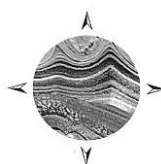


MALACHITE RESOURCES LIMITED

A.B.N. 86 075 613 268



INTERIM REPORT

FOR THE HALF-YEAR 31 DECEMBER 2014

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MALACHITE RESOURCES LIMITED

**Interim Consolidated Financial Report
For The Half-Year 31 December 2014**

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Malachite Resources Limited and the entities it controlled (together, the 'Group') at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

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

Mr T Cuthbertson (Non-Executive Director)

Mr J. Dean (Non-Executive Director)

Mr A McMillan (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

Review and Results of Operations

The result of the Group for the half year ended 31 December 2014 amounted to an operating loss of \$692,993 (2013:\$798,094) excluding an impairment charge of \$10,900,000 to the carrying value of the Lorena Gold Project and an impairment charge of \$275,000 to the carrying value of the Conrad Silver Project.

Review of Activities

The Group's business activities have been primarily focussed on advancing the development of the Lorena Gold Project (Lorena) located about 15km east of Cloncurry in north-west Queensland. The Group's activities are reported in detail in announcements to the ASX.

The Company has entered into a joint venture agreement (JVA) with BCD Resources NL (BCD) to develop Lorena. BCD is required to earn a 50% economic interest in Lorena by solely funding the development of the project to the point of commercial production, including construction of flotation facility at Lorena, capable of processing a minimum of 120,000 tonnes of ore per annum. The agreement is to then transport the gold concentrate at Lorena to BCD's processing plant at Beaconsfield, Tasmania for final treatment and production of gold dore.

As at 31 December 2014, the construction of the flotation plant at Lorena was approximately 75% complete with the commissioning of the plant expected in the first quarter of 2015.

On 22 January 2015, BCD advised the Company that MKS Precious Metals (formerly MKS Capital) had appointed Messrs Palmer and Collis of O'Brien Palmer as receiver and manager of BCD. BCD has a \$3million loan from MKS Precious Metals.

Since that date BCD has ceased all construction work at Lorena.

In accordance with the JVA, BCD has not yet earned an interest in Lorena.

The Company and BCD are in discussions regarding a restructure of the JVA in order that works at Lorena can re-commence as soon as practicable. As part of that restructure BCD has requested that the Company offer some or all of its 100% interest in the Lorena Mining Leases as security to assist with project funding. The Group is also continuing to investigate its own funding requirement and options should these negotiations not be successful in the short term.

The Lorena gold project remains a viable and robust project.

Financial

During the half year, the Group negotiated an extension of existing Convertible Notes with a total face value of \$1.3 million to 5 April 2015. The Group raised \$450,000 from the issue of new Convertible Notes each with a face value of \$50,000 on the same terms as the existing Convertible Notes. An existing loan of \$50,000 from key management staff was converted into one new Convertible Note during the period.

As at 31 December 2014, the Group had liabilities in respect of Convertible Notes with a face value of \$1.8 million maturing on 5 April 2015.

During the period, the Group issued 7,661,426 new ordinary shares to effect payment of rollover fees in respect of Convertible Notes previously issued by the Company.

MALACHITE RESOURCES LIMITED

**Interim Consolidated Financial Report
For The Half-Year 31 December 2014**

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Financial (continued)

As at 31 December 2014, the Group made impairment charges to the carrying value of its Lorena and Conrad Projects.

The Directors considered that BCD Resources NL's decision to cease its funding obligations in January 2015 at the Lorena Project and subsequently to commence discussions with the Group to restructure the Joint Venture Agreement was a trigger to test the carrying value of the Lorena Project. On this basis the Directors considered that an impairment charge to the carrying value of Lorena was prudent. The Directors have determined that based on a fair value less cost to sell model, the carrying value of Lorena should be \$12.8 million resulting in an impairment charge of \$10.9 million. The recoverable amount has been determined with reference to the current project parameters and an estimate of resource potential based on a current comparable valuation metric. The Directors believe that once production has been achieved at Lorena in conjunction with successful exploration beneath the known resource, the value of Lorena may in the future exceed this carrying value.

An impairment charge of \$275,000 was made to the carrying value of Conrad based on a comparison with other silver projects at a similar stage of development.

GOING CONCERN

Consistent with the nature of the Group's activities and its ongoing investment of funds into exploration and development projects the Group has experienced operating losses of \$692,993 (excluding an impairment charge of \$11,175,000) and negative cash flows from operations of \$540,251 during the period ended 31 December 2014.

