



chesser
resources limited

ABN 14 118 619 042

Annual Report to shareholders

for the year ended 30 June 2014

CORPORATE INFORMATION

Directors

Mr Rob Reynolds, Non-Executive Chairman
Dr Richard Valenta, Managing Director
Mr Morrice Cordiner, Non-Executive Director
Mr Peter Lester, Non-Executive Director
Mr Simon O'Loughlin, Non-Executive Director
Mr Simon Taylor, Non-Executive Director

Company Secretary

Mr Stephen Kelly

Registered Office

96 Stephens Road
SOUTH BRISBANE QLD 4101

Principal Places of Business

Turkey:
Sehit Ersan cad. No. 4/17
Cankaya Ankara
TURKEY 066680

Australia:
96 Stephens Road
SOUTH BRISBANE QLD 4101

Share Register

Computershare Investor Securities Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000

Legal Advisors

Mc Cullough Robertson
Lawyers
Level 11, 66 Eagle Street
BRISBANE QLD 4000

Bankers

National Australia Bank Limited
22-28 King William Street
ADELAIDE SA 5000

Auditors

Pitcher Partners
Level 30, Central Plaza 1
345 Queen Street
BRISBANE QLD 4000

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Competent Person Statement

The exploration data and results contained in this Annual Report are based on information reviewed by Dr Rick Valenta, a fellow of the Australian Institute of Mining and Metallurgy. He is Managing Director of the Company and has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Dr Valenta has consented to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

The information in this Annual Report that relates to Kestanelik in-situ Mineral Resources is based on information compiled by Mr Ian Taylor of Mining Associates Ltd. Mr Taylor is the competent person for the Kestanelik resource estimate and takes overall responsibility for it. He is a member of the Australian Institute of Geoscientists and a Chartered Professional of the Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a "Competent Person" as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Mr Taylor consents to the inclusion of such information in this Report in the form and context in which it appears. A summary of the key information material to understanding the estimate of mineral resources is contained in the ASX Release dated 12 August 2013 which is available at www.chesserresources.com.au

The information in this Annual Report that relates to Sisorta in-situ Mineral Resources is based on information compiled by Mr Gary Giroux of Giroux Consultants Ltd. Mr Giroux is the competent person for the Sisorta resource estimate and takes overall responsibility for it. He is a Member in good standing of the Association of Professional Engineers and Geoscientists of the Province of British Columbia (a "Recognised Overseas Professional Organisation" under the JORC code) and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a "Competent Person" as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) and has the appropriate relevant qualifications, experience and independence to qualify as a "Qualified Person" under National Instrument 43-101 - "Standards of Disclosure for Mineral Projects" (NI 43-101). Mr Giroux consents to the inclusion of such information in this Report in the form and context in which it appears. A summary of the key information material to understanding the estimate of mineral resources is contained in the ASX Release dated 16 June 2009 which is available at www.chesserresources.com.au.

CHAIRMAN'S LETTER

Dear Shareholder,

The close of the 2014 financial year saw Chesser Resources reach a pivotal point in its development. After more than five years of successful exploration and development work to advance the Company's promising Kestanelik project in north-west Turkey, the Company was presented with the opportunity to crystallise substantial value by selling the project.

The decision to recommend to shareholders that the Company accepts the US\$40 million cash offer was not made lightly. Management had been working diligently towards a goal of commencing gold production at Kestanelik during 2016, and the outlook for the project remained optimistic. However, Directors were mindful that their sole consideration was to deliver the best outcome for shareholders, and they carefully weighed up a variety of factors.

Against a backdrop of heightened geopolitical risks in Western Asia, challenging conditions in global financial markets and significant capital constraints confronting the junior mining sector, Directors considered that the sale would deliver a number of key benefits to shareholders:

1. It realises a significant cash payment for the Kestanelik Project of US\$40 million (A\$42.83 million at an A\$/US\$ exchange rate of \$0.9340). This represents a premium of 49% to Chesser's closing price on 1 July 2014, immediately prior to the announcement of the transaction and a premium of 95% to the 20 day volume weighted average price as at 1 July 2014, without having regard to Chesser's other assets including the Sisorta and Catak projects.
2. It avoids the necessity for significant, potentially dilutive capital raisings to fund the development of the Kestanelik Project. Recent estimates suggest the capital cost of development would be approximately US\$90 million.
3. It would eliminate significant risks and provide certainty of value to Chesser's shareholders. While Directors believe that the development of the Kestanelik project could potentially provide substantial financial returns to shareholders, the development process comes with major risks, including permitting risk, gold price risk, construction risk, exploration risk, sovereign risk and other potential risks which could jeopardise returns.

Directors consequently decided to recommend the transaction to shareholders, who are to consider the proposed sale at an extraordinary general meeting to be held on October 13. A simple majority of votes cast is required to approve the transaction.

The announcement of the proposed sale came just days after the end of the financial year, and represented the culmination of a year in which the Company had made solid progress.

Highlights of the year included:

Exploration and resource update.

After announcing a 52% increase in Mineral Resources to 703,000 ounces of gold in August 2013, the company began a 10,000 metre in-fill drilling program in November, aimed at converting Inferred Resources to the Indicated category. The program was successfully completed in January 2014 with positive results, and a rocksaw sampling program of all veins was commenced to further define the near surface high grade gold mineralisation.

The results of both programs were incorporated in a re-estimation of the Mineral Resource, with

CHAIRMAN'S LETTER

contained gold increasing by 6% to 746,000 ounces at a grade of 1.86 g/t. Importantly, Indicated Resources increased 29% to 276,000 ounces at a grade of 2.74 g/t, confirming the success of the drilling program.

Pre-feasibility study.

The Company made steady progress in completion of a pre-feasibility study for the development of Kestanelik, until the decision to sell the project led to the pre-feasibility study being suspended. At that stage, the process plant design had been completed, and capital costs estimated at approximately US\$90 million for a 1.15 Mtpa plant. Mine designs also had been advanced, and preparation of the Environmental Impact Assessment design was proceeding. The study continued to support the robust economics of the project.

Sale of the Karaayi project.

In September 2013, the Company announced the sale of its Karaayi gold project in north-western Turkey for US\$300,000 plus 1.25 million shares in Pilot Gold, to provide funding for the on-going development of Kestanelik.

As the annual report was being finalised, the Company had advised shareholders that it intends to make a cash return to shareholders of up to A\$0.15 per share from the proceeds of the Kestanelik sale (if approved by shareholders), with the balance of approximately \$7 million being retained to provide funding for future projects and working capital.

Chesser intends to remain an ASX listed entity and will seek to take advantage of the depressed prices of global resources projects and exploration territory generally, to identify opportunities that allow the company to generate value for shareholders. It also intends to continue working on development of its Catak and Sisorta projects in Turkey, where appropriate.

Finally, I thank my fellow directors, in particular the managing director Dr Rick Valenta, for your diligence and wise counsel over the past 12 months, and I thank shareholders for your continued support. I would also like to thank all our employees, contractors and consultants for their hard work over the course of the year. I look forward to updating you on our plans for the future in the coming months.

Yours sincerely



Rob Reynolds
Chairman

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 September 2014.

A. Distribution of securities

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

Holding	Ordinary shares	
	Shares	Options
1 to 1000	66	-
1,001 to 5,000	195	-
5,001 to 10,000	218	-
10,001 to 100,000	685	4
100,001 and over	255	4
	1,419	8

There were 163 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

Shareholder	Units	% of total shares on issue
Macquarie Bank Limited	15,425,565	6.98
J P Morgan Nominees Australia Limited	14,778,423	6.69
Citicorp Nominees Pty Limited	13,223,686	5.98
National Nominees Limited	8,428,907	3.81
UBS Nominees Pty Ltd	8,016,000	3.63
HSBC Custody Nominees (Australia) Limited	7,104,084	3.21
CPO Superannuation Fund Pty Ltd	4,600,839	2.08
Lion Selection Group Ltd	4,545,455	2.06
Javelin Minerals Inc	4,000,000	1.81
Dr Richard Karel Valenta & Ms Rosemary Anne Gall	2,990,625	1.35
Dunrootin Pty Ltd	2,861,312	1.29
Mr Angus William Johnson & Mrs Lindy Johnson	2,727,500	1.23
Greenslade Holdings Pty Ltd	2,671,269	1.21
ABN Amro Clearing Sydney Nominees Pty Ltd	2,590,719	1.17
One Managed Investment Funds Limited ACF Sandon Capital Investments Limited	2,442,000	1.10
Rogo Investments Pty Limited	2,372,728	1.07
Mr Timothy Guy Lyons & Mrs Heather Mary Lyons	2,168,750	0.98
Hillboi Nominees Pty Ltd	2,000,000	0.90
John E Gill Trading Pty Ltd	1,979,991	0.90
Driat Pty Limited	1,961,378	0.89
	106,889,231	48.36

SHAREHOLDER INFORMATION

Unquoted equity securities

Shareholder	Number on issue	Number of holders
Options issued to current and former Directors	6,000,000	3
Options issued under the Chesser Resources Limited Employee Option Plan to take up ordinary shares	705,000	5

Unquoted equity securities represent options to acquire ordinary shares. Each option entitles the holder to acquire one ordinary share. No person holds 20% or more of these securities.

C. Substantial shareholders

Substantial shareholders in the company are set out below:

Shareholder	Number held	Percentage
Macquarie Bank Limited	15,425,565	6.98%
Acorn Capital Limited	14,280,000	6.46%

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.

MINERAL RESOURCES

Kestanelik Project

Mining Associates Ltd has completed a Mineral Resource and Ore Reserve estimate for the Kestanelik Gold Deposit in accordance with the 2012 JORC Code, the full details of which were provided in the Company's ASX release dated 4 September 2014.

Kestanelik Mineral Resource estimate using a 0.5 g/t gold cut off

Resource Category	Mineralised	Grade (g/t)		Metal (oz)	
	Tonnes	Gold	Silver	Gold	Silver
Indicated	2,680,000	2.74	2.46	236,000	212,000
Inferred	9,789,000	1.62	1.65	510,000	518,000
Total	12,469,000	1.86	1.82	746,000	730,000

Note: Totals may appear different from the sum of the components because of rounding

Sisorta Project

The Sisorta Gold Project is in northern central Turkey. The project has been granted an operating licence based on open pit heap leach project recovering gold from the reported oxide gold JORC resources of 303,000oz gold as set out below.

