



Chesser Resources Limited

ABN 14 118 619 042

Annual Report

for the year ended 30 June 2016

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Directors' report

The directors of Chesser Resources Limited (the "Company") submit herewith the annual report of the Company and the entities it controlled for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors and Company Secretary

The following persons were directors of Chesser Resources Limited during the whole of the year under review and up to the date of this report, unless otherwise stated:

Mr Simon O'Loughlin, Non-Executive Chairman
Mr Simon Taylor, Non-Executive Director
Mr Stephen Kelly, Executive Director
Mr Gabriel Radzynski, Non-Executive Director (resigned 11 March 2016)
Mr Frank Terranova, Non-Executive Director (resigned 15 October 2015)
Mr Philip Amery, Non-Executive Director (resigned 15 October 2015)

Mr Simon O'Loughlin, BA(Acc) (Non-Executive Chairman)

Mr O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. For many years he has practiced both in Sydney and Adelaide, in the corporate and commercial fields with, in more recent times, a particular focus on the resources sector. He also holds accounting qualifications. He is the Chairman of Lawson Gold Limited and a Non-Executive Director of WCP Resources Limited and Goldminex Ltd.

Mr O'Loughlin has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and back-door listing of numerous companies on the ASX and National Stock Exchanges. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Former directorships in last 3 years

In the last 3 years he has been a director of Oncosil Ltd, Aura Energy Ltd, Reproductive Health Science Ltd and Kibaran Resources Ltd.

Mr Simon Taylor, BSc(Geology), MAIG, GCertAppFin (Finsia) (Non-Executive Director)

Mr Taylor is a geologist with 20 years' experience throughout Australia and overseas having held senior geologist and exploration manager positions for numerous ASX listed resource companies. He has gained considerable experience in exploration, project assessment and joint venture negotiations. His experience includes providing consulting services to resource companies and financial corporations as a resource analyst. Mr Taylor's corporate experience includes project appraisal, advice on placements and fundraising. He is a member of the Australian Institute of Geoscientists and is the Managing Director of Oklo Resources Limited and Non-Executive Director of TW Holdings Limited.

Former directorships in last 3 years

King Solomon Mines Limited and Agui Resources Limited.

Mr Stephen Kelly, B.Bus, ACA (Executive Director, Company Secretary and Chief Financial Officer)

Mr Kelly was appointed as the Company Secretary and Chief Financial Officer of the Company on 15 November 2012. A qualified Australian Chartered Accountant, Mr Kelly was previously Chief Financial Officer at Allied Gold Mining PLC. He has more than 25 years' international experience in the areas of external and internal audit, risk management and compliance, treasury and corporate finance across a range of industry sectors including mining, infrastructure, property development and banking and finance.

Former directorships in last 3 years

Nil

Directors' report (continued)

Interests in the shares and options of the Company

As at the date of this report, the interests of the directors in the shares and options of Chesser Resources Ltd were:

	Number of Ordinary Shares [#]	Number of Options over Ordinary Shares [#]
Mr Simon O'Loughlin	812,500	-
Mr Simon Taylor	1,500,000	-
Mr Stephen Kelly	-	600,000

[#] Includes shares in which the Director has an indirect interest through associated entities.

Meetings of Directors

The number of meetings of the Company's board of directors and each board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each director were as follows:

Number of meetings held	Board Meetings 6	
	Number of meetings eligible to attend	Number of meetings attended
F Terranova (resigned 15 October 2015)	3	3
S Taylor	6	6
S O'Loughlin	6	6
P Amery (resigned 15 October 2015)	3	3
G Radzynski (resigned 11 March 2016)	5	5
S Kelly	6	6

The full Board fulfilled the roles of the Audit, Risk and Compliance Committee during the financial year.

Dividends

No dividends were paid or declared since the start of the financial period to the date of this report. No recommendation for payments of dividends has been made.

Principal activities

The significant activities undertaken by the Company during the half-year are summarised below.

Equal Access Buy-Back

On 4 September 2015, the Company's Shareholders approved the implementation of the 3.43 cent per share Equal Access Buy Back (EABB).

The EABB closed on 6 October 2015 with acceptances received from shareholders for 101,673,563 shares.

On 15 October 2015 the Company made payments totalling \$3,487,404 to Shareholders to complete the Equal Access Buy Back process.

Farm In Agreement for the Kurnalpi Nickel Project

On 15 October 2015, the Company announced that it had executed a Binding Agreement Letter (Agreement) with Mithril Resources Ltd (ASX: MTH) to earn up to an 80% interest in two tenements (EL28/2506 and PL28/1271) located at Kurnalpi, approximately 60 kilometres north east of Kalgoorlie.

The Kurnalpi Project tenements are wholly-owned by Mithril and cover Archaen ultramafic / mafic sequences

Directors' report (continued)

which are prospective for both nickel sulphide and lode gold mineralisation.

The terms of the farm-in agreement are as follows:

- Chesser has reimbursed Mithril its tenement acquisition costs amounting to \$17,389.
- Chesser can earn an initial 51% interest in EL28/2506 and PL28/1271 by completing expenditure of \$150,000 over 2 years.
- Chesser can elect to earn an additional 29% interest through further expenditure of \$100,000 over a further 2 years (in total 80% by spending \$250,000 over 4 years).
- Once Chesser has earned its 80% interest, Mithril has the right to contribute on a pro rata basis or dilute as per industry standard formula. If Mithril's interest dilutes below 10% it will be deemed to have withdrawn and will be entitled to receive a 1.5% Net Smelter Royalty on all minerals.
- Chesser is required to keep the tenements in good standing at all times and can withdraw from the Agreement with 30 days' notice provided the tenements are in good standing.

Operating result

The Group's loss after providing for income tax amounted to \$452,925 (2015: Profit \$18,987,687). Included in the operating loss for the financial year was a profit from discontinued operations of \$Nil (2015: Profit from discontinued operations of \$20,276,328). The discontinued operations in the prior period comprised the disposal of the Company's ownership interests in the Kestanelik, Catak and Sisorta Gold Projects and the disposal of the Company's Turkish subsidiaries.

Matters subsequent to the end of the financial year

There has been no matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the result of those operations or the Group's state of affairs.

Likely developments and expected results of operations

In addition to the Company's investment in the Mithril JV, the Chesser Board is continuing to review other investment opportunities that are available to the Company. The focus of this review is to identify investment opportunities that meet the Company's investment criteria and is not restricted to specific sectors or industries.

Environmental regulation

The Company was not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

Tenements

As at 30 June 2016 the Group did not have any interests in mining tenements.

Significant changes in state of affairs

Other than as disclosed in this report and the accompanying financial report, there were no other significant changes in the Group's state of affairs during the course of the financial year.

Directors' report (continued)

Shares under Option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

<u>Grant Date</u>	<u>Vest Date</u>	<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of options</u>
14/12/2012	14/12/2012	13/12/2016	\$0.50	500,000
14/12/2012	14/12/2012	13/12/2016	\$0.55	1,000,000
14/12/2012	14/12/2012	13/12/2016	\$0.60	1,500,000
14/12/2012	14/12/2012	13/12/2016	\$0.65	1,000,000
14/12/2012	14/12/2012	13/12/2016	\$0.70	1,000,000
14/12/2012	14/12/2012	13/12/2016	\$0.75	1,000,000
01/2/2013	01/02/2013	31/01/2017	\$0.35	200,000
01/2/2013	01/02/2014	31/01/2017	\$0.40	200,000
01/2/2013	01/02/2015	31/01/2017	\$0.45	200,000
20/10/2014	20/10/2014	31/12/2016	\$0.26	500,000
				7,100,000

Shares issued as a result of the exercise of options

No shares were issued during the financial year as a result of the exercise of options.

Remuneration Report

(a) Policy for determining the nature and amount of key management personnel remuneration

The Board of Chesser Resources Limited is responsible for determining and reviewing compensation arrangements for the Directors, Managing Director and the Executive Team. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Group. In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

(i) Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Remuneration of non-executive directors is determined by the Board, within the maximum amount approved by the shareholders from time to time (currently set at an aggregate of \$400,000 per annum). The Board intends to undertake an annual review of its performance and the performance of the Board committees against goals set at the start of the year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Group. Non-Executive Directors receive an annual fee of \$40,000 inclusive of superannuation.

Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services. During the financial year Mr Simon Taylor received additional fees totalling \$11,000 for services provided in relation to the management of the Company's participation in the Kurnalpi

Joint Venture and services provided in relation to the assessment of investment opportunities in the resources sector.

(ii) Senior Executive Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for Group and individual performance against agreed targets;
- Align the interest of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board has had regard to market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with all senior executives.

