Chesser Resources Limited

ABN 14 118 619 042

Interim Financial Report

For the half-year ended 31 December 2017

Directors' report

The directors of Chesser Resources Limited (the "Company" or "Chesser") submit herewith the half-year financial report of the Company and the entities it controlled for the half-year ended 31 December 2017 (collectively "Group"). In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors

The following persons were directors of Chesser Resources Limited during the whole of the half-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

Company secretary

Mr Stephen Kelly was the Company Secretary during the whole of the half-year under review and up to the date of this report.

Principal activities and review of operations

The principal activities undertaken by the Company during the half-year are summarised as follows:

Acquisition of the Senegal Projects

On 12 July 2017 Chesser completed the acquisition of 100% of the issued capital of each of Boya Gold Pty Ltd ("Boya") and Erin Mineral Resources Pty Ltd ("Erin") to acquire interests in five gold exploration projects in Senegal ("Projects").

All of the projects are located within the Birimian-age greenstone belts of the Kédougou- Kéniaba Inlier, from which more than 45 million ounces of gold has been discovered to date. The projects are located along or nearby the Senegal-Mali Shear Zone, a major structure that hosts numerous major gold projects. The projects are located close to significant operating gold mines: Yatela (3Moz), Sadiola (15Moz), Sabodala (10Moz), Loulo (12.7Moz) and Gounkoto (5.5Moz) (refer Figure 1).

Exploration programs of first-pass geochemical auger drilling, totalling approximately 40,000 metres, are testing the Diamba Sud, Garaboureya and Woye projects and following completion, Chesser will undertake first-pass soil sampling programs over the early-stage Diamba Nord and Youboubou licences. It is anticipated that the proposed exploration programs will be completed in the first quarter of 2018.

The objective of the exploration programs is to systematically test the gold mineralisation potential of all five projects. Previous exploration activities identified gold anomalism in the Diamba Sud, Woye and Garaboureya South projects during initial soil sampling and through limited follow-up geochemical auger, RAB and RC drilling. The strike-extent of identified gold-in-soil anomalism was, however, never fully tested across each project and in particular where previous soil sampling may have been ineffective due to transported and / or hard lateritic cover. The systematic use of geochemical auger drilling and interpretation of results will allow Chesser to fully appraise the existing mineralisation identified within its projects, as has been shown successfully in other projects in close proximity to the gold-bearing Mali-Senegal Shear zone.

Auger Drilling

Following the wet season (July–September), exploration activities commenced in mid-October, with Chesser embarking on a shallow auger geochemical drilling program at Diamba Sud. Vertical holes were drilled through soil and mottled subsoil into the top of weathered bedrock (saprock). Holes were drilled along a grid of E-W oriented lines 400m apart and with holes spaced at 100m on those lines. Composite samples from each hole were collected from the mottled subsoil layer and from the saprock layer and bagged for gold fire assay at SGS in Bamako, Mali.