Sisorta Mineral Resource estimate using a 0.4 g/t gold cut off

Sisorta Mineral Resource – 16 June 2009					
	Tonnes	Grade (g/t)		Ounces	
		Gold (Au)	Silver (Ag)	Gold (Au)	Silver (Ag)
<u>Sulphide</u>					
Indicated	890,000	0.8	4.2	22,000	120,000
Inferred	3,630,000	0.5	2.6	58,000	300,000
Total sulphide	4,520,000	0.6	2.9	80,000	420,000
<u>Oxide</u>					
Indicated	2,280,000	0.9	3.5	69,000	254,000
Inferred	7,750,000	0.6	1.2	154,000	289,000
Total oxide	10,030,000	0.7	1.7	223,000	543,000
<u>Sulphide and Oxide</u>					
Indicated	3,170,000	0.9	3.7	91,000	374,000
Inferred	11,380,000	0.6	1.6	212,000	589,000
Total sulphide and oxide	14,550,000	0.6	2.1	303,000	963,000

Note: Totals may appear different from the sum of the components because of rounding

Financial Report

for the year ended 30 June 2014

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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 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors

The names and particulars of the directors in office at any time during or since the end of the year and until the date of this report are presented below. Directors were in office for this entire period unless otherwise stated.

Mr Rob Reynolds, Non-Executive Chairman
Dr Richard Valenta, Managing Director
Mr Morrice Cordiner, Non-Executive Director
Mr Peter Lester, Non-Executive Director
Mr Simon O'Loughlin, Non-Executive Director
Mr Simon Taylor, Non-Executive Director

Mr Rob Reynolds (Non-Executive Chairman)

Mr Reynolds has over 30 years experience in the mining and exploration industry. He has been involved with exploration, development and mining companies with operations in Australia, Turkey, South America, New Guinea, Africa, New Zealand, Vanuatu and Fiji. Those companies included Delta Gold Ltd, Hampton Gold Mining Areas PLC, Golden Plateau NL and Alkane Exploration NL. Most recently, Mr Reynolds was Chairman of Avoca Resources Limited from its early days until the merger with Anatolia Minerals Limited of Canada in 2010. Following the successful merger, he was appointed Chairman of the merged entity, Alacer Gold Corp, majority owner of the 10 million ounce Copler gold deposit in central eastern Turkey. He resigned from Alacer in August 2011. Mr Reynolds is currently a director of Canadian companies Exeter Resource Corporation and Rugby Mining Limited; is Chairman of the Australian companies, Global Geoscience Limited and Convergent Minerals Limited and is a director of the Australian company Dacian Gold Limited.

Former directorships in last 3 years

Alacer Gold Limited, Exorre Gold Mines Limited.

Dr Richard Valenta, BSC, PhD, P.Geo (ON, NL) MAUSIMM (Managing Director)

Dr Valenta has 30 years of exploration experience in Australia, Canada, Turkey, Mexico, Brazil, Argentina and other parts of Latin America. Prior to joining Chesser, Dr Valenta was Chief Operating Officer of TSX-listed Fronteer Development, Chief Geoscientist of TSX-listed Aurora Energy Resources, and Central American Exploration Manager for Mount Isa Mines Exploration. Dr Valenta has a proven track record for discovery of high-grade gold, copper-gold and uranium resources and has been directly involved in the greenfield exploration, discovery and development of multi-million ounce gold and world-class uranium resources in the Americas and Asia. Dr Valenta is the Managing Director of Lyell Resources Limited.

Former directorships in last 3 years

Bondi Mining Limited, World Titanium Resources Limited.

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

Simon 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. Simon is the Chairman of Lawson Gold Limited and Petrathern Ltd and a Non-executive Director of WCP Resources Limited, Lyell Resources Limited, Crest Minerals Ltd and Goldminex Ltd.

Directors' report

Simon 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). Mr O'Loughlin is Chairman of the Audit Committee.

In the last 3 years he has been a director of Oncosil Ltd, Bondi Mining Ltd, Bioxyne Ltd, Avenue Resources Ltd, Aura Energy Ltd, Living Cell Technologies Ltd, Wolf Petroleum Ltd, World Titanium Resources 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. Mr Taylor is a member of the Australian Institute of Geoscientists.

Former directorships in last 3 years

Bondi Mining Limited, Probiomics Limited, Aguia Resources Limited.

Mr Morrice Cordiner, LLB, ASIA (Non-Executive Director)

Mr Cordiner is a corporate lawyer by training and has over 20 years experience in the finance and resource industries. Mr Cordiner moved to Australia from the UK in 1989 and worked in the finance industry until 1997 when he became a fund manager with Waverly Mining Finance plc which held a portfolio of small and mid cap Resources company investments in Australia.

In late 2003 he became a founding shareholder of Andean Resources Limited and in 2004 Andean completed the purchase of the high-grade Cerro Negro gold project in Argentina from MIM Limited. Over the next 5 years Mr Cordiner worked as an executive Director of Andean as it advanced from early exploration through feasibility and environmental studies to the obtaining of mining permits to build a 250,000 ounce per annum mining operation in Argentina. In late 2010 Andean was acquired by the US company, Goldcorp Inc, for US\$3.5 billion.

He has been actively involved in raising funds for these ventures on the Australian Stock Exchange, the London AIM market and the Toronto Stock Exchange.

Former directorships in last 3 years

Discovery Metals Limited

Mr Peter Lester (Non-Executive Director)

Mr Lester is a mining engineer with over 40 years experience in the resources industry including senior operating, development and corporate roles with Newcrest Ltd, North Ltd, CRA Ltd and MIM Ltd. He was the Executive General Manager Corporate Development for Oxiana when Toro Energy Limited was initially floated and then OZ Minerals Ltd prior to joining Citadel Resource Group as Executive Director responsible for Corporate Development. His activities have covered Australia, South East and Central Asia, the Middle East and the Americas and include a period in broking in both the research and corporate roles. Mr Lester is a Non-Executive Director of Castlemaine Goldfields Ltd, Doray Minerals Limited, Toro Energy Limited, White Rock Minerals Ltd, Accessio Resources Pty Ltd and Nord Gold N.V.

Directors' report (continued)

Former directorships in last 3 years
Nil

Company Secretary

Mr Stephen Kelly, B.Bus, ACA

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 previously was 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. Mr Kelly is a Member of the Institute of Chartered Accountants in Australia.

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 Rob Reynolds	2,372,728	2,000,000
Dr Richard Valenta	3,065,000	-
Mr Morrice Cordiner	807,773	2,000,000
Mr Peter Lester	200,000	2,000,000
Mr Simon O'Loughlin	1,625,000	-
Mr Simon Taylor	1,500,000	-

At the date of this report Dr Valenta held fifty shares in the Company's subsidiary Bati Anadolu Madencilik Sanayi Ve Ticaret A.S.

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 2014, and the numbers of meetings attended by each director were as follows:

Number of meetings held	Board Meetings		Audit, Risk and Compliance Committee Meetings	
	6		2	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
R Reynolds	6	6	2	2
R Valenta	6	6	-	-
S Taylor	6	6	-	-
S O'Loughlin	6	6	2	1
M Cordiner	6	6	2	2
P Lester	6	6	-	-

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.

Directors' report (continued)

Principal activities

The principal activities of the Group during the financial year were to explore, develop and invest in the resources sector. There have been no changes to the principal activities during the year.

Operating result

The Group's loss after providing for income tax amounted to \$9,766,173 (2013: Loss \$4,202,704). Included in the operating loss for the financial year was an impairment expense of \$6,500,000 in relation to the Sisorta Project.

Operations Review

During the financial year the Company continued to focus on the advancement of the Kestanelik Project in north western Turkey.

Kestanelik Project

The Kestanelik property consists of a series of low sulphidation epithermal quartz veins outcropping over a combined total strike length of approximately 2,550 metres and with a further 28,500 metres of quartz veins occurring under shallow cover (for a total of some 30 kilometres of epithermal quartz veining). The average width of the exposed veins is approximately 3.5 metres but veins have been recorded to a maximum width of up to 30 metres. The host sequence is partially covered by a post-mineral sequence of sediments, volcanics and alluvium. Mineralisation on the property is typical of low sulphidation epithermal vein systems. A series of exploration drilling campaigns has been conducted over recent years, with most undertaken by Chesser Resources since February 2010. An initial JORC Inferred Mineral Resource was declared in May, 2012, based on 25,000 metres of drilling over just 3.5 kms of quartz veins.

Further drilling has been conducted subsequent to the announcement of the maiden Mineral Resource in May 2012, and by the end of June 2014, a total of approximately 70,000 metres of drilling had been completed. The drilling conducted subsequent to the maiden Mineral Resource continued to produce encouraging results which supported updated Mineral Resource estimates that were released in August 2013 and September 2014.

Chesser owns a 100% interest in the Kestanelik property. A 2.5% Net Smelter Return royalty will be payable to the previous owner of the Kestanelik property. On 3 September 2014 the Company entered into a conditional agreement for the sale of the Kestanelik Project for cash consideration of USD40,000,000.

Highlights for the financial year for the Kestanelik Project included:

- On 12 August 2013, the Group announced an updated JORC Mineral Resource for the Kestanelik Project. Key elements of the updated resource were:
 - (i) A 52% increase in the Total Mineral Resource to 703,000 ounces of gold (Au), comprising 10.2 Mt at 2.15 g/t gold and 1.9 g/t silver (Ag).
 - (ii) Maiden Indicated Mineral Resource of 1.6 Mt at 3.53 g/t gold and 2.6 g/t silver totalling 183,000 ounces of gold.
- The Company commenced a new two phase drilling programme totalling up to 21,000 metres. Phase one of the program, totalling approximately 10,000 metres, aimed to convert additional resources to the JORC Indicated category, with Phase two being step-out holes aimed at increasing the size of the Kestanelik resource. Phase two of the drill program is pending receipt by the Company of additional forestry permits.

Directors' report (continued)

- During the year 3,303 metres of diamond drilling and 6,679 metres of RC drilling was completed for a total of 9,982 metres. In addition 78 surface sawcut sampling traverses were conducted across exposed veins.
- Subsequent to the end of the financial year the Company released an updated JORC mineral resource for the Kestanelik Project and announced that it had executed a conditional agreement for the sale of the Kestanelik Project for USD40,000,000 cash consideration.

KESTANELIK PRE-FEASIBILITY STUDY

In August 2013 the Company released an Updated Scoping Study for the Kestanelik Project and announced that the Company's Directors had approved the commencement of a pre-feasibility study for the Project. The Company commenced the pre-feasibility study in October 2013.

The Company had planned to complete and report the outcomes of the pre-feasibility study in the September 2014 quarter, however in light of the proposed transaction for the disposal of the Kestanelik Project, a decision was taken to suspend all study related work.

Set out below is a summary of the work performed during the financial year in relation to the study.

Process Plant PFS

Process plant design has been completed. Lycopodium have provided updated capital and operating costs. The capital costs were reviewed by Proccea in Turkey and an estimating consultant in Australia. Capital costs are estimated at US\$88.9M including contingency of 15% for a 0.85 Mtpa processing capacity. Increasing the processing capacity to 1.15 Mtpa would require an additional US\$2.7 million in capital expenditure to be incurred.

The Lycopodium process plant 3D design is also complete.

Tailings

The tailings work was suspended rather than complete to PFS standards. Mitto has produced drawings of the proposed tailings storage facility and liner design.

Mining

Geotechnical information on the mine pit areas was received and recommendations for mine pit slopes have been forwarded to AMDAD for their consideration in the updated mine designs.