(iii) Variable Remuneration – Short and Long Term Incentives

Objective

The objectives of the incentives plan are to:

- Recognise the ability and efforts of the employees of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- Provide an incentive to the employees to achieve the long term objectives of the Group and improve the performance of the Group; and
- Attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its employees.

Structure

Long term incentives granted to senior executives are delivered in the form of options in accordance with an Employee Share Option Plan. As part of the Group's annual strategic planning process, the Board and management agree upon a set of financial and non-financial objectives for the Group. The objectives form the basis of the assessment of management performance and vary but are targeted directly to the Group's business and financial performance and thus to shareholder value.

(b) Remuneration, Group performance and shareholder wealth

The development of remuneration policies and structures is considered in relation to the effect on Group performance and shareholder wealth. They are designed by the Board to align Director and Executive behaviour with improving Group performance and ultimately shareholder wealth.

The Board considers at this stage in the Group's development, that share price growth itself is an adequate measure of total shareholder return.

Executives are currently remunerated by a combination of cash base remuneration and options. The options granted are considered by the Board to provide an alignment between the employees and shareholders interests.

The table below shows for the current financial year and previous four financial years the total remuneration cost of the key management personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end.

Directors' report (continued)

Financial Year	Total Remuneration \$	EPS (Cents)	Dividends (Cents)	Share Price (Cents)
2016	202,546	(0.31)	-	3.2 [#]
2015	1,282,075	8.59	-	3.4 [#]
2014	1,182,962	(3.27)	-	12
2013	1,845,018	(2.72)	-	10
2012	832,632	(2.16)	-	30

[#] The share price at 2016 and 2015 reflects the impact of the capital return of 15 cents per share made by the Company in December 2014.

Given the stage of the Company's development and the fact that it does not currently have any revenue producing operations, the Board does not consider EPS or dividends paid or declared to be meaningful measures for assessing executive performance.

Key management personnel

The following persons were key management personnel of the Group during the financial year (unless noted otherwise the persons listed were key management personnel for the whole of the financial year):

Name	Position Held
Simon O'Loughlin	Non-Executive Director
Simon Taylor	Non-Executive Director
Stephen Kelly	Executive Director, CFO and Company Secretary
Frank Terranova	Non-Executive Chairman (resigned 15 October 2015)
Philip Amery	Non-Executive Director (resigned 15 October 2015)
Gabriel Radzynski	Non-Executive Director (resigned 11 March 2016)

The Company has entered into a Consultancy Agreement with KCG Advisors Pty Ltd pursuant to which Mr Kelly was engaged to provide Chief Financial Officer and Company Secretarial services to the Company effective from 11 May 2015. The key terms of the Agreement are:

- KCG Advisors Pty Ltd to receive \$225 per hour, exclusive of GST, for services provided by Mr Kelly.
- Unless otherwise agreed between the parties, a monthly cap of \$6,500, exclusive of GST, will apply to payments to KCG Advisors Pty Ltd; and
- The Agreement may be terminated by either party at any time on the giving of not less than one month's notice in writing.

Directors' report (continued)

(c) Details of remuneration

Compensation paid, payable or provided by the Group or on behalf of the Group, to key management personnel is set out below. Key management personnel include all Directors of the Group and certain executives who, in the opinion of the Board and Managing Director, have authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

2016	Cash salary and fees	Superannuation	Total remuneration	Proportion of remuneration that is performance based
	\$	\$	\$	%
<i>Non-Executive Directors</i>				
Frank Terranova (resigned 15 October 2015)	6,260	595	6,855	-
Simon O'Loughlin	36,200	3,800	40,000	-
Simon Taylor	47,200	3,800	51,000	-
Phillip Amery (resigned 15 October 2015)	5,160	490	5,650	-
Gabriel Radzynski (resigned 11 March 2016)	21,041	-	21,041	-
Total Non-Executive Directors	115,861	8,685	124,546	-
<i>Executive Directors</i>				
Stephen Kelly	78,000	-	78,000	-
Total Executive Directors	78,000	-	78,000	
Total Key Management Personnel Compensation	193,861	8,685	202,546	

During the financial year Mr Simon Taylor received additional fees totalling \$11,000 for services provided in relation to the management of the Company's participation in the Kurnalpi Joint Venture and services provided in relation to the assessment of investment opportunities in the resources sector.

Directors' report (continued)

2015	Short-term employee benefits		Termination Benefits	Post-employment benefits	Total Cash payments	Share-based payments	Total remuneration	Proportion of remuneration that is performance based ⁽²⁾
Name	Cash salary and fees	Cash Bonuses ⁽³⁾		Super-annuation		Options ⁽¹⁾		
	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-Executive Directors</i>								
Frank Terranova	5,000	-	-	463	5,463	-	5,463	-
Simon O'Loughlin	36,667	-	-	3,392	40,059	-	40,059	-
Simon Taylor	36,667	-	-	3,392	40,059	-	40,059	-
Phillip Amery	4,167	-	-	385	4,552	-	4,552	-
Gabriel Radzynski	4,167	-	-	385	4,552	-	4,552	-
Robert Reynolds	36,747	-	-	3,399	40,146	-	40,146	-
Peter Lester	24,641	-	-	2,279	26,920	-	26,920	-
Morrice Cordiner	24,641	-	-	2,279	26,920	-	26,920	-
Total Non-Executive Directors	172,697	-	-	15,974	188,671	-	188,671	-
<i>Executive Directors</i>								
Richard Valenta	165,846	40,000	327,989	19,638	553,474	-	553,474	7%
Stephen Kelly	263,564	75,000	19,282	33,706	391,551	6,883	398,434	19%
Total Executive Directors	429,410	115,000	347,271	53,344	945,025	6,883	951,908	
<i>Other Key Management Personnel</i>								
Nigel Ricketts	62,960	50,000	-	11,036	123,996	17,500	141,496	35%
Total Other Key Management Personnel	62,960	50,000	-	11,036	123,996	17,500	141,496	
Total Key Management Personnel Compensation	665,067	165,000	347,271	80,354	1,257,692	24,383	1,282,075	

(d) Share-based compensation

Details of options over ordinary shares in the Group provided as remuneration to each director of Chesser Resources Limited and each of the key management personnel of the parent entity and the Group are set out in section (e) below. When exercisable, each option is convertible into one ordinary share of Chesser Resources Limited.

There were no grants of options that affected remuneration in the current or will affect remuneration in a future reporting period.

Options are granted to attract, retain and incentivise key management personnel.

The board has rules that contain restrictions on removing the 'at risk' aspect of the options granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

There are no performance hurdles attaching to the options granted other than service vesting conditions. In the event of termination (specified circumstances) only vested options are entitled to be exercised. Unvested options are forfeited.

There were no changes during the financial year in options over ordinary shares in the Group provided as remuneration to each director of Chesser Resources Limited and each of the key management personnel of the group. During the year ended 30 June 2015, 500,000 options were issued to persons who ceased to be key management personnel.

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 remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, 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.

Shares provided on exercise of remuneration options

No shares were issued as a result of the exercise of options during the year.

(e) Unlisted option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director and each key management person of the Group, including their personally related parties, are set out below:

2016 Name	Balance at start of year	Granted as compensation	Exercised	Ceasing to be a key management person	Balance at end of the year	Vested and exercise- able	Unvested
Directors of Chesser Resources Limited							
F Terranova	-	-	-	-	-	-	-
S Taylor	-	-	-	-	-	-	-
S O'Loughlin	-	-	-	-	-	-	-
G Radzyninski	-	-	-	-	-	-	-
P Amery	-	-	-	-	-	-	-
S Kelly	600,000	-	-	-	600,000	600,000	-
	600,000	-	-	-	600,000	600,000	-

Directors' report (continued)

2015 Name	Balance at start of year	Granted as compensation	Exercised	Ceasing to be a key management person	Balance at end of the year	Vested and exercise- able	Unvested
Directors of Chesser Resources Limited							
F Terranova	-	-	-	-	-	-	-
S Taylor	-	-	-	-	-	-	-
S O'Loughlin	-	-	-	-	-	-	-
G Radzyninski	-	-	-	-	-	-	-
P Amery	-	-	-	-	-	-	-
S Kelly	600,000	-	-	-	600,000	600,000	-
R Valenta	-	-	-	-	-	-	-
R Reynolds	2,000,000	-	-	(2,000,000)	-	-	-
P Lester	2,000,000	-	-	(2,000,000)	-	-	-
M Cordiner	2,000,000	-	-	(2,000,000)	-	-	-
Other key management personnel of the Group							
N Ricketts	-	500,000	-	(500,000)	-	-	-
	6,600,000	500,000	-	(6,500,000)	600,000	600,000	-

(f) Share holdings

The number of shares in the Company held during the financial year by each director of Chesser Resources Ltd 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 (2015: nil).