Directors' report

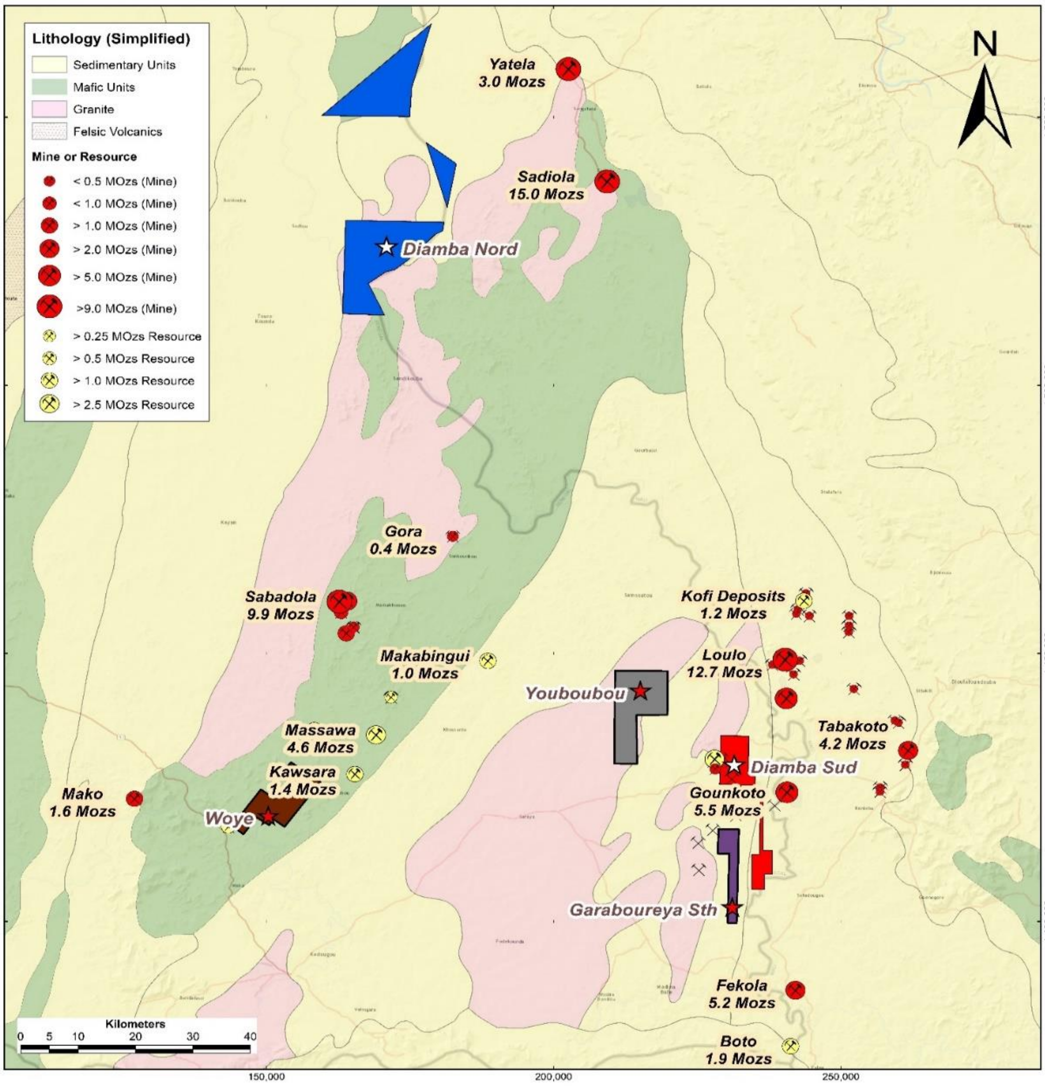

Figure 1: Chesser tenements and nearby gold mines, eastern Senegal.

As at the end of the half-year, 1,330 auger holes had been completed on the Diamba Sud licence for a total of 11,778 metres at an average depth to bit refusal of 8.94m. Drilling was completed on Diamba Sud subsequent to end of the half-year, with 1,810 holes drilled for a total of 16,181 metres at an average hole depth of 8.9m.

Drilling on the Garaboureya and Woye tenements commenced subsequent to the end of the half-year following completion of the Diamba Sud drilling program.

During the half-year the Company also commenced a regional soil sampling program over the Diamba Nord and Youboubou licences. Should initial investigation of the regolith reveal a deep transported soil profile, the Company may instead implement a hand auger program to obtain deeper samples and achieve a valid first-pass geochemical study.

Farm In Agreement for the Kurnalpi Nickel Project

Chesser is entitled 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. No work was undertaken on the Mithril Project during the half-year as Chesser was focussed on the Senegal exploration projects.

Directors' report

Corporate activities

During the half-year the Company:

- Completed a 1 for 3 rights issue announced on 22 June 2017 raising $1.59 million (before costs). The rights issue was fully underwritten by Taylor Collison Limited. It closed on 13 July 2017 and the shortfall was placed by the Underwriter on 21 July 2017.

- Completed a private placement on 12 September 2017 to raise $500,000 (before costs) through the issue of 12,500,000 fully paid ordinary shares at an issue price of $0.04 per share.

Operating result

The Company reported a loss after tax for the half-year of $497,821 (2016: loss of $209,112). The significant items affecting the loss after tax were:

a) Options issued to Directors and third-party consultants were recognised in accordance with the requirements of AASB 2 Share Based Payments, totaling $76,000 (2016: $Nil).
b) Professional fees, administrative and operating expenses reflecting the increase in the nature and scope of the Company's activities following the acquisition of the Senegal exploration tenements and the related equity raising.
c) An increase in director and key management personnel remuneration expense to $220,437 (2016: $ 80,850) as a consequence of the appointment of Dr Simon McDonald as the Company's Chief Executive Officer and an increase in other remuneration consistent with the increase in the Company's activities following the acquisition of the Senegal projects.