At 31 December 2014, the Group has net current liabilities amounting to \$2,207,008 (30 June 2014:\$1,567,272) comprising Convertible Notes with a face value of \$1,800,000 that mature on 5 April 2015.

The Group's cash position at balance date was \$58,635 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 period to March 2016.

Subsequent to 31 December 2014, the following key financing activities have taken place and have been initiated by the Group.

- The Group raised an additional \$125,000 by the issue of one Convertible Note (with a face value of \$50,000), a loan from a Director (to be converted into one Convertible Note with a face value of \$50,000 subject to shareholder approval) and a loan of \$25,000 from key management.
- The Group has negotiated an extension of the maturity of the Convertible Notes. At the date of this report, the Group received firm commitments from Convertible Noteholders to the total face value of \$1,750,000 to extend the maturity for six months on the existing terms with an extension fee of 1.75% of the face value of the Convertible Notes payable in Company shares (at a 20% discount to the Company's 30 day trading volume weighted average share price).

The Group has an existing joint venture agreement with BCD Resources NL ("BCD") whereby BCD can earn a 50% interest in the Lorena Gold Project by funding all the costs to develop the project through to initial production.

The Group relies on the Lorena Gold Project for the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments.

As previously disclosed by the Group, in late January 2015, BCD appointed a receiver/manager and ceased construction works at the Lorena Gold Project. The Group is currently in discussion with BCD to restructure the joint venture agreement in order that works at Lorena can recommence as soon as practicable. The Group is also continuing to investigate its own funding requirement and options should these negotiations not be successful in the short term.

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.

MALACHITE RESOURCES LIMITED

**Interim Consolidated Financial Report
For The Half-Year 31 December 2014**

DIRECTORS' REPORT

GOING CONCERN (CONTINUED)

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

- raising additional funding through equity or debt in the short term;
- negotiating a restructure of the joint venture agreement with BCD in order for the development of the Lorena Gold Project to be completed as soon as practicable;
- raising project funding to develop the Lorena Gold Project using the Group's own resources if the restructuring of the joint venture agreement is unsuccessful;
- extending the maturity of the Convertible Notes initially for a period of six months and if necessary for a longer period of time to suit available resources and the timing of the cash flows from the Lorena Gold Project or alternatively, converting the Convertible Notes into shares or redeeming them via a capital raising;
- achieving positive cash flows from the Lorena Gold Project as soon as practical through the development of the project to commercial production;
- selling core or non-core assets in the short-term; or
- entering into a corporate transaction.

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The Group has also been successful in extending the term of the Convertible Notes and raising additional funds when required. The Group is also confident that it will be able to generate cash inflows from its Lorena Gold Project in the near future. On that basis the directors believe it is reasonable to expect that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2014. 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.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

The Company and BCD are in discussions regarding a restructure of the JVA in order that works at Lorena can re-commence as soon as practicable. As part of that restructure BCD has requested that the Company offer some or all of its 100% interest in the Lorena Mining Leases as security to assist with project funding. The Group is also continuing to investigate its own funding requirement and options should these negotiations not be successful in the short term.

The Lorena gold project remains a viable and robust project.

Subsequent to period end, the Group raised an additional \$125,000 by the issue of one Convertible Note (with a face value of \$50,000), a \$50,000 loan from a Director (who executed a subscription agreement for one Convertible Note with a face value of \$50,000 which is subject to shareholder approval) and a loan of \$25,000 from key management.

At the date of this report, the Group received firm commitments from Convertible Noteholders to the total face value of \$1,750,000 to extend the maturity date for six months on the existing terms with an extension fee of 1.75% of the face value of the Convertible Notes payable in Company shares (at a 20% discount to the Company's 30 day trading volume weighted average share price).

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed at Sydney this 16 March 2015 in accordance with a resolution of the directors.



Terry Cuthbertson
Non-Executive Chairman



Auditor's Independence Declaration

As lead auditor for the review of Malachite Resources Limited for the half-year ended 31 December 2014, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Craig Thomason', with a long horizontal flourish extending to the right.