A number of hydrogeological holes were drilled across the site in December 2013. The results from preliminary investigations into the likely water content of the mine pits have been received. Both the KK and K zone pits will have water in them and will need de-watering within the first 2 years of operation.

AMDAD commenced the process of redesigning the mine pits utilising the final resource block model derived from the August 2104 JORC Resource Update.

Preliminary mine planning analysis based on the revised JORC Resource and assuming a 1.15 Mtpa processing capacity, indicates average annual gold production of 77,176 ounces over an estimated mine life of 5.6 years to give life of mine gold production of 430,743 ounces.

Mine planning work, including the development of mining capital and operating cost estimates was suspended in light of the proposed sale of the Kestanelik Project.

Directors' report (continued)

Environmental Impact Assessment

Preparation of EIA information is proceeding. The final flora and fauna study report has been received and shows no major issues with threatened species.

Waste rock and mill feed ARD testwork is completed. The static work is complete showing that very few areas of both waste rock and proposed mill feed have ARD potential. The kinetic tests are due for completion by the end of the quarter and then a final report will be written. Methods for removal of leached aluminium from the waste rock have been identified, should it prove to be an issue.

Timing of the EIA application that will set the timeframe for the EIA submission and public informing meeting is under review.

Karaayi Project

During the financial year the Group exercised the second and third options under the Option Agreement entered into by Chesser and the Eldorado Gold Corporation (**Eldorado**) on 17 June 2010 in relation to the Karaayi Project. This meant that Chesser became the sole holder of the legal and beneficial interest in the Karaayi Project in North Western Turkey.

As part of satisfying residual obligations from the First Option and conditions related to exercise of the Second and Third Option under the Agreement the Group:

- (i) Paid USD100,000 to Eldorado in respect of the exercise of the Second Option;
- (ii) Issued a further 525,000 Chesser shares to the Vendor; and
- (iii) Granted Eldorado a 2.5% net smelter royalty in relation to the Karaayi Project.

On 5 September 2013, the Group entered into an agreement with Pilot Gold Inc for the sale of the Karaayi Project.

Under the Agreement, the Group received the following consideration on the closing date being 13 September 2013:

- (i) USD 300,000; and
- (ii) 1,250,000 Pilot Gold Inc shares (which are listed on the Toronto Stock exchange).

Half of the Shares (625,000 Shares) were subject to escrow. Of those shares subject to escrow, 312,500 shares were released from escrow on 14 March 2014 and the remaining 312,500 shares were released from escrow in August 2014.

Sisorta Project

The Sisorta Gold Project is in northern central Turkey. The project has been granted an operating licence based on open pit heap leach gold recovery from the reported oxide gold JORC resources of 303,000oz gold. Chesser has vested a 51% interest in the project. There are no ongoing commitments with respect of the lease.

A total of 46 diamond holes for 5,546.3 metres were drilled at the Sisorta Project from December 2011 to December 2012, and the results of the program have not yet been incorporated into a JORC resource update.

During the financial year the Company commenced a geological reinterpretation of the Sisorta Project taking into consideration these drilling results, which included new near-surface high grade intervals such as diamond hole EVT0032, which intersected 32.4 metres at 8.38 g/t gold and 32.9 g/t Ag from surface.

Directors' report (continued)

This geological reinterpretation will form the basis of a JORC Resource Update for the Sisorta Project that is expected to be completed in the financial year ending 30 June 2015.

The Company, together with its partner Eurasian continues to consider strategic options for the Sisorta Project including the potential sale of the project. Based on recent comparable transactions, the Company considers that the current realisable value of the Sisorta Project is less than the capitalised expenditure for the Project and as such an impairment loss of \$6,500,000 was provided for in financial year.

Catak Project

The Catak property is in the Eastern Pontides and located 70km south of the Black Sea coastal town of Fatsa and 70km west-north-west of the Sisorta Property. Catak is a well-preserved epithermal vein system in Andesites, with good indications of high-grade potential and mineable widths of veins.

During the financial year the Company commenced preparations for an initial program of mapping, surface sampling and geophysics at the Catak Project to be conducted in the financial year ending 30 June 2015.

The Company also carried out a surface sampling program aimed at collecting a representative suite of high grade and low grade vein material for petrographic analysis. The aim of this program is to better constrain target depths in the various mineralised vein structures exposed on the Catak property.

Corporate

On 16 September 2013 the Group announced that it had successfully completed a private placement of 22,400,000 shares to sophisticated investors at \$0.11 per share raising \$2,464,000 before costs. The shares were issued, and subscription monies were received on 23 September 2013.

On 16 September 2013 the Group also announced a fully underwritten 1 for 4 Entitlement Offer at \$0.11 per share to raise \$4,837,958 before costs. The Entitlement Offer was settled on 17 October 2013.

Matters subsequent to the end of the financial year

Other than as disclosed below, 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.

(a) *Conditional agreement for the sale of the Kestanelik Project*

On 3 September, 2014 the Company entered into a conditional agreement (**the Agreement**) with Nurol Holdings A.S. (Nurol) to sell its 100 percent interest in Bati Anadolu Madencilik Sanayi Ve Ticaret A.S (**Bati**), the owner and operator of the Kestanelik Project in North Western Turkey (**the Transaction**).

The consideration under the Transaction is US\$40 million cash receivable in full by Chesser on completion of the transaction.

There are a number of conditions precedent that are required to be satisfied or waived before the Transaction is completed including Chesser obtaining the approval of its shareholders to enter into the Transaction and Nurol receiving routine approval from the Turkish Competition Board.

A general meeting of the Company's shareholders to approve the sale of the project will be held on 13 October 2014.

Directors' report (continued)

(b) Updated JORC Mineral Resource for the Kestanelik Project

On 4 September 2014, the Group announced an updated JORC Mineral Resource for the Kestanelik Project. Key elements of the updated resource were:

- i. Contained gold increased 6% to 746,000 ounces. Average gold grade reduced slightly to 1.86 g/t. Contained silver increased 16% to 730,000 ounces at an average grade of 1.82 g/t. Total Mineral Resource increased 22% to 12.47 million tonnes
- ii. Resource confidence increased significantly. Contained gold within the Indicated Resource increased 29% to 236,000 ounces at an average grade of 2.74 g/t and silver increased 57% to 212,000 ounces at an average grade of 2.46 g/t. Indicated Mineral Resources increased by 66% to 2.68 million tonnes.

Likely developments and expected results of operations

If the proposed Transaction for the sale of the Kestanelik Project is completed, Chesser will have estimated cash (after tax) of approximately A\$40 million prior to any distribution of proceeds from the Transaction to Shareholders.

The Directors intend that the Company will make a cash return of up to A\$0.15 per share to shareholders with the balance of the cash received being retained to pursue the proposed post completion activities. Shareholder approval will be sought for the proposed cash return after Chesser has obtained a ruling from the Australian Taxation office regarding the taxation implications for shareholders of the proposed return.

The Company has commenced the process of reducing its corporate cost structure to ensure that its staffing levels and corporate overheads are appropriate for the future strategic direction of the Company post settlement of the transaction.

If the Transaction is not approved by Shareholders, or it otherwise does not complete under the terms of the Agreement, the Directors intend to continue the development of the Kestanelik Project subject to the Company obtaining the requisite funding and subject to the Company obtaining the additional exploration and geotechnical drilling permits required to support the completion of a definitive feasibility study.

Environmental regulation

The Group has previously received the Environmental Impact Assessment (EIA) approval for the original proposed operating area for the Kestanelik and Karaayi projects. These approvals pertain to small areas with limited scope of work, and separate, more comprehensive EIA studies will have to be submitted and approved prior to the commencement of any mining and processing project of larger scope. This would normally be done in conjunction with the completion of a detailed feasibility study covering all aspects of mining activities proposed to be undertaken by the Group.

In the prior financial year the Group was informed that a group of minor NGOs outside of the local Kestanelik area had instigated legal action in Turkey seeking to annul the provisional Environmental Impact Assessment approvals (EIA) previously granted by the Turkish Ministry of Environment and Urban Planning (MEUP) in relation to the Kestanelik project. The petition, filed with the Canakkale Administrative Court, names the Ministry as the respondent. No member of the Chesser Group is named as a respondent.

During the financial year the Canakkale Administrative Court concluded that the MEUP should have undertaken an analysis of the cumulative environmental impact assessment of the proposed operations at Kestanelik along with all other contemplated EIA reports submitted in the greater Canakkale area and ruled that the EIA report be cancelled. The Court made its ruling notwithstanding a panel of independent experts appointed by the Court concluding that the EIA report for the Kestanelik Project had been appropriately approved. The MEUP, which is the defendant in the proceedings, is appealing the ruling.

The cancellation of the test scale mining EIA Report does not restrict the ability of the Company to undertake the drilling and other activities required to complete a definitive feasibility study, nor does the Company

Directors' report (continued)

believe that there will be a significant change in the process or timeframe for the Ministry undertaking its assessment of the Company's EIA Report for the production scale EIA Report for the Kestanelik Project.

Tenements

As at 30 June 2014 the Group had an interest in the following tenements, all of which are located in Turkey:

Project	Licence Number	Area (ha)	Expiry
Kestanelik	1009155	186	4 September 2019
Kestanelik	1036944	1275	4 September 2019
Catak	2520562	3410	19 January 2022
Catak	2395163	1400	19 January 2022
Sisorta	2199971	2,669	8 September 2019

Under Turkish law mining licences are granted for a period of ten years and may be renewed for further periods up to a maximum of sixty years.

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.

Shares under Option

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

Grant Date	Vest Date	Expiry Date	Exercise Price	Number of options
04/03/2010	04/03/2010	02/03/2015	\$0.18	105,000
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
				6,705,000

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.

Directors' report (continued)

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. At the AGM held on 21 November 2012 the Company's shareholders approved an increase in the aggregate per annum fees payable to non-executive directors to \$400,000.

Each non-executive director receives a fee for being a director of the Group. During the financial year, fees were payable to Non-Executive Directors on the following basis:

- The Non-Executive Chairman receives an annual fee of \$60,000 plus superannuation.
- Other Non-Executive Directors receive an annual fee of \$40,000 per annum plus superannuation.

Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services. No additional fees were paid to Non-Executive Directors during the financial year.

(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.

Directors' report (continued)

Remuneration Report (continued)

(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.

Financial Year	Total Remuneration \$	EPS (Cents)	Dividends (Cents)	Share Price (Cents)
2014	1,182,962	(3.27)	-	12
2013	1,845,018	(2.72)	-	10
2012	832,632	(2.16)	-	30
2011	541,461	(1.28)	-	54
2010	1,013,246	(1.95)	-	36

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.

(c) 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):

Directors' report (continued)

Remuneration Report (continued)

Name	Position Held
Rob Reynolds	Non-Executive Chairman
Richard Valenta	Managing Director
Morrice Cordiner	Non-Executive Director
Peter Lester	Non-Executive Director
Simon O'Loughlin	Non-Executive Director
Simon Taylor	Non-Executive Director
Stephen Kelly	CFO and Company Secretary
Nigel Ricketts	Project Director

(d) 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.

