



# **Chesser Resources Limited**

**ABN 14 118 619 042**

## **Financial Report**

**for the year ended 30 June 2015**

# Contents

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Directors' Report	3
Auditor's Independence Declaration	18
Corporate Governance Statement	19
Consolidated Income Statement	29
Consolidated Statement of Comprehensive Income	30
Consolidated Statement of Financial Position	31
Consolidated Statement of Changes in Equity	32
Consolidated Statement of Cash flows	33
Notes to the Financial Statements	34
Directors' Declaration	64
Independent Auditors Report	65

## Directors' report

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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 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

### Directors and Company Secretary

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

Mr Frank Terranova, Non-Executive Chairman (appointed 12 February 2015)  
Mr Simon O'Loughlin, Non-Executive Director  
Mr Simon Taylor, Non-Executive Director  
Mr Philip Amery, Non-Executive Director (appointed 12 February 2015)  
Mr Gabriel Radzynski, Non-Executive Director (appointed 18 February 2015)  
Mr Stephen Kelly, Executive Director (appointed 12 February 2015)  
Mr Robert Reynolds (resigned 12 February 2015)  
Dr Richard Valenta (resigned 30 January 2015)  
Mr Morrice Cordiner (resigned 12 February 2015)  
Mr Peter Lester (resigned 12 February 2015)

### Mr Frank Terranova CA (Non-Executive Chairman)

Mr. Terranova has extensive global experience in corporate finance and executive management. He held senior roles in a number of organisations including Normandy Mining Limited and Queensland Cotton Limited. He later became Chief Financial Officer and ultimately Managing Director of Allied Gold PLC which was subsequently acquired by St Barbara Limited in 2012. He was Managing Director of Polymetals Mining Limited and led its transformation through a merger with Southern Cross Goldfields Limited in 2013 and oversaw the combined group's growth and recapitalisation program. He is currently Non-Executive Chairman of Taruga Gold Limited and a Non-Executive Director of Unity Mining Limited. Mr. Terranova is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand.

Mr Terranova was appointed to the Board on 12 February 2015.

### *Former directorships in last 3 years*

In the last 3 years Mr Terranova was a Director of Allied Gold Limited, Polymetals Mining Limited and Southern Cross Goldfields Limited.

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

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

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

### *Former directorships in last 3 years*

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.

## Directors' report (continued)

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

Mr Taylor is a geologist with over 25 years' experience in exploration, project assessment and development in the resources sector. He has had a diversified career as a resources professional providing services to resource companies and financial corporations. His experience spans a range of commodities including gold, fertilisers (phosphate and potash), base metals, nickel, uranium, coal and coal seam methane. Whilst his experience includes Australia a majority of his projects have been in international countries including Brazil, Turkey, Uganda, Tanzania, Mali, China, UK and North America.

His experience includes providing consulting services to resource companies and financial corporations as a resource analyst. His analytical and technical expertise, combined with his corporate experience have given him an ability to advise companies at a corporate and Board level including fund raising, acquisitions, promotion and recognising opportunities to add shareholder value.

Mr Taylor is currently the Managing Director of Oklo Resources and a non executive Director of King Solomon Mines and TW Holdings Limited.

Mr Taylor was appointed to the Audit Committee in February 2015.

*Former directorships in last 3 years*

Bondi Mining Limited, Probiomics Limited, Aguia Resources Limited.

**Mr Gabriel Radzynski BA (Hons), MCom. (Non-Executive Director)**

Mr Radzynski is the founder and managing director of Sandon. He is portfolio manager of the Sandon Capital Activist Fund, a fund targeting underperforming companies. Mr Radzynski also holds directorships in Sandon Capital Investments Limited, Future Generation Investment Fund Limited, ASK Funding Ltd and Mercantile Investment Company Limited.

Mr Radzynski was appointed to the Board on 18 February 2015.

*Former directorships in last 3 years*

Onthehouse Holdings Limited, RHG Limited, Armidale Investment Corporation Limited.

**Mr Philip Amery, LLB, BA (Non Executive Director)**

Mr Amery is an experienced capital markets advisor and private banker. Mr Amery is the Managing Director of Amery Associates a provider of wealth management and global trading services to high net worth clients and corporate finance advice on associated transactions.

Mr Amery was appointed to the Board on 12 February 2015 and is a member of the Audit Committee.

*Former directorships in last 3 years*

Nil

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

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

Mr Kelly was appointed to the Board on 12 February 2015.

