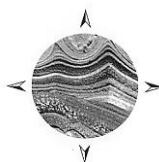


MALACHITE RESOURCES LIMITED

A.B.N. 86 075 613 268



INTERIM REPORT

FOR THE HALF-YEAR 31 DECEMBER 2012

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MALACHITE RESOURCES LIMITED

Interim Consolidated Financial Report For The Half-Year 31 December 2012

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Malachite Resources Limited and the entities it controlled (together, the 'Group') at the end of, or during, the half-year ended 31 December 2012.

DIRECTORS

The names of the Malachite Resources Limited's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr GG Lowder (Non-Executive Chairman) (Resigned 30 November 2012)
Mr RM Meares (Non-Executive Director)
Mr J. Dean (Non-Executive Director)
Mr T Cuthbertson (Non-Executive Director)
Mr A McMillan (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$1,217,160 (2011 - \$1,539,997).

The principal activity of the Group is the development of its Lorena Gold Project near Cloncurry Queensland and mineral exploration.

During the half-year the Group entered into Heads of Agreement with BCD Resources NL to jointly develop the Lorena Gold Project ("Lorena"). The Group continued with feasibility work at Lorena with the aim of developing an open cut gold operation by the end of 2013. The Group also carried out exploration on its tenements at Lorena and carried out a 500 metre reverse circulation drilling program at its Pikedale tenement in Queensland. The Group also retains its interest in the Conrad Silver Project in northern New South Wales.

FINANCIAL

The Group made the following share issues during the half-year:

Issue of 104,914,004 Fully paid ordinary shares plus 52,457,002 MAROA Options pursuant to the Placement raising \$1,049,140; and Rights issue of 89,371,189 Ordinary Fully paid shares at 1 cent plus 44,685,595 MAROA Options raising \$893,712. In addition 44,685,595 MAROA Options issued to Underwriters.

The funds raised have been used to continue with the development of Lorena, where feasibility work for a gold mining operation is progressing well. The aim is to develop an open cut gold operation with BCD Resources NL with an initial two year mine life before considering the prospect of underground development. The gold mine is forecast to initially produce around 20,000 to 25,000 ounces of gold per annum commencing late 2013. The Group is also continuing with its project generation and exploration activities.

GOING CONCERN

During the half-year, the Group initiated a series of fund raisings to primarily carry out exploration and feasibility work for its Lorena Gold Project.

On 28 September 2012 the Group raised \$1,049,140 through a private placement and on 9 November 2012, the Group raised \$893,712 through a rights issue.

On 25 September 2012 the Group entered into a Deed of Variation and Extension to the Convertible Note Subscription Agreements. The underlying Convertible Notes have a total face value of \$1,000,000. The maturity date of the Notes was extended by 7 months from the original maturity date with the Note Holders having an option to further extend the maturity dates by two additional periods of 3 months. Each of the 10 notes may (at the Note Holder's election) be converted into shares prior to the maturity date or may be redeemable in cash by providing 3 months' notice. The extended maturity date for 5 of the Notes (\$500,000 face value) was 5 March 2013. The Note Holder may seek to convert these notes into fully paid ordinary shares, extend for a further 3 months or seek cash redemption on or before 5 June 2013. To date the Note Holder has not provided the Company with written notice of its intentions. The second parcel of 5 Notes will mature on 6 April 2013 (\$500,000 face value).

On 27 November 2012, the Group entered into a Heads of Agreement with BCD Resources NL to joint venture the Lorena Gold project, whereby BCD Resources NL is required to fund all the costs to develop the project through to initial production, with an expectation that the project will be developed by 31 December 2013. The development of the project is expected to deliver significant cash flow to the Company in 2014.

MALACHITE RESOURCES LIMITED

**Interim Consolidated Financial Report
For The Half-Year 31 December 2012**

DIRECTORS' REPORT

GOING CONCERN (CONTINUED)

Consistent with the nature of the Group's activities and its ongoing investment of funds into exploration projects the Group has experienced operating losses of \$1,217,160 and negative cash flows from operations of \$1,122,453 during the half-year ended 31 December 2012. The Group's cash position at balance date was \$1,059,945 which will not be sufficient to fund both the cash redemption of the Convertible Notes (if that is required) and the Company's forecast cash outflows from operations for the twelve month period to March 2014.