2016	Balance at the start of the year	Shares held on appointment as key management personnel	Purchases / (disposals) during the year	Shares held on ceasing to be key management personnel	Balance at the end of the year
Directors of Chesser Resources Limited					
Ordinary shares					
F Terranova	3,000,000	-	(3,000,000)	-	-
S Taylor	1,500,000	-	-	-	1,500,000
S O'Loughlin	1,625,000	-	(812,500)	-	812,500
G Radzyninski	43,979,000	-	(17,000,000)	(26,979,000)	-
P Amery	-	-	-	-	-
S Kelly	1,268,319	-	(1,268,319)	-	-
Other key management personnel of the Group					
N Ricketts	-	-	-	-	-
	51,372,319	-	(22,080,819)	(26,979,000)	2,312,500

Directors' report (continued)

2015	Balance at the start of the year	Shares held on appointment as key management personnel	Purchases / (disposals) during the year	Shares held on ceasing to be key management personnel	Balance at the end of the year
Directors of Chesser Resources Limited Ordinary shares					
F Terranova	-	13,300,000	(10,300,000)	-	3,000,000
S Taylor	1,500,000	-	-	-	1,500,000
S O'Loughlin	1,625,000	-	-	-	1,625,000
G Radzyminski	-	43,979,000	-	-	43,979,000
P Amery	-	832,577	(832,577)	-	-
S Kelly	1,181,818	-	86,501	-	1,268,319
R Reynolds	2,372,728	-	-	(2,372,728)	-
R Valenta	3,065,000	-	-	(3,065,000)	-
P Lester	200,000	-	-	(200,000)	-
M Cordiner	807,773	-	-	(807,773)	-
Other key management personnel of the Group					
N Ricketts	-	-	-	-	-
	10,752,319	58,111,577	(10,746,076)	(6,445,501)	51,372,319

No shares were received by key management personnel on the exercise of options during the year.

(i) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year.

(j) Other transactions with key management personnel

There were no other transactions with key management personnel.

(k) Voting and comments made at the Company's 2015 Annual General Meeting

The Company received more than 97% of "yes" votes on its remuneration report for the financial year ended 30 June 2015. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of Remuneration Report

Insurance of officers

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Group

The Group is not aware that any person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a

Directors' report (continued)

party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

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

Non-audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Group are important. No non-audit assignments were engaged with the auditor during the year (2015: none)

Non-audit services	2016	2015
	\$	\$
<i>Pitcher Partners</i>		
Tax advice services	-	-
Tax compliance services	-	-
Total remuneration for non-audit services	-	-

Details of the amounts paid or payable to the auditor, Pitcher Partners for audit services provided during the year are set out in note 17 to the financial report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

Auditor

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

Rounding of amounts in accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191

The amounts in the Directors' report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors.



Stephen Kelly,
Executive Director
Brisbane, 30 September 2016



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN

The Directors
Chesser Resources Limited
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South Brisbane QLD 4101

Auditor's Independence Declaration

As lead auditor for the audit of Chesser Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Chesser Resources Limited and the entities it controlled during the year.

PITCHER PARTNERS

Nigel Batters
Partner

Brisbane, Queensland
30 September 2016

Corporate Governance Statement (continued)

Corporate Governance Statement

Introduction

The Board of directors is responsible for the corporate governance of Chesser Resources Limited (the Company) and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX corporate governance council and required under ASX listing rules. The Group details below the corporate government practices in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX corporate governance council unless otherwise stated.

Principle 1: Lay solid foundations for management and oversight

Board Responsibilities

The Board is accountable to the Shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the Board to the Executive Director and ultimately to senior executives.

The key responsibilities of the board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the managing director and senior executives against the objectives and performance indicators established by the Board;
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- Overseeing the implementation and management of effective safety and environmental performance systems;
- Ensuring all major business risks are identified and effectively managed; and
- Ensuring that the Group meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Group's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

The Company has adopted a Board Charter that may be viewed on the Company's website www.chesserresources.com.au.

Principle 2: Structure the board to add value

Size and composition of the Board

At the date of this statement the board consists of two non-executive directors, both of whom are considered to be independent, and one executive director. The majority of Directors and the Chairman are independent. Directors are expected to bring independent views and judgement to the Board's deliberations.

- | | |
|-----------------------|--|
| • Mr Simon O'Loughlin | Non-Executive Director (Appointed 2 March 2006) |
| • Mr Simon Taylor | Non-Executive Director (Appointed 29 March 2007) |
| • Mr Stephen Kelly | Executive Director (Appointed 12 February 2015) |

The Board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of directors including details of their qualifications and experience are set out in the Directors' Report of this Financial Report.

Independence

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential

Corporate Governance Statement (continued)

transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Messrs O'Loughlin and Taylor are considered independent directors as they have no other material relationship or association with the Company or its subsidiaries other than their directorships. The Company therefore has two independent, Non-Executive directors as that relationship is currently defined.

Nomination, retirement and appointment of Directors

The full Board has approved the Charter for the Nomination Committee which provides that the full Board will perform the function of a Nomination Committee. A copy of the Charter is available on the Company's website www.chesserresources.com.au

The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.

The roles and responsibilities of the Nomination Committee are to:

- (a) *Size and Composition of the Board.* To ensure that the Board has the appropriate blend of directors with the necessary expertise and relevant industry experience, the Nomination Committee shall:
 - (i) regularly review the size and composition of the Board;
 - (ii) identify and assess necessary and desirable director competencies and provide advice on the competency levels of directors with a view to enhancing the Board;
 - (iii) make recommendations on the appointment and removal of directors;
 - (iv) make recommendations on whether any directors whose term of office is due to expire should be nominated for re-election; and
 - (v) regularly review the time required from non-executive directors and whether non-executive directors are meeting that requirement.

The Board has not considered it necessary to create a formal document setting out the particular skills of the existing Board. However, pursuant to the Board Charter, the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful implementation of the Company's strategy.

- (b) *Selection Process of new Directors.* The Nomination Committee is empowered to engage external consultants in its search for a new director. The initial appointment of a new Director is made by the Board. The Company undertakes appropriate checks before appointing a person as a Director of the Company and a written agreement setting out the terms of the Director's appointment is entered into. A newly appointed Director will be required to stand for election at the Company's next general meeting. When the election of a Director is put to security holders at a meeting of members, all material information relevant to the vote, including the Director's qualifications and relevant professional experience is incorporated in the meeting documents.
- (d) *Induction process.* The Company does not have a formal induction program in place for new Directors. However, as part of their individual appointments, the Board carefully reviews the suitability of each new Director which includes an assessment of their skills and qualifications.
- (c) *Performance Appraisal Competency.* The Nomination Committee shall develop a process for evaluation of the performance of the Board, Board committees (if any), and when deemed appropriate by the Chair, individual Board members. The objective of this evaluation will be to provide best practice corporate governance to the Company. As at the date of this report the Board has not completed the performance evaluation of the Directors.
- (d) *Succession Plans.* The Nomination Committee shall review the Company's succession plans. Succession plans are to assist in maintaining the appropriate balance of skills, experience and expertise on the Board. No Director, except an Executive Director may hold office for more than three years without

Corporate Governance Statement (continued)

re-submitting for re-election. The Company has not adopted a policy in relation to the retirement or tenure of Directors.

Board Committees

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role.

The Board has established an Audit, Risk and Compliance Committee, a Remuneration Committee and a Nomination Committee. Under their respective Charters, the full Board serves as the Audit, Risk and Compliance Committee, Remuneration Committee and the Nomination Committee. The Board considers this to be appropriate given the current size and scope of the Company's operations and considers that no efficiencies or other benefits would be obtained by establishing separate sub-committees. As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming separate sub-committees.

The Board approved Charter for each Board Committee is available on the Company's website www.chesserresources.com.au.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards. The Board has adopted a formal code of conduct applying to the Board and all Employees. The Code of Conduct may be accessed via the Company's website www.chesserresources.com.au.