*Former directorships in last 3 years*

Nil

**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 Limited were:

	<b>Number of Ordinary Shares<sup>#</sup></b>	<b>Number of Options over Ordinary Shares<sup>#</sup></b>
Mr Frank Terranova	3,000,000	-
Mr Simon O'Loughlin	812,500	-
Mr Simon Taylor	1,500,000	-
Mr Phillip Amery	-	-
Mr Gabriel Radzynski	43,979,000	-
Mr Stephen Kelly	1,268,319	600,000

<sup>#</sup> Includes shares in which the Director has an indirect interest through associated entities.

**Meetings of Directors**

The number of meetings of the Company's board of directors and each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were as follows:

<b>Number of meetings held</b>	<b>Board Meetings</b>		<b>Audit, Risk and Compliance Committee Meetings</b>	
	<b>11</b>		<b>2</b>	
	<b>Number of meetings eligible to attend</b>	<b>Number of meetings attended</b>	<b>Number of meetings eligible to attend</b>	<b>Number of meetings attended</b>
F Terranova (appointed 12 February 2015)	7	7	-	-
S Taylor	11	11	1	1
S O'Loughlin	11	11	2	2
P Amery (appointed 12 February 2015)	7	7	1	1
G Radzynski (appointed 18 February 2015)	5	5	-	-
S Kelly (appointed 12 February 2015)	7	7	-	-
R Reynolds (resigned 12 February 2015)	4	4	1	1
R Valenta (resigned 30 January 2015)	4	4	-	-
M Cordiner (resigned 12 February 2015)	4	4	1	1
P Lester (resigned 12 February 2015)	4	4	-	-

**Dividends**

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

**Principal activities**

The principal activities of the Group during the financial year were the management of the Company's interests in the Kestanelik, Catak and Sisorta gold exploration projects, all of which are located in Turkey. Due to adverse developments in the permitting and regulatory environment in Turkey and a challenging

## Directors' report (continued)

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financing environment for resources projects generally, the Company disposed of its interests in its gold exploration projects as follows:

- (a) In October 2014, the Company sold the Kestanelik Gold Project to Nurol Holdings Limited for cash consideration of US\$40 million (A\$45 million equivalent at the time of sale).
- (b) In January 2015, the Company terminated its option to acquire an interest in the Catak Gold Project and completed the transfer of the tenement back to the underlying owner.
- (c) On 28 March 2015, the Company completed the sale of its 51% ownership interest in the Sisorta Project for cash consideration of \$162,023.

Note 24 to the financial statements provides additional information in relation to the effect on the financial statements of the disposals referred to above.

Following the completion of the sale of the Kestanelik Gold Project, the Company made a capital return of 15 cents per share or approximately \$33.15 million to shareholders.

Subsequent to the sale of the Kestanelik Project and the making of the 15 cent per share capital return, significant changes occurred in relation to the composition of the Company's share register and its Board of Directors. The Company announced on 2 March 2015 that as a consequence of those changes, it had suspended its consideration of resource project investment opportunities pending the reconstituted Board completing a review of the Company's strategic and capital management opportunities.

In June 2015, the Company announced that it would seek shareholder approval to implement a buy back of the Company's shares for 3.43 cents per share. On 4 September 2015 the buy back was approved at an Extraordinary General Meeting of Shareholders.

### Operating result

The Group's profit after providing for income tax amounted to \$18,987,687 (2014: Loss \$9,766,173). Included in the operating profit for the financial year was a profit from discontinued operations of \$20,276,328 (2014: Loss from discontinued operations of \$7,862,433). The discontinued operations comprised the disposal of the Company's ownership interests in the Kestanelik, Catak and Sisorta Gold Projects and the disposal of the Company's Turkish subsidiaries.

### KESTANELIK GOLD PROJECT

On 24 October 2014, the Company received US\$40 million in cash from the sale of the Kestanelik Gold Project to Nurol Holdings A.S., a leading Turkish industrial group.

The sale of the Kestanelik project delivered significant benefits for Chesser shareholders. Pitched at a significant premium to the prevailing share market valuation of the Company, the sale crystallised the value of the project for shareholders, reduced development and funding risks and enabled a capital return of 15 cents per share paid to shareholders on 12 December 2014 and the 3.43 cent per share buy back that was approved by shareholders on 4 September 2015.

Note 24 to the financial statements provides additional information in relation to the effect on the financial statements of the disposal of the Kestanelik Project.

