MALACHITE RESOURCES LIMITED

A.B.N. 86 075 613 268

CONSOLIDATED FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

This financial report is for 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 2, Level 10
8-10 Loftus Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities is included in the review of operations in the directors' report.

The financial report was authorised for issue by the directors on 25 September 2013. The Directors have 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.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Malachite Resources Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

DIRECTORS

The names and positions of the directors of the consolidated entity during the financial year and up to the date of this report, unless otherwise stated, are:

Terry Cuthbertson (appointed Chairman 26/07/2013)
Non-executive Director, Age 63

Chartered Accountant and holds a Bachelor of Business Degree with extensive corporate finance expertise, having advised several businesses and government organizations in relation to mergers, acquisitions and financing. Formerly a Partner of KPMG Corporate Finance and NSW Partner in Charge of Mergers and Acquisitions, where he coordinated government privatisations, mergers, divestitures and public offerings on the ASX for the New South Wales practice. Terry is the former Group Finance Director of Tech Pacific Holdings Limited, which was one of the largest information technology distributors in Asia with annual turnover in 1999 of approximately $2 billion and is a former Director of Tech Pacific Limited's businesses in Hong Kong, Singapore, India, Philippines, Indonesia and Thailand. Chairman of ASX listed My Net Fone Limited, Montec International Limited, Austpac Resources NL, South American Iron and Steel Corporation Limited , Mint Wireless Limited, OMI Limited and Sun BioMedical Limited (resigned 19 September 2013). He is also Chairman of s2Net Limited.

Russell Matthew Devenish Meares, BSc (Hons), MSc, FAusIMM, MAIG, GAICD
Non-Executive Director, Age 66

Geologist with over 40 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. Was the Group exploration manager from 1997 to 2010. 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.

James Dean ACIP
Non-executive Director, Age 53

Corporate Advisor and Professional Investor with over 25 years professional experience in the finance industry and investment in mining, construction equipment, property development, feature film and biotech. Most experience has been related to evaluating the operational and financial performance of numerous businesses and then aptly negotiating and matching risk profiles with investment criteria. For more than 20 years he has held fiduciary positions with regard to shareholders and beneficiaries of various investment vehicles. Extensively travelled and possesses a worldwide network of business collaborators. Of particular benefit to the Board of Malachite is his first-hand knowledge of the "Lorena" gold mine and surrounding area gained from being a significant shareholder in that mine since its rebirth in 2009.

Andrew McMillan B Comm
Non-executive Director, Age 53

Currently a Director, Corporate Finance at Patersons Securities Limited and has over 25 years corporate advisory experience derived from mergers and acquisitions, equity capital markets and corporate restructuring across industrial and resources sectors. Specialised in equity capital markets transactions at Patersons since March 2003 where he has successfully completed numerous capital raisings.

Garry George Lowder, BSc (Hons), PhD, FAusIMM, MAICD (resigned 30/11/2012)
Non-Executive Chairman, Age 69

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 chairman of Dome Gold Mines Limited (since 1 March 2012). Former non-executive director of Straits Resources Limited (retired 1 July 2011) and Macmin Silver Limited (resigned 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.

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.

COMPANY SECRETARY

Andrew J. Cooke LLB, FAICS

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.

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**
Mr T Cuthbertson #	15	15	-	-	-	-
Mr R Meares	15	14	-	-	1	1
Mr J Dean	15	15	5	5	1	1
Mr A McMillan	15	15	2	2	-	-
Dr G Lowder (resigned 30/11/12)	7	7	3	3	-	-

DIRECTORS' INTERESTS

	Ordinary Shares		Options		Class B Options	
	Direct	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Mr T Cuthbertson #	-	5,000,000	-	-	-	-
Mr R Meares	-	2,377,797	7,000,000	118,890	-	-
Mr J Dean	-	11,936,508	3,000,000	-	-	-
Mr A McMillan	1,488,529	-	744,262	-	-	-

\# Appointed Chairman 26/07/13

Full details of options issued are contained in Notes 17 and 29.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was the development and exploration of mineral deposits.

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:	2013 $	2012 $
Loss after income tax	(9,935,926)	(4,773,282)

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 2013 (2012: Nil).

REVIEW OF OPERATIONS

Over the past year the Group's business activities have been primarily focused on advancing the development of its main mining project, the Lorena Gold Project ("Lorena") near Cloncurry in northwest Queensland. The Group's other main activities for the year was carrying out further development studies of its Conrad Silver Project ("Conrad") located in northern New South Wales and carrying out exploration at its Pikedale project in southern Queensland.

Lorena

On 27 November 2012, the Group entered into a legally binding Heads of Agreement with BCD Resources NL ("BCD") to develop a gold operation on Malachite's Mining Leases at the Lorena. The proposal is to construct a gold concentrator plant at Lorena and to transport a bulk gold concentrate to BCD's processing facility situated at Beaconsfield in Tasmania for final treatment and production of gold doré.

In order to earn its initial 50% share of the Lorena project, BCD is required to solely fund the development of the project to the point of commercial production, including construction and commissioning of a flotation facility at Lorena, capable of efficiently processing a minimum of 120,000 tonnes of ore per annum.

During the due diligence period BCD completed metallurgical test work and engineering feasibility work and was satisfied that it could successfully transport and recover gold from gold concentrate produced at Lorena at its Beaconsfield facility in Tasmania.

On 8 April 2013, following the successful completion of due diligence by both parties, the Company and BCD formally agreed to enter into a joint venture for the development of Lorena under the terms of the Heads of Agreement. On 30 July 2013, the joint venture agreements were executed.

REVIEW OF OPERATIONS (CONTINUED)

During the last quarter of the period, key activities to advance the development of the Lorena project included the following:

- The order of long lead items, which include the primary ball mill and the magnetic separators, and the sourcing of required plant and equipment.
- Dismantling the flotation circuit at Beaconsfield in readiness for shipment to Lorena;
- The completion of initial plant engineering construction drawings;
- The submission of the initial environmental advice statement to the Department of Environment and Heritage Protection for the Environmental Authority; and
- The finalising of pit optimisation studies.

To date, Lorena has a total JORC Mineral Resource in the Measured, Indicated and Inferred categories containing approximately 56,600oz of gold at a 2g/t cut-off grade. This is made up by a resource of 179,500t at 8.8g/t Au containing 50,700oz of gold in the A Lode (16,700oz of gold in the Measured category and 34,000oz of gold in the Indicated category), and a resource of 23,700t at 7.8g/t Au containing 5,900oz of gold in the B Lode (800oz of gold in the Indicated category and 5,100oz of gold in the Inferred category). These resources are within a potential open pit mine and are open at depth.

The Company believes that there are considerable regional opportunities once the plant is operating at Lorena. Following the open cut operations both Malachite and BCD anticipate that operations may continue based on potential extensions of the current Lorena resource at depth, potential new resources from surrounding prospects and the toll treatment of third party ores.

During the year, the Company carried out a program of prospecting and sampling on its two EPMs (EPM18189 and newly granted EPM18908) near Lorena. The program was successful with the discovery of two new prospects, the Lady Mary and the Bloodwood Prospects. The Company is encouraged by the high gold and copper assays reported from the rock chip sampling at Lady Mary Prospect and the zone of mineralisation found at the Bloodwood Prospect. Both prospects are approximately 5km from the Lorena gold mine.

Other tenements

Conrad

As reported last year, the Company entered into an option agreement with Mancala Resources Pty Ltd (“Mancala”), an experienced underground mining contractor, whereby Mancala had an exclusive six month period ending 30 November 2012 to evaluate the Conrad project. At the end of the option period, Mancala could elect to carry out a feasibility study, at its own expense (estimated at $5 million), to verify project economics. Upon completion of this feasibility study, Mancala would earn a 50% interest in the Project. Mancala could then earn an additional 10% of the Project by arranging the financing for the Project.

During the option period Mancala reviewed a number of development options for the Conrad silver project using conventional mining and their mechanical vertical mining (MVM) technology. Towards the end of the option period, Mancala initiated analysis of a low capital approach to the project. Mancala was granted an extension of the option until 31 March 2013 to carry out this analysis.

