$0.20	100,000		(50,000)		50,000	50,000
* 2006	24 Feb 2009	\$0.20	25,000				25,000	25,000
* 2006	11 Aug 2009	\$0.20	50,000				50,000	50,000
2006	23 Nov 2011	\$0.30	3,870,000			(300,000)	3,570,000	1,190,000
2007	22 Nov 2012	\$0.43	-	5,900,000			5,900,000	-
* 2008	31 Jan 2012	\$0.43	-	1,410,000			1,410,000	-
Total			4,120,000	7,310,000	(100,000)	(300,000)	11,030,000	1,340,000
Weighted average exercise price			\$0.20	\$0.431	\$0.20	\$0.20	\$0.20	

* Options issued to employees outside of key management personnel.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2009 were as follows: the options issued on 25/11/08 were valued at .0248 cents per option, 23/12/08 were valued at .0305 cents (2008 : 22/10/07 were valued at 6.7045 cents per option, 31/01/08 were valued at 3.72 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 2009 included:

- options are granted for: no consideration and have a five year life vesting in equal one third lots on the first three anniversaries of the grant date. (2008 - no consideration and have a five year life in three tranches with three vesting triggers relating to exploration success.)
- exercise price: \$0.20 and \$0.20 (2008 - \$0.431 and \$0.431)
- grant date: 25/11/08 and 23/12/08 (2008 - 22/11/07 and 31/01/08)
- expiry date: 25/11/13 and 25/11/13 (2008 - 22/11/12 and 22/11/12)
- share price at grant date: 25/11/08 - \$0.07 and 23/12/08 - \$0.08 (2008 - 22/11/07 - \$0.36 and 31/01/08 - \$0.23)
- expected price volatility of the company's shares: 70% (2008 - 80%)
- expected dividend yield: 0.00% (2008- 0.00%)
- risk-free interest rate: 3.21% (2008 -6.10%)
- probability rate: none used (2008 -Tranche One 30%, Tranche Two 45% and Tranche Three 25%)

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

MALACHITE RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

31 SHARE-BASED PAYMENTS (CONTINUED)

Expenses arising from share-based payment transactions

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

	Consolidated		Malachite Resources Limited	
	2009	2008	2009	2008
	\$	\$	\$	\$
Options issued under the plan	270,938	232,238	270,938	232,238
	270,938	232,238	270,938	232,238

MALACHITE RESOURCES LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements ; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 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, 21 September 2009

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

Report on the financial report

We have audited the accompanying financial statements of Malachite Resources Limited (the company), which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Malachite Resources Limited and the Malachite Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

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

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Malachite Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes/parent entity financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 10 of the directors' report for the period ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Malachite Resources Limited for the period ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Malachite Resources Limited (the company) for the period ended 30 June 2009 included on Malachite Resources Limited's web site. The company's directors are responsible for the integrity of the Malachite Resources Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney
21 September 2009