Craig Thomason
Partner
PricewaterhouseCoopers

Sydney
16 March 2015

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR 31 DECEMBER 2014**

	Notes	2014 \$	Half-year 2013 \$
Other revenue	2	1,822	79,355
Accounting and audit expense		(32,106)	(30,621)
Corporate expenses		(131,859)	(156,476)
Depreciation and amortisation expense		(19,128)	(27,151)
Employee benefits expense		(94,103)	(158,678)
Exploration expenditure expensed	3	(167,426)	(355,161)
Finance cost		(220,322)	(116,662)
Occupancy expenses		(29,871)	(31,934)
Loss on disposal of non current asset		-	(766)
Impairment of exploration assets	3	(11,175,000)	-
Loss before income tax expense		(11,867,993)	(798,094)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the half-year		<u>(11,867,993)</u>	<u>(798,094)</u>
Other comprehensive income		-	-
Total comprehensive income for the half-year		<u>(11,867,993)</u>	<u>(798,094)</u>
Loss for the period is attributable to:			
Owners of Malachite Resources Limited		<u>(11,867,993)</u>	<u>(798,094)</u>
Total comprehensive income is attributable to:			
Owners of the company		<u>(11,867,993)</u>	<u>(798,094)</u>
Basic and diluted loss per share (cents per share)		<u>(1.18)</u>	<u>(0.09)</u>

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

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Notes	31 December 2014 \$	30 June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents		58,635	166,113
Trade and other receivables		38,300	38,323
Other receivables	7	<u>25,000</u>	<u>25,000</u>
TOTAL CURRENT ASSETS		<u>121,935</u>	<u>229,436</u>
NON-CURRENT ASSETS			
Other assets		445,281	445,281
Plant and equipment		177,343	196,470
Exploration and evaluation expenditure	3	<u>13,871,191</u>	<u>25,046,191</u>
TOTAL NON-CURRENT ASSETS		<u>14,493,815</u>	<u>25,687,942</u>
TOTAL ASSETS		<u>14,615,750</u>	<u>25,917,378</u>
CURRENT LIABILITIES			
Trade and other payables	4	434,748	427,034
Borrowings	5	<u>1,894,195</u>	<u>1,369,674</u>
TOTAL CURRENT LIABILITIES		<u>2,328,943</u>	<u>1,796,708</u>
NON-CURRENT LIABILITIES			
Borrowings	5	<u>9,106</u>	<u>19,605</u>
		<u>9,106</u>	19,605
TOTAL LIABILITIES		<u>2,338,049</u>	<u>1,816,313</u>
NET ASSETS		<u>12,277,701</u>	<u>24,101,065</u>
EQUITY			
Contributed equity	6	56,096,018	56,051,389
Reserve		2,104,389	2,104,389
Accumulated losses		<u>(45,922,706)</u>	<u>(34,054,713)</u>
TOTAL EQUITY		<u>12,277,701</u>	<u>24,101,065</u>

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

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR 31 DECEMBER 2014**

**Attributable to owners of
Malachite Resources Limited**

	Contributed Equity	Reserves	Accumulated losses	Total Equity
	\$	\$	\$	\$
Balance as of 1 July 2013	55,573,227	2,097,662	(30,872,991)	26,797,898
Loss for the half-year	-	-	(798,094)	(798,094)
Total comprehensive income for the half- year	55,573,227	2,097,662	(31,671,085)	25,999,804
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	478,163	-	-	478,163
Share-based payments	-	6,727	-	6,727
Balance as of 31 December 2013	56,051,390	2,104,389	(31,671,085)	26,484,694
Balance as of 1 July 2014	56,051,389	2,104,389	(34,054,713)	24,101,065
Loss for the half-year	-	-	(11,867,993)	(11,867,993)
Total comprehensive income for the half- year	56,051,389	2,104,389	(45,922,706)	12,233,072
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	44,629	-	-	44,629
Balance as of 31 December 2014	56,096,018	2,104,389	(45,922,706)	12,277,701