No bonuses were paid in 2014 or 2013.

2014	Short-term employee 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 \$	Super-annuation \$	\$	Options⁽¹⁾ \$	\$	%
<i>Non-Executive Directors</i>						
Robert Reynolds	60,000	5,550	65,550	-	65,550	-
Simon O'Loughlin	40,000	3,700	43,700	-	43,700	-
Simon Taylor	40,000	3,700	43,700	-	43,700	-
Peter Lester	40,000	3,700	43,700	-	43,700	-
Morrice Cordiner	40,000	3,700	43,700	-	43,700	-
Total Non-Executive Directors	220,000	20,350	240,350	-	240,350	-
<i>Executive Directors</i>						
Richard Valenta	280,000	25,901	305,901	-	305,901	-
Total Executive Directors	280,000	25,901	305,901	-	305,901	-
<i>Other Key Management Personnel</i>						
Stephen Kelly	283,333	26,208	309,541	26,733	336,274	-
Nigel Ricketts	275,000	25,437	300,437	-	300,437	-
Total Other Key Management Personnel	558,333	51,645	609,978	26,733	636,711	-
Total Key Management Personnel Compensation	1,058,333	97,896	1,156,229	26,733	1,182,962	-

⁽¹⁾ The value of options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black Scholes option pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight line basis over the period from grant date to vesting date.

⁽²⁾ The only vesting conditions attached to options outstanding at the end of the year were service based conditions on options issued to Mr Kelly in the prior period.

Directors' report (continued)

Remuneration Report (continued)

2013	Short-term employee benefits	Post-employment benefits	Total Cash payments	Share-based payments	Total remuneration	Proportion of remuneration that is performance based ⁽⁸⁾
Name	Cash salary and fees \$	Super-annuation \$	\$	Options ⁽⁹⁾ \$	\$	%
<i>Non-Executive Directors</i>						
Robert Reynolds ⁽¹⁾	42,917	3,863	46,780	249,500	296,280	
Stephen Evans ⁽²⁾	20,000	1,800	21,800	-	21,800	
Simon O'Loughlin	41,667	3,750	45,417	-	45,417	
Creagh O'Connor ⁽²⁾	14,583	1,575	16,158	-	16,158	
Simon Taylor	41,666	3,750	45,416	-	45,416	
Peter Lester ⁽¹⁾	30,000	2,700	32,700	249,500	282,200	
Morrice Cordiner	41,667	3,750	45,417	290,500	335,917	
Total Non-Executive Directors	232,500	21,188	253,688	789,500	1,043,188	
<i>Executive Directors</i>						
Richard Valenta	345,602	31,104	376,706	-	376,706	
Total Executive Directors	345,602	31,104	376,706	-	376,706	
<i>Other Key Management Personnel</i>						
Donald Macansh ^{(3),(4)}	158,242	9,433	167,675	(39,551)	128,124	
Kerry Angel ⁽⁵⁾	58,065	5,226	63,291	(5,802)	57,489	
Stephen Kelly ⁽⁶⁾	148,205	13,338	161,543	43,383	204,926	
Nigel Ricketts ⁽⁷⁾	31,730	2,855	34,585	-	34,585	
Total Other Key Management Personnel	396,242	30,852	427,094	(1,970)	425,124	
Total Key Management Personnel Compensation	974,344	83,144	1,057,488	787,530	1,845,018	

⁽¹⁾ Mr Reynolds and Mr Lester were appointed 31 October 2012

⁽²⁾ Mr Evans and Mr O'Connor resigned effective 31 October 2012

⁽³⁾ Mr Macansh resigned effective 26 September 2012

⁽⁴⁾ Mr Macansh's short-term employee benefits include reimbursement of relocation expenses of \$63,049.

⁽⁵⁾ Ms Angel resigned effective 30 September 2012.

⁽⁶⁾ Mr Kelly was appointed effective 15 November 2012. For the period 15 November 2012 to 28 February 2013, Mr Kelly was employed for three days per week on a pro rata salary.

⁽⁷⁾ Mr Ricketts was appointed effective 13 May 2013.

⁽⁸⁾ The only vesting conditions attached to options issued during the year were service based conditions on options issued to Mr Kelly

⁽⁹⁾ The value of options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black Scholes option pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight line basis over the period from grant date to vesting date.

(e) Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with Chesser Resources Limited in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director and the other key management personnel are also formalised in service agreements. The material provisions of the agreements relating to remuneration are set out below.

Richard Valenta, Managing Director

- Term of agreement – open ended commencing 1 July 2007.
- Base Salary, inclusive of superannuation, of \$305,900 per annum effective 1 June 2014.

Directors' report (continued)

Remuneration Report (continued)

- Contract may be terminated by the Company by the giving of 6 months' notice or the payment of six month's salary in lieu of notice.
- Contract may be terminated by Mr Valenta by the giving of 6 months' notice or the forfeiture of six month's salary in lieu of notice.

Stephen Kelly, Company Secretary and Chief Financial Officer

- Term of agreement – open ended commencing 15 November 2012.
- Base annual salary, exclusive of 9.25% superannuation, of \$283,333
- Contract may be terminated by either party with one month's notice or payment in lieu thereof.

Nigel Ricketts, Project Director

- Term of agreement – open ended commencing 13 May 2013.
- Base annual salary, exclusive of 9.25% superannuation, of \$275,000.
- Contract may be terminated by either party with one month's notice or payment in lieu thereof.

(f) 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 below. When exercisable, each option is convertible into one ordinary share of Chesser Resources Limited.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Date vested and exercisable	Expiry Date	Exercise Price	Value per option at grant date (cents)	Vested	Financial year in which vested	Maximum total value of grant yet to vest \$
1/2/2013	1/2/2014	31/1/2017	\$0.40	\$0.13	100%	2014	-
1/2/2013	1/2/2015	31/1/2017	\$0.45	\$0.12	-	2015	\$6,883

Options are granted to attract and retain 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.

At the Company's Annual General Meeting held on 27 November 2013, the Company's shareholders approved an amendment to the terms of the Company's existing Employee Option Scheme that amended the terms and conditions of employee options issued pursuant to that scheme. The amendment related to the introduction of a cashless exercise mechanism. The purpose of this mechanism is to enable a participant under the Employee Option Scheme to exercise their vested options by choosing to receive in the Company's shares only the positive difference between the exercise price and the Company's share price at exercise.

Whether the cashless exercise mechanism will be utilised by a participant is at the absolute discretion of the participant. That is, the participant may decide to not use the cashless exercise mechanism but exercise the options the participant holds, under the exercise terms and conditions of the Employee Option Plan prior to the amendment.

The introduction of this mechanism does not change the fundamental entitlement of participants under the Employee Option Scheme nor does it result in a more favourable economic outcome to the participants than if the participants were to pay the exercise price in respect of all the options issued to them under the Employee

Directors' report (continued)

Remuneration Report (continued)

Option Scheme.

Details of 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 are set out below. Further information on the options is set out in note 22 to the financial statements. No options were issued during the financial year.

	No. options granted during the year	Fair value per option at grant date (cents)	No. options vested during the year	Number of options lapsed during the year	Value at lapse date (\$)
Key management personnel					
S Kelly	-	-	200,000	-	-
S. Taylor	-	-	-	300,000	-
S. O'Loughlin	-	-	-	300,000	-
R. Valenta	-	-	-	1,000,000	-

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.

(g) 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:

2014 Name	Balance at start of year	Granted as compensation	Exercised	Expired	Balance at end of the year	Vested and exercise-able	Unvested
Directors of Chesser Resources Ltd							
R Valenta	1,000,000	-	-	(1,000,000)	-	-	-
R Reynolds	2,000,000	-	-	-	2,000,000	2,000,000	-
P Lester	2,000,000	-	-	-	2,000,000	2,000,000	-
S Taylor	300,000	-	-	(300,000)	-	-	-
S O'Loughlin	300,000	-	-	(300,000)	-	-	-
M Cordiner	2,000,000	-	-	-	2,000,000	2,000,000	-
Other key management personnel of the Group							
S Kelly	600,000	-	-	-	600,000	400,000	200,000
	8,200,000	-	-	(1,600,000)	6,600,000	6,400,000	200,000

Directors' report (continued)

Remuneration Report (continued)

2013 Name	Balance at start of year	Granted as compensation	Exercised	Other movements	Balance at end of the year	Vested and exercise- able	Unvested
Directors of Chesser Resources Ltd							
R Valenta	1,000,000	-	-	-	1,000,000	1,000,000	-
R Reynolds	-	2,000,000	-	-	2,000,000	2,000,000	-
S Evans ⁽¹⁾	300,000	-	-	(300,000)	-	-	-
P Lester	-	2,000,000	-	-	2,000,000	2,000,000	-
S Taylor	300,000	-	-	-	300,000	300,000	-
S O'Loughlin	300,000	-	-	-	300,000	300,000	-
C O'Connor ⁽¹⁾	300,000	-	-	(300,000)	-	-	-
M Cordiner	-	2,000,000	-	-	2,000,000	2,000,000	-
Other key management personnel of the Group							
D Macansh ⁽²⁾	600,000	-	-	(600,000)	-	-	-
K Angel ⁽²⁾	150,000	-	-	(150,000)	-	-	-
S Kelly	-	600,000	-	-	600,000	200,000	400,000
	2,950,000	6,600,000	-	(1,350,000)	8,200,000	7,800,000	400,000

⁽¹⁾ Mr Evans and Mr O'Connor resigned effective 31 October 2014. As they ceased to be key management personnel at that time, they are recorded in the above table as notionally disposing of their options during the period even though their options did not expire on their resignation.

⁽²⁾ Mr Macansh's and Ms Angel's unexercised options were forfeited one month after the termination of their employment in accordance with the terms of the Employee Option Scheme.

(h) 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 (2013: nil).

2014	Balance at the start of the year	Received during the year on the exercise of Options	Other changes during the year	Balance at the end of the year
Directors of Chesser Resources Ltd				
Ordinary shares				
R Reynolds	100,000	-	2,272,728	2,372,728
R Valenta	2,444,000	-	621,000	3,065,000
S Taylor	1,500,000	-	-	1,500,000
S O'Loughlin	1,350,000	-	275,000	1,625,000
P Lester	-	-	200,000	200,000
M Cordiner	282,582	-	525,191	807,773
Other key management personnel of the Group				
S Kelly	-	-	1,181,818	1,181,818
	5,676,582	-	5,075,737	10,752,319

Directors' report (continued)

Remuneration Report (continued)

2013	Balance at the start of the year	Received during the year on the exercise of Options	Other changes during the year	Balance at the end of the year
Directors of Chesser Resources Ltd				
Ordinary shares				
R Reynolds	-	-	100,000	100,000
R Valenta	2,444,000	-	-	2,444,000
S Taylor	1,500,000	-	-	1,500,000
S O'Loughlin	1,350,000	-	-	1,350,000
M Cordiner	-	-	282,582	282,582
S Evans ⁽¹⁾	2,050,000	-	(2,050,000)	-
C O'Connor ⁽¹⁾	5,500,000	-	(5,500,000)	-
	12,844,000	-	(7,167,418)	5,676,582

⁽¹⁾ Mr Evans and Mr O'Connor resigned effective 31 October 2014. As they ceased to be key management personnel at that time, they are recorded in the above table as notionally disposing of their holding during the period.