### CATAK Gold

During the year the Company undertook a limited work program at the Catak Project which included an initial program of mapping, surface sampling and geophysics at the Catak Project.

The Company also continued a surface sampling program aimed at collecting a representative suite of high

## Directors' report (continued)

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grade and low grade vein material for petrographic analysis.

Further to a strategic review announced in January 2015, the Company terminated its option to acquire an interest in the Catak Project and completed the transfer of the tenement back to the underlying owner.

Note 24 to the financial statements provides additional information in relation to the effect on the financial statements of the disposal of the Catak Project.

### SISORTA Gold

No work was undertaken in relation to the Sisorta Project during the year.

On 4 March 2015, the Company announced that it had entered into legally binding agreements to dispose of its 51% interest in the Sisorta Project for \$162,023. The transaction settled on 28 March 2015. The Company has no residual interest in the Sisorta Project.

Note 24 to the financial statements provides additional information in relation to the effect on the financial statements of the disposal of the Sisorta Project.

### CORPORATE

During the year the Company completed the sale of the third and final tranche of 312,500 Pilot Gold Inc shares that were received pursuant to the sale of the Karaayi Project in September 2013.

On 12 December 2014, the Company paid \$0.15 per share as a capital return to all shareholders. The capital return, totalling approximately \$33.15 million, was paid from the proceeds from the sale of the Kestanelik project.

The Company took actions to reduce its corporate cost structure in Australia including reducing staffing levels to reflect the current level of activity pending a review of the Company's strategic direction by the Company. The Company wound up its operations in Turkey, including the disposal of its Turkish subsidiaries and commenced the process of winding up its other international subsidiary companies.

### 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) Equal Access Share Buy Back

On 4 September 2015 the Company held an Extraordinary General Meeting of Shareholders at which Shareholders approved the implementation of an equal access buy back on the following terms:

Proposed buy back price	\$0.0343 per share
Maximum number of shares to be bought by the Company	220,636,100 shares
Maximum cash to be returned to shareholders	\$7.57 million
Forecast cash balance after EABB if all shareholders participate fully	\$0.3 million

It is expected that payment will be made to participating Shareholders on or about 13 October 2015.

### Likely developments and expected results of operations

The future strategic direction and expected results of operations will be dependent on the outcome of the equal access share buy back approved by Shareholders on 4 September 2015. The Shareholder Booklet dated 3 August 2015 sets out a number of potential impacts of the equal access buy bank on the future operations and results of the Company including:

- **Effect on the Company's investment activities, business and growth opportunities.** Following implementation of the Buy Back, the Company will recommence a strategic review of the options and

## Directors' report (continued)

investment opportunities available to it. The strategic review will take into consideration both the Company's cash reserves and the level of concentration of ownership of Shares following implementation of the Buy Back.

- **Effect on the Company's listing on the Australian Stock Exchange (ASX).** It is currently unknown whether the Company will remain listed on the ASX for the following reasons :
  - The Company has been asked by ASX to demonstrate that its business operations are at a level that warrants the continued quotation of Shares and its continued listing on the ASX in satisfaction of Listing Rule 12.1. ASX will suspend the Company's securities from official quotation following completion of the Buy Back until such time as the Company can demonstrate it satisfies Listing Rule 12.1.
  - The cancellation of Shares under the Buy Back, combined with the potential for a significant concentration of share ownership, may reduce the liquidity of the remaining Shares. If the Company is unable to maintain the level of spread required by the ASX Listing Rules, the ASX may exercise its discretion to suspend quotation of the Shares and may de-list the Company.
- **Effect on control of the Company.** As a consequence of the cancellation of the Shares bought back under the Buy Back, the percentage shareholding and voting power of Shareholders who do not participate in the Buy Back, or only participate with respect to some of their Shares, will increase. This may materially alter the ownership of the Company.

### Environmental regulation

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

### Tenements

As at 30 June 2015 the Group did not have any interests in mining tenements.