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

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR 31 DECEMBER 2014**

	2014	Half-year
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(246,854)	(219,030)
Exploration and evaluation expenditure (inclusive of GST)	(182,856)	(376,181)
Interest received	1,822	4,602
Interest paid	(112,363)	(110,158)
Sundry receipts (inclusive of GST)	<u>-</u>	<u>74,753</u>
Net cash outflow from operating activities	<u>(540,251)</u>	<u>(626,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	-	22,000
Proceeds from refund of tenement security deposits	-	52,500
Repayment of hire purchase loan	(11,227)	(13,276)
Net cash inflow (outflow) from investing activities	<u>(11,227)</u>	<u>61,224</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from unsecured convertible notes	450,000	800,000
Repayments of unsecured convertible notes	-	(500,000)
Proceeds from loan from related parties	-	50,000
Convertible notes issue costs	(6,000)	(27,500)
Proceeds from issue of shares	-	525,000
Share issue costs	<u>-</u>	<u>(28,874)</u>
Net cash inflow(outflow)from financing activities	<u>444,000</u>	<u>818,626</u>
NET INCREASE/(DECREASE) IN CASH HELD	(107,478)	253,836
CASH AT THE BEGINNING OF THE HALF-YEAR	<u>166,113</u>	<u>135,685</u>
CASH AT THE END OF THE HALF-YEAR	<u><u>58,635</u></u>	<u><u>389,521</u></u>

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

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2014

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report is for Malachite Resources Limited and its controlled entities (together, the 'Group') in respect of the interim half-year reporting period ended 31 December 2014 and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

Consistent with the nature of the Group's activities and its ongoing investment of funds into exploration and development projects the Group has experienced operating losses of \$692,993 (excluding an impairment charge of \$11,175,000) and negative cash flows from operations of \$540,251 during the period ended 31 December 2014.

At 31 December 2014, the Group has net current liabilities amounting to \$2,207,008 (30 June 2014:\$1,567,272) comprising Convertible Notes with a face value of \$1,800,000 that mature on 5 April 2015.

The Group's cash position at balance date was \$58,635 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 period to March 2016.

Subsequent to 31 December 2014, the following key financing activities have taken place and have been initiated by the Group.

- The Group raised an additional \$125,000 by the issue of one Convertible Note (with a face value of \$50,000), a loan from a Director (to be converted into one Convertible Note with a face value of \$50,000 subject to shareholder approval) and a loan of \$25,000 from key management.
- The Group has negotiated an extension of the maturity of the Convertible Notes. At the date of this report, the Group received firm commitments from Convertible Noteholders to the total face value of \$1,750,000 to extend the maturity for six months on the existing terms with an extension fee of 1.75% of the face value of the Convertible Notes payable in Company shares (at a 20% discount to the Company's 30 day trading volume weighted average share price).

The Group has an existing joint venture agreement with BCD Resources NL ("BCD") whereby BCD can earn a 50% interest in the Lorena Gold Project by funding all the costs to develop the project through to initial production.

The Group relies on the Lorena Gold Project for the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments.

As previously disclosed by the Group, in late January 2015, BCD appointed a receiver/manager and ceased construction works at the Lorena Gold Project. The Group is currently in discussion with BCD to restructure the joint venture agreement in order that works at Lorena can recommence as soon as practicable. The Group is also continuing to investigate its own funding requirement and options should these negotiations not be successful in the short term.

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

- raising additional funding through equity or debt in the short term;
- negotiating a restructure of the joint venture agreement with BCD in order for the development of the Lorena Gold Project to be completed as soon as practicable;
- raising project funding to develop the Lorena Gold Project using the Group's own resources if the restructuring of the joint venture agreement is unsuccessful;
- extending the maturity of the Convertible Notes initially for a period of six months and if necessary for a longer period of time to suit available resources and the timing of the cash flows from the Lorena Gold Project or alternatively, converting the Convertible Notes into shares or redeeming them via a capital raising;
- achieving positive cash flows from the Lorena Gold Project as soon as practical through the development of the project to commercial production;
- selling core or non-core assets in the short-term; or
- entering into a corporate transaction.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2014

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

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

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The Group has also been successful in extending the term of the Convertible Notes and raising additional funds when required. The Group is also confident that it will be able to generate cash inflows from its Lorena Gold Project in the near future. On that basis the directors believe it is reasonable to expect that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2014. 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.

2 REVENUE	31 December 2014	31 December 2013
	\$	\$
From continuing operations		
Other revenue		
Interest	1,822	4,602
Other income	-	74,753
	<u>1,822</u>	<u>79,355</u>

3 EXPLORATION AND EVALUATION EXPENDITURE	31 December 2014	30 June 2014
	\$	\$
Costs carried forward in respect of areas of interest in exploration and evaluation phases	<u>13,871,191</u>	<u>25,046,191</u>
Movement for the period		
Balance brought forward at the beginning of the period	25,046,191	26,636,191
Current period expenditure	167,426	-
Expenditure expensed in current period	(167,426)	-
Impairment*	<u>(11,175,000)</u>	<u>(1,590,000)</u>
Balance at the end of the period	<u>13,871,191</u>	<u>25,046,191</u>

Impairment*

As at 31 December 2014, the Group made impairment charges to the carrying value of its Lorena and Conrad Projects.