(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 2013 Annual General Meeting

The Company received more than 98% of "yes" votes on its remuneration report for the financial year ended 30 June 2013. 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 for a premium of \$22,468 (2013: \$16,543). 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 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.

Directors' report (continued)

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.

The Board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Details of the amounts paid or payable to the auditor, Pitcher Partners for audit services provided during the year are set out in note 19 to the financial report.

Non-audit services	2014	2013
	\$	\$
<i>Pitcher Partners</i>		
Taxation services		
Tax advice services	13,000	12,000
Tax compliance services	5,542	6,850
Total remuneration for non-audit services	18,542	18,850

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*.

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



Dr Richard Valenta, Managing Director
Brisbane, 30 September 2014



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

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IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
ADELE TOWNSEND
COLE WILKINSON

The Directors
Chesser Resources Ltd
96 Stephens Road
South Brisbane QLD 4101

Auditor's Independence Declaration

As lead auditor for the audit of Chesser Resources Limited for the year ended 30 June 2014, 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

J. J. EVANS
Partner

Brisbane, Queensland
30 September 2014

Corporate Governance Statement

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 Managing 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 five independent, non-executive directors and one executive director. Directors are expected to bring independent views and judgement to the Board's deliberations.

- | | |
|-----------------------|------------------------|
| • Mr Rob Reynolds | Non-Executive Chairman |
| • Mr Simon O'Loughlin | Non-Executive Director |
| • Dr Rick Valenta | Managing Director |
| • Mr Peter Lester | Non-Executive Director |
| • Mr Simon Taylor | Non-Executive Director |
| • Mr Morrice Cordiner | Non-Executive Director |

Corporate Governance Statement (continued)

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 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 Reynolds, O'Loughlin, Taylor, Lester and Cordiner are considered independent directors as they have no other material relationship or association with the Company or its subsidiary other than their directorships. The Company therefore has five independent 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.
- (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. A newly appointed Director will be required to stand for election at the Company's next general meeting.
- (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.
- (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.

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 Remuneration

Corporate Governance Statement (continued)

Committee and the Nomination Committee. 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:

- b) To complying with the laws and regulations of each country in which the Company operates;
- c) 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;
- d) To the disclosure and management of any direct, indirect, actual, potential or perceived conflict of interest;
- e) 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;
- f) To not divulge any confidential information about the Company, its employees or its counterparties without appropriate authorization;
- g) To providing a healthy and safe workplace free of any form of discrimination or harassment;
- h) 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
- i) 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.

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;

Corporate Governance Statement (continued)

- (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. Given the current state of the Group's development the Board does not consider it appropriate to establish formal diversity targets at this time.

The number of women in the organisation is:

Number of women employees in the whole organisation	4
Number of women in senior executive positions	Nil
Number of women on the board	Nil

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.

Corporate Governance Statement (continued)

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises Mr Simon O'Loughlin (Chairman) who is a Non-Executive Director, Mr Rob Reynolds who is the Non-Executive Chairman and Mr Morrice Cordiner who is a Non-Executive Director. 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.

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.

The Company has not designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.1 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.

Corporate Governance Statement (continued)

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.

Managing Director and Chief Financial Officer Declaration to the Board of Directors

The Managing Director and the Company Secretary are 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.

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.

Principle 8: Remunerate fairly and responsibly

The Chairman and the non-executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. 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. Please refer to the remuneration report within the directors' report for details regarding the remuneration structure of the managing director and senior management.

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.

This 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 2014

	Note	2014 \$	2013 \$
Revenue and other income	7	367,074	354,735
Impairment of exploration and evaluation assets	15	(6,500,000)	(575,000)
Other exploration related expense		(517,736)	(711,889)
Employee benefits expense		(1,410,210)	(1,104,713)
Depreciation expense		(30,950)	(29,309)
Share options expense		(26,733)	(787,530)
Professional fees		(487,397)	(279,182)
Auditors remuneration		(76,000)	(70,250)
Rental expense for office lease		(73,590)	(68,801)
Share registry fees		(60,656)	(114,823)
Other expenses		(949,975)	(815,942)
Loss before income tax		(9,766,173)	(4,202,704)
Income tax expense	9	-	-
Loss for the period		(9,766,173)	(4,202,704)
Loss attributable to:			
Owners of Chesser Resources Limited		(6,572,534)	(4,145,520)
Non-controlling interests		(3,193,639)	(57,184)
		(9,766,173)	(4,202,704)
Earnings per share:	21	Cents	Cents
Basic loss per share		(3.27)	(2.72)
Diluted loss per share		(3.27)	(2.72)

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 2014

	Note	2014 \$	2013 \$
Loss for the period		(9,766,173)	(4,202,704)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(2,482,458)	1,203,079
Income tax relating to these items		-	-
Other comprehensive income for the period, net of tax		(2,482,458)	1,203,079
Total comprehensive loss for the period		(12,248,631)	(2,999,625)
Total comprehensive Loss attributable to:			
Owners of the Chesser Resources Limited		(7,768,568)	(4,169,181)
Non-controlling interests		(4,480,063)	1,169,556
		(12,248,631)	(2,999,625)

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 2014

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	20(a)	1,070,536	1,224,078
Trade and other receivables	10	401,186	394,102
Financial assets at fair value through profit or loss	11	454,344	-
Other financial assets	12	85,021	95,556
Other current assets	13	203,029	98,653
TOTAL CURRENT ASSETS		2,214,116	1,812,389
NON-CURRENT ASSETS			
Trade and other receivables	10	15,000	15,000
Property, plant and equipment	14	159,525	213,407
Exploration and evaluation assets	15	22,956,296	28,092,408
TOTAL NON-CURRENT ASSETS		23,130,821	28,320,815
TOTAL ASSETS		25,344,937	30,133,204
CURRENT LIABILITIES			
Trade and other payables	16	948,994	428,590
TOTAL CURRENT LIABILITIES		948,994	428,590
TOTAL LIABILITIES		948,994	428,590
NET ASSETS		24,395,943	29,704,614
EQUITY			
Issued capital	17	42,476,896	35,563,669
Accumulated losses	18	(18,485,795)	(11,913,261)
Reserves	18	(1,687,941)	(518,640)
Parent interests		22,303,160	23,131,768
Non-controlling interest		2,092,783	6,572,846
TOTAL EQUITY		24,395,943	29,704,614

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 2014

	Issued Capital Ordinary shares \$	Accumulated Losses \$	Reserves \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2013	35,563,669	(11,913,261)	(518,640)	6,572,846	29,704,614
Total comprehensive income					
Loss for the year	-	(6,572,534)	-	(3,193,639)	(9,766,173)
Other comprehensive Loss	-	-	(1,196,034)	(1,286,424)	(2,482,458)
Total comprehensive Loss for the year	-	(6,572,534)	(1,196,034)	(4,480,063)	(12,248,631)
Transactions with owners in their capacity as owners					
Shares issued	7,528,958	-	-	-	7,528,958
Transaction costs	(615,731)	-	-	-	(615,731)
Share options issued	-	-	26,733	-	26,733
Balance at 30 June 2014	42,476,896	(18,485,795)	(1,687,941)	2,092,783	24,395,943

	Issued Capital Ordinary Shares \$	Accumulated Losses \$	Reserves \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2012	34,063,252	(7,767,741)	(1,282,509)	5,403,290	30,416,292
Total comprehensive income					
Loss for the year	-	(4,145,520)	-	(57,184)	(4,202,704)
Other comprehensive Loss	-	-	(23,661)	1,226,740	1,203,079
Total comprehensive Loss for the year	-	(4,145,520)	(23,661)	1,169,556	(2,999,625)
Transactions with owners in their capacity as owners					
Shares issued	1,591,751	-	-	-	1,591,751
Transaction costs	(91,334)	-	-	-	(91,334)
Share options issued	-	-	787,530	-	787,530
Balance at 30 June 2013	35,563,669	(11,913,261)	(518,640)	6,572,846	29,704,614

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 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Interest received		72,515	235,978
Proceeds from grant of option		-	154,471
Payments to suppliers and employees		(3,315,062)	(2,887,189)
Net cash outflows used in operating activities	20(b)	(3,242,547)	(2,496,740)
Cash flows from investing activities			
Payments for property, plant and equipment		(8,018)	(63,956)
Transfer of term deposits included in other financial assets to cash and cash equivalents		-	5,934,863
Payments for exploration and evaluation expenditure		(5,063,288)	(4,856,552)
Net proceeds from sale of exploration property		236,703	-
Proceeds from the sale of financial assets at fair value through profit or loss		1,173,412	-
Net cash outflows used in investing activities		(3,661,191)	1,014,355
Cash flows from financing activities			
Proceeds from issue of shares		7,301,847	1,550,862
Share issue costs		(615,732)	(90,723)
Net cash inflows provided by financing activities		6,686,115	1,460,139
Net decrease in cash and cash equivalents		(217,623)	(22,246)
Cash and cash equivalents at the beginning of the year		1,224,078	1,218,714
Effects of exchange rate changes on cash and cash equivalents		64,081	27,610
Cash and cash equivalents at the end of the year	20(a)	1,070,536	1,224,078

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

For the year ended 30 June 2014

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 96 Stephens Road, South Brisbane, QLD 4101.

The entity's principal activities are the exploration for gold and the development of gold projects located in Turkey.

2. Application of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected the amounts recognised in the current period or any prior period and are not likely to affect future periods. The following new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 impacted disclosure of certain items presented in the financial statements:

- As a consequence of applying AASB2011-4 '*Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*' for the first time in the financial year, the individual key management personnel disclosure previously required by AASB124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
- As a consequence of applying AASB12 '*Disclosure of Interests in Other Entities*' and AASB2011-7 '*Amendments to Australian Accounting Standards arising from the consolidation of Joint Arrangements standards*' the Company has been required to make more extensive disclosures relating to its subsidiaries in the consolidated financial statements (refer note 24).