The Code of Conduct recognises that the Company (which includes Directors, senior executives, employees, officers, contractors, sub-contractors and agents) is committed to the following principles:

- a) To complying with the laws and regulations of each country in which the Company operates;
- b) To increasing shareholder value and to ensuring shareholders are fully informed as to the true position and performance of the Company through timely and accurate disclosure of information;
- c) To the disclosure and management of any direct, indirect, actual, potential or perceived conflict of interest;
- d) To ensuring that no Directors, senior executives, employees, officers, contractors, sub-contractors and agents or their associated parties unlawfully derives a benefit through the abuse or misuse of their position or by using for personal gain confidential information obtained through their association with the Company;
- e) To not divulge any confidential information about the Company, its employees or its counterparties without appropriate authorization;
- f) To providing a healthy and safe workplace free of any form of discrimination or harassment;
- g) To not directly, or indirectly offer, pay, solicit or accept bribes, secret commissions or other similar payments or benefits in the course of conducting business; and
- h) To act as a responsible corporate citizen and actively support the communities in which the Company operates and to contribute to the needs of those communities.

Securities Trading Policy

The Company's Securities Trading Policy regulates dealings in shares and other securities of the Company by directors, employees and contractors (restricted persons) of the Company. The policy aims to ensure that trading in the Company's shares is fair and appropriate and maintains the reputation of the Company. The Securities trading Policy may be viewed on the Company's website at www.chesserresources.com.au.

The Securities Trading Policy prescribes that directors, employees and contractors (designated persons) may only trade in the Company's securities if the proposed dealing is:

- (a) excluded trading under the policy (including the exercise of options or transactions that do not otherwise change the beneficial holding of the designated person in the Company's securities) ; or
- (b) outside a *Closed Trading Period*; or
- (c) within a *Closed Trading Period* and the *Designated Person* has obtained written clearance from the appropriate authority as set out below and an *Exceptional Circumstance* applies.

Corporate Governance Statement (continued)

Under the Securities Trading Policy, "Closed trading period" includes the following:

- (a) from the first day of January until the second day following the public release of the Company's half year results;
- (b) from the first day of July until the second day following the public release of the sooner to occur of the Company's preliminary or final full year results;
- (c) from the first day following the close of each Quarter for which the Company is required to provide a periodic Quarterly report to the ASX until the second day following the release of that report to the ASX;
- (d) any other periods from time to time when Chesser Resources is considering matters which are subject to ASX Listing Rule 3.1 (Continuous Disclosure) as resolved by the Board;
- (e) any other periods when Designated Persons are not permitted to Deal in Company Securities as specified by any stock or security exchange that the Company is or may be listed upon; and
- (f) any other period when a Designated Person is in possession of Inside Information.

Directors must advise the Non- Executive Chairman before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Securities Exchange, the Company advises the ASX of any transaction conducted by directors in the Company's securities.

Diversity policy

Chesser's Board proactively encourages a culture which embraces diversity and equal opportunity throughout the Group and has put in place a Diversity Policy that may be viewed on the Company's website at www.chesserresources.com.au.

To support its objectives, the Company aims to identify programs that selectively develop and up skill its workforce, including those aimed at advancing females to senior executive positions.

Chesser operates in a competitive industry, where there is a strong demand for high calibre employees and Directors.

The Board of Directors is of the view that the best way to attract such high calibre candidates is to:

- a) establish and select from a diverse pool of candidates, and then
- b) make a decision based on the merit of the candidates.

The Company seeks to optimise its employment decision by:

- a) actively encouraging qualified applicants from a diverse range of backgrounds to apply for vacant positions;
- b) creating and fostering a diverse talent pool by its employment processes; and
- c) ensuring that its attraction, selection, employment and promotion processes and decisions (including where appropriate the selection processes used by external recruitment consultants to short list high calibre candidates) are conducted in line with the Company's Diversity principles.

Where appropriate, the Board will consider setting key performance indicators for the Board, the CEO and Key Management Personnel that are linked to the Diversity objectives set by the Board. The Board has not yet set measurable objectives for achieving gender diversity. Given the current state of the Group's development, and the limited number of employees the Board does not consider it appropriate to establish formal diversity targets at this time. The Board will review this position as circumstances change.

The number of women in the organisation is:

Number of women employees in the whole organisation	Nil
Number of women in senior executive positions	Nil
Number of women on the board	Nil

Corporate Governance Statement (continued)

Principle 4: Safeguard integrity in financial reporting

The Group aims to independently verify and safeguard the integrity of their financial reporting through establishment of the following structure:

- Review and consideration of the financial statements by the Audit, Risk and Compliance Committee;
- A process to ensure the independence and competence of the Group's external auditors.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises the full Board. The Board has approved a Charter for the Audit, Risk and Compliance Committee which may be viewed on the Company's website at www.chesserresources.com.au.

The Audit, Risk and Compliance Committee's primary responsibilities are to:

- a) review and assess the Company's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including applicable accounting standards;
- b) review and assess the appointment, qualifications, independence, performance and remuneration of, and relationship with, the Company's external auditors and the integrity of the audit process as a whole;
- c) oversee the effectiveness of the Group's systems of internal controls and risk management including considering the appropriateness of implementing an internal audit function; and
- d) oversee the policies and procedures for ensuring the Group's compliance with relevant regulatory and legal requirements.

Due to the scale and size of the Company's operations, the Board considers that it would not be efficient to implement an internal audit function at this time.

Principle 5: Make timely and balanced disclosure

The Company has a policy that all shareholders and investors have equal access to the Company's information. The Board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX. The Company Secretary has primary responsibility for all communications with the ASX and is accountable to the board through the chair for all governance matters.

The Company has established a Continuous Disclosure Policy that may be viewed on the Company's website www.chesserresources.com.au.

Principle 6: Respect the rights of shareholders

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

All information disclosed to the ASX is posted on the Company's web site www.chesserresources.com.au.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

Corporate Governance Statement (continued)

The Company has not designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.2 of the Corporate Governance Council. Given the size of the Company, the board does not consider design of, or disclosure of a communications policy to be appropriate. The board takes ultimate responsibility for these matters.

Principle 7: Recognise and manage risk

The Board has identified the significant areas of potential business and legal risk of the Group. The identification, monitoring and, where appropriate, the reduction of significant risk to the Group is the responsibility of the Managing Director and the Board. The Board has also established the Audit, Risk and Compliance committee which addresses the risk of the Group.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent Board meetings. Budgets are prepared and compared against actual results.

Management and the Board monitor the Group's material business risks and reports are considered at regular meetings. The Board has approved a Risk Management Policy and related Risk Management Framework that is in the process of being implemented. The Risk Management Policy may be viewed on the Company's website www.chesserresources.com.au.

The Executive Director is required to state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls as they relate to the preparation of the financial reports are operating efficiently and effectively.

As a mining explorer, the Company is faced with a number of economic, environmental and social sustainability risks. The Board, carrying out the functions of the Audit, Risk and Compliance Committee reviews and manages these risks on an ongoing basis.

Principle 8: Remunerate fairly and responsibly

Non-Executive Director's remuneration is clearly distinguished from that of executives. The Chairman and the non-executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$400,000. This amount cannot be increased without the approval of the Company's shareholders. Remuneration for Non-Executive Directors is not linked to the performance of the Company.

The Board has established a Remuneration Committee, the Charter for which may be viewed on the Company's website www.chesserresources.com.au. In accordance with that Charter, the full Board serves as the Remuneration Committee. Items that are usually discussed by a Remuneration Committee are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may arise when convening in the capacity of the Remuneration Committee by ensuring that no Directors participate in any deliberations regarding their own remuneration or related issues.

The Company enters into a written agreement with each Director and executive setting out the terms of their appointment. Given the size of the Company, the Board does not consider it appropriate to have in place a process for periodically evaluating the performance of its senior executives. Notably, the performance of the Executive Directors falls within the ambit of the Nomination Committee, and its functions are carried out by the full Board. Executive pay consists of a base salary. No short term or long term incentive programs are currently in place however this is reviewed on an ongoing basis taking into consideration to nature and scope of the Company's activities.

The Remuneration Report which forms part of the Directors' Report summarises the remuneration arrangements in place for directors and key management personnel of the Company.