In April 2013, the Company received formal notice from Mancala that it was not exercising the option. Mancala indicated that their willingness to participate in the project on an equity basis has been severely impacted by weak capital markets, adverse market sentiment and a decline in the silver price. Mancala has concluded that in the current market further exploration is required prior to commencing a feasibility study of the Project in order to have more confidence in the silver grade distribution (particularly the high grade areas) within the current resource.

Mancala’s work has provided the Company with information that allows it to target exploration to increase the confidence level of the resource, which is mainly in the Inferred category. The main focus of that initial exploration would be shallow drilling (to coincide with where mining would commence at either end of the deposit) at a close enough spacing to better define the silver grade distribution in and around the high grade areas discovered to date.

Management has assessed the current carrying value of the Conrad Silver Project at 30 June 2013 and recorded an impairment charge of $6,940,790. It is still management's intention to develop the asset in the future; however this is dependent on a higher silver price than that has been observed over the last six months.

Pikedale

A program of reverse circulation percussion drilling was completed at the Pikeridge Prospect (on EPM 18166 - Pikedale) in late 2012. The drilling was undertaken to evaluate the bedrock source of geophysical (IP) anomalies with associated ironstones (which contained anomalous silver, copper and zinc values in rock chip samples). Three holes were drilled (for 534 metres) to a maximum depth of 250m, and these showed that the IP anomalies were caused by accumulations of barren disseminated pyrite (FeS_2) – lacking any associated anomalous gold or base metal values. Following the drilling results, the Company is in the process of relinquishing the tenement. Management has assessed the current carrying value of the Pikedale Project at 30 June 2013 and recorded an impairment charge of $284,781.

Rivertree and Tooloom

Only relatively minor field activities were carried out at the Group’s Tooloom gold project in far north-eastern New South Wales. Given the current focus on Lorena, the Company relinquished the Rivertree tenement (EL5714) and is currently considering a joint venture partner for continued exploration of the Tooloom project. Management has assessed the current carrying value of these projects at 30 June 2013 and recorded an impairment charge of $52,978 for Rivertree and $475,538 for Tooloom. The carrying value of the exploration asset for other tenements at 30 June 2013 is $75,000.

GOING CONCERN

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

During the year, the Group initiated a series of fund raisings to primarily carry out exploration and further the development of its Lorena Gold Project. Before deduction of associated costs, 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.

At 30 June 2013, the Group had liabilities in respect of Convertible Notes with a face value of $1,000,000 maturing in July 2013. On 5 July 2013 the Group successfully raised $500,000 of new Convertible Notes to repay one of the noteholders and renegotiated the agreement for the remaining $500,000 held by the second noteholder. These new Convertible Notes have a 9 month term with an option at the election of the noteholder to extend the Notes for a further 3 months and an option to convert to shares at any time after 6 months at the discretion of the noteholder.

On 31 July 2013, the Group entered into additional Convertible Notes for a total of $300,000. The terms of the new Convertible Notes are identical to the $1,000,000 Notes above. The total Convertible Note liability at the date of the directors' report is therefore $1,300,000 and the first maturity date is 5 April 2014.

Subsequent to year end, on 30 July 2013, the Group and BCD Resources NL ("BCD") formally entered into the joint venture for the development of Lorena Gold Project. BCD is required to fund all the costs to develop the project through to initial production. The development of the project is expected to be completed by the first quarter of 2014 and is expected to deliver significant cash flow to the Group in 2014 and 2015.

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 $9,935,926 and negative cash flows from operations of $2,032,204 during the year ended 30 June 2013. At 30 June 2013, it has net current liabilities. The Group's cash position at balance date was $135,685 which will not be sufficient to fund both the cash redemption of the Convertible Notes (if that is required) and the Group's forecast cash outflows from operations for the twelve month period to September 2014. The cost of developing the Lorena Gold Project is being funded by BCD at this stage, however should the Group wish to undertake any further exploration activity this will only be possible as and when sufficient funds are available to the Group.

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:

- achieving positive cash flows from the Lorena Gold Project in 2014 through BCD's successful development of the project to commercial production, including implementing the required working capital facility for the project,
- raising appropriate funding through equity or debt,
- ensuring that the existing Convertible Notes are either extended for a longer period, converted into shares, or redeemed via a capital raising,
- selling some non-core assets in the short-term,
- entering into a corporate transaction,
- making further reductions to its ongoing operating cost base.

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. Recently, the Group has also been successful in refinancing or renegotiating the terms of the Convertible Notes. The Group is also confident that it will be able to generate cash inflows from its Lorena Gold Project in 2014 and 2015. 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 30 June 2013. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The attached financial report for the year ended 30 June 2013 contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

(a) An increase in contributed equity of $1,559,711 (from $54,013,516 to $55,573,227) as a result of:

	2013 $
Share placement issue of 104,914,004 shares at 1.0 cents per share	1,049,140
Rights issue 89,371,189 shares @ 1 cent plus 44,685,595 MAROA Options	893,712
Exercise of MAROA options @ 1.5 cents	175
Shares issued in payment of Rollover Fee to Convertible note holders	-
	1,943,027
Less: Transaction costs relating to share issues	(383,316)
Net increase in share capital	1,559,711

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the Financial Year the following matter have arisen which may significantly affect the operations of the Group:

In July 2013 the Group entered into new Convertible Notes which have a total face value of $1,300,000. Of this amount $500,000 was applied directly as a refinancing of notes that matured on 2 July 2013 and $100,000 was subscribed by Key Management Personnel. The key terms of the new Convertible Notes are as follows:

- Issue Price of each Note - $50,000;
- Term of Notes – 9 months which may be extended at the election of Noteholders for a further term of 3 months;
- Interest Rate – 15% per annum for initial 9 month term and then 17.5% per annum for any extended 3 month term;
- Conversion – at the election of Noteholders at any time after 6 months; and
- Conversion Price - 20% discount to the 30 Day VWAP at the time of conversion.

Shareholder approval will be sought at the Company's Annual General Meeting in November 2013 to approve the conversion of these Notes into fully paid ordinary shares should Noteholders elect to exercise their conversion rights.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group's main project is the Lorena Gold Project ("Project"). During the year, the Group entered into a joint venture arrangement with BCD Resources NL ("BCD"), whereby BCD has the right to earn a 50% interest in the project by funding the development of the project. The Project is expected to be developed in the first quarter of 2014. The Group expects to generate cash flows from the Project via an open cut mining operation in 2014 and 2015. Further cash flows from the project will depend on either establishing an underground operation at Lorena, which is contingent on the discovery of additional resources at depth, or by treating third party ores.

The other projects held by the Group 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.

ENVIRONMENTAL REGULATIONS

The Group'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 Group's interests and certain mining titles may be affected by native title. The Group does not believe the Lorena Gold Project mining leases are affected by native title.

The Group 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

	2013	2012
Options on issue beginning of year	60,715,014	35,815,014
Employee options issued	-	29,040,000
Employee options lapsed	(9,310,000)	(4,140,000)
Employee options exercised	-	-
Listed options issued	141,828,192	254,747,078
Listed options expired	-	(254,747,078)
Listed options exercised	(11,688)	-
Unlisted options issued	-	-
Unlisted options lapsed	(16,805,014)	-
Unlisted options exercised	-	-
Options on issue end of year	**176,416,504**	**60,715,014**

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

Further information is given in Note 17 and 29 to the financial statements.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

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

Insurance Policies

Since the end of or during the financial year the consolidated entity has paid premiums in respect of directors' and executive officers' liability and legal expenses insurance contracts for the year ended 30 June 2013. 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001* .

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 Group'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.

REMUNERATION REPORT (CONTINUED)

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

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 Group 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 Group 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.

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 2013.

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 $300,000 per annum and was approved by shareholders at the AGM on 28 November 2012.

(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 $181,650 per annum see table below) is within the maximum amount (currently $300,000 per annum) for which prior approval of the shareholders has been received.

Remuneration non-executive Directors fees

Remuneration fees received in their capacity as non-executive Directors.

2013

Directors	**Directors fees**
Mr T Cuthbertson #	39,600
Mr R Meares	39,600
Mr J Dean	39,600
Mr A McMillan	39,600
Dr G Lowder **	23,250
	181,650

Appointed Chairman 26/07/13

** Resigned 30/11/12

REMUNERATION REPORT (CONTINUED)

(b) Details of remuneration (continued)

Details of the nature and amount of each element of the emoluments of each of the directors and the key management personnel of Malachite Resources Limited during the year ended 30 June 2013 are set out below.