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 <i>Financial Instruments – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2017	30 June 2018
AASB 2012-3 <i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014	30 June 2015
AASB 2013-3 <i>Amendments to AASB136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014	30 June 2015
AASB 2013-4 <i>Amendments to Australian Accounting Standards – Novation of Derivative and Continuation of Hedge Accounting</i>	1 January 2014	30 June 2015
AASB 2013-5 <i>Amendments to Australian Accounting Standards – Investment Entities</i>	1 January 2014	30 June 2015
AASB 2014-1 Part A <i>Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013</i>	1 January 2014	30 June 2015
AASB 2014-1 Part B <i>Amendments to Australian Accounting Standards – Defined Benefits Plans: Employee Contributions (Amendments to AASB119)</i>	1 January 2014	30 June 2015
Interpretation 21 <i>Levies</i>	1 January 2014	30 June 2015
IFRS 15* <i>Revenue from Contracts with Customers</i>	1 January 2017	30 June 2018
AASB 2014-4 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016	30 June 2017
AASB 2014-3 <i>Accounting for Acquisitions of Interests In Joint Operations</i>	1 January 2016	30 June 2017
AASB 1031 <i>Materiality – revised</i> and consequential amendments to other accounting standards resulting from its planned withdrawal	1 January 2014	30 June 2015

* This IASB Standard was also issued but not yet effective, although the Australian equivalent standard has not yet been issued.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

2. Application of new and revised Accounting Standards (continued)

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

- (i) AASB 2013-3 – These amendments introduce additional disclosure requirements where the recoverable amount of impaired assets is based on fair value less cost of disposal but do impact the amounts recognised in the financial statements. The Company has impaired assets for which the recoverable amount is based on fair value less cost of disposal and will therefore be required to make the additional disclosures required by AASB2013-3.
- (ii) AASB 2014-4 – These amendments introduce a rebuttable presumption that the use of revenue-based depreciation/amortisation methods for intangible assets is inappropriate and for property, plant and equipment it cannot be used. The Group is yet to assess the impact of the new standard, if any.
- (iii) AASB 2014-3 – This amendment sets out the business combination accounting required to be applied to acquisitions of interests in a joint operation that meets the definition of a business. The Group is yet to assess the impact of the new standard, if any.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations and IFRSs on issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements may result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

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 which 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 2014.

(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 2014

3. Significant accounting policies (continued)

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 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.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's net current assets of \$1,265,122, including cash reserves of \$1,070,536, as at 30 June 2014 and the cash proceeds of USD40,000,000 to be received pursuant to the conditional agreement for the sale of the Kestanelik Project that the Company entered into subsequent to the end of the financial year (refer note 29) are sufficient for the Company to meet its required expenditure for a period of 12 months from the date on which these financial statements were approved by the Board of Directors. If the sale of the Kestanelik Project is not completed, the continued exploration and development of the Company's mineral property interests will be dependent upon the Company's ability to continue to raise adequate financing for its exploration and development programs. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to implement its proposed exploration and development programs.

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 2014 and the results of all subsidiaries for the year then ended. Chesser Resources Ltd 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(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 Managing 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.

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 substantively 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

(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.

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:

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

- 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 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

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

in revenue. Fair value is determined in the manner described in note 11.

(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.

(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)).

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

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 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 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(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

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

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

(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:

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

- 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 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 23 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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 Turkish Lira. 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:

	2014 \$	2013 \$
Financial Assets		
Cash and cash equivalents *	1,070,536	1,224,078
Trade and other receivables *	416,186	409,102
Financial assets at fair value through profit or loss**	454,344	-
Other financial assets *	85,021	95,556
	2,026,087	1,728,736
Financial Liabilities		
Trade and other payables ***	948,994	428,590
	948,994	428,590

* Loans and receivables category

** Financial assets at fair value through profit or loss category

*** Financial liabilities at amortised cost category

(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:

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

4. Financial risk management (continued)

	2014 USD \$	2013 USD \$	2014 TL \$	2013 TL \$	2014 CAD \$	2013 CAD \$
Cash and cash equivalents	290,068	182,001	11,485	137,802	6,841	5,375
Trade and other receivables	-	-	380,221	108,017	-	-
Financial assets at fair value through profit or loss	-	-	-	-	454,344	-
Other financial assets	-	-	85,021	90,924	-	-
<i>Total assets</i>	290,068	182,001	476,727	336,743	461,185	5,375
Trade and other payables	17,000	40,863	432,409	139,243	2,256	-
<i>Net exposure</i>	273,068	141,138	44,318	197,500	458,929	5,375

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 an increase in the operating loss before tax and reduction in equity where the Australian dollar strengthens against the relevant currency. For a 10% weakening 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 negative.

	2014 USD \$	2013 USD \$	2014 TL \$	2013 TL \$	2014 CAD \$	2013 CAD \$
Loss before tax	(27,307)	(14,113)	(4,431)	(19,750)	(45,892)	(538)
Equity	-	-	-	-	-	-

(ii) Price risk

At the end of the reporting period the Group was exposed to equity security price risk arising from equity securities that it held in Pilot Gold Inc that are traded on the Toronto Stock Exchange. Those equity securities are classified as financial assets at fair value through profit or loss and had a carrying value of \$454,344 as at the reporting date (2013:\$nil). Had the value of the equity securities held at 30 June 2014 increased / decreased by 10% with all other variables held constant, the Group's post tax loss for the year would have been \$45,434 lower / \$45,434 higher (2013: \$nil higher / lower).

(iii) 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 2014		30 June 2013	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	2.33%	1,070,536	2.73%	1,224,078

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:

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

4. Financial risk management (continued)

	After-tax profit higher / (lower)		Equity higher / (lower)	
	2014	2013	2014	2013
	\$	\$	\$	\$
+1% (100bp)	10,705	12,241	10,705	12,241
-1% (100bp)	(10,705)	(12,241)	(10,705)	(12,241)

(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, which has an independently rated credit rating of AA-. In order to effect payments to Turkish suppliers and employees, from time to time the Group holds funds on deposit with Vakif Bank which has an independently rated credit rating of Baa2, however those amounts are transitory in nature. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

(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 2014	Less than 3 months \$	Total contractual cash flows \$	Carrying amount \$
Trade and other payables	948,994	948,994	948,994
30 June 2013	Less than 3 months \$	Total contractual cash flows \$	Carrying amount \$
Trade and other payables	428,590	428,590	428,590

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

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. The 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 are discussed below.

Exploration and evaluation expenditure

As set out in note 3(j), exploration and evaluation expenditure is capitalised where the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale or where exploration activities have not 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. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the accounting policy a judgement is made that the recovery of the expenditure is unlikely, the relevant capitalised expenditure will be written off to the income statement. The amount of capitalised exploration and evaluation expenditure is disclosed in note 15.

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 Managing Director (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

Kestanelik Project

The Kestanelik Project is situated in north western Turkey. During the financial year a Scoping Study was released for the Project based on the August 2013 JORC Mineral Resource of 703,000 ounces of gold (including 183,000 ounces of gold in the indicated category). A pre-feasibility study has commenced based on the outcomes of the Scoping Study. The project is 100% owned by Bati Anadolu Madencilik Sanayi Ve Ticaret A.S. a wholly owned subsidiary of Chesser Resources Limited.

During the year 3,303 metres of diamond drilling and 6,679 metres of RC drilling was completed for a total of 9,982 metres. In addition 78 surface sawcut sampling traverses were conducted across exposed veins.

Subsequent to the end of the financial year the Company released an updated JORC mineral resource for the Kestanelik Project and announced that it had executed a conditional agreement for the sale of the Kestanelik Project for USD40 million cash consideration.

Karaayi Project

The Karaayi Project is approximately 40 kilometres south west of the Kestanelik Project in north western Turkey. The Karaayi Project was sold in September 2013.

Sisorta Project

The Sisorta project is in north-eastern Turkey on a porphyry-style stockwork system prospective for gold-

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

6. Operating segments (continued)

copper mineralisation and has declared a 303,000 oz gold resource (91,000 oz Indicated and 212,000 oz Inferred). The Group has a 51% ownership interest in the Sisorta Project.

During the financial year the Company commenced a geological reinterpretation of the Sisorta Project taking into consideration these drilling results. This geological reinterpretation will form the basis of a JORC Resource Update for the Sisorta Project that is expected to be completed in the financial year ending 30 June 2015.

The Company, together with its partner Eurasian continues to consider strategic options for the Sisorta Project including the potential sale of the project. Based on recent comparable transactions, the Company considers that the current realizable value of the Sisorta Project is less than the capitalised expenditure for the Project and as such an impairment loss of \$6,500,000 was provided for in financial year (refer note 15).

The Group is currently considering options for the disposal of its interest in the Sisorta Project.

Catak Project

The Catak property is in the Eastern Pontides and located 70km south of the Black Sea coastal town of Fatsa and 70km WNW of the Sisorta Property. Catak is a well-preserved epithermal vein system in Andesites, with good indications of high-grade potential and mineable widths of veins.

During the financial year the Company commenced preparations for an initial program of mapping, surface sampling and geophysics at the Catak Project to be conducted in the financial year ending 30 June 2015. The Company also carried out a surface sampling program aimed at collecting a representative suite of high grade and low grade vein material for petrographic analysis. The aim of this program is to better constrain target depths in the various mineralized vein structures exposed on the Catak property.

Corporate

Expenditure incurred that is not directly allocated to the Kestanelik, Karaayi, Sisorta or Catak Projects is reported as corporate costs in the internal reports prepared for the chief operating decision maker.

Accounting policies adopted

The Managing Director 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

	Kestanelik Project	Karaayi Project	Sisorta Project	Catak Project	Corporate and other costs	Total
30 June 2014	\$	\$	\$	\$	\$	\$
Total segment revenue	-	-	-	-	77,092	77,092
Total segment expenditure	(5,101,805)	(218,997)	(145,856)	(25,441)	(3,633,247)	(9,125,346)
Segment result	(5,101,805)	(218,997)	(145,856)	(25,441)	(3,556,155)	(9,048,254)

Reconciliation of segment result to net loss before tax

Other income	289,982
Impairment of capitalised exploration expenditure	(6,500,000)
Capitalised expenditure	5,492,099
Net loss before tax	(9,766,173)

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

6. Operating segments (continued)

	Kestanelik Project \$	Karaayi Project \$	Sisorta Project \$	Catak Project \$	Corporate and other costs \$	Total \$
30 June 2013						
Total segment revenue	-	-	-	-	200,264	200,264
Total segment expenditure	(6,109,667)	(161,845)	(26,176)	(81,750)	(3,261,560)	(9,640,998)
Segment result	<u>(6,109,667)</u>	<u>(161,845)</u>	<u>(26,176)</u>	<u>(81,750)</u>	<u>(3,061,296)</u>	<u>(9,440,734)</u>

Reconciliation of segment result to net loss before tax

Other income	154,471
Impairment of capitalised exploration expenditure	(575,000)
Capitalised expenditure	5,658,559
Net loss before tax	<u>(4,202,704)</u>

ii. Segment assets and liabilities

The segment information presented to the Managing Director does not include the reporting of assets and liabilities or cash flows by segment. The Group's assets are located primarily in Turkey.