Significant changes in the current reporting half-year

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 31 December 2017:

- Acquisition on 12 July 2017 of 100% of the issued capital of each Boya Gold Pty Ltd ("Boya") and Erin Mineral Resources Pty Ltd ("Erin"), who together own five exploration projects in Senegal. As consideration for the acquisition, Chesser issued the following CHZ securities to the vendors and third-party facilitators or their nominees:
  - 27,071,419 fully paid ordinary shares in Chesser. 26,767,848 shares were issued on 12 July 2017 and 303,571 shares were issued on 11 September 2017;
  - The following unlisted options:
    i. 1,000,000 unlisted options with an exercise price of $0.06 and an expiry date of 31 December 2019
    ii. 1,000,000 unlisted options with an exercise price of $0.10 and an expiry date of 31 December 2020.
  - The following performance shares:
    iii. 23,809,524 Class A performance shares which will convert into fully paid ordinary shares upon certification by an independent Competent Person of a JORC Mineral Resource of 0.5Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects; and
    iv. 23,809,524 Class B performance shares which will convert into fully paid ordinary shares upon certification by an independent Competent Person of a total JORC Mineral Resource of 1.0Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects.

- On 12 July 2017, Chesser issued 39,778,164 fully paid ordinary shares to raise $1,591,126 before transaction costs pursuant to a 1 for 3 entitlement issue announced on 21 June 2017

- The following unlisted options were issued on 12 July 2017 to Directors:
  - 2,300,000 options with an exercise price of $0.06 and an expiry date of 31 December 2019
  - 2,300,000 options with an exercise price of $0.10 and an expiry date of 31 December 2020

Directors' report

- Issue of 12,500,000 fully paid ordinary shares on 12 September 2017 at $0.04 per share to raise $500,000 before costs. The issue was undertaken as a private placement in accordance with shareholder approval.

- Issue of unlisted options to Dr Simon McDonald, the Company's Chief Executive Officer on the following terms:
  - 1,000,000 options with an exercise price of $0.06 and an expiry date of 31 December 2019
  - 1,000,000 options with an exercise price of $0.10 and an expiry date of 31 December 2020

Dividends

No dividends were paid during the half-year and no recommendation is made as to payment of dividends.

Events occurring after balance sheet date

No matter or circumstance has arisen since the end of the half-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.

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.

Stephen Kelly
Executive Director

Brisbane, 15 March 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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Auditor's Independence Declaration

As lead auditor for the review of Chesser Resources Limited for the half-year ended 31 December 2017, 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 review; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

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

PITCHER PARTNERS

N BATTERS
Partner

Brisbane, Queensland
15 March 2018

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JEREMY JONES

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chesser Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Chesser Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Chesser Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

Pitcher Partners

PITCHER PARTNERS

N BATTERS
Partner

Brisbane, Queensland
15 March 2018

Condensed consolidated statement of profit or loss

	Notes	*For the half-year ended 31 December* *2017* *$*	*2016* *$*
Revenue and other income	3	3,357	2,000
Auditors' remuneration		(15,000)	(12,000)
Director and key management personnel remuneration		(220,437)	(80,850)
Depreciation expense	5	(4,055)	-
Finance charges		(2,700)	(419)
General and administrative expenses		(39,360)	(36,502)
Impairment of capitalized exploration expenditure	6	(1,866)	-
Other expenses		(11,372)	-
Professional fees		(45,766)	(46,619)
Travel expenses		(43,220)	(245)
Share based payments expense		(76,000)	-
Share registry and exchange listing fees		(41,402)	(34,477)
Loss before income tax expense from continuing operations		**(497,821)**	**(209,112)**
Taxation		-	-
Loss for the half-year from continuing operations		**(497,821)**	**(209,112)**
Loss attributable to Owners of Chesser Resources Limited		(497,821)	(209,112)
Basic and diluted loss per share (cents per share)	4	(0.26)	(0.17)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Condensed consolidated statement of Comprehensive Income

	For the half-year ended 31 December	
	2017	*2016*
	$	*$*
Loss for the half-year from continuing operations	(497,821)	(209,112)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	93	1,010
Income tax relating to these items	-	-
Other comprehensive income for the half-year, net of tax	(497,728)	(208,102)
Total comprehensive loss for the half-year	(497,728)	(208,102)
Comprehensive loss attributable to the owners of Chesser Resources Limited	(497,728)	(208,102)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Condensed consolidated statement of financial position