The Directors considered that BCD Resources NL's decision to cease its funding obligations in January 2015 at the Lorena Project and subsequently to commence discussions with the Group to restructure the Joint Venture Agreement was a trigger to test the carrying value of the Lorena Project. On this basis the Directors considered that an impairment charge to the carrying value of Lorena was prudent. The Directors have determined that based on a fair value less cost to sell model, the carrying value of Lorena should be \$12.8 million resulting in an impairment charge of \$10.9 million. The recoverable amount has been determined with reference to the current project parameters and an estimate of resource potential based on a current comparable valuation metric. The Directors believe that once production has been achieved at Lorena in conjunction with successful exploration beneath the known resource, the value of Lorena may in the future exceed this carrying value.

An impairment charge of \$275,000 was made to the carrying value of Conrad based on a comparison with other silver projects at a similar stage of development.

4 CURRENT LIABILITIES - PAYABLES	31 December 2014	30 June 2014
	\$	\$
Trade creditors	137,664	114,833
Other creditors	274,393	295,564
Employee entitlements	22,691	16,637
	<u>434,748</u>	<u>427,034</u>

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2014

5 BORROWINGS

Current

Unsecured convertible note	(a)	1,756,700	1,300,000
Derivative on convertible note, conversion option		116,944	-
Unsecured loan	(b)	-	50,000
Hire purchase liabilities		20,551	19,674
Total current borrowings		<u>1,894,195</u>	<u>1,369,674</u>

Non Current

Hire purchase liability		9,106	19,605
Total non current borrowings		<u>9,106</u>	<u>19,605</u>

Total borrowings		<u>1,903,301</u>	<u>1,389,279</u>
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(a) Unsecured convertible note

As at 30 June 2014 the Convertibles Notes had a maturity date of 5th July 2014. The Group successfully negotiated an extension of these Convertible Notes to 5 April 2015 and entered into subscription agreements for new Convertible Notes for a total of \$500,000.

The revised key terms of the Convertible Notes are summarised as follows:

- Maturity Date – 5th April 2015 ;
- Interest Rate – 15% per annum ;
- Conversion – at the election of Noteholders at any time;
- Conversion Price - lesser of \$0.015 or a 20% discount to the 30 Day VWAP at the time of conversion; and
- Rollover fee – 1.75% of the issue price to be satisfied by the issue of Ordinary Shares at a 20% discount to the 30 VWAP to 5 July 2014.

The terms of the new Convertible Notes are identical to the existing Convertible Notes as summarised above except that no Rollover Fee is payable.

Shareholder approval was sought at the Company's Annual General Meeting in November 2014 to approve the conversion of these Notes into fully paid ordinary shares should Noteholders elect to exercise their conversion rights.

(b) Unsecured loan

On 26 June 2014 the Group received a \$50,000 unsecured loan, from a Key Management Personnel, with an interest rate of 12% per annum. The loan was subsequently rolled into a new Convertible Note in July 2014.

6 CONTRIBUTED EQUITY

	31 December 2014	30 June 2014
	\$	\$
1,013,237,794 fully paid ordinary shares (June 2014: 1,005,576,368)	56,096,018	56,051,389
	<u>56,096,018</u>	<u>56,051,389</u>

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

Movement in ordinary share capital

Balance at the beginning of the period	56,051,389
Shares issued during the period	44,629
Shares issued in payment of Rollover Fee to Convertible note holders	
Balance at the end of the period	<u>56,096,018</u>

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

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2014

7 OTHER RECEIVABLES	31 December 2014 \$	30 June 2014 \$
Deferred consideration	25,000	25,000
Write-down of the asset to fair value	-	(50,000)
	<u>25,000</u>	<u>(25,000)</u>

The balance represents the fair value of the deferred consideration on the sale of Exploration License 6196 and 7177 to Elsmore Resources Limited.

8 CONTINGENT LIABILITIES

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

9 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.