### Significant changes in state of affairs

Other than as disclosed in this report and the accompanying financial report, there were no 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:

<u>Grant Date</u>	<u>Vest Date</u>	<u>Expiry Date</u>	<u>Exercise Price<sup>(1)</sup></u>	<u>Number of options</u>
14/12/2012	14/12/2012	13/12/2016	\$0.35	500,000
14/12/2012	14/12/2012	13/12/2016	\$0.40	1,000,000
14/12/2012	14/12/2012	13/12/2016	\$0.45	1,500,000
14/12/2012	14/12/2012	13/12/2016	\$0.50	1,000,000
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	1,000,000
01/2/2013	01/02/2013	31/01/2017	\$0.20	200,000
01/2/2013	01/02/2014	31/01/2017	\$0.25	200,000
01/2/2013	01/02/2015	31/01/2017	\$0.30	200,000
20/10/2014	20/10/2014	31/12/2016	\$0.11	500,000
				<b>7,100,000</b>



## Directors' report (continued)

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<sup>(1)</sup> *In accordance with the Listing Rules of the Australian Stock Exchange Limited, the exercise price of issued options was reduced by \$0.15 per share on 12 December 2014 following the completion of a \$0.15 capital return to shareholders.*

### Shares issued as a result of the exercise of options

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

## REMUNERATION REPORT

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

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

#### (i) Non-Executive Director Remuneration

##### **Objective**

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

##### **Structure**

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

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. 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. Effective from 18 February 2015, fees were payable to Non-Executive Directors on the following basis:

- The Non-Executive Chairman receives an annual fee of \$30,000 plus superannuation. Prior to 18 February 2015, the Non-Executive Chairman received an annual fee of \$60,000 plus superannuation. The Non-Executive Chairman did not receive any fees for the period 12 February 2015 to 1 April 2015.
- Other Non-Executive Directors receive an annual fee of \$25,000 per annum plus superannuation. Prior to 18 February 2015, the Non-Executive Directors received an annual fee of \$40,000 plus superannuation. Mr Amery and Mr Radzyninski did not receive any fees for the period from the date of their appointment to 1 April 2015.

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;

## Directors' report (continued)

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

### Structure

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

#### (iii) Variable Remuneration – Short and Long Term Incentives

### Objective

The objectives of the incentives plan are to:

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

### Structure

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

#### (b) Remuneration, Group performance and shareholder wealth

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

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

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

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

Financial Year	Total Remuneration \$	EPS (Cents)	Dividends (Cents)	Share Price (Cents)
2015	1,282,075	8.59	-	3.4 <sup>#</sup>
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

<sup>#</sup> The share price at 2015 reflects the impact of the capital return of 15 cents per share made by the Company in December 2014.

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

## Directors' report (continued)

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measures for assessing executive performance.

### Key management personnel

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

<i><b>Name</b></i>	<i><b>Position Held</b></i>
Frank Terranova	Non-Executive Chairman (appointed 12 February 2015)
Philip Amery	Non-Executive Director (appointed 12 February 2015)
Gabriel Radzynski	Non-Executive Director (appointed 18 February 2015)
Simon O'Loughlin	Non-Executive Director
Simon Taylor	Non-Executive Director
Stephen Kelly	Executive Director (appointed 12 February 2015), CFO and Company Secretary (full time employee until 4 June 2015, part time contractor from 4 June 2015).
Rob Reynolds	Non-Executive Chairman (Resigned 12 February 2015)
Richard Valenta	Managing Director (Resigned 30 January 2015)
Morrice Cordiner	Non-Executive Director (Resigned 12 February 2015)
Peter Lester	Non-Executive Director (Resigned 12 February 2015)
Nigel Ricketts	Project Director (Resigned 26 September 2014)

### (c) Details of remuneration

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

Chesser Resources Limited  
Financial Report for the year ended 30 June 2015  
**Directors' report (continued)**

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

- <sup>(1)</sup> 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.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> During the financial year the Company paid cash bonuses to Mr Valenta and Mr Kelly for the negotiation and completion of the sale of the Kestanelik Project and to Mr Ricketts for meeting key performance indicators in relation to the Pre Feasibility Study for the Kestanelik Project.

## Directors' report (continued)

2014	Short-term employee benefits	Post-employment benefits	Total Cash payments	Share-based payments	Total remuneration	Proportion of remuneration that is performance based <sup>(2)</sup>
Name	Cash salary and fees \$	Super-annuation \$	\$	Options <sup>(1)</sup> \$	\$	%
<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	-
<b>Total Non-Executive Directors</b>	<b>220,000</b>	<b>20,350</b>	<b>240,350</b>	<b>-</b>	<b>240,350</b>	<b>-</b>
<i>Executive Directors</i>						
Richard Valenta	280,000	25,901	305,901	-	305,901	-
<b>Total Executive Directors</b>	<b>280,000</b>	<b>25,901</b>	<b>305,901</b>	<b>-</b>	<b>305,901</b>	<b>-</b>
<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	-
<b>Total Other Key Management Personnel</b>	<b>558,333</b>	<b>51,645</b>	<b>609,978</b>	<b>26,733</b>	<b>636,711</b>	<b>-</b>
<b>Total Key Management Personnel Compensation</b>	<b>1,058,333</b>	<b>97,896</b>	<b>1,156,229</b>	<b>26,733</b>	<b>1,182,962</b>	<b>-</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> The only vesting conditions attached to options issued during the year were service based conditions on options issued to Mr Kelly.