Consolidated Income Statement

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue and other income	7	113,543	790,396
Employee benefits expense		(191,226)	(1,188,568)
Depreciation expense		(19,312)	(27,520)
Share options expense		-	(24,384)
Professional fees		(133,380)	(434,919)
Rental expense for office lease		(65,710)	(42,773)
Share registry and exchange listing fees		(75,832)	(99,497)
Loss on sale of financial assets at fair value through profit or loss		-	(70,149)
Other expenses		(81,008)	(191,227)
Loss before income tax from continuing operations		(452,925)	(1,288,641)
Income tax benefit from continuing operations	9	-	-
Loss for the period from continuing operations		(452,925)	(1,288,641)
Discontinued operations			
Profit / (loss) from discontinued operations	22	-	20,276,328
Profit / (loss) for the period		(452,925)	18,987,687
Profit / (loss) attributable to:			
Owners of the parent – continuing operations		(452,925)	(1,288,641)
Owners of the parent – discontinued operations		-	20,276,328
Non-controlling interests – discontinued operations		-	-
		(452,925)	18,987,687
Earnings per share:	19	Cents	Cents
Basic and diluted profit / (loss) per share – continuing and discontinued operations		(0.31)	8.59
Basic and diluted profit / (loss) per share – continuing operations		(0.31)	(0.58)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Profit / (loss) for the period		(452,925)	18,987,687
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		-	(2,287,385)
Reclassification of adjustments related to foreign operations disposed of during the year		-	(125,400)
Income tax relating to these items		-	-
Other comprehensive income for the period, net of tax		-	(2,412,785)
Total comprehensive profit / (loss) for the period		(452,925)	16,574,902
Total comprehensive profit / (loss) attributable to:			
Owners of Chesser Resources Limited		(452,925)	16,574,902
Non-controlling interests		-	-
		(452,925)	16,574,902

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	18(a)	3,964,589	7,894,885
Trade and other receivables	10	-	46,179
Other current assets	11	12,306	-
TOTAL CURRENT ASSETS		3,976,895	7,941,064
NON-CURRENT ASSETS			
Property, plant and equipment	12	-	19,312
Exploration and evaluation assets	13	38,820	-
TOTAL NON-CURRENT ASSETS		38,820	19,312
TOTAL ASSETS		4,015,715	7,960,376
CURRENT LIABILITIES			
Trade and other payables	14	111,889	116,221
TOTAL CURRENT LIABILITIES		111,889	116,221
TOTAL LIABILITIES		111,889	116,221
NET ASSETS		3,903,826	7,844,155
EQUITY			
Issued capital	15	5,838,418	9,325,822
Accumulated losses	16	(3,848,451)	(3,395,526)
Reserves	16	1,913,859	1,913,859
TOTAL EQUITY		3,903,826	7,844,155

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 2016

	Issued Capital Ordinary shares \$	Accumulated Losses \$	Reserves \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2015	9,325,822	(3,395,526)	1,913,859	-	7,844,155
Total comprehensive income					
Profit for the year	-	(452,925)	-	-	(452,925)
Total comprehensive (loss) for the year	-	(452,925)	-	-	(452,925)
Transactions with owners in their capacity as owners					
Return of capital paid	(3,487,404)	-	-	-	(3,487,404)
Balance at 30 June 2016	5,838,418	(3,848,451)	1,913,859	-	3,903,826

	Issued Capital Ordinary shares \$	Accumulated Losses \$	Reserves \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2014	42,476,896	(18,485,795)	(1,687,941)	2,092,783	24,395,943
Total comprehensive income					
Profit for the year	-	18,987,687	-	-	18,987,687
Other comprehensive Loss	-	(3,897,418)	3,577,416	(2,092,783)	(2,412,785)
Total comprehensive profit / (loss) for the year	-	15,090,269	3,577,416	(2,092,783)	16,574,902
Transactions with owners in their capacity as owners					
Return of capital paid	(33,151,074)	-	-	-	(33,151,074)
Share options issued	-	-	24,384	-	24,384
Balance at 30 June 2015	9,325,822	(3,395,526)	1,913,859	-	7,844,155

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Interest received		70,171	206,520
Payments to suppliers and employees		(539,846)	(3,112,649)
Realised foreign exchange gains		55,062	-
Research and development tax offset received		-	216,930
Net cash outflows used in operating activities	18(b)	(414,613)	(2,689,199)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(38,820)	(1,397,692)
Net proceeds from disposal of subsidiaries		-	43,294,945
Proceeds from the sale of financial assets at fair value through profit or loss		-	384,195
Net cash inflows / (outflows) from investing activities		(38,820)	42,281,448
Cash flows from financing activities			
Refund of security deposit		15,000	-
Capital return paid to shareholders		(3,487,404)	(33,151,074)
Net cash (outflows) used in financing activities		(3,472,404)	(33,151,074)
Net increase / (decrease) in cash and cash equivalents		(3,925,837)	6,441,175
Cash and cash equivalents at the beginning of the year		7,894,885	1,070,536
Effects of exchange rate changes on cash and cash equivalents		(4,459)	383,174
Cash and cash equivalents at the end of the year	18(a)	3,964,589	7,894,885

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

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Notes to the Financial Statements (continued)

For the year ended 30 June 2016

1. General information

Chesser Resources Limited (the Company) is a listed public company incorporated in Australia. The address of its registered office and principal place of business is Suite 1, 47 Park Road, Milton QLD 4064.

The entity's principal activity during the financial year was undertaking exploration activities in relation to the Kurnalpi Project in Western Australia.

2. Application of new and revised Accounting Standards

Adoption of New and Revised Standards

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations On Issue Not Yet Adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

3. Significant accounting policies

(a) Statement of compliance

The financial statements comprise the consolidated financial statements of the Group consisting of Chesser Resources Limited and its subsidiaries. The Company is a for-profit entity for the purpose of preparing the financial statements.

These financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with the other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 September 2016.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB2 and measurements that have some similarities to fair value but are not fair value such as value in use in AASB136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Chesser Resources Limited ("Company" or "parent entity") as at 30 June 2016 and the results of all subsidiaries for the year then ended. Chesser Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the 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 (refer to note 3(g)).

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(d) 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 Executive Director.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Government grants

Grants from government, including Australian Research and Development tax offsets, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

attached conditions.

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as other income when the grant becomes receivable.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Financial Performance over the expected useful life of the relevant asset by equal annual instalments.

Interest revenue

Interest is recognised using the effective interest method.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate 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.

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 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 is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is 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 amounts 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.

(g) 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 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 interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

The excess of the consideration transferred, the amount of any non-controlling interest 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.

(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 impairment are reviewed for possible reversal of impairment at each reporting date.

(i) Cash and cash equivalents

For cash-flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
- 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, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

exploration and evaluation expenditure to property and development assets within property, plant and equipment.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration and evaluation phases that give rise to the need for restoration. Accordingly, these costs will be recognised gradually over the life of the project as the phases occur.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other 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 uncollectable are written off by reducing the carrying amount directly.

(l) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the assets were acquired.

The Group has no held-to-maturity investments or available-for-sale financial assets.

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 are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at fair value through profit or loss

The Company has classified certain financial assets that were acquired principally for the purpose of being sold in the near term as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined using quoted market prices. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in revenue.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the 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.

(n) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

(o) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(p) Property, plant and equipment

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

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

Depreciation of assets is calculated on the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

<i>Classification</i>	<i>Rate</i>	<i>Depreciation Basis</i>
Plant and equipment	5 – 50%	Straight Line

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, expected to be settled wholly 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. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefits

The liability for long service leave and annual leave which is not expected to be settled wholly 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 expect 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

(iii) *Superannuation*

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(iv) *Share-based payments*

Share-based compensation benefits are provided to employees.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, 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 options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(r) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners 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 and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Goods and services tax (GST)

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 statement of financial position.

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.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(u) Foreign currency translation

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operated ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Chesser Resources Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(v) **Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(w) Parent entity financial information

The financial information for the parent entity Chesser Resources Limited, disclosed in note 21 has been prepared on the same basis as the consolidated financial statements except as set out below.

- (i) *Investments in subsidiaries, associates and joint venture entities*
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the Company. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.
- (ii) *Financial guarantees*
Where the Company has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.
- (iii) *Share based payments*
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

4. Financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, term deposits, trade and other receivables, financial assets at fair value through profit or loss and trade and other payables. The Group does not currently have any projects in production and as such the main purpose of these financial instruments is to provide liquidity to finance the Group's development and exploration activities. It is, and has been throughout the financial year, the Group's policy that no trading in speculative financial instruments shall be undertaken. The main risks arising from the Group's use of financial instruments are liquidity risk, counterparty or credit risk, interest rate risk and foreign currency risk. During the year the Group has had some transactional currency exposures, principally to the US dollar and the Euro. The Group has not entered into forward currency contracts to hedge these exposures due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements. Primary responsibility for identification and control of financial risk rests with the board of directors. However, the day-to-day management of these risks is under the control of the Managing Director and the Chief Financial Officer. The Board agrees the strategy for managing future cash flow requirements and projections.

The Group holds the following financial instruments:

	2016 \$	2015 \$
Financial Assets		
Cash and cash equivalents *	3,964,589	7,894,885
Trade and other receivables *	-	46,179
	3,964,589	7,941,064
Financial Liabilities		
Trade and other payables **	111,889	116,221
	111,889	116,221

* Loans and receivables category

** Financial liabilities at amortised cost category

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group's policy is to convert its local currency to the foreign currency at the time of the transaction. Foreign exchange risk arises from future commercial transactions and recognised financial liabilities denominated in a currency that is not the Group's functional currency (which is the Australian dollar).