	Turkey \$	Other \$	Total \$
30 June 2014			
Segment assets	<u>23,607,384</u>	<u>1,737,553</u>	<u>25,344,937</u>
Segment assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)	5,551,740	4,286	5,556,026
Impairments	(6,500,000)	-	(6,500,000)
Disposals of non-current assets	(1,790,358)	-	(1,790,358)
Segment liabilities	<u>573,974</u>	<u>375,020</u>	<u>948,994</u>
30 June 2013			
Segment assets	<u>29,029,846</u>	<u>1,103,358</u>	<u>30,133,204</u>
Segment assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)	6,766,897	45,286	6,812,183
Impairments	(575,000)	-	(575,000)
Segment liabilities	<u>157,729</u>	<u>270,750</u>	<u>428,479</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

	2014 \$	2013 \$
7. Revenue and other income		
Interest revenue	77,092	200,264
Gain on sale of financial assets at fair value through profit or loss	289,982	-
Other revenue	-	154,471
	367,074	354,735

Gain on sale of financial assets at fair value through profit or loss includes \$131,055 in unrealised gains as at 30 June 2014 (2013:\$nil).

8. Expenses

Loss before income tax includes the following specific expenses:

Rental expenses relating to operating leases – minimum lease rentals	93,821	68,801
Superannuation contributions	140,947	126,294
Net foreign exchange losses	163,273	33,412

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

	2014 \$	2013 \$
9. Income tax		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Deferred income tax/(revenue)		
Deferred income tax/(revenue) included in tax expense comprises:		
(Increase)/decrease in deferred tax assets	(2,198,620)	(133,997)
Increase/(decrease) in deferred tax liabilities	2,198,620	133,997
	-	-
(c) Reconciliation of income tax expense to prima facie income tax		
Loss before income tax	(9,766,173)	(4,202,704)
Tax at the Australian tax rate of 30% (2013: 30%)	(2,929,852)	(1,260,811)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	8,020	236,259
Non-deductible tenement expenditure	229,285	201,830
Other non-deductible expenses	29,577	26,930
Capital raising costs	(123,575)	-
Differences in overseas tax rates	161,427	72,889
	(2,625,118)	(722,903)
Deferred tax assets not recognised	2,625,118	722,903
Income tax expense	-	-
(d) Deferred tax assets / liabilities comprise		
Interest receivable	(1,613)	(241)
Accruals	35,313	8,874
Unrealised foreign exchange gains	(26,400)	(1,643)
S 40-880 capital raising expenses and legal fees	256,144	195,000
Impairment losses	1,950,000	-
Unrealised fair value adjustments	(39,316)	-
Tax losses available for offset against future taxable income	4,070,779	2,415,224
Net deferred tax assets	6,244,907	2,617,214
Deferred tax assets not recognised	(6,244,907)	(2,617,214)
	-	-
(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% (2013: 30%)	6,244,907	2,617,214

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

	2014 \$	2013 \$
10. Trade and other receivables		
Current		
Other receivables	401,186	394,102
Non-current		
Other receivables	15,000	15,000
	416,186	409,102

Other receivables mainly represent VAT in Turkey and deposits and guarantees for tenements. None of the balances within other receivables are past due or contain impaired assets.

11. Financial assets at fair value through profit or loss**Current**

Listed equity securities	454,344	-
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The fair value of the listed equity securities is based on unadjusted quoted market prices for the shares (level 1 as defined in AASB 13).

12. Other financial assets**Current**

Term deposits	85,021	95,556
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The term deposits of \$85,021 (2013: \$95,556) are held with Vakif Bank, Turkey as security against corporate credit cards and guarantees provided by Vakif Bank in relation to tenement bonds.

13. Other current assets

Prepayments	203,029	98,653
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Prepayments as at 30 June 2014 and 30 June 2013 mainly relate to payments in advance for environmental permitting, conferences, software licences and other corporate payments.

14. Property, plant and equipment

Plant and equipment

At cost	433,066	429,450
Accumulated depreciation	(273,541)	(216,403)
	159,525	213,407

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

Carrying amount at beginning of year	213,407	222,608
Impact of movements in foreign exchange rates	(30,494)	2,575
Additions	56,365	63,928
Disposals	-	-
Depreciation	(79,753)	(75,704)
Carrying amount at end of year	159,525	213,407

Depreciation amounting to \$48,803 was capitalised to exploration and evaluation expenditure during the year (2013: \$46,395).

Notes to the Financial Statements (continued)**For the year ended 30 June 2014**

	2014 \$	2013 \$
15. Exploration and evaluation expenditure		
At cost	22,956,296	28,092,408
Carrying amount at beginning of year	28,092,408	21,918,701
Impact of movements in foreign exchange rates	(2,337,853)	1,090,148
Additions	5,492,099	5,658,559
Disposals	(1,790,358)	-
Impairment of exploration and evaluation expenditure	(6,500,000)	(575,000)
Carrying amount at end of year	22,956,296	28,092,408

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

Impairment charge

The impairment charge of \$6,500,000 in the year ended 30 June 2014 arose in relation to the Sisorta Project and represents the excess of the capitalised exploration and evaluation expenditure for the Sisorta Project over the Company's estimated value of the consideration, net of disposal costs, that would be receivable by the Company in an arm's length disposal of the project. The estimated consideration receivable was based on recent comparable transactions for exploration stage gold projects with similar characteristics to the Sisorta Project.

The impairment charge of \$575,000 in the year ended 30 June 2013 arose in relation to the Karaayi Project and represented the excess of capitalised exploration and evaluation expenditure for the Karaayi Project over the consideration received by the Company on the disposal of the Karaayi Project.

16. Trade and other payables

Trade payables	690,298	325,549
Accruals	258,696	103,041
Total trade and other payables	948,994	428,590

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

17. Contributed equity

Ordinary shares – fully paid	42,476,896	35,563,669
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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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

17. Contributed equity (continued)**(a) Movements in share capital**

Date	Details	No. of shares	Issue Price	\$
	Balance 30 June 2012	148,223,115		34,063,252
23 July 2012	New issue pursuant to agreement to acquire an interest in the Catak Project	50,000	\$0.31	15,500
8 August 2012	New issue pursuant to placement to sophisticated investors	4,627,614	\$0.335	1,550,251
28 February 2013	New issue pursuant to option agreement to acquire Karaayi Project	100,000	\$0.26	26,000
	Issue costs	-	-	(91,334)
	Balance 30 June 2013	153,000,729		35,563,669
23 August 2013	Issue of shares – pursuant to option to acquire Karaayi project	525,000	\$0.16	84,000
23 September 2013	Issue of shares – Placement @\$0.11 per share	22,400,000	\$0.11	2,464,000
17 October 2013	Issue of shares – Entitlement offer @\$0.11 per share	43,981,432	\$0.11	4,837,958
3 April 2014	Issue of shares – pursuant to option to acquire Catak project	1,100,000	\$0.13	143,000
	Issue costs	-	-	(615,731)
	Balance 30 June 2014	221,007,161		42,476,896

(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 for exploration and evaluation of tenements.

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

The Group monitors capital on the basis of forecast exploration and evaluation expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserves. Total capital is calculated as 'equity' as shown in the statement of financial position.

(c) Share options

At 30 June 2014, the following options for ordinary shares in the Company were on issue:

	2014 Number	2013 Number
Director and employee options	6,705,000	8,905,000

18. Reserves and accumulated losses

	2014 \$	2013 \$
(a) Reserves		
Share-based payments reserve	1,889,887	1,863,154
Foreign currency translation reserve	(3,577,828)	(2,381,794)
	(1,687,941)	(518,640)

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

	2014 \$	2013 \$
18. Reserves and accumulated losses (continued)		
Movements:		
<i>Share based payments reserve</i>		
Balance at beginning of year	1,863,154	1,075,624
Options issued	26,733	787,530
Balance at end of year	<u>1,889,887</u>	<u>1,863,154</u>
Movements:		
<i>Foreign currency translation reserve</i>		
Balance at beginning of year	(2,381,794)	(2,358,133)
Net exchange differences on translation of foreign controlled entities	(1,196,034)	(23,661)
Balance at end of year	<u>(3,577,828)</u>	<u>(2,381,794)</u>
(b) Accumulated losses		
Movements:		
Balance at beginning of year	(11,913,261)	(7,767,741)
Net Loss for the year	(6,572,534)	(4,145,520)
Balance at end of year	<u>(18,485,795)</u>	<u>(11,913,261)</u>
(c) Nature and purpose of reserves		
<i>Share based payments reserve</i>		
The share based payments reserve is used to recognise the fair value of options issued but not exercised.		
<i>Foreign currency translation reserve</i>		
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled subsidiaries.		
19. 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>(i) Audit and assurance services</i>		
Audit and review of financial reports	35,000	70,250
<i>(ii) Non-audit services</i>		
Tax advice and compliance services	18,542	18,850
Total remuneration of Pitcher Partners Brisbane	<u>53,542</u>	<u>89,100</u>
(c) Network firms – Baker Tilly Gureli Turkey		
<i>(i) Audit and assurance services</i>		
Audit and review of financial reports	30,000	-
Total remuneration of network firms of Pitcher Partners Brisbane	<u>30,000</u>	<u>-</u>
Total auditors' remuneration	<u>83,542</u>	<u>89,100</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

	2014 \$	2013 \$
20. Cash flow information		
(a) Cash and cash equivalents		
Cash at bank and on hand	<u>1,070,536</u>	<u>1,224,078</u>
(b) Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss for the year	(9,766,173)	(4,202,704)
Impairment of exploration assets	6,500,000	575,000
Share based payments	26,733	787,530
Depreciation and amortisation	30,950	29,309
Gain on disposal of financial assets at fair value through profit or loss	(289,982)	-
Net exchange differences	163,273	33,412
Change in operating assets and liabilities:		
(Increase)/decrease in trade or other receivables	(17,338)	180,880
(Increase)/decrease in other assets	13,189	84,731
Increase/(decrease) in trade and other payables	<u>96,801</u>	<u>15,102</u>
Net cash outflow from operating activities	<u>(3,242,547)</u>	<u>(2,496,740)</u>

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The Group received equity securities as partial consideration for the sale of the Karaayi project. 1,371,250 -
- The Group issued equity securities as consideration for the Group acquiring or maintaining its interest in the Karaayi and Catak projects. 228,000 41,500

21. Earnings per share

	2014 Cents	2013 Cents
(a) Basic and earnings per share		
Loss attributable to the ordinary equity holders of the Company	<u>(3.27)</u>	<u>(2.72)</u>
(b) Weighted average number of ordinary shares used as the denominator		
	2014 Number	2013 Number
Number used in calculating basic earnings per share	<u>201,104,865</u>	<u>152,448,121</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 22. In 2014 and 2013 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

22. Share based payments

Employee Share Option Plan

The Group has established the Chesser Resources Ltd 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.
- 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

22. Share based payments (continued)

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 2014	Vested and exercisable at end of the year Number
2014								
20/04/2010	19/04/2014	\$0.40	2,200,000	-	-	(2,200,000)	-	-
04/03/2010	02/03/2015	\$0.18	105,000	-	-	-	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	-
			8,905,000	-	-	(2,200,000)	6,705,000	6,505,000
Weighted average exercise price			\$0.55	-	-	\$0.40	\$0.61	\$0.61

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 2013	Vested and exercisable at end of the year Number
2013								
22/02/2008	21/02/2013	\$0.40	277,500	-	-	(277,500)	-	-
20/04/2010	19/04/2014	\$0.40	2,200,000	-	-	-	2,200,000	2,200,000
04/03/2010	02/03/2015	\$0.18	105,000	-	-	-	105,000	105,000
23/05/2011	22/05/2015	\$1.52	50,000	-	-	(50,000)	-	-
23/05/2011	22/05/2015	\$2.15	50,000	-	-	(50,000)	-	-
23/05/2011	22/05/2015	\$2.79	50,000	-	-	(50,000)	-	-
27/04/2012	26/04/2016	\$0.73	600,000	-	-	(600,000)	-	-
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	-	300,000	-	(100,000)	200,000	200,000
01/2/2013	31/1/2017	\$0.40	-	300,000	-	(100,000)	200,000	-
01/2/2013	31/1/2017	\$0.45	-	300,000	-	(100,000)	200,000	-
			3,332,500	6,900,000	-	(1,327,500)	8,905,000	8,505,000
Weighted average exercise price			\$0.53	\$0.60	-	\$0.75	\$0.55	\$0.56

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.44 years (2013 – 2.79 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.