	Short-term Employee Benefits			Post-employment Benefits	Long-term Benefits		Share Based Payments	
	Cash Salary and Fees	Cash Bonus	Non Monetary Benefits	Director's Super-annuation Contributions	Long Service Leave	Termination Benefits	Options*	Total
2013	$	$	$	$	$	$	$	$
Directors								
Mr T Cuthbertson #	40,110	-	-	-	-	-	-	40,110
Mr R Meares	74,663	-	-	6,720	-	-	2,827	84,210
Mr J Dean	60,690	-	-	-	-	-	-	60,690
Mr A McMillan	39,600	-	-	-	-	-	-	39,600
Dr G Lowder **	24,591	-	-	2,213	-	-	4,242	31,046
Other key management personnel of the group								
Mr G Hiller	265,618	59,000	-	942	-	-	48,507	374,067
	505,272	**59,000**	**-**	**9,875**	**-**	**-**	**55,576**	**629,723**
2012								
Directors								
Mr T Cuthbertson ^	9,603	-	-	-	-	-	-	9,603
Mr R Meares	74,625	-	-	6,717	-	-	22,038	103,380
Mr J Dean	37,881	-	-	-	-	-	16,050	53,931
Mr A McMillan ^^	4,713	-	-	-	-	-	-	4,713
Dr G Lowder **	107,842	-	-	14,310	51,159	-	35,734	209,045
Mr R Randall ***	17,310	-	-	-	-	-	1,015	18,325
Mr J Bidois****	818	-	-	-	-	-	-	818
Other key management personnel of the group								
Mr G Hiller	260,000	25,000	-	25,650	-	-	47,209	357,859
	512,792	**25,000**	**-**	**46,677**	**51,159**	**-**	**122,046**	**757,674**

Key management personnel are the same for the Group and the Company.
There is no link between key management personnel remuneration and the share price or dividends.
All of the top paid executives are shown above.

* Details of options issued are contained in note 29.
\# Appointed Chairman 26/07/13
^ Appointed 29/03/12
^^ Appointed 14/05/12
** Resigned 30/11/12
*** Resigned 31/12/11
**** Appointed 10/02/11-resigned 11/07/11.

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	
		2013	2012	2013	2012	2013	2012
Directors							
Mr T Cuthbertson	(appointed Chairman 26/07/13)	100%	100%	-	-	-	-
Mr R Meares		97%	79%	-	-	3%	21%
Mr J Dean		100%	70%	-	-	-	30%
Mr A McMillan		100%	100%	-	-	-	-
Dr G Lowder	(resigned 30/11/12)	86%	83%	-	-	14%	17%
Mr R Randall	(resigned 31/12/11)	-	94%	-	-	-	6%
Mr J Bidois	(resigned 11/07/11)	-	100%	-	-	-	-
Other key management personnel of the group							
Mr G Hiller		71%	80%	16%	7%	13%	13%

REMUNERATION REPORT (CONTINUED)

(c) Service agreements

Remuneration for the CEO is formalised in a consultancy agreements This agreement provides for the provision of performance-related cash bonuses for key achievements in cost management and funding raising 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.

Name	Term of agreement	Base rate
Mr Geoff Hiller -CEO	1 year commencing 1 July 2013	$1,350 per day

Directors' Interests

The relevant interest of each Director (including their associates) in the share capital of the Company as at 30 June 2013 are set out in note 20 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 28 November 2012. 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.

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.

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

Grant Date	Expiry Date	Exercise Price	Date vested and exercisable	Value per Option at grant date	Performance Achieved	% Vested	% Forfeited
25 Nov 2008	25 Nov 2013	$0.200	1/3 vest 25/11/09	$0.0248	na	33%	-
			1/3 vest 23/11/10		na	33%	-
			1/3 vest 25/11/11		na	34%	-
25 Nov 2011	25 May 2015	$0.050	5,500,000 vest 25/11/2012	$0.0061	na	100%	-
		$0.075	5,500,000 vest 25/11/2013	$0.0046	na	-	-
5 April 2012	25 May 2015	$0.050	7.500,000 vest 25/11/2012	$0.0056	na	100%	-
		$0.075	7,500,000 vest 25/11/2013	$0.0031	na	-	-

All options granted to Directors have been approved by Shareholders.

Benefits are payable (or vest) 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.

REMUNERATION REPORT (CONTINUED)

(d) Share based compensation (continued)

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 excercisable, each option is convertible into one ordinary share of Malachite Resources Limited. Further information on the options is set out in note 29 to the financial statements.

Directors and Officers	Number of options granted during the year		Number of options vested during the year		Number of options lapsed or forfeited during the year		Total value of grant yet to vest	
	2013	2012	2013	2012	2013	2012	Minimum	Maximum
							$	$
Directors								
Mr T Cuthbertson #	-	-	-	-			-	-
Mr R Meares	-	3,000,000	1,500,000	680,000	2,000,000		-	8,025
Mr J Dean	-	3,000,000	1,500,000	-			-	8,025
Mr A McMillan	-	-	-	-			-	-
Dr G Lowder *	-	5,400,000	2,500,000	1,020,000	3,000,000		-	13,375
Mr R Randall **	-	140,000	-	132,000			-	-
Mr J Bidois ***	-	-	-	-			-	-
Other key management personnel of the group								
Mr G Hiller	-	15,000,000	8,500,000	1,000,000	2,000,000		-	32,532

Appointed Chairman 26/07/13
* Resigned 30/11/12
** Resigned 31/12/11
*** Resigned 11/07/11.

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 Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

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

During the year ended 30 June 2013 no options were granted to directors.

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 Group'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 Group'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 Group'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 Group are important.

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

Auditor's independence declaration

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

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

	Consolidated	
	2013	**2012**
	$	**$**
Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	65,536	58,200

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

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Terry Cuthbertson
Non-Executive Chairman

Sydney, 25 September 2013

Auditor's Independence Declaration

As lead auditor for the audit of Malachite Resources Limited for the year ended 30 June 2013, 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.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
25 September 2013

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MALACHITE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Revenue from continuing operations	**5**	126,861	396,926
Accounting and audit expense		(73,681)	(87,234)
Corporate expenses		(443,688)	(315,846)
Depreciation and amortisation expense	**6**	(70,764)	(89,834)
Employee benefits expense		(412,686)	(784,987)
Exploration expenditure expensed		(633,856)	(59,592)
Impairment of exploration assets	**10, 13**	(7,954,087)	(3,123,812)
Impairment of property	**12**	(57,036)	-
Finance costs	**6**	(328,643)	(584,305)
Occupancy expenses		(84,753)	(122,581)
Other expenses from ordinary activities		(3,593)	(2,017)
Loss before income tax expense		**(9,935,926)**	**(4,773,282)**
Income tax expense	**7**	-	-
Net loss for the year	**19**	**(9,935,926)**	**(4,773,282)**
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(9,935,926)**	**(4,773,282)**
Loss for the year is attributable to:			
Owners of the Company		(9,935,926)	(4,773,282)
Total comprehensive loss is attributable to:			
Owners of the Company		(9,935,926)	(4,773,282)
Basic and diluted (loss) per share (cents per share)	**28**	(1.19)	(0.72)

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

MALACHITE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSTION
AS AT 30 JUNE 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	**8**	135,685	358,095
Trade and other receivables	**9**	41,780	107,321
Other receivables	**10**	75,000	375,000
TOTAL CURRENT ASSETS		252,465	840,416
NON-CURRENT ASSETS			
Receivables	**11**	507,454	507,454
Property, plant and equipment	**12**	639,060	783,197
Exploration and evaluation expenditure	**13**	26,636,191	34,039,886
TOTAL NON-CURRENT ASSETS		27,782,705	35,330,537
TOTAL ASSETS		28,035,170	36,170,953
CURRENT LIABILITIES			
Trade and other payables	**14**	178,627	234,918
Borrowings	**15**	1,058,645	997,251
TOTAL CURRENT LIABILITIES		1,237,272	1,232,169
NON-CURRENT LIABILITIES			
Borrowings	**15**	-	58,645
TOTAL NON-CURRENT LIABILITIES		-	58,645
TOTAL LIABILITIES		1,237,272	1,290,814
NET ASSETS		26,797,898	34,880,139
EQUITY			
Contributed equity	**16**	55,573,227	54,013,516
Reserve	**18**	2,097,662	1,803,688
Accumulated losses	**19**	(30,872,991)	(20,937,065)
TOTAL EQUITY		26,797,898	34,880,139