### (d) 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. Mr Valenta was made redundant on 30 January 2015.
- Base Salary, inclusive of superannuation, of \$305,900 per annum effective 1 June 2015.
- Contract may be terminated by the Company by the giving of 12 months' notice or the payment of 12 month's salary in lieu of notice.
- Contract may be terminated by Mr Valenta by the giving of 12 months' notice or the forfeiture of 12 month's salary in lieu of notice.

## Directors' report (continued)

Stephen Kelly, Executive Director, Company Secretary and Chief Financial Officer

- Up to and including 4 June 2015 Mr Kelly was contracted as a full time employee on the following terms:
  - Term of agreement – open ended commencing 15 November 2012.
  - Base annual salary of \$283,333, exclusive of superannuation.
  - Contract may be terminated by either party with one month's notice or payment in lieu thereof.
- On 4 June 2015 Mr Kelly's employment contract was terminated and Mr Kelly was engaged as a part time contractor on the following terms:
  - Monthly retainer of \$6,150 inclusive of superannuation.
  - Hours worked in excess of 38 hours per month are to be paid at an hourly rate of \$225 inclusive of superannuation.
  - The agreement may be terminated by either party providing one month's notice.

Nigel Ricketts, Project Director

- Term of agreement – open ended commencing 13 May 2013.
- Base annual salary of \$275,000, exclusive of superannuation.
- Contract may be terminated by either party with one month's notice or payment in lieu thereof.
- Mr Ricketts was made redundant on 26 September 2014 as a consequence of the decision to dispose of the Kestanelik Project.

### (e) 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	1/2/2015	31/1/2017	\$0.30	\$0.12	100%	2015	-
20/10/2014	20/10/2014	31/12/2016	\$0.11	\$0.035	100%	2015	-

<sup>(1)</sup> In accordance with the Listing Rules of the Australian Stock Exchange Limited, the exercise price of issued options was reduced by \$0.15 per share on 12 December 2014 following the completion of a \$0.15 capital return to shareholders.

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

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

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

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 prior financial year

## Directors' report (continued)

	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 (\$)
<b>Key management personnel</b>					
S Kelly	-	-	200,000	-	-
N. Ricketts	500,000	3.5	500,000	-	-

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.

### (f) 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:

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

### (g) Share holdings

The number of shares in the Company held during the financial year by each director of Chesser Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation (2014: nil).

## Directors' report (continued)

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

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

### (i) Loans to key management personnel

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

### (j) Other transactions with key management personnel

There were no other transactions with key management personnel.

### (k) Voting and comments made at the Company's 2014 Annual General Meeting

The Company received more than 97% of "yes" votes on its remuneration report for the financial year ended 30 June 2014. 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 \$25,924 (2014: \$22,468). The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### Proceedings on behalf of the Group

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



## Directors' report (continued)

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

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

### Non-audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Group are important.

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

#### *Pitcher Partners*

Tax advice services

Tax compliance services

**Total remuneration for non-audit services**

	2015	2014
	\$	\$
	-	13,000
	-	5,542
	-	18,542

### 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.



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**Stephen Kelly, Executive Director**  
Brisbane, 30 September 2015



**PITCHER PARTNERS**  
ACCOUNTANTS • AUDITORS • ADVISORS

Level 30  
345 Queen Street  
Brisbane  
Queensland 4000

Postal Address:  
GPO Box 1144  
Brisbane  
Queensland 4001

Tel: 07 3222 8444  
Fax: 07 3221 7779

www.pitcher.com.au  
info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms  
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

ROSS WALKER  
KEN OGDEN  
NIGEL FISCHER  
TERESA HOOPER  
MARK NICHOLSON  
PETER CAMENZULI  
JASON EVANS  
IAN JONES  
KYLIE LAMPRECHT  
NORMAN THURECHT  
BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON  
SIMON CHUN

The Directors  
Chesser Resources Limited  
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 2015, 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 2015

## Corporate Governance Statement

This Corporate Governance Statement sets out Chesser Resources Limited's compliance with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory, however the Company is required to provide this statement disclosing the extent to which it has followed the recommendations contained in the ASX Principles and Recommendations. This corporate governance statement is current as at 30 June 2015 and has been approved by the Board of the Company (Board).