The Group remains focused on demonstrating the feasibility and exploration potential of its Lorena Gold Project, and with that, the directors of the Group believe that the Group continues to have the ability to raise new capital when appropriate.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in one or more of the following:

- raising appropriate funding through equity or debt,
- ensuring that the existing convertible notes have been either extended for a longer period, converted into shares, or redeemed via a capital raising or corporate transaction,
- entering into a corporate transaction,
- reducing materially, if required, the Group's ongoing operating costs, as it has done from time to time in the past, to suit available financial resources and the timing of anticipated new capital raisings. All of the Group's exploration and drilling programs are capable of being scaled back at any point in time to ensure that expenditure matches currently available funding.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. This is demonstrated by the capital raised during this reporting period. During this period, the Group has also been successful in renegotiating the terms of the Convertible Notes. On that basis the directors believe it is reasonable to expect that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2012. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

SUBSEQUENT EVENTS

No matters or circumstances have arisen between 1 January 2013 and the date of this report that have significantly affected or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Signed at Sydney this 14 March 2013 in accordance with a resolution of the directors.



Terry Cuthbertson
Director



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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report, being a special purpose financial report, of Malachite Resources Limited (the company), which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Malachite Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and have determined that the accounting policies in Note 1, which form part of the financial report, are appropriate to meet the needs of the members. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the accounting policies as described in Note 1 to the financial report. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Malachite Resources Limited does not present fairly in all material respects, the consolidated entity's financial position as at 31 December 2012 and its



performance for the half-year ended on that date in accordance with the accounting policies as described in Note 1 to the financial report.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity has experienced operating losses and negative operating cash flows during the period ended on 31 December 2012 and, as of that date, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity being successful in raising additional funds. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'Brett Entwistle', written in a cursive script.

Brett Entwistle
Partner

Sydney
14 March 2013

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR 31 DECEMBER 2012**

	Notes	2012 \$	Half-year 2011 \$
Other revenue	2	107,741	37,017
Accounting and audit expense		(27,769)	(46,797)
Corporate expenses		(238,097)	(237,721)
Depreciation and amortisation expense		(35,747)	(44,877)
Employee benefits expense		(239,426)	(419,303)
Exploration expenditure expensed	3	(162,466)	(4,159)
Finance cost		(223,745)	(60,319)
Occupancy expenses		(56,299)	(64,416)
Loss on disposal of non current asset		(3,593)	(2,017)
Impairment loss for initial write-down of asset Classified as held for sale to fair value	3 7	(337,759) -	- (697,405)
Loss before income tax expense		(1,217,160)	(1,539,997)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the half-year		<u>(1,217,160)</u>	<u>(1,539,997)</u>
Other comprehensive income		-	-
Total comprehensive income for the half-year		<u>(1,217,160)</u>	<u>(1,539,997)</u>
Loss for the period is attributable to:			
Owners of Malachite Resources Limited		<u>(1,217,160)</u>	<u>(1,539,997)</u>
Total comprehensive income is attributable to:			
Owners of the company		<u>(1,217,160)</u>	<u>(1,539,997)</u>
Basic and diluted loss per share (cents per share)		<u>(0.16)</u>	<u>(0.25)</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Notes	31 December 2012 \$	30 June 2012 \$
CURRENT ASSETS			
Cash and cash equivalents		1,059,945	358,095
Receivables		95,630	107,321
Non-current asset held for sale	7	<u>275,000</u>	<u>375,000</u>
TOTAL CURRENT ASSETS		<u>1,430,575</u>	<u>840,416</u>
NON-CURRENT ASSETS			
Other assets		507,454	507,454
Plant and equipment		743,357	783,197
Exploration and evaluation expenditure	3	<u>34,052,519</u>	<u>34,039,886</u>
TOTAL NON-CURRENT ASSETS		<u>35,303,330</u>	<u>35,330,537</u>
TOTAL ASSETS		<u>36,733,905</u>	<u>36,170,953</u>
CURRENT LIABILITIES			
Payables	4	218,413	234,918
Borrowings	5	<u>1,017,457</u>	<u>997,251</u>
TOTAL CURRENT LIABILITIES		<u>1,235,870</u>	<u>1,232,169</u>
NON-CURRENT LIABILITIES			
Borrowings	5	<u>47,445</u>	<u>58,645</u>
		<u>47,445</u>	<u>58,645</u>
TOTAL LIABILITIES		<u>1,283,315</u>	<u>1,290,814</u>
NET ASSETS		<u>35,450,590</u>	<u>34,880,139</u>
EQUITY			
Contributed equity	6	55,747,326	54,013,516
Share based payments reserve		1,857,489	1,803,688
Accumulated losses		<u>(22,154,225)</u>	<u>(20,937,065)</u>
TOTAL EQUITY		<u>35,450,590</u>	<u>34,880,139</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR 31 DECEMBER 2012**