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

		Attributable to owners of Malachite Resources Limited			
	Note	**Contributed Equity**	**Reserves**	**Accumulated losses**	**Total Equity**
Balance as at 1 July 2011		**51,087,741**	**1,326,034**	**(16,163,783)**	**36,249,992**
Loss for the year		-	-	(4,773,282)	(4,773,282)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**51,087,741**	**1,326,034**	**(20,937,065)**	**31,476,710**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	**16**	2,925,775	-	-	2,925,775
Employee and non-employee share options	**18**	-	477,654	-	477,654
Balance as at 30 June 2012		**54,013,516**	**1,803,688**	**(20,937,065)**	**34,880,139**
Balance as at 1 July 2012		**54,013,516**	**1,803,688**	**(20,937,065)**	**34,880,139**
Loss for the year		-	-	(9,935,926)	(9,935,926)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**54,013,516**	**1,803,688**	**(30,872,991)**	**24,944,213**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	**16**	1,559,711	-	-	1,559,711
Employee and non-employee share options	**18**	-	293,974	-	293,974
Balance as at 30 June 2013		**55,573,227**	**2,097,662**	**(30,872,991)**	**26,797,898**

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

MALACHITE RESOURCES LIMITED

CONSOLIDATED STATEMENT CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(810,602)	(1,155,560)
Exploration and evaluation expenditure (inclusive of GST)		(1,098,538)	(1,814,287)
Interest received	**5**	24,997	64,449
Interest paid		(148,061)	(244,469)
Sundry receipts (inclusive of GST)		-	200
Net cash outflow from operating activities	**27 (c)**	(2,032,204)	(3,149,667)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,502)	(1,726)
Proceeds from sale of investments		-	2,295
Proceeds from sale of assets		24,500	4,500
Proceeds from sale of prospects		75,000	25,000
Payments for security deposits		-	(28,425)
Net cash outflow from investing activities		96,998	1,644
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible note		-	1,000,000
Convertible notes issue costs		-	(59,263)
Repayment of hire purchase loan		(21,189)	(19,310)
Proceeds from share issues		1,943,027	2,799,434
Equity raising expenses	**16 (a), 27 (b)**	(209,042)	(379,221)
Net cash inflow from financing activities		1,712,796	3,341,640
NET (DECREASE)/INCREASE IN CASH HELD		(222,410)	193,617
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		358,095	164,478
CASH AT THE END OF THE FINANCIAL YEAR	**27 (a)**	135,685	358,095

For details of non-cash operating and investing activities by the Group refer to note 27.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by of the Australian Accounting Standards Board and the *Corporations Act 2001.* Malachite Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements 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.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Significant Matters relating to the ongoing viability of operations

During the year, the Group initiated a series of fund raisings to primarily carry out exploration and further the development of its Lorena Gold Project. Before deduction of associated costs, 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.

At 30 June 2013, the Group had liabilities in respect of Convertible Notes with a face value of $1,000,000 maturing in July 2013. On 5 July 2013 the Group successfully raised $500,000 of new Convertible Notes to repay one of the noteholders and renegotiated the agreement for the remaining $500,000 held by the second noteholder. These new Convertible Notes have a 9 month term with an option at the election of the noteholder to extend the Notes for a further 3 months and an option to convert to shares at any time after 6 months at the discretion of the noteholder.

On 31 July 2013, the Group entered into additional Convertible Notes for a total of $300,000. The terms of the new Convertible Notes are identical to the $1,000,000 Notes above. The total Convertible Note liability at the date of the directors' report is therefore $1,300,000 and the first maturity date is 5 April 2014.

Subsequent to year end, on 30 July 2013, the Group and BCD Resources NL ("BCD") formally entered into the joint venture for the development of Lorena Gold Project. BCD is required to fund all the costs to develop the project through to initial production. The development of the project is expected to be completed by the first quarter of 2014 and is expected to deliver significant cash flow to the Group in 2014 and 2015.

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 $9,935,926 and negative cash flows from operations of $2,032,204 during the year ended 30 June 2013. At 30 June 2013, it has net current liabilities. The Group's cash position at balance date was $135,685 which will not be sufficient to fund both the cash redemption of the Convertible Notes (if that is required) and the Group's forecast cash outflows from operations for the twelve month period to September 2014. The cost of developing the Lorena Gold Project is being funded by BCD at this stage, however should the Group wish to undertake any further exploration activity this will only be possible as and when sufficient funds are available to the Group.

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:

- achieving positive cash flows from the Lorena Gold Project in 2014 through BCD's successful development of the project to commercial production, including implementing the required working capital facility for the project,
- raising appropriate funding through equity or debt,
- ensuring that the existing Convertible Notes are either extended for a longer period, converted into shares, or redeemed via a capital raising,
- selling some non-core assets in the short-term,
- entering into a corporate transaction,
- making further reductions to its ongoing operating cost base.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Significant Matters relating to the ongoing viability of operations (continued)

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. Recently, the Group has also been successful in refinancing or renegotiating the terms of the Convertible Notes. The Group is also confident that it will be able to generate cash inflows from its Lorena Gold Project in 2014 and 2015. 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 30 June 2013. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(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 2013 and the results of all subsidiaries for the year then ended. Malachite Resources Limited and its subsidiaries together are referred to in these financial statements 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 acquisition 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.

(c) Cash and cash equivalents

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

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

(d) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(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 29.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Employee benefits Continued)

(iii) Share based compensation (continued)

The fair value at grant date is determined using a Black Scholes 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. Such expenditure comprises direct costs and depreciation and does not include general overheads or administrative expenditure not having a nexus with a particular

These costs are only carried forward where there is current or planned activity and rights of tenure, and one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, but, nevertheless, active and significant operations in, or in relation to, the area of

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 in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and the Group's impairment policy (note 1(h))

(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.

(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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income Tax (continued)

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances

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

(ii) Tax consolidation legislation

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

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

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

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

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

(j) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(k) Borrowings

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non‑cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible notes

On issuance of the convertible notes, an assessment is made to determine whether the convertible notes contain an equity instrument or whether the whole instrument should be classified as a financial liability.

When it is determined that the whole instrument is a financial liability and no equity instrument is identified, the conversion option is separated from the host debt and classified as a derivative liability. The carrying value of the host contract, at initial recognition is determined as the difference between the consideration received and the fair value of the embedded derivative. The host contract is subsequently measured at amortised cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at the end of each reporting period through the profit and loss. The convertible note and the derivative are presented as a single number on the balance sheet within interest-bearing loans and borrowings.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Borrowings (continued)

Convertible notes (continued)

When it is determined that the instrument contains an equity component based on the terms of the contract, on issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

(l) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables 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 if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(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 reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 9 and 11).

(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 end of the reporting period. 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.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are are not transferred to the Group as lessee are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(n) Loss per share

(i) Basic loss per share

Basic loss per share is calculated by dividing:

• the loss 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 loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss 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.

(o) 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.

Land is not depreciated. Depreciation 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)).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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.

(r) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(s) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale and are presented separately from the other assets in the balance sheet.

(t) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(u) Segment reporting

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Parent entity financial information

The financial information for the parent entity, Malachite Resources Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretation is set out below:

AASB 9 *Financial Instruments* , AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013 *)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted this standard is not expected to have a material impact on the Group's accounting for financial assets as these only consist in receivable and cash balances.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities* , revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard will have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group's investment in the joint venture with BCD is expected to be an undivided interest in an unincorporated entity as the Group would be party to a joint arrangement.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard may impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) New accounting standards and interpretations (continued)

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures* , to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001* . While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. Following changes made to the Corporations Regulations, the relevant disclosures will have to be included in the remuneration report for financial years commencing on or after 1 July 2013.