	Notes	*31 December 2017* $	*30 June 2017* $
Current assets			
Cash and cash equivalents		4,342,939	3,312,011
Trade and other receivables		29,426	21,623
Prepayments		-	13,620
Total current assets		4,372,365	3,347,254
Non-current assets			
Property, plant and equipment	*5*	117,275	-
Exploration and evaluation expenditure	*6*	1,695,533	-
Total non-current assets		1,812,808	-
Total assets		6,185,173	3,347,254
Current liabilities			
Trade and other payables		377,040	137,487
Total current liabilities		377,040	137,487
Total liabilities		377,040	137,487
Net assets		5,808,133	3,209,767
Equity			
Issued capital	*7*	8,840,512	5,838,418
Reserves	*8*	2,007,869	1,913,776
Accumulated losses	*9*	(5,040,248)	(4,542,427)
Total equity		5,808,133	3,209,767

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Condensed consolidated statement of changes in equity

2017	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2017	**5,838,418**	**1,913,776**	**(4,542,427)**	**3,209,767**
Loss for the half-year	-	-	(497,821)	(497,821)
Other comprehensive income	-	93	-	93
Total comprehensive loss for the half-year	-	93	(497,821)	(497,728)
Transactions with owners in their capacity as owners:				
Issue of equity securities	3,173,983	-	-	3,173,983
Costs of issuing equity securities	(171,889)	-	-	(171,889)
Share based payments	-	94,000	-	94,000
Total transactions with owners in their capacity as owners	3,002,094	94,000	-	3,096,094
Balance as at 31 December 2017	**8,840,512**	**2,007,869**	**(5,040,248)**	**5,808,133**

2016	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2016	**5,838,418**	**1,913,859**	**(3,848,451)**	**3,903,826**
Loss for the half-year	-	-	(209,112)	(209,112)
Other comprehensive income	-	1,010	-	1,010
Total comprehensive loss for the half-year	-	1,010	(209,112)	(208,102)
Transactions with owners in their capacity as owners	-	-	-	-
Balance as at 31 December 2016	**5,838,418**	**1,914,869**	**(4,057,563)**	**3,695,724**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Condensed consolidated statement of cash flows

	For the half-year ended 31 December	
	2017 *$*	*2016* *$*
Cash flow from operating activities		
Interest received	2,211	1,913
Payments to suppliers and employees	(448,948)	(241,190)
Net cash flows used in operating activities	**(446,737)**	**(239,277)**
Cash flow from investing activities		
Payments for property, plant and equipment	(121,330)	-
Payments for exploration and evaluation expenditure	(320,243)	(31,959)
Net cash used in investing activities	**(441,573)**	**(31,959)**
Cash flow from financing activities		
Proceeds from share issue	2,091,126	-
Costs of issuing equity securities	(171,888)	-
Net cash provided by financing activities	**1,919,238**	**-**
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at 1 July	3,312,011	3,964,589
Net increase / (decrease) in cash and cash equivalents	1,030,928	(271,236)
Foreign exchange difference on cash and cash equivalents	-	513
Cash and cash equivalents at 31 December	4,342,939	3,693,866

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Notes to the financial statements

1. Basis of preparation of half-year report

1. Basis of preparation

This condensed consolidated interim financial report for the half-year ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Chesser Resources Limited during the interim reporting half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting half-year. No new or amended standards became applicable for the current reporting half-year.

2. Significant transactions during the half-year

This condensed consolidated interim financial report reflects the effects of the following significant transactions that occurred during the half-year:

- The acquisition on 12 July 2017 of 100% of the issued capital of each of Boya Gold Pty Ltd (“Boya”) and Erin Mineral Resources Pty Ltd (“Erin”), who together own five exploration projects in Senegal. As consideration for the acquisition, the Company issued the following securities to the vendors and third-party facilitators or their nominees:

  - 27,071,419 fully paid ordinary shares in Chesser. 26,767,848 shares were issued on 12 July 2017 and 303,571 shares were issued on 11 September 2017;

  - 1,000,000 unlisted options with an exercise price of $0.06 and an expiry date of 31 December 2019 and 1,000,000 unlisted options with an exercise price of $0.10 and an expiry date of 31 December 2020.