**Attributable to owners of
Malachite Resources Limited**

	Contributed Equity	Reserves	Accumulated losses	Total Equity
	\$	\$	\$	\$
Balance as of 1 July 2011	51,087,741	1,326,034	(16,163,783)	36,249,992
Loss for the half-year	-	-	(1,539,997)	(1,539,997)
Total comprehensive income for the half- year	51,087,741	1,326,034	(17,703,780)	34,709,995
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,927,924	-	-	2,927,924
Share-based payments	-	423,854	-	423,854
Balance as of 31 December 2011	54,015,665	1,749,888	(17,703,780)	38,061,773
Balance as of 1 July 2012	54,013,516	1,803,688	(20,937,065)	34,880,139
Loss for the half-year	-	-	(1,217,160)	(1,217,160)
Total comprehensive income for the half- year	54,013,516	1,803,688	(22,154,225)	33,662,979
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,733,810	-	-	1,733,810
Share-based payments	-	53,801	-	53,801
Balance as of 31 December 2012	55,747,326	1,857,489	(22,154,225)	35,450,590

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR 31 DECEMBER 2012

	2012	Half-year	2011
	\$		\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)	(581,790)		(870,601)
Exploration and evaluation expenditure (inclusive of GST)	(487,298)		(704,839)
Interest received	15,131		19,397
Interest paid	(68,496)		(18,489)
Sundry receipts (inclusive of GST)	<u>-</u>		<u>182</u>
Net cash outflow from operating activities	<u>(1,122,453)</u>		<u>(1,574,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of prospects	75,000		25,000
Proceeds from sale of investments	-		2,295
Proceeds from sale of assets	500		4,500
Tenement security deposits	-		(25,925)
Repayment of hire purchase loan	<u>(10,397)</u>		<u>(9,292)</u>
Net cash inflow (outflow) from investing activities	<u>65,103</u>		<u>(3,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from unsecured convertible notes	-		1,000,000
Convertible notes issue costs	-		(59,263)
Proceeds from issue of shares	1,942,852		2,799,434
Share issue costs	<u>(183,652)</u>		<u>(377,072)</u>
Net cash inflow(outflow)from financing activities	<u>1,759,200</u>		<u>3,363,099</u>
NET INCREASE/(DECREASE) IN CASH HELD	701,850		1,785,327
CASH AT THE BEGINNING OF THE HALF-YEAR	<u>358,095</u>		<u>164,478</u>
CASH AT THE END OF THE HALF-YEAR	<u><u>1,059,945</u></u>		<u><u>1,949,805</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2012

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report is for Malachite Resources Limited and its controlled entities (together, the 'Group') in respect of the interim half-year reporting period ended 31 December 2012 and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Significant matters relating to the ongoing viability of operations

During the half-year, the Group initiated a series of fund raisings to primarily carry out exploration and feasibility work for its Lorena Gold Project.

On 28 September 2012 the Group raised \$1,049,140 through a private placement and on 9 November 2012, the Group raised \$893,712 through a rights issue.