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

Exploration	31 December 2014 \$	30 June 2014 \$
Lorena	12,821,191	23,721,191
Other Tenements	1,050,000	1,325,000
	<u>13,871,191</u>	<u>25,046,191</u>

31 December 2014	Lorena	Other Tenements	Corporate	Total
Revenue from continuing operations	-	-	1,822	1,822
Accounting and audit expense	-	-	(32,106)	(32,106)
Corporate expenses	-	-	(131,859)	(131,859)
Depreciation and amortisation expense	-	-	(19,128)	(19,128)
Employee benefits expense	-	-	(94,103)	(94,103)
Exploration expenditure expensed	(152,512)	(14,914)	-	(167,426)
Finance costs	-	-	(220,322)	(220,322)
Occupancy expenses	-	-	(29,871)	(29,871)
Impairment of exploration assets	(10,900,000)	(275,000)	-	(11,175,000)
Loss before income tax expense	(11,052,512)	(289,914)	(525,567)	(11,867,993)
Income tax expense	-	-	-	-
Net loss for the half year	(11,052,512)	(289,914)	(525,567)	(11,867,993)

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2014

1 SEGMENT INFORMATION (CONTINUED)

31 December 2013

Revenue from continuing operations

Accounting and audit expense

Corporate expenses

Depreciation and amortisation expense

Employee benefits expense

Exploration expenditure expensed

Finance costs

Occupancy expenses

Loss on disposal of non current asset

Loss before income tax expense

Income tax expense

Net loss for the year

	Lorena	Other Tenements	Corporate	Total
Revenue from continuing operations	-	-	79,355	79,355
Accounting and audit expense	-	-	(30,621)	(30,621)
Corporate expenses	-	-	(156,476)	(156,476)
Depreciation and amortisation expense	-	-	(27,151)	(27,151)
Employee benefits expense	-	-	(158,678)	(158,678)
Exploration expenditure expensed	(267,480)	(87,681)	-	(355,161)
Finance costs	-	-	(116,662)	(116,662)
Occupancy expenses	-	-	(31,934)	(31,934)
Loss on disposal of non current asset	-	-	(766)	(766)
Loss before income tax expense	(267,480)	(87,681)	(442,933)	(798,094)
Income tax expense	-	-	-	-
Net loss for the year	(267,480)	(87,681)	(442,933)	(798,094)

10 MATTERS SUBSEQUENT TO THE END OF THE PERIOD

The Company and BCD are in discussions regarding a restructure of the JVA in order that works at Lorena can re-commence as soon as practicable. As part of that restructure BCD has requested that the Company offer some or all of its 100% interest in the Lorena Mining Leases as security to assist with project funding. The Group is also continuing to investigate its own funding requirement and options should these negotiations not be successful in the short term.

The Lorena gold project remains a viable and robust project.

Subsequent to period end, the Group raised an additional \$125,000 by the issue of one Convertible Note (with a face value of \$50,000), a \$50,000 loan from a Director (who executed a subscription agreement for one Convertible Note with a face value of \$50,000 which is subject to shareholder approval) and a loan of \$25,000 from key management.

At the date of this report, the Group received firm commitments from Convertible Noteholders to the total face value of \$1,750,000 to extend the maturity date for six months on the existing terms with an extension fee of 1.75% of the face value of the Convertible Notes payable in Company shares (at a 20% discount to the Company's 30 day trading volume weighted average share price).

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.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR 31 DECEMBER 2014

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date, and
- (b) Whilst there are conditions that may cast significant doubt on the Group's ability to continue as a going concern as outlined in note 1(a), there are reasonable grounds to believe that Malachite Resources Limited will be able to pay its debts as and when they become due and payable.

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

16 March 2015



Terry Cuthbertson
Non-Executive Chairman



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Malachite Resources Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Malachite Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Malachite Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Malachite Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1 (a) in the financial report which indicates that the consolidated entity has experienced operating losses and negative operating cash flows during the period ended on 31 December 2014. 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 funding through equity or debt in the short term; negotiating a restructure of the joint venture agreement with BCD Resources NL in order for the development of the Lorena Gold Project to be completed as soon as practicable; alternatively being successful in developing the project using the Group's own resources through the raising of appropriate funding for the project; extending the maturity of the Convertible Notes initially for a period of six months and if necessary for a longer period of time to suit available resources and the timing of the cash flows from the Lorena Gold Project or alternatively, converting the Convertible Notes into shares or redeeming them via a capital raising. These conditions, along with other matters as set forth in Note 1 (a), indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

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A handwritten signature in black ink, appearing to read 'Craig Thomason', with a long horizontal flourish extending to the right.

Craig Thomason
Partner

Sydney
16 March 2015