  - 23,809,524 Class A performance shares which will convert into fully paid ordinary shares upon certification by an independent Competent Person of a JORC Mineral Resource of 0.5Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects and 23,809,524 Class B performance shares which will convert into fully paid ordinary shares upon certification by an independent Competent Person of a total JORC Mineral Resource of 1.0Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects.

  The acquisition has been accounted for as an asset acquisition, outside of the scope of AASB 3 Business Combinations with the cost of the acquisition being allocated to exploration and evaluation expenditure (refer note 6). The Class A and Class B Performance Shares have been accounted for as contingent consideration and disclosed as contingent liabilities (refer note 10).

- On 12 July 2017, Chesser issued 39,778,164 fully paid ordinary shares to raise $1,591,126 before transaction costs pursuant to a 1 for 3 entitlement issue announced on 21 June 2017, and on 12 September 2017 the Company issued 12,500,000 fully paid ordinary shares at $0.04 per share to raise $500,000 before costs. Refer note 7.

Notes to the financial statements

2. Segment information

The Group has identified its operating segments based on the internal reports that were reviewed and used by the Chief Executive Officer (chief operating decision maker) in assessing performance and determining the allocation of resources during the half-year.

The Group is managed primarily on a geographic basis, that is, the location of the respective areas of interest. Operating segments are therefore determined on the same basis.

The Chief Executive Officer 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 or non-cash items such as depreciation expense and share based payments expense. Interest revenue is allocated to the Corporate segment.

All operating segments are in the exploration and development phase and did not generate any revenue in the current or prior half-year.

Liabilities are not allocated to segments in the internal reports that are prepared for the Chief Executive Officer.

Senegal Projects
The Group has acquired a new operating segment in July 2017. The Senegal Projects, which consist of five exploration projects, are located adjacent and to the west of the Senegal Mali Shear Zone in the Kédougou Inlier with a total area of 624kms2.

The following tables present revenue and profit information for the Group's operating segments for the half-year ended 31 December 2017 and 2016, respectively.

(i) Segment performance

Half-Year 31 December 2017	Kurnalpi Project	Senegal Tenements	Corporate	Total
	$	$	$	$
Total segment revenue	-	-	2,211	2,211
Segment expenditure	(1,866)	(581,968)	(419,257)	(1,003,091)
Segment result	(1,866)	(581,968)	(417,046)	**(1,000,880)**

Reconciliation of segment result to Group loss before tax	
• Capitalised expenditure	583,834
• Impairment of exploration and evaluation expenditure	(1,866)
• Depreciation expense	(4,055)
• Share based payments expense	(76,000)
• Other income	1,146
Net loss before tax	**(497,821)**

Notes to the financial statements

Half-Year 31 December 2016	Kurnalpi Project	Senegal Tenements	Corporate	Total
	$	$	$	$
Total segment revenue	-		1,913	1,913
Segment expenditure	(31,959)	-	(211,112)	(243,071)
Segment result	(31,959)	-	(209,199)	**(241,158)**

Reconciliation of segment result to Group loss before tax	
• Capitalised expenditure	31,959
• Other income	87
Net loss before tax	**(209,112)**

(ii) Segment assets

The following table present assets information for the Group's operating segments for the six months ended 31 December 2017 and 2016, respectively.

The Senegal Tenements are located outside of Australia, in Senegal. All other segments are located in Australia.

	Kurnalpi Project	Senegal Tenements	Corporate	Total
	$	$	$	$
31 December 2017				
Segment assets	-	1,695,533	4,489,640	**6,185,173**
31 December 2016				
Segment assets	-	-	**3,347,254**	**3,347,254**

	For the half-year ended 31 December	
	2017	*2016*
3. Revenue and other income	***$***	*$*
Interest income	2,211	1,913
Foreign exchange gains	1,146	87
	3,357	**2,000**

Notes to the financial statements

	For the half-year ended 31 December 2017	*2016*
4. Loss per share	*$*	*$*

The following reflects the operating loss after tax and number of shares used in the calculation of the basic and diluted earnings/(loss) per share.

Loss per share (cents per share)	(0.26)	(0.17)
Diluted loss per share (cents per share)	(0.26)	(0.17)
Loss attributable to Owners of Chesser Resources Limited	(497,821)	(209,112)
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share	189,195,611	119,333,598
Weighted average number of ordinary shares used in the calculation of diluted loss per share	189,195,611	119,333,598

Options and other potential equity securities on issue at the end of the period have not been included in the determination of diluted earnings per share as the Group has incurred a loss for the period and they are therefore not dilutive in nature.