AASB 2012-3 *Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities* and AASB 2012-2 *Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective 1 January 2014 and 1 January 2013 respectively)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation* to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. Since Malachite Resources Limited does not have any offsetting arrangements, the amendments will not have any impact on the Group's financial statements. The Group intends to apply the new rules for the first time in the financial year commencing 1 July 2013.

AASB 2012-5 *Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle* (effective for annual periods beginning on or after 1 January 2013)

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The group will apply the amendments from 1 July 2013. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

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 other than liquidity risk 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.

The Group holds the following financial instruments:

	2013 $	2012 $
Financial assets		
Cash and cash equivalents	135,685	358,095
Trade and other receivables	489,681	552,706
	625,366	910,801
Financial liabilities		
Trade and other payables	178,627	234,918
Borrowings	1,058,645	1,055,896
	1,237,272	1,290,814

(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.

Sensitivity

At 30 June 2013, 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 $8,495 lower /higher (2012: change of 100 bps: $17,859 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 operates domestically and is not exposed to significant foreign exchange risk.

(iii) Price risk

The Group is not exposed to equity securities price risk. The Group is indirectly exposed to commodity price rise to the extent of its operations which are undertaken in the mineral sector.

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.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 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's position with respect to going concern is outlined in note 1 (a)

Maturities of financial liabilities

The table below analyses the Group'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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Consolidated	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
2013							
Non-derivatives							
Non-interest bearing	178,627	-	-	-	-	178,627	178,627
Fixed rate							
Borrowings (excluding hire purchase) *	1,002,016	-	-	-	-	1,002,016	1,000,000
Hire purchase liabilities	13,277	48,851	-	-	-	62,128	58,645
Total Non-derivatives	**1,193,920**	**48,851**	**-**	**-**	**-**	**1,242,771**	**1,237,272**

* The Convertible notes where rolled over refer note 26.

2012							
Non-derivatives							
Non-interest bearing	234,918	-	-	-	-	234,918	234,918
Fixed rate							
Borrowings (excluding hire purchase)	1,040,000	-	-	-	-	1,040,000	976,062
Hire purchase liabilities	13,277	13,277	62,128	-	-	88,682	79,834
Total Non-derivatives	**1,288,195**	**13,277**	**62,128**	**-**	**-**	**1,363,600**	**1,290,814**

(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 does not have financial instruments as at 30 June 2013 which require the use of valuation techniques.

The Group does not have financial assets or liabilities that are measured at fair value at reporting date and hence no further disclosures of fair value measurement by level of fair value hierarchy as required by AASB 7 Financial Instruments: Disclosures has been provided.

(e) Capital risk management

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Exploration and evaluation expenditure

Certain exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions regarding future commodity prices and level of demand for these commodities and cost of production, which will affect whether economically variable 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 amounting to $26,636,191 are disclosed in note 13 and relate primarily to capitalisation and evaluation costs from activities in New South Wales and Queensland.

Share-based payment transactions

The Group measures the cost of equity settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimate and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Note 29 details the assumptions that have been used in determining the fair value of the options that have been granted during the year.

4 SEGMENT INFORMATION

The economic entity operates in two segments within mineral exploration and development in Australia. The Group has two reportable segments, as described below, for which the Board of Directors (the chief operating decision maker) reviews internal management reports on a monthly basis.

Lorena
The development of the Group's main mining project, the Lorena Gold Project ("Lorena") near Cloncurry in northwest Queensland.

Other Tenements
Carrying out exploration and seeking further development of other tenements.

Segment assets

Information about reportable segments

The key segment assets as reported to the Board are as follows:

	2013	2012
Exploration	**$**	**$**
Lorena	23,721,191	23,370,799
Other Tenements	2,915,000	10,669,087
	26,636,191	**34,039,886**

2013	**Lorena**	**Other Tenements**	**Corporate**	**Total**
Revenue from continuing operations	-	-	126,861	**126,861**
Accounting and audit expense	-	-	(73,681)	**(73,681)**
Corporate expenses	-	-	(443,688)	**(443,688)**
Depreciation and amortisation expense	-	-	(70,764)	**(70,764)**
Employee benefits expense	-	-	(412,686)	**(412,686)**
Exploration expenditure expensed	(359,617)	(274,239)	-	**(633,856)**
Impairment of exploration assets	-	(7,954,087)	-	**(7,954,087)**
Impairment of property	-	-	(57,036)	**(57,036)**
Finance costs	-	-	(328,643)	**(328,643)**
Occupancy expenses	-	-	(84,753)	**(84,753)**
Other expenses from ordinary activities	-	-	(3,593)	**(3,593)**
Loss before income tax expense	**(359,617)**	**(8,228,326)**	**(1,347,983)**	**(9,935,926)**
Income tax expense	-	-	-	**-**
Net loss for the year	**(359,617)**	**(8,228,326)**	**(1,347,983)**	**(9,935,926)**

4 SEGMENT INFORMATION (CONTINUED)

2012	Lorena	Other Tenements	Corporate	Total
Revenue from continuing operations	-	-	396,926	**396,926**
Accounting and audit expense	-	-	(87,234)	**(87,234)**
Corporate expenses	-	-	(315,846)	**(315,846)**
Depreciation and amortisation expense	-	-	(89,834)	**(89,834)**
Employee benefits expense	-	-	(784,987)	**(784,987)**
Exploration expenditure expensed	-	(59,592)	-	**(59,592)**
Impairment	-	(3,123,812)		**(3,123,812)**
Finance costs	-	-	(584,305)	**(584,305)**
Occupancy expenses	-	-	(122,581)	**(122,581)**
Other expenses from ordinary activities	-	-	(2,017)	**(2,017)**
Loss before income tax expense	**-**	**(3,183,404)**	**(1,589,878)**	**(4,773,282)**
Income tax expense			-	**-**
Net loss for the year	**-**	**(3,183,404)**	**(1,589,878)**	**(4,773,282)**

5 REVENUE

	2013 $	2012 $
From continuing Operations		
Interest	24,997	64,449
Services	-	182
Proceeds from disposal of other financial assets at fair value through profit and loss	9,254	2,295
Gain on remeasurement of embedded derivatives	92,610	330,000
	126,861	**396,926**

6 EXPENSES

The loss before income tax includes the following expenses:

	2013 $	2012 $
Depreciation of non-current assets:		
- Property, Plant & equipment	47,907	60,787
- Motor vehicles	22,857	29,047
Total Depreciation	**70,764**	**89,834**
Employee entitlements - movement in provisions	(16,608)	(87,149)
Employee share based payments	64,700	140,215
Write off of exploration expenditure	633,856	59,592
Rental expense	81,777	113,533
Finance costs		
Convertible notes - interest	151,731	103,902
Convertible note - non-cash	171,548	472,825
Interest paid	5,364	7,578

7 INCOME TAX

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

	2013	2012
Loss from ordinary activities	(9,935,926)	(4,773,282)
Prima facie income tax benefit calculated at 30% (2012:30%) of taxable loss	(2,980,778)	(1,431,985)
Non deductible items	19,410	42,065
Taxable losses not recognised	2,961,368	1,389,920
Income tax expense	-	-

7 INCOME TAX (CONTINUED)

		2013 $	2012 $
b)	Franking account balance	230	230
c)	Tax losses		
	Unused tax losses for which no deferred tax asset has been recognised.	9,622,884	9,442,450
	Potential tax benefit at 30%	2,886,865	2,832,735
	Unrecognised deferred tax liability relating to the below	2,425,704	2,071,364

The deferred tax liabilities mainly stem from the immediate deduction of expenditure incurred on exploration and evaluation activities. There is no other material source of deferred tax liabilities at reporting date.

8 CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank and on hand	135,685	358,095
	135,685	358,095

9 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Accounts Receivable	13,962	73,810
Employee advances	1,000	1,000
Rental bonds	1,800	1,800
GST receivables	3,138	6,315
Prepayments	21,880	24,396
	41,780	107,321

(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 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.