The Group manages foreign exchange risk on an as-needs basis. The risk is measured using sensitivity analysis and cash-flow forecasting. The Group's exposure to foreign currency risk, expressed in Australian dollars at the reporting date, was as follows:

	2016 \$	2015 \$
Cash and cash equivalents - USD	4,492	2,671,924
<i>Total assets</i>	4,492	2,671,924
Trade and other payables	-	-
<i>Net exposure</i>	4,492	2,671,924

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A negative number in the table represents a decrease in the operating profit before tax and reduction in equity where the Australian dollar strengthens against the relevant currency. For a 10% strengthening of the Australian dollar against the relevant currency, there would be a comparable impact on the loss or equity, and the balances below would be positive.

	2016 \$	2015 \$
Profit / (loss) before tax and equity – 10% increase	449	267,192
Profit / (loss) before tax and equity – 10% decrease	(449)	(267,192)

(ii) Interest rate risk

The Group's exposure to interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates, as the Group intends to hold any fixed rate financial assets to maturity. At the end of the reporting period the Group maintained the following variable rate accounts:

	30 June 2016		30 June 2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	1.55%	3,964,589	2.15%	7,894,885

At the end of the reporting period, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

After-tax loss	Equity higher /
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Notes to the Financial Statements (continued)

For the year ended 30 June 2016

	higher / (lower)		(lower)	
	2016	2015	2016	2015
	\$	\$	\$	\$
+1% (100bp)	39,646	78,949	39,646	78,949
-1% (100bp)	(39,646)	(78,949)	(39,646)	(78,949)

(b) Credit risk

Credit risk primarily arises from cash and cash equivalents and term deposits deposited with banks and receivables. Cash and cash equivalents and term deposits are primarily placed with National Australia Bank Limited and AMP Bank Limited, which have independently rated credit rating of AA- and A+ respectively.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents in order to meet the Group's forecast requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in bank deposits. At reporting date, the Group did not have access to any undrawn borrowing facilities.

Maturity 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.

30 June 2016	Less than 3 months \$	Total contractual cash flows \$	Carrying amount \$
Trade and other payables	111,889	111,889	111,889
30 June 2015	Less than 3 months \$	Total contractual cash flows \$	Carrying amount \$
Trade and other payables	116,221	116,221	116,221

(d) Fair value estimation

Financial assets at fair value through profit or loss are carried at their fair value as determined by reference to quoted bid prices in an active, liquid market (Level 1). The carrying amount of other financial assets (net of any provision for impairment) and financial liabilities as disclosed above is assumed to approximate their fair values primarily due to their short maturities.

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.

5. Critical accounting estimates and judgements

The Group makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. As at 30 June 2016 there were no critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. Operating segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

Chief Financial Officer (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on a geographic basis, that is, the location of the respective Projects the Group is seeking to explore and develop. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments.

Activity by segment

Kurnalpi Project

The Kurnalpi Project is situated at Kurnalpi approximately 60 kilometres north east of Kalgoorlie. On 15 October 2015 the Company entered into an earn in joint venture agreement with Mithril Resources Limited to earn up to an 80% interest in the tenements comprising the project.

Kestanelik Project

The Kestanelik Project is situated in north western Turkey. During the prior financial year, the Company disposed of its 100% ownership interest in the Kestanelik Project for cash consideration of US\$40 million.

Sisorta Project

The Sisorta project is in north-eastern Turkey in which the Group had a 51% ownership interest. During the prior financial year, the Company disposed of its interest in the Sisorta Project for cash consideration of \$162,023.

Catak Project

During the prior financial year, the Company terminated its option to acquire an interest in the Catak Project.

Corporate

Expenditure incurred that is not directly allocated to other segments is reported as corporate costs in the internal reports prepared for the chief operating decision maker.

Accounting policies adopted

The Chief Operating Decision Maker assesses the performance of the operating segments based on a measure of gross expenditure that includes both expenditure that is capitalised in these financial statements and expenditure that is expensed in the income statement in these financial statements. The measurement of gross expenditure does not include the impairment of exploration expenditure but does include non-cash items such as depreciation expense and share based payments expense. Interest revenue is allocated to the Corporate segment. Other items of revenue are not allocated to segments.

i. Segment performance

	Kurnalpi Project \$	Corporate \$	Total \$
30 June 2016			
Total segment revenue	-	62,274	62,274
Total segment expenditure	(38,820)	(547,156)	(585,976)
Segment result	(38,820)	(484,882)	(523,702)
<i>Reconciliation of segment result to net loss before tax</i>			
Other income			51,269
Depreciation			(19,312)
Capitalised expenditure			38,820
Net loss before tax			(452,925)

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

30 June 2015	Kestanelik Project \$	Karaayi Project \$	Sisorta Project \$	Catak Project \$	Corporate and other costs \$	Total \$
Total segment revenue	-	-	-	-	191,923	191,923
Total segment expenditure	(552,978)	-	(75,041)	-	(2,027,133)	(2,655,152)
Segment result	(552,978)	-	(75,041)	-	(1,835,209)	(2,463,229)

Reconciliation of segment result to net loss before tax

Other income	598,473
Depreciation	(27,520)
Share based payments	(24,384)
Profit from discontinued operations	20,276,328
Capitalised expenditure	628,018
Net profit before tax	18,987,687

ii. Segment assets and liabilities

The segment information presented to the Chief Financial Officer does not include the reporting of assets and liabilities or cash flows by segment. As at 30 June 2016 and 30 June 2015 the Group's assets were located primarily in Australia.

	2016 \$	2015 \$
7. Revenue and other income – continuing operations		
Interest revenue	62,274	191,923
Foreign exchange gains	51,269	381,543
Research and development tax offset	-	216,930
	113,543	790,396

During the financial year the Group received \$Nil (2015: \$216,930) research and development refundable tax offset which has been accounted for as a government grant and included in other income. There are no unfulfilled conditions or other contingencies attaching to this grant, The Group did not benefit directly from any other forms of government assistance.

	2016 \$	2015 \$
8. Expenses – continuing operations		
Loss before income tax includes the following specific expenses:		
Rental expenses relating to operating leases – minimum lease rentals	65,710	68,155
Superannuation contributions	8,685	82,931

9. Income tax – continuing operations

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

(a) Income tax benefit

Current tax	-	-
Deferred tax	-	-
	-	-

(b) Deferred income tax/(revenue)

Deferred income tax/(revenue) included in tax expense comprises:

(Increase)/decrease in deferred tax assets	(152,941)	(148,290)
Increase/(decrease) in deferred tax liabilities	152,941	148,290
	-	-

(c) Reconciliation of income tax expense to prima facie income tax

Loss before income tax from continuing operations	(452,925)	(1,288,641)
Tax at the Australian tax rate of 30% (2015: 30%)	(135,878)	(386,592)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	-	7,315
Research and development offset	-	(65,079)
Other non-deductible expenses	-	154,637
Capital raising costs	(69,071)	(107,597)
	(204,949)	(397,316)
Deferred tax assets not recognised	204,949	397,316
Income tax benefit	-	-

(d) Deferred tax assets / liabilities comprise

Interest receivable	-	(2,369)
Accruals	7,800	11,216
Unrealised foreign exchange gains	-	(175,662)
S 40-880 capital raising expenses and legal fees	79,478	148,548
Capitalised exploration and evaluation expenditure	(11,646)	-
Prepayments	(3,691)	-
Tax losses available for offset against future taxable income	2,814,428	2,751,695
Net deferred tax assets	2,886,369	2,733,428
Deferred tax assets not recognised	(2,886,369)	(2,733,428)
	-	-

(e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Temporary differences and tax losses at 30% (2015: 30%)	2,886,369	2,733,428
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Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets. The benefit of the tax losses will only be available if the Company, or a tax consolidated group of which it is a member, derives future assessable income of a nature and of an amount sufficient to enable the benefit from the tax losses to be realised, has complied and continues to comply with conditions for deductibility imposed by current tax legislation and there are no adverse changes to such legislation. The conditions for deductibility of the carried forward tax losses (continuity of ownership test and continuity of business test) will need to be considered in light of any changes that may occur in both the ownership

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

	2016 \$	2015 \$
of the Company and the nature of the Company's business activities.		
10. Trade and other receivables		
Current		
Other receivables	-	46,179
11. Other current assets		
Prepayments	12,306	-
12. Property, plant and equipment		
Plant and equipment		
At cost	127,945	127,945
Accumulated depreciation	(127,945)	(108,633)
	-	19,312

Movements in property, plant and equipment during the year were as follows:

Carrying amount at beginning of year	19,312	159,525
Additions	-	-
Disposals	-	(112,693)
Depreciation	(19,312)	(27,520)
Carrying amount at end of year	-	19,312

Depreciation amounting to \$Nil was capitalised to exploration and evaluation expenditure during the year (2015: \$Nil).