5. Property, plant and equipment	*31 December 2017*	*30 June 2017*
	$	*$*
Property, plant and equipment at written down value	117,275	-

Movements in property, plant and equipment during the half-year are summarised as follows:

	$	*$*
Carrying value at beginning of period	-	-
Additions	121,330	-
Assets written off	-	-
Depreciation	(4,055)	-
Carrying value at end of period	117,275	-

Notes to the financial statements

6. Exploration and evaluation expenditure

	31 December 2017 *$*	*30 June 2017* *$*
At costs	1,695,533	-

Movements in exploration and evaluation expenditure during the half-year is summarized as follows:

Carrying amount at beginning of period	-	38,820
Acquisition cost (i)	1,113,565	-
Exploration expenditure during the period	583,834	38,220
Impairment of exploration and evaluation expenditure (ii)	(1,866)	(77,040)
Carrying amount at end of period	1,695,533	-

i. Acquisition of Senegal Projects

In the half-year the Company acquired 100% of the issued capital of each of Boya Gold ("Boya") and Erin Mineral Resources ("Erin"), to acquire interests in five gold exploration projects in Senegal.

As consideration for the acquisition, Chesser issued ordinary shares in Chesser, two tranches of unlisted options, and two tranches of performance shares that have been accounted for as contingent consideration (refer Note 10). The total acquisition cost has been measured at the fair value of the equity instruments granted as compensation for the acquisition, in accordance with AASB 2 Share-based payments (refer note 8 Share-based payments).

ii. Impairment of exploration expenditure

During the six months ended 31 December 2017 the Group impaired $1,866 (six months ended 31 December 2016: $77,040) of expenditure related to the Kurnalpi gold project in Western Australia. The Board determined to impair this expenditure as it is uncertain whether the Group will meet the minimum expenditure requirement for the Group to earn an interest in the Kurnalpi Project.

The ultimate recoupment of capitalised exploration and development expenditure is dependent on the successful development and commercial exploitation, or alternatively sale, of the respective areas of interest. The Company's continued development of its mineral property interests is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations, successfully complete its exploration and development programs and the attainment of future profitable production.

7. Issued capital

	31 December 2017 $	30 June 2017 $
Ordinary shares – fully paid	8,840,512	5,838,418

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.

Notes to the financial statements

7. Contributed equity (continued)

(a) Movements in ordinary shares

	31 December 2017 No.	31 December 2017 $
Opening Balance 30 June	119,333,598	5,838,418
Share buy back	-	-
Share issue on 12 July 2017 (a)	39,778,164	1,591,126
Share issue on 12 September 2017 (b)	12,500,000	500,000
Shares issued on 12 July 2017 as partial consideration for acquisition of mineral tenements (c)	26,767,848	1,070,714
Shares issued on 11 September 2017 as partial consideration for acquisition of mineral tenements (c)	303,571	12,142
Share issue costs	-	(171,888)
Closing Balance 31 December	**198,683,181**	**8,840,512**

The following movements have occurred against Share Capital during the half-year:

a) On 12 July 2017, Chesser issued 39,778,164 fully paid ordinary shares at $0.04 per share pursuant to a 1 for 3 entitlement issue;
b) On 12 September 2017 Chesser issued 12,500,000 fully paid ordinary shares at $0.04 per share. The issue was undertaken as a private placement in accordance with shareholder approval;
c) In accordance with the acquisition of Boya Gold and Erin, on 12 July 2017 Chesser issued 27,071,419 fully paid ordinary shares to the vendors, 24,690,467 of which were subject to an escrow period of 12 months from date of issue.

(b) Share options

At 31 December 2017, the following options for ordinary shares in the Company were on issue:

	31 December 2017		
	Options with a $0.06 exercise price expiring 31 December 2019	Options with a $0.10 exercise price expiring 31 December 2020	31 December 2017 Number
On issue at 1 July	-	-	-
Options issued to Directors and key management personnel	3,300,000	3,300,000	6,600,000
Options issues as partial consideration for acquisition of Senegal Projects	1,000,000	1,000,000	2,000,000
On issue at 31 December	**4,300,000**	**4,300,000**	**8,600,000**

The options do not provide the holder with any voting rights, any entitlement to dividends or any entitlement to the proceeds on liquidation in the event of a winding up.