Notes to the Financial Statements (continued)**For the year ended 30 June 2014****22. Share based payments (continued)**

No options were granted during the year ended 30 June 2014. The model inputs for options granted during the year ended 30 June 2013 included:

	Director Options issued 14 December 2012	Employee Options issued 1 February 2013
Option premium	\$Nil	\$Nil
Exercise price	\$0.50 to \$0.75	\$0.35 to \$0.45
Expiry date	13/12/2016	31/1/2017
Vesting conditions	Nil	Vesting period of up to two years based on length of service.
Share price at grant date	\$0.38	\$0.31
Expected price volatility of the Company's shares	60%	60%
Expected dividend yield	0%	0%
Risk free interest rate	2.76%	2.86%

The weighted average fair value of options granted was \$Nil (2013: \$0.13). 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.

	2014 \$	2013 \$
Expenses arising from share-based transactions		
Options issued to directors and employees	<u>26,733</u>	<u>787,530</u>

23. Parent entity disclosures

As at and throughout the financial year ending 30 June 2014 and 30 June 2013 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 2014

23. Parent entity disclosures (continued)

	2014 \$	2013 \$
	Chesser Resources Limited	
Results		
Loss for the year	<u>(6,810,764)</u>	(3,473,815)
Total comprehensive income for the year	<u>(6,810,764)</u>	(3,473,815)
Financial Position		
Current assets	1,507,524	931,526
Non-current assets	<u>22,971,183</u>	23,321,184
	<u>24,478,707</u>	24,252,710
Current liabilities	<u>366,075</u>	269,274
	<u>366,075</u>	269,274
Net Assets	<u>24,112,632</u>	23,983,436
Contributed equity	42,476,896	35,563,669
Share-based payments reserve	1,889,887	1,863,154
Accumulated losses	<u>(20,254,151)</u>	(13,443,387)
	<u>24,112,632</u>	23,983,436

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 2014 or 30 June 2013.

d) Contractual commitments for capital expenditure

The parent entity did not have any contractual commitments for capital expenditure as at 30 June 2014 (2013: \$nil).

24. 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⁾	
			2014 %	2013 %
Bati Anadolu Madencilik Sanayi Ve Ticaret A.S. ⁽²⁾	Turkey	Ordinary	99	99
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
EBX Madencilik Ltd. A.S	Turkey	Ordinary	51	51
EBX (BVI) Ltd.	British Virgin Isles	Ordinary	51	51
Kaletepe Madencilik Sanayi Ve Ticaret A.S	Turkey	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) Dr Richard Valenta, Managing Director owns 50 shares (1%) of Bati Anadolu Madencilik Sanayi Ve Ticaret A.S.

Notes to the Financial Statements (continued)**For the year ended 30 June 2014****24. Subsidiaries (continued)**

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before consolidation adjustments and intragroup eliminations.

	EBX Madencilik Limited A.S		EBX (BVI) Ltd	
	2014	2013	2014	2013
	\$	\$	\$	\$
Current assets	130,215	81,313	5,573	5,374
Non-current assets	4,092,975	4,486,846	18,579,466	19,161,283
Current liabilities	201,680	54,761	-	-
Non-current liabilities	-	-	-	-
Equity attributable to owners of the Company	2,050,970	2,301,833	9,478,370	9,774,995
Non-controlling interests	1,970,540	2,211,565	9,106,669	9,391,662
Revenue	-	-	-	-
Expenses	(17,828)	116,702	(581,618)	2,513,299
Profit / (Loss) for the year	(17,828)	116,702	(581,618)	2,513,299
Profit / (Loss) attributable to owners of the Company	(9,092)	59,518	(296,625)	1,281,782
Profit / (Loss) attributable to the non-controlling interests	(8,736)	57,184	(284,993)	1,231,517
Profit / (Loss) for the year	(17,828)	116,702	(581,618)	2,513,299
Total comprehensive income for the year	(487,586)	356,437	3,095,311	(229,986)

The activities of both EBX Madencilik A.S and EBX (BVI) Ltd in the current and prior financial year were wholly related to the Sisorta Project in which the Group has a 51% ownership interest. In addition to the revenues and expenses disclosed above, an impairment loss of \$6,500,000 was recorded as a consolidation adjustment in the year ended 30 June 2014 (2013: \$nil) of which \$3,185,000 is attributable to the non-controlling interest (2013:\$nil).

Neither EBX Madencilik A.S nor EBX (BVI) Ltd had material cash flows in the year ended 30 June 2014 or 30 June 2013.

25. 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. Details of transactions between the Group and other related parties are disclosed below.

- (a) Non-executive director Simon O'Loughlin is a partner in the law firm O'Loughlins Lawyers. O'Loughlins Lawyers provide legal services to the Group. As at 30 June 2014 \$Nil (2013: \$Nil) was owing to O'Loughlins Lawyers. The total fees paid for the year was \$Nil (2013: \$18,297).

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

26. 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:

	2014 \$	2013 \$
Short term employee benefits	1,058,333	974,344
Post employment benefits	97,896	83,144
Share based payments	26,733	787,530
	<u>1,182,962</u>	<u>1,845,018</u>

27. Commitments

Operating leases

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

Within one year	72,376	72,376
Later than one year but not later than five years	70,333	140,667
	<u>142,709</u>	<u>213,043</u>

Exploration expenditure

In accordance with Turkish legislation, exploration tenements do not have any ongoing material financial obligations.

28. Contingent liabilities

The Group has previously received the Environmental Impact Assessment (EIA) approval for the original proposed operating area for the Kestanelik and Karaayi projects. These approvals pertain to small areas with limited scope of work, and separate, more comprehensive EIA studies will have to be submitted and approved prior to the commencement of any mining and processing project of larger scope. This would normally be done in conjunction with the completion of a detailed feasibility study covering all aspects of mining activities proposed to be undertaken by the Group.

In the prior financial year the Group was informed that a group of minor NGOs outside of the local Kestanelik area had instigated legal action in Turkey seeking to annul the provisional Environmental Impact Assessment approvals (EIA) previously granted by the Turkish Ministry of Environment and Urban Planning (MEUP) in relation to the Kestanelik project. The petition, filed with the Canakkale Administrative Court, names the Ministry as the respondent. No member of the Chesser Group is named as a respondent.

During the financial year the Cannakale Administrative Court concluded that the MEUP should have undertaken an analysis of the cumulative environmental impact assessment of the proposed operations at Kestanelik along with all other contemplated EIA reports submitted in the greater Cannakale area and ruled that the EIA report be cancelled. The Court made its ruling notwithstanding a panel of independent experts appointed by the Court concluding that the EIA report for the Kestanelik Project had been appropriately approved. The MEUP, which is the defendant in the proceedings, is appealing the ruling.

The cancellation of the test scale mining EIA Report does not restrict the ability of the Company to undertake the drilling and other activities required to complete a definitive feasibility study, nor does the Company believe that there will be a significant change in the process or timeframe for the Ministry undertaking its assessment of the Company's EIA Report for the production scale EIA Report for the Kestanelik Project.

Notes to the Financial Statements (continued)

For the year ended 30 June 2014

29. Events occurring after the reporting period

Other than as disclosed below, 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.

(a) *Conditional agreement for the sale of the Kestanelik Project*

On 3 September, 2014 the Company entered into a conditional agreement (**the Agreement**) with Nurol Holdings A.S. (Nurol) to sell its 100 percent interest in Bati Anadolu Madencilik Sanayi Ve Ticaret A.S (**Bati**), the owner and operator of the Kestanelik Project in North Western Turkey (**the Transaction**).

The consideration under the Transaction is US\$40,000,000 cash receivable in full by Chesser on completion of the transaction.

There are a number of conditions precedent that are required to be satisfied or waived before the Transaction is completed including Chesser obtaining the approval of its shareholders to enter into the Transaction and Nurol receiving routine approval from the Turkish Competition Board.

Completion of the Transaction will end Chesser's involvement with the Kestanelik Project, however, subject to positive exploration results, Chesser will maintain an active presence in the gold sector in Turkey through its Sisorta and Catak Projects.

A general meeting of the Company's shareholders to approve the sale of the project will be held on 13 October 2014.

(b) *Updated JORC Mineral Resource for the Kestanelik Project*

On 4 September 2014, the Group announced an updated JORC Mineral Resource for the Kestanelik Project. Key elements of the updated resource were:

- A 66% increase in Indicated Mineral Resources to 2.68 million tonnes with contained gold within Indicated Resources increasing by 29% to 236,000 ounces at an average grade of 2.74 g/t; and silver increasing 57% to 212,000 ounces at 2.46 g/t.
- Overall resource increased 22% to 12.47 million tonnes, with contained gold increased 6% to 746,000 ounces and contained silver up 15% to 730,000 ounces.

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 2014 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.



Dr Richard Valenta
Managing Director

Dated 30 September 2014



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BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
ADELE TOWNSEND
COLE WILKINSON

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 2014, 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 3, 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 2014 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 3.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 3 in the financial report, which indicates that the company's cash reserves of \$1,070,536 as at 30 June 2014 and the cash proceeds of USD 40,000,000 to be received pursuant to the conditional agreement for sale of the Kestanelik Project entered into by the company subsequent to the end of the financial year are sufficient for the company to meet its required expenditure for the next 12 months from the date of this audit report. Should the sale not be completed the company's ability to continue as a going concern will be dependent on the company's capacity to raise further finance.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 26 of the directors' report for the year ended 30 June 2014. 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 2014 complies with Section 300A of the *Corporations Act 2001*.

PITCHER PARTNERS



J. J. EVANS.
Partner
Brisbane, Queensland
30 September 2014