On 25 September 2012 the Group entered into a Deed of Variation and Extension to the Convertible Note Subscription Agreements. The underlying Convertible Notes have a total face value of \$1,000,000. The maturity date of the Notes was extended by 7 months from the original maturity date with the Note Holders having an option to further extend the maturity dates by two additional periods of 3 months. Each of the 10 notes may (at the Note Holder's election) be converted into shares prior to the maturity date or may be redeemable in cash by providing 3 months' notice. The extended maturity date for 5 of the Notes (\$500,000 face value) was 5 March 2013. The Note Holder may seek to convert these notes into fully paid ordinary shares, extend for a further 3 months or seek cash redemption on or before 5 June 2013. To date the Note Holder has not provided the Company with written notice of its intentions. The second parcel of 5 Notes will mature on 6 April 2013 (\$500,000 face value).

On 27 November 2012, the Group entered into a Heads of Agreement with BCD Resources NL to joint venture the Lorena Gold project, whereby BCD Resources NL is required to fund all the costs to develop the project through to initial production, with an expectation that the project will be developed by 31 December 2013. The development of the project is expected to deliver significant cash flow to the Company in 2014.

Consistent with the nature of the Group's activities and its ongoing investment of funds into exploration projects the Group has experienced operating losses of \$1,217,160 and negative cash flows from operations of \$1,122,453 during the half-year ended 31 December 2012. The Groups cash position at balance date was \$1,059,945 which will not be sufficient to fund both the cash redemption of the Convertible Notes (if that is required) and the Company's forecast cash outflows from operations for the twelve month period to March 2014.

The Group remains focused on demonstrating the feasibility and exploration potential of its Lorena Gold Project, and with that, the directors of the Group believe that the Group continues to have the ability to raise new capital when appropriate.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in one or more of the following:

- raising appropriate funding through equity or debt,
- ensuring that the existing convertible notes have been either extended for a longer period, converted into shares, or redeemed via a capital raising or corporate transaction,
- entering into a corporate transaction,
- reducing materially, if required, the Group's ongoing operating costs, as it has done from time to time in the past, to suit available financial resources and the timing of anticipated new capital raisings. All of the Group's exploration and drilling programs are capable of being scaled back at any point in time to ensure that expenditure matches currently available funding.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. This is demonstrated by the capital raised during this reporting period. During this period, the Group has also been successful in renegotiating the terms of the Convertible Notes. On that basis the directors believe it is reasonable to expect that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2012. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
2 REVENUE		
From continuing operations		
Other revenue		
Interest	15,131	34,540
Other income	-	2,477
Gain on remeasurement of embedded derivatives	92,610	-
	<u>107,741</u>	<u>37,017</u>
	31 December 2012 \$	30 June 2012 \$
3 EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest in exploration and evaluation phases	<u>34,052,519</u>	<u>34,039,886</u>
Movement for the period		
Balance brought forward at the beginning of the period	34,039,886	36,007,831
Current period expenditure	512,858	1,590,459
Transfer to non-current assets held for sale	-	(1,317,390)
Expenditure written off in current period	(162,466)	(59,592)
Impairment	(337,759)	(2,181,422)
Balance at the end of the period	<u>34,052,519</u>	<u>34,039,886</u>
Impairment of exploration expenditure pending relinquishment of tenements.		
	31 December 2012 \$	30 June 2012 \$
4 CURRENT LIABILITIES - PAYABLES		
Trade creditors	84,061	66,862
Other creditors	109,791	126,164
Employee entitlements	24,561	41,892
	<u>218,413</u>	<u>234,918</u>
5 BORROWINGS		
Current		
Unsecured convertible note (a)	995,465	976,062
Hire purchase liabilities	21,992	21,189
Total current borrowings	<u>1,017,457</u>	<u>997,251</u>
Non current		
Hire purchase liability	47,445	58,645
Total non current borrowings	<u>47,445</u>	<u>58,645</u>
Total borrowings	<u>1,064,902</u>	<u>1,055,896</u>

(a) Unsecured convertible note

On 29 July 2011 and 29 August 2011 the Group entered into Convertible Note Subscription Agreements to the total value of \$1,000,000. The original maturity dates were 5 August 2012 and 6 September 2012.