10 OTHER RECEIVABLES

	2013 $	2012 $
Carrying value of exploration and evaluation expenditure	375,000	1,317,390
Initial write-down of the asset to fair value	-	(942,390)
Payments under the terms of purchase and sale agreement	(100,000)	-
Write-down of the asset to fair value	(200,000)	-
	75,000	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. On 31 August 2012 upon transfer of exploration licenses to ERL, ERL paid $75,000 to the Group. 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 deferred consideration was determined to be $75,000. There was an impairment loss for initial write-down of the asset to fair value of $100,000 and a further write-down of $200,000 was recognised during the period.

11 NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2013	2012
	$	$
Tenement security deposits	469,781	469,781
Rental bonds	37,673	37,673
	507,454	507,454

12 PROPERTY, PLANT AND EQUIPMENT

	2013	2012
Plant and equipment		
at cost	350,032	437,492
accumulated depreciation	(159,063)	(197,025)
	190,969	240,467
Property		
at cost	417,036	417,036
accumulated depreciation	-	-
Impairment *	(57,036)	-
	360,000	417,036
Motor Vehicles		
at cost	173,924	218,469
accumulated depreciation	(85,833)	(92,775)
	88,091	125,694
Total property, plant and equipment	639,060	783,197

Movement in property, plant and equipment	Motor Vehicles	Property, Plant & Equipment	Total
	$	$	$
Current Year			
Balance at 01 July 2012	125,694	657,503	783,197
Additions	-	2,502	2,502
Depreciation Expense	(22,857)	(47,907)	(70,764)
Disposals	(14,746)	(4,093)	(18,839)
Impairment *	-	(57,036)	(57,036)
Balance at 30 June 2013	88,091	550,969	639,060
Previous Year			
Balance at 01 July 2011	161,258	716,564	877,822
Additions	-	1,726	1,726
Acquisition of subsidiary	(29,047)	(60,787)	(89,834)
Depreciation Expense	(6,517)	-	(6,517)
Disposals			-
Balance at 30 June 2012	125,694	657,503	783,197

* Management assessed the carrying value of the property as at 30 June 2013 and concluded that an impairment of $57,036 was required.

13 EXPLORATION AND EVALUATION EXPENDITURE

	Note	2013	2012
		$	$
Costs carried forward in respect of areas of interest in exploration and evaluation phases		26,636,191	34,039,886
Movement for year			
Balance at beginning of year		34,039,886	36,007,831
Expenditure capitalised during the year		350,392	1,530,867
Transfer to non-current assets held for sale	**10**	-	(1,317,390)
Impairment		(7,754,087)	(2,181,422)
Balance at end of year		26,636,191	34,039,886

13 EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

The Group has reviewed its exploration assets for impairment at reporting date in accordance with the accounting policy stated in note 1 (h). As a result of this review and having regards to the current market conditions the following impairments have been made to the carrying value of assets .

Impairment of costs carried forward in respect of areas of interest in exploration and evaluation phases	2013 $	2012 $
Pikedale	284,781	-
Rivertree	52,978	-
Tooloom	475,538	2,181,422
Conrad *	6,940,790	-
	7,754,087	2,181,422

* As referred to in the Operations review in April 2013, the Company received formal notice from Mancala Resources Pty Ltd ("Mancala") that it was not exercising the option. It is still management's intention to develop the asset in the future; however this is dependent on a higher silver price than that has been observed over the last six months. To determine the current carrying value of Conrad, reference was made to other listed entity's market capitalisations (with similar projects) to calculate an implied value per resource ounce of silver.

14 CURRENT LIABILITIES

	2013 $	2012 $
Trade and other payables		
Trade creditors	39,157	66,862
Other creditors	114,186	101,164
Payments in advance	-	25,000
Employee entitlements	25,284	41,892
	178,627	234,918

15 BORROWINGS

	2013	2012
Current		
Unsecured Convertible Note (a)	1,000,000	976,062
Hire purchase liabilities	58,645	21,189
Total current borrowings	1,058,645	997,251
Non Current		
Hire purchase liability	-	58,645
Total non current borrowings	-	58,645
Total borrowings	1,058,645	1,055,896

(a) Unsecured convertible note

As at 30 June 2013 the convertibles notes had an extended maturity date of 5th July 2013. As noted in subsequent events, on 5 July 2013, the Group successfully raised $500,000 of new Convertible Notes to repay one of the noteholders and renegotiated the agreement for the remaining $500,000 held by the second noteholder.

The interest rate on the convertible notes in place at 30 June 2013 was 18%. These notes have a conversion price of the lessor of $0.05 or a 20% discount to the 30 day volume weighted average price ("VWAP") of the Company's shares at the time of conversion

The terms of the new Convertible Notes can be summarised as follows:

- Issue Price of each Note - $50,000;
- Term of Notes – 9 months which may be extended at the election of Noteholders for a further term of 3 months;
- Interest Rate – 15% per annum for initial 9 month term and then 17.5% per annum for any extended 3 month term;
- Conversion – at the election of Noteholders at any time after 6 months; and
- Conversion Price - 20% discount to the 30 Day VWAP at the time of conversion.

Refer Note 26 for events subsequent to reporting date.

	2013	2012
16 CONTRIBUTED EQUITY	**$**	**$**
900,576,368 fully paid ordinary shares (2012: 699,426,696)	55,573,227	54,013,516
	55,573,227	54,013,516

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

Date	Details	Number of shares	Issue price $	Share capital $
1 July 2011	**Opening balance**	**556,609,356**		**51,087,741**
* 05-Aug-11	Issued 1,250,000 Ordinary shares in accordance with terms of convertible note (i)	1,250,000	0.0000	-
* 02-Sep-11	Issued 1,250,000 Ordinary shares in accordance with terms of convertible note (i)	1,250,000	0.0000	-
13-Oct-11	Rights issue 139,777,340 Ordinary Fully paid shares at 2.5 cents plus 139,777,340 MARO Options	139,777,340	0.0250	3,494,434
10-Nov-11	Issue of 540,000 Fully paid ordinary shares pursuant to Placement (March placement but had to get shareholder approval)	540,000	0.0750	40,500
	Transaction costs relating to share issues			(609,159)
30 June 2012		**699,426,696**		**54,013,516**
28-Sep-12	Share placement issue of 104,914,004 shares at 1.0 cents per share	104,914,004	0.0100	1,049,140
09-Nov-12	Rights issue 89,371,189 shares @ 1 cent plus 44,685,595 MAROA Options	89,371,189	0.0100	893,712
08-Feb-13	Exercise of MAROA options @ 1.5 cents	11,688	0.0150	175
* 16-Apr-13	Shares issued in payment of Rollover Fee to Convertible note holders	2,205,882	0.0000	-
* 16-Apr-13	Shares issued in payment of Rollover Fee to Convertible note holders	2,435,065	0.0000	-
* 16-Apr-13	Shares issued in payment of Rollover Fee to Convertible note holders	1,029,412	0.0000	-
* 16-Apr-13	Shares issued in payment of Rollover Fee to Convertible note holders	1,182,432	0.0000	-
	Transaction costs relating to share issues			(383,316)
30 June 2013	**Balance at end of year**	**900,576,368**		**55,573,227**

These items were non-cash operating and investing activities

(b) Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern (refer to note 1(a)), so that it can continue to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on a regular basis in order to achieve the objectives. The Group's strategy has remained unchanged from the prior year.

17 OPTIONS

Expiry Date	Exercise Price	Number on issue 1 July 2012	Granted during year	Transferred during year	Expired during year	Exercised during year	Number on issue 30 June 2013
Listed							
31/03/2015	0.015	-	44,685,595	-	-	(11,688)	44,673,907
31/03/2015	0.015	-	97,142,597	-	-	-	97,142,597
		-	141,828,192	-	-	(11,688)	141,816,504
Unlisted							
22/11/2012	0.431	5,900,000	-	-	(5,900,000)	-	-
22/11/2012	0.431	760,000	-	-	(760,000)	-	-
25/11/2013	0.200	5,900,000	-	-	-	-	5,900,000
25/11/2013	0.200	850,000	-	-	(250,000)	-	600,000
29/10/2012	0.111	7,500,000	-	-	(7,500,000)	-	-
30/11/2012	0.111	14	-	-	(14)	-	-
28/02/2013	0.100	9,305,000	-	-	(9,305,000)	-	-
21/04/2013	0.100	2,000,000	-	-	(2,000,000)	-	-
25/05/2015	0.050	5,500,000	-	-	-	-	5,500,000
25/05/2015	0.075	5,500,000	-	-	-	-	5,500,000
25/05/2015	0.050	8,750,000	-	-	(200,000)	-	8,550,000
25/05/2015	0.075	8,750,000	-	-	(200,000)	-	8,550,000
		60,715,014	-	-	(26,115,014)	-	34,600,000

18 RESERVES

Share based payments reserve

	2013 $	2012 $
Balance at beginning of year	1,803,688	1,326,034
Option Expenses	293,974	477,654
Balance at end of year	2,097,662	1,803,688

The share based payments reserve is used to recognise the fair value of shares and options issued under a share based payments arrangement.