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

	2015 \$	2015 \$
13. Exploration and evaluation expenditure		
At cost	38,820	-
Carrying amount at beginning of year	-	22,956,296
Impact of movements in foreign exchange rates	-	532,079
Additions	38,820	628,018
Disposals	-	(24,116,393)
Carrying amount at end of year	38,820	-

The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

14. Trade and other payables

Trade payables	107,175	79,605
Accruals	4,714	36,616
Total trade and other payables	111,889	116,221

Trade payables and accruals are unsecured, non-interest bearing and due 30 days from the date of recognition.

15. Contributed equity

Ordinary shares – fully paid	5,838,418	9,325,822
------------------------------	------------------	-----------

Effective 1 July, 1998 the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(a) Movements in share capital

Date	Details	No. of shares	Share price	\$
	Balance 30 June 2014	221,007,161		42,476,896
12 December 2014	Capital return paid to shareholders	-	\$0.15	(33,151,074)
	Balance 30 June 2015	221,007,161		9,325,822
7 October 2015	Share buy back	(101,673,563)	\$0.034	(3,487,404)
	Balance 30 June 2016	119,333,598		5,838,418

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available to meet the Group's forecast expenditure commitments.

In order to maintain or adjust the capital structure, the Group may seek to issue new shares.

Total capital is calculated as 'equity' as shown in the statement of financial position.

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

(c) Share options

At 30 June 2016, the following options for ordinary shares in the Company were on issue:

	2016 Number	2015 Number
Director and employee options	7,100,000	7,100,000

16. Reserves and accumulated losses

	2016 \$	2015 \$
(a) Reserves		
Share-based payments reserve	1,914,271	1,914,271
Foreign currency translation reserve	(412)	(412)
	<u>1,913,859</u>	<u>1,913,859</u>

Movements:

Share based payments reserve

Balance at beginning of year	1,914,271	1,889,887
Options issued	-	24,384
Balance at end of year	<u>1,914,271</u>	<u>1,914,271</u>

Movements:

Foreign currency translation reserve

Balance at beginning of year	(412)	(3,577,828)
Derecognition on disposal of overseas subsidiaries	-	3,577,416
Net exchange differences on translation of foreign controlled entities	-	-
Balance at end of year	<u>(412)</u>	<u>(412)</u>

(b) Accumulated losses

Movements:

Balance at beginning of year	(3,395,526)	(18,485,795)
Net profit / (loss) for the year	(452,925)	18,987,687
Derecognition of foreign currency translation reserve attributable to non-controlling interests in overseas subsidiaries disposed of	-	(3,897,418)
Balance at end of year	<u>(3,848,451)</u>	<u>(3,395,526)</u>

(c) Nature and purpose of reserves

Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued but not exercised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled subsidiaries.

2016 \$	2015 \$
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Notes to the Financial Statements (continued)

For the year ended 30 June 2016

17. Remuneration of auditors

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

(b) Pitcher Partners Brisbane

(i) Audit and assurance services

Audit and review of financial reports	30,000	26,000
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(ii) Non-audit services

Tax advice and compliance services	-	-
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Total remuneration of Pitcher Partners Brisbane	-	-
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Total auditors' remuneration	30,000	26,000
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18. Cash flow information

(a) Cash and cash equivalents

Cash at bank and on hand	3,964,589	7,894,885
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(b) Reconciliation of loss after income tax to net cash outflow from operating activities

Profit / (loss) for the year	(452,925)	18,987,687
------------------------------	-----------	------------

Gain on disposal of subsidiaries	-	(21,244,676)
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Share based payments	-	24,384
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Depreciation and amortisation	19,312	27,520
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(Gain) / loss on disposal of financial assets at fair value through profit or loss	-	70,149
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Net exchange differences	4,459	(349,535)
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Change in operating assets and liabilities (net of disposals):

(Increase)/decrease in trade or other receivables	18,874	47,441
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Increase/(decrease) in trade and other payables	(4,333)	(252,169)
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Net cash outflow from operating activities	(414,613)	(2,689,199)
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Notes to the Financial Statements (continued)

For the year ended 30 June 2016

19. Earnings per share

	2016 Cents	2015 Cents
Basic and diluted profit / (loss) per share – continuing and discontinued operations	(0.31)	8.59
Basic and diluted profit / (loss) per share – continuing operations	(0.31)	(0.58)

(b) Weighted average number of ordinary shares used as the denominator

	2016 Number	2015 Number
Number used in calculating basic earnings per share	<u>146,353,696</u>	<u>221,007,161</u>

(c) Information concerning earnings per share:

Options granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to options are set out in note 20. In 2016 and 2015 the options were anti-dilutive and are therefore not included in the calculation of diluted earnings per share. The options could potentially dilute basic earnings per share in the future.

20. Share based payments**Employee Share Option Plan**

The Group has established the Chesser Resources Limited Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- Eligible participants shall be full time or part time employees of the Company or an Associated Body Corporate.
- Options are granted under the Scheme at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option entitles the holder to subscribe for and be allotted one Share. Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue. The Options may not be exercised until the Shares have been quoted on ASX throughout the 12-month period immediately preceding that exercise of the Options, without suspension during that period exceeding in total 2 trading days.
- Unless the Directors in their absolute discretion determine otherwise, Options shall lapse upon the earlier of:
 - a. The expiry of the exercise period;
 - b. The Option holder ceasing to be within the category of Eligible Participant by reason of dismissal, resignation or termination of employments, office or services for any reason, except the Directors may resolve within 30 days of such dismissal, resignation or termination, that the Options shall lapse on other terms they consider appropriate;
 - c. The expiry of 1 year after the Option holder ceases to be within the category of Eligible Participant by reason of retirement; and
 - d. A determination by the Directors that the Option holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or an Associated Body Corporate.
- An option may not be transferred or assigned except that a legal personal representative of a holder of an Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Option after that production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.
- Options will not be quoted on ASX. However, application will be made to ASX for official quotation of the shares allotted pursuant to the exercise of options if the Company's shares are listed on ASX at that time.

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Scheme Rules subject to the requirements of the Australian Securities Exchange listing Rules.

The options hold no voting or dividend rights and are not transferable.

Set out below are summaries of options granted as share-based payments for services provided by directors and employees.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at 30 June 2016	Vested and exercisable at end of the year Number
2016								
14/12/2012	13/12/2016	\$0.50	500,000	-	-	-	500,000	500,000
14/12/2012	13/12/2016	\$0.55	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.60	1,500,000	-	-	-	1,500,000	1,500,000
14/12/2012	13/12/2016	\$0.65	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.70	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.75	1,000,000	-	-	-	1,000,000	1,000,000
01/2/2013	31/1/2017	\$0.35	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.40	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.45	200,000	-	-	-	200,000	200,000
20/10/2014	31/12/2016	\$0.26	500,000	-	-	-	500,000	500,000
			7,100,000	-	-	-	7,100,000	7,100,000
Weighted average exercise price			\$0.59				\$0.59	

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at 30 June 2016	Vested and exercisable at end of the year Number
2015								
04/03/2010	02/03/2015	\$0.18	105,000	-	-	(105,000)	-	-
14/12/2012	13/12/2016	\$0.50	500,000	-	-	-	500,000	500,000
14/12/2012	13/12/2016	\$0.55	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.60	1,500,000	-	-	-	1,500,000	1,500,000
14/12/2012	13/12/2016	\$0.65	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.70	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.75	1,000,000	-	-	-	1,000,000	1,000,000
01/2/2013	31/1/2017	\$0.35	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.40	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.45	200,000	-	-	-	200,000	200,000
20/10/2014	31/12/2016	\$0.26	-	500,000	-	-	500,000	500,000
			6,705,000	500,000	-	(105,000)	7,100,000	7,100,000
Weighted average exercise price			\$0.61	\$0.26		\$0.18	\$0.59	

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.5 years (2015 – 1.5 years). The assessed fair value at grant date of options issued is determined using the Black Scholes option pricing model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

No options were granted during the year ended 30 June 2016 (2015: 500,000 options issued).