Refer note 8 for further details regarding the accounting treatment of the options issued during the half-year.

Notes to the financial statements

8. Reserves

	31 December 2017 $	30 June 2017 $
Share based payments reserve	2,008,271	1,914,271
Foreign currency translation reserve	(402)	(495)
	2,007,869	**1,913,776**

Movements:

Foreign currency translation reserve	
Balance at 1 July 2017	(495)
Currency translation difference for the half-year	93
Balance at 31 December 2017	**(402)**
Share based payments reserve	
Balance at 1 July 2017	1,914,271
Options issued	94,000
Balance at 31 December 2017	**2,008,271**

Nature and purpose of reserves

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.

Share based payments reserve
The Share based payment reserve is used to record the fair value of share-based payments made by the Company. The following share-based payment transactions were recognised during the half-year:

	31 December 2017 $
Options issued to directors (i)	41,000
Options issued to third-party vendors (ii)	18,000
Options issued to key management personnel (iii)	35,000
Total share-based payments for the half-year	94,000
Share based payments capitalised to exploration and evaluation asset (refer note 6)	(18,000)
Share-based payments expense	**76,000**

Notes to the financial statements

8. Reserves (continued)

(i) On 12 July 2017 the Group issued to Directors the following unlisted options over ordinary shares:
- 2,300,000 options with an exercise price of $0.06 and an expiry date of 31 December 2019
- 2,300,000 options with an exercise price of $0.10 and an expiry date of 31 December 2020

The fair value of the options at grant date has been estimated using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The following assumptions were used:

	Tranche 1 Expiring 31/12/2019	Tranche 2 Expiring 31/12/2020
Exercise price	$0.06	$0.10
Expected volatility	61.44%	61.44%
Risk-free interest rate	1.782%	1.961%
Expected life of share options (days)	902	1,268
Grant date share price	$0.04	$0.04
Fair value per option	$0.010	$0.008

(ii) As part consideration for the acquisition of Boya Gold and Erin, the Company issued the following settlement options on 12 July 2017:
- 1,000,000 unlisted options with an exercise price of $0.06 and an expiry date of 31 December 2019
- 1,000,000 unlisted options with an exercise price of $0.10 and an expiry date of 31 December 2020.

The options were issued on the same date and with the same terms as the options issued to directors (see above). The fair value of the options granted was therefore estimated using the same assumptions and fair value per option is $0.010 and $0.008.

(iii) On 12 September 2017 the Company issued to key management personnel the following unlisted options over ordinary shares:
- 1,000,000 options with an exercise price of $0.06 and an expiry date of 31 December 2019
- 1,000,000 options with an exercise price of $0.10 and an expiry date of 31 December 2020

The fair value of the options at grant date has been estimated using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The following assumptions were used:

	Tranche 1 Expiring 31/12/2019	Tranche 2 Expiring 31/12/2020
Exercise price	$0.06	$0.10
Expected volatility	61.44%	61.44%
Risk-free interest rate	1.84%	1.98%
Expected life of share options (days)	840	1,206
Grant date share price	$0.045	$0.045
Fair value per option	$0.016	$0.019

Notes to the financial statements

9. Accumulated losses

	31 December 2017 $	30 June 2017 $
Balance at beginning of period	(4,542,427)	(3,848,451)
Net loss for the period	(497,821)	(693,976)
Balance at end of period	(5,040,248)	(4,542,427)

10. Contingent liabilities

Pursuant to the terms of the agreement for the acquisition of the Senegal exploration tenements, the Group issued the following performance shares:

- 23,809,524 Class A performance shares, expiring 12 July 2020
- 23,809,524 Class B performance shares, expiring 12 July 2021

The performance shares will convert into fully paid ordinary shares on the following conditions:

- Class A - Upon certification by an independent Competent Person of a JORC Mineral Resource of 0.5Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects; and
- Class B - Upon certification by an independent Competent Person of a total JORC Mineral Resource of 1.0Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects

11. Events occurring after the reporting half-year

No matter or circumstance has arisen since the end of the reporting half-year that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in subsequent periods.

CHESSER RESOURCES LTD

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 AASB 134: Interim Financial Reporting; and
(ii) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Stephen Kelly
Director
Brisbane, 15 March 2018