19 ACCUMULATED LOSSES

	2013 $	2012 $
Accumulated losses at beginning of financial year	(20,937,065)	(16,163,783)
Net loss for year	(9,935,926)	(4,773,282)
Accumulated losses at end of financial year	(30,872,991)	(20,937,065)

20 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The directors of Malachite Resources Limited during the year were:

Mr Terry Cuthbertson	- Non-Executive Director	(appointed Chairman 26/07/13)
Mr Russell Meares	- Non-Executive Director	
Mr James Dean	- Non-Executive Director	
Mr Andrew McMillan	- Non-Executive Director	
Dr Garry Lowder	- Non-Executive Chairman	(resigned 30/11/12)

(b) Other key management personnel

Mr Geoffrey Hiller - Chief Executive Officer

(c) Key Management Personnel compensation

	2013 $	2012 $
Short-term employee benefits	564,272	537,792
Post-employment benefits	9,875	46,677
Long-term benefits	-	51,159
Share-based payments	55,576	122,046
	629,723	757,674

Detailed remuneration disclosures can be found in sections (a) - (e) of the remuneration report.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Share holdings

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

Shares 2013	Number held 1 July 2012	Purchased during year	Sold during year	Other changes	Number held 30 June 2013
Directors					
Mr T Cuthbertson (appointed Chairman 26/07/13)	-	-	-	-	-
Mr R Meares	2,140,017	237,780	-	-	2,377,797
Mr J Dean	11,936,508	-	-	-	11,936,508
Mr A McMillan	-	1,488,529	-	-	1,488,529
Dr G Lowder (resigned 30/11/12)	11,581,244	1,518,756	-	(13,100,000)	-
Other key management personnel					
Mr G Hiller	5,312,500	333,334	-	-	5,645,834

20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

2012	Number held 1 July 2011	Purchased during year	Sold during year	Other changes	Number held 30 June 2012
Mr T Cuthbertson (appointed 29/03/12)	-	-	-	-	-
Mr R Meares	1,140,417	999,600	-	-	2,140,017
Mr J Dean	7,936,508	4,000,000	-	-	11,936,508
Mr A McMillan (appointed 14/05/12)	-	-	-	-	-
Dr G Lowder	7,181,244	4,400,000	-	-	11,581,244
Mr R Randall (resigned 31/12/11)	2,481,753	1,148,001	-	(3,629,754)	-
Mr J Bidois (resigned 11/07/11)	82,781,905	-	-	(82,781,905)	-
Other key management personnel					
Mr G Hiller	50,000	5,262,500	-	-	5,312,500

(ii) Option holdings

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

Options 2013	Number held 1 July 2012	Acquired during year	Lapsed during year	Exercised during year	Other changes	Number held 30 June 2013	Vested and exercisable
Listed							
Mr T Cuthbertson (appointed Chairman 26/07/13)	-	-	-	-	-	-	-
Mr R Meares	-	118,890	-	-	-	118,890	-
Mr J Dean	-	-	-	-	-	-	-
Mr A McMillan	-	744,262	-	-	-	744,262	-
Mr G Hiller	-	166,667	-	-	-	166,667	-
Dr G Lowder (resigned 30/11/12)	-	759,378	-	-	(759,378)	-	-
Unlisted							
Mr T Cuthbertson (appointed Chairman 26/07/13)	-	-	-	-	-	-	-
Mr R Meares	7,000,000	-	(2,000,000)	-	-	5,000,000	3,500,000
Mr J Dean	3,000,001	-	(1)	-	-	3,000,000	1,500,000
Mr A McMillan	-	-	-	-	-	-	-
Mr G Hiller	17,000,000	-	(2,000,000)	-	-	15,000,000	7,500,000
Dr G Lowder (resigned 30/11/12)	11,400,000	-	(3,000,000)	-	(8,400,000)	-	5,500,000

Options

2012	Number held 1 July 2011	Acquired during year	Lapsed during year	Exercised during year	Other changes	Number held 30 June 2012	Vested and exercisable
Listed							
Mr T Cuthbertson (appointed 29/03/12)	-	-	-	-	-	-	-
Mr R Meares	-	999,600	(999,600)	-	-	-	-
Mr J Dean	-	4,000,000	(4,000,000)	-	-	-	-
Mr A McMillan (appointed 14/05/12)	-	-	-	-	-	-	-
Mr G Hiller	-	8,012,500	(8,012,500)	-	-	-	-
Dr G Lowder (resigned 30/11/12)	-	4,000,000	(4,000,000)	-	-	-	-
Mr R Randall (resigned 31/12/11)	-	1,008,001	(1,008,001)	-	-	-	-
Mr J Bidois (resigned 11/07/11)	-	-	-	-	-	-	-
Unlisted							
Mr T Cuthbertson (appointed 29/03/12)	-	-	-	-	-	-	-
Mr R Meares	5,000,000	3,000,000	(1,000,000)	-	-	7,000,000	2,000,000
Mr J Dean	1	3,000,000	-	-	-	3,000,001	-
Mr A McMillan (appointed 14/05/12)	-	-	-	-	-	-	-
Mr G Hiller	2,000,000	15,000,000	-	-	-	17,000,000	1,000,000
Dr G Lowder (resigned 30/11/12)	7,250,000	5,400,000	(1,250,000)	-	-	11,400,000	3,000,000
Mr R Randall (resigned 31/12/11)	950,000	140,000	(250,000)	-	(840,000)	-	-
Mr J Bidois (resigned 11/07/11)	1	-	-	-	(1)	-	-

21 AUDITORS' REMUNERATION

Remuneration of the auditor of the Group for: Audit services	2013 $	2012 $
Fees paid to PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	65,300	58,200

22 CONTINGENT LIABILITIES

There are no material contingent liabilities (2012:nil).

23 COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

There are no capital commitments at the end of the financial year (2012:nil).

(b) Lease Commitments

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

Operating leases	2013 $	2012 $
Not later than one year	145,255	151,380
Later than 1 year but not later than 5 years	6,160	145,310
Later than 5 years	-	-
	151,415	296,690

(c) Tenement Commitments

Tenement Expenditure required under tenement licence

Not later than one year	133,753	198,900
Later than 1 year but not later than 2 years	167,000	208,900
Later than 2 years	-	-
	300,753	407,800

(d) Hire Purchase Commitments

Not later than one year	62,128	26,553
Later than 1 year but not later than 5 years	-	62,128
	62,128	88,681
Future finance charges	(3,483)	(8,847)
Recognised as liability	58,645	79,834

24 RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group is Malachite Resources Limited.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 20.

For transactions subsequent to 30 June 2013 in relation to Convertible Notes with key management personnel see note 26.

25 INVESTMENT IN CONTROLLED ENTITY

Name of controlled entity	Country of incorporation	Class of shares	Ownership interest 2013 %	Ownership interest 2012 %
Conrad Silver Mines Pty Ltd (formerly Elsmore Mining Pty Ltd)	Australia	Ordinary	100	100
Volga Elderberry Pty Ltd	Australia	Ordinary	100	100

26 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the Financial Year the following matter have arisen which may significantly affect the operations of the Group:

In July 2013 the Group entered into new Convertible Notes which have a total face value of $1,300,000. Of this amount $500,000 was applied directly as a refinancing of notes that matured on 2 July 2013 and $100,000 was subscribed by Key Management Personnel. The key terms of the new Convertible Notes are as follows:

- Issue Price of each Note - $50,000;
- Term of Notes – 9 months which may be extended at the election of Noteholders for a further term of 3 months;
- Interest Rate – 15% per annum for initial 9 month term and then 17.5% per annum for any extended 3 month term;
- Conversion – at the election of Noteholders at any time after 6 months; and
- Conversion Price - 20% discount to the 30 Day VWAP at the time of conversion.