The model inputs for options granted during the year ended 30 June 2015 included:

	Employee Options issued 20 October 2014
Option premium	\$Nil
Exercise price (before capital return)	\$0.26
Expiry date	31 December 2016
Vesting conditions	Vest immediately
Share price at grant date	\$0.15
Expected price volatility of the Company's shares	66%
Expected dividend yield	0%
Risk free interest rate	2.53%

The weighted average fair value of options granted was \$Nil (2015: \$0.035). The expected price volatility is based on historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

	2016 \$	2015 \$
Expenses arising from share-based transactions		
Options issued to directors and employees	-	24,384

21. Parent entity disclosures

As at and throughout the financial year ending 30 June 2016 and 30 June 2015 the parent entity of the Group was Chesser Resources Limited.

a) Summary financial information

The individual financial statements for the parent entity show the following aggregations.

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

	2016 \$	2015 \$
Chesser Resources Limited		
Results		
Profit / (loss) for the year	(431,128)	16,863,868
Total comprehensive income for the year	(431,128)	16,863,868
Financial Position		
Current assets	3,977,348	7,936,027
Non-current assets	38,820	21,507
	4,016,168	7,957,534
Current liabilities	84,891	107,725
	84,891	107,725
Net Assets	3,931,277	7,849,809
Contributed equity	5,838,418	9,325,822
Share-based payments reserve	1,914,271	1,914,271
Accumulated losses	(3,821,412)	(3,390,284)
	3,931,277	7,849,809

b) Guarantees entered into by the parent entity

Chesser Resources Limited has not entered into any guarantees in the current or previous financial year, in relation to the debt of its subsidiaries.

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

d) Contractual commitments for capital expenditure

The parent entity did not have any contractual commitments for capital expenditure as at 30 June 2016 (2015: \$nil).

22. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3(c).

Name of entity	Country of incorporation	Class of shares	Equity holding ⁽¹⁾	
			2016 %	2015 %
EBX Holdings Pty Ltd	Australia	Ordinary	100	100
Chesser Resources Holding Cooperatief U.A.	Netherlands	Membership	100	100
Dharana B.V.	Netherlands	Ordinary	100	100

During the 2015 financial year, the Company disposed of the following subsidiaries:

- On 24 October 2014 the Company disposed of its wholly owned subsidiary Bati Anadolu Madencilik Sanayi Ve Ticaret A.S. (Bati) the owner of the Kestanelik Gold Project. The proceeds of US\$40 million were received in cash. No tax charge or credit arose in relation to the disposal.
- On 26 March 2015 the Company disposed of its 51% owned subsidiaries EBX Madencilik Ltd. A.S and EBX (BVI) Ltd (EBX entities). Through which the Company held its ownership interest in the Sisorta Gold Project. The proceeds of \$162,023 were received in cash. No tax charge or credit arose in relation to the disposal.

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

- iii. On 26 June 2015 the Company disposed of its wholly owned subsidiary Kaletepe Madencilik Sanayi Ve Ticaret A.S (Kaletepe). The Company received \$Nil consideration for the disposal of Kaletepe. No tax charge or credit arose in relation to the disposal.

A. Consideration received

	Bati \$	EBX entities \$	Kaletepe \$	Total \$
Consideration received in cash and cash equivalents	45,454,545	162,023	-	45,616,568

B. Net assets disposed of

	Bati \$	EBX entities \$	Kaletepe \$	Total \$
Net assets disposed of	22,650,939	465,989	-	23,116,628
Including cash and cash equivalents	4,758	11,242	1,510	17,510

C. Financial performance and cash flow information

The financial performance and cash flow information presented are the period from 1 July 2014 to the date on which the relevant subsidiary was disposed and for the year ended 30 June 2015.

	2015 \$
Revenue	98,923
Expenses	(1,067,271)
Loss before income tax of discontinued operations	(968,348)
Income tax expense	-
Loss before income tax of discontinued operations	(968,348)
Gain on sale of subsidiaries after income tax	21,244,676
Profit / (loss) from discontinued operations	20,276,328
Net cash outflow from operating activities	(946,663)
Net cash inflow from investing activities	(1,654,802)
Net cash decrease attributable to disposed subsidiaries	(2,601,465)

D. Gain / (loss) on disposal of subsidiaries

	Bati \$	EBX entities \$	Kaletepe \$	Total \$
Consideration received	45,454,545	162,023	-	45,616,568
Transaction costs	(2,321,623)	-	-	(2,321,623)
Net assets disposed of	(22,650,939)	(465,689)	-	(23,116,628)
Non-controlling interests	-	3,033,743	-	3,033,743
Cumulative exchange gains in respect of the net assets of the subsidiary reclassified from equity to profit and loss on loss of control of subsidiary	619,420	(2,587,239)	435	1,967,384
Gain / (loss) on disposal	21,101,403	142,838	435	21,244,676

Notes to the Financial Statements (continued)

For the year ended 30 June 2016

23. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

There were no transactions between the Group and other related parties in the current or prior financial year.

24. Key management personnel compensation

The aggregate compensation paid to directors and other members of key management personnel of the Company and the Group is set out below:

	2016 \$	2015 \$
Short term employee benefits	193,861	830,067
Post-employment benefits	8,685	80,354
Termination benefits	-	347,271
Share based payments	-	24,383
	202,546	1,282,075

25. Commitments and contingent liabilities

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	-	61,299
Later than one year but not later than five years	-	-
	-	61,299

Contingent liabilities

The Company did not have any material contingent liabilities as at 30 June 2016.

26. Events occurring after the reporting period

No matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the result of those operations or the Group's state of affairs.

CHESSER RESOURCES LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Stephen Kelly
Executive Director

Dated 30 September 2016



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IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN

Independent Auditor's Report to the Members of Chesser Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Chesser Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *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 company's preparation of the financial report that gives a true and fair view 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 company'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*.

Opinion

In our opinion:

- a) the financial report of Chesser 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 2016 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of Chesser Resources Limited for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.


PITCHER PARTNERS



Nigel Batters
Partner

Brisbane, Queensland
30 September 2016

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 7 October 2016.

A. Distribution of securities

Analysis of the number of equity securities by size of holding:

Holding	Shares	Options
1 to 1,000	82	-
1,001 to 5,000	150	-
5,001 to 10,000	132	-
10,001 to 100,000	311	-
100,001 and over	127	5
	802	5

There were 396 holders of less than a marketable parcel of shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of equity securities are listed below:

Shareholder	Units	% of total shares on issue
One Managed Investment Funds Limited	20,061,242	16.81
National Nominees Limited	6,953,058	5.83
Jetosea Pty Ltd	5,819,481	4.88
CPO Superannuation Fund Pty Ltd	4,600,839	3.86
Chifley Portfolios Pty Ltd	4,061,134	3.40
Calama Holdings Pty Ltd	3,125,000	2.62
Mr Angus William Johnson & Mrs Lindy Johnson	2,727,500	2.29
Greenslade Holdings Pty Ltd	2,671,269	2.24
Mr Kee Tiang Tan & Mrs Sey Khim Tan	2,122,779	1.78
Mr Nicholas Dermott McDonald	1,952,257	1.64
Corporate Property Services Pty Ltd	1,920,332	1.61
Taycol Nominees Pty Ltd	1,701,418	1.43
Mr Luke Charles Anderson	1,615,000	1.35
Darroch Family Pty Ltd	1,410,000	1.18
AWJ Family Pty Ltd	1,296,940	1.09
Mr Michael Richard Schapel & Mrs Effie Schapel	1,253,919	1.05
Mr Luke Charles Anderson	1,225,000	1.03
Mr Nicholas Dermott McDonald	1,167,986	0.98
Mr Craig Peter Ball & Mrs Suzanne Katherine Ball	1,142,523	0.96
Souttar Superannuation Pty Ltd	1,125,000	0.94
	67,952,677	59.64

SHAREHOLDER INFORMATION

Unquoted equity securities

Shareholder	Number on issue	Number of holders
Options issued to former Directors	6,000,000	3
Options issued under the Chesser Resources Limited Employee Option plan to take up ordinary shares	1,100,000	2

Unquoted equity securities represent options to acquire ordinary shares. Each option entitles the holder to acquire one ordinary share. The names of the holders of the unlisted options are:

Option holder	Options	% of total options on issue
Mr R G Reynolds	2,000,000	28.17%
M & S Super Investments Pty Ltd	2,000,000	28.17%
Mr P Lester	2,000,000	28.17%
Mr S Kelly	600,000	8.45%
Mr N Ricketts	500,000	7.04%
	7,100,000	100.00%

C. Substantial shareholders

Substantial shareholders in the Company are set out below:

Shareholder	Number held	Percentage
Sandon Capital Pty Ltd	26,979,000	22.61%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.