On 25 September 2012 the Company entered into a Deed of Extension and Variation to Convertible Note Subscription Agreement with each of the Noteholders. The key terms of original Notes have now been varied as follows:

- The maturity date of the Notes is extended by 7 months from the original maturity date;
- The Noteholders have an option to further extend the maturity date by two additional period of 3 months each; and
- Interest payable on the notes has been increased from 12% to 15% per annum for the initial 7 month extension and to 18% for each of the additional 3 month terms.

The remaining key terms of the notes remain unchanged.

The Notes have a conversion price which is lesser of \$0.05 or a 20% discount to a 30 day volume weighted average price of the Company's shares at the time of conversion.

The Notes may be redeemed by the Noteholder by providing 3 months written notice.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2012

6 CONTRIBUTED EQUITY	31 December 2012	30 June 2012
	\$	\$
893,711,889 fully paid ordinary shares (June 2012: 699,426,696)	55,747,326	54,013,516
	55,747,326	54,013,516

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

Movement in ordinary share capital

Balance at the beginning of the period	54,013,516
Shares issued during the period	
Issue of 104,914,004 Fully paid ordinary shares pursuant to the Placement raising \$1,049,140	1,049,140
Rights issue 89,371,189 shares @ 1 cent and 44,685,595 options	893,712
Transaction costs relating to share issues	(209,042)
Balance at the end of the period	55,747,326

The funds raised are being used to provide working capital to continue project generation and project enhancement.

7 NON-CURRENT ASSETS HELD FOR SALE	31 December 2012	30 June 2012
	\$	\$
Carrying value of exploration and evaluation expenditure	275,000	1,317,390
Initial write-down of the asset to fair value	-	(942,390)
Exploration and evaluation expenditure	275,000	375,000

On 25 November 2011, Elsmore Resources Limited ("ERL") exercised an option to acquire all of the Group's right title and interest in Exploration License 6196 and in Exploration License 7177. On 2 December 2011 \$25,000 was paid to the Group as the first instalment. Completion of the sale will occur on the 5th business day after the date on which ERL receives notice that Ministerial Approval has been given for the sale of the exploration licenses to it. The Group applied to the NSW Department of Industry & Investment for these exploration licences to be transferred to ERL on 15 December 2011. Upon these exploration licenses being transferred to ERL, ERL paid \$75,000 to the Group on 31 August 2012. Under the terms of the sale and purchase agreement, ERL is thereafter required to pay the Group \$250,000 upon ERL being granted a mining lease within the tenement area and a further \$1,000,000 upon commencement of ore extraction from the tenement area.

At reporting date, the fair value of the consideration was determined to be \$275,000 being \$375,000 as at 30 June 2012 less funds already received of \$100,000.

8 CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

9 SEGMENT INFORMATION

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

10 SUBSEQUENT EVENTS

No matters or circumstances have arisen between 1 January 2013 and the date of this report that have significantly affected or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

MALACHITE RESOURCES LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 11 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 Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date, and

- (b) Whilst there are conditions that may cast significant doubt on the Group's ability to continue as a going concern as outlined in note 1(a), there are reasonable grounds to believe that Malachite Resources Limited will be able to pay its debts as and when they become due and payable.

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



Terry Cuthbertson
Director

Sydney,
14 March 2013



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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report, being a special purpose financial report, of Malachite Resources Limited (the company), which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Malachite Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and have determined that the accounting policies in Note 1, which form part of the financial report, are appropriate to meet the needs of the members. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the accounting policies as described in Note 1 to the financial report. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Malachite Resources Limited does not present fairly in all material respects, the consolidated entity's financial position as at 31 December 2012 and its



performance for the half-year ended on that date in accordance with the accounting policies as described in Note 1 to the financial report.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity has experienced operating losses and negative operating cash flows during the period ended on 31 December 2012 and, as of that date, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity being successful in raising additional funds. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'Brett Entwistle', written in a cursive script.

Brett Entwistle
Partner

Sydney
14 March 2013