Shareholder approval will be sought at the Company's Annual General Meeting in November 2013 to approve the conversion of these Notes into fully paid ordinary shares should Noteholders elect to exercise their conversion rights.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

27 NOTES TO STATEMENT 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:

		2013 $	2012 $
	Cash	135,685	358,095
		135,685	358,095
(b)	**Non-cash financing and investing activities**		
	Financing costs	55,000	107,500
	Capital raising costs	174,274	229,938
		229,274	337,438
(c)	**Reconciliation of operating profit after income tax to net cash flows from operating activities**		
	Operating loss after income tax	(9,935,926)	(4,773,282)
	Non cash		
	Depreciation	70,764	89,834
	Employee share-based payments	64,700	140,215
	Exploration expenditure written off	633,856	59,592
	Impairment	8,011,123	3,123,812
	Finance fees	171,548	437,920
	Net (profit) loss on sale of assets	(5,661)	2,017
	Staff advance reimbursement	-	2,611
	Exploration expenditure	-	2,500
	Gain on remeasurement of embedded derivatives	(92,610)	(330,000)
		(1,082,206)	(1,244,781)
	Changes in assets and liabilities		
	Decrease/(Increase) in receivables	63,025	(58,616)
	Decrease/(Increase) in prepayments	2,516	1,910
	Decrease (Increase) in exploration and evaluation expenditure	(984,248)	(1,590,459)
	Increase/(decrease) in employee entitlements	(16,608)	(87,149)
	Increase/(decrease) in payables	(14,683)	(170,572)
	Net cash inflow/(outflow) from operating activities	(2,032,204)	(3,149,667)

28 LOSS PER SHARE

	2013	2012
	$	$
Basic and diluted loss per share (cents per share)	(1.19)	(0.72)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	837,485,893	659,179,091

The options outlined in Note 17 are considered potential ordinary shares and should be included in the determination of dilluted earnings per share to the extent to which they are dillutive. The options have not been included in the determination of basic loss per share in 2013 or 2012.

29 SHARE-BASED PAYMENTS

(a) Options issued to Employees and Directors

(i) 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 28 November 2012. 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.

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:

Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted during the year	Exercised during the year	Expired or forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
2013								
31 Jan 2008	22 Nov 2012	0.431	760,000	-	-	(760,000)	-	-
23 Dec 2008	25 Nov 2013	0.200	850,000	-	-	(250,000)	600,000	600,000
21 Mar 2011	21 April 2013	0.100	2,000,000	-	-	(2,000,000)	-	-
5 April 2012	25 May 2015	0.050	8,750,000	-	-	(200,000)	8,550,000	8,550,000
		0.075	8,750,000	-	-	(200,000)	8,550,000	-
Total			21,110,000	-	-	(3,410,000)	17,700,000	9,150,000
Weighted average exercise price			$0.08	$0.00	$0.00	$0.18	$0.07	
2012								
31 Jan 2008	22 Nov 2012	0.431	1,160,000	-	-	(400,000)	760,000	-
23 Dec 2008	25 Nov 2013	0.200	1,350,000	-	-	(500,000)	850,000	850,000
21 Mar 2011	21 April 2013	0.100	2,000,000	-	-	-	2,000,000	1,000,000
5 April 2012	25 May 2015	0.050		8,750,000	-	-	8,750,000	-
		0.075		8,750,000	-	-	8,750,000	-
Total			4,510,000	17,500,000	-	(900,000)	21,110,000	1,850,000
Weighted average exercise price			$0.22	$0.06	$0.00	$0.30	$0.08	

(ii) Directors Options

No options were granted to Directors for the year ending 30 June 2013.

Options are granted for no consideration. Options granted 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 . Options granted 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.

29 SHARE-BASED PAYMENTS (CONTINUED)

(ii) Directors Options (continued)

Set out below are summaries of options granted to Directors:

Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted during the year	Exercised during the year	Expired or forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
2013								
22 Nov 2007	22 Nov 2012	0.431	5,900,000	-	-	(5,900,000)	-	-
25 Nov 2008	25 Nov 2013	0.200	5,900,000	-	-	-	5,900,000	5,900,000
25 Nov 2011	25 May 2015	0.050	5,500,000	-	-	-	5,500,000	5,500,000
	25 May 2015	0.075	5,500,000	-	-	-	5,500,000	-
Total			22,800,000	-	-	(5,900,000)	16,900,000	11,400,000
			$0.19	$0.00	$0.00	$0.43	$0.11	
2012								
23 Nov 2006	30 Nov 2011	0.300	3,240,000	-	-	(3,240,000)	-	-
22 Nov 2007	22 Nov 2012	0.431	5,900,000	-	-	-	5,900,000	-
25 Nov 2008	25 Nov 2013	0.200	5,900,000	-	-	-	5,900,000	5,900,000
25 Nov 2011	25 May 2015	0.050		5,500,000	-	-	5,500,000	-
	25 May 2015	0.075		5,500,000	-	-	5,500,000	-
Total			15,040,000	11,000,000	-	(3,240,000)	22,800,000	5,900,000
Weighted average exercise price			$0.03	$0.06	$0.00	$0.30	$0.19	

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:

	2013	2012
	$	$
Options issued under the plan and to Directors	64,700	140,215
	64,700	140,215

(c) Shares issued for services under a share based payment arrangement during the year

2013

Issue of fully paid ordinary shares in accordance with the terms of the convertible notes valued at $55,000 charged to the share based payments reserve.

Grant date	Number	Fair value per share cents	Total fair value $
16-Apr-13	3,235,294	0.85	27,500
16-Apr-13	2,435,065	0.77	18,750
16-Apr-13	1,182,432	0.74	8,750
Total	**6,852,791**		**55,000**

29 SHARE-BASED PAYMENTS (CONTINUED)

(c) Shares issued for services under a share based payment arrangement during the year (continued)

2012

Issue of fully paid ordinary shares in accordance with the terms of the convertible notes valued at $107,500 charged to the share based payments reserve.

Grant date	Number	Fair value per share cents	Total fair value $
5-Aug-11	1,250,000	4.00	50,000
2-Sep-11	1,250,000	4.60	57,500
Total	**2,500,000**		**107,500**

(d) Options issued for services under a share based payment arrangement during the year

	Grant date	Number	Fair value per share cents	Total fair value $
2013	4-Dec-12	44,685,595	0.39	174,274
	Total	**44,685,595**		**174,274**

	Grant date	Number	Fair value per share cents	Total fair value $
2012	14-Oct-11	81,106,739	0.20	162,213
	10-Nov-11	33,863,000	0.20	67,726
	Total	**114,969,739**		**229,939**

30 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Balance sheet	**2013 $**	**2012 $**
Current assets	252,465	840,416
Non-current assets	27,782,705	35,623,853
Total assets	**28,035,170**	**36,464,269**
Current liabilities	1,237,272	1,232,169
Non-current liabilities	249,224	307,869
Total liabilities	**1,486,496**	**1,540,038**
Net Assets	**26,548,674**	**34,924,231**
Equity		
Contributed equity	55,573,227	54,013,516
Option reserve expense	2,097,662	1,803,688
Accumulated losses	(31,122,215)	(20,892,973)
Total equity	**26,548,674**	**34,924,231**
Profit or loss for the year	**(10,229,242)**	**(4,729,190)**
Total comprehensive income	**(10,229,242)**	**(4,729,190)**

30 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Guarantees entered into by the parent entity

The parent entity did not have any financial guarantees as at 30 June 2013 or 30 June 2012.

(c) Contingent liability of parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

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 2013 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

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

The directors have been given the declarations by the CEO 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

Terry Cuthbertson
Non-Executive Chairman

Sydney, 25 September 2013

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

Report on the financial report

We have audited the accompanying financial report of Malachite Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Malachite Resources Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 consolidated 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.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity has experienced operating losses and negative cash flows during the year ended on 30 June 2013 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 which 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 discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Malachite Resources Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
25 September, 2013