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
<b>1. Lay solid foundations for management and oversight</b>		
1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Yes  Yes	<p>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.</p> <p>The key responsibilities of the board include:</p> <ul style="list-style-type: none"> <li>• Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;</li> <li>• Adopting budgets and monitoring the financial performance of the Group;</li> <li>• Reviewing annually the performance of the managing director and senior executives against the objectives and performance indicators established by the Board;</li> <li>• Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;</li> <li>• Overseeing the implementation and management of effective safety and environmental performance systems;</li> <li>• Ensuring all major business risks are identified and effectively managed; and</li> <li>• Ensuring that the Group meets its legal and statutory obligations.</li> </ul> <p>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.</p> <p>The Company has adopted a Board Charter that may be viewed on the Company's website <a href="http://www.chesserresources.com.au">www.chesserresources.com.au</a>.</p>

## Corporate Governance Statement

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
1.2 A listed entity should : (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes  Yes	The Company undertakes appropriate checks before appointing a person as a Director of the Company.  When the election of Directors are put to security holders at a meeting of members, all material information relevant to the vote are incorporated in the meeting documents, which includes their relevant professional history and qualifications.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has written agreements in place with each of its Directors and senior executives.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the Chair on all matters to do with the proper functioning of the Board.	Yes	The Company Secretary position is directly accountable to the Board on all matters to do with the proper functioning of the Board.
1.5 A listed entity should : (a) have a diversity policy which includes the requirement for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions across the whole organisation; or (2) if the entity is a "relative employer" under the Workplace Gender Equality Act, the entity's most recent Gender Equality Indicators as defined and published	Yes	The board has adopted a diversity policy that applies to all directors and officers of the Company. The Company is committed to diversity across the organisation. Diversity includes, but is not limited to, gender, age, experience, ethnicity and cultural background.  To the extent practicable and appropriate, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.  The Board has not yet set measurable objectives for achieving gender diversity. The Board is committed to actively supporting and managing diversity as a means of enhancing the Company's performance by recognizing and utilizing the contribution of diverse skills and talent from its directors, officers, employees and consultants. However, at this stage of the Company's operations and the limited number of employees, the Board has determined that no specific measurable objectives will be established. The Board will review this position as the Company's circumstances change.  The Board will however, conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary. As at the date of this report, the Company has the following

## Corporate Governance Statement

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
under that Act.		<p>proportion of women appointed:</p> <ul style="list-style-type: none"> <li>to the Board – 0% (nil out of six)</li> <li>to senior management – 0% (nil out of nil)</li> <li>to the organisation as a whole – 0% (nil out of six)</li> </ul>
<p>1.6 A listed entity should :</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	No	<p>The performance of the Board and individual Directors are evaluated in accordance with the Performance Evaluation Policies introduced via Board Charter. The objective of this evaluation will be to provide best practice corporate governance to the Company.</p> <p>As of the end of this reporting period, the Board has not completed the performance evaluation of its Committees and its individual Directors.</p>
<p>1.7 A listed entity should :</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	No	<p>Given the size of the Company, the Board does not consider it appropriate to have a process for periodically evaluating the performance its senior executives. Notably, the performance of Executive Directors fall within the ambit of the Nomination Committee, and its functions are carried out by the full Board.</p>
<b>2. Structure the board to add value</b>		
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout</p>	No	<p>There is no nomination committee separate to the full Board. The role of the nomination committee is undertaken by the full Board. The Board considers that, given the Board is comprised of six Directors and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee.</p> <p>As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate nomination committee.</p> <p><b>Board Renewal and Succession Planning</b></p> <p>The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past</p>

## Corporate Governance Statement

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
the period and the individual attendances of the members at those meetings; or if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.		<p>the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election. The Company has not adopted a policy in relation to the retirement or tenure of directors.</p> <p>The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.</p>
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	No	<p>The Board has not considered it necessary to create a formal document that sets out the particular skills of the existing Board.</p> <p>However, pursuant to the Board Charter (which forms part of the Corporate Governance Plan), the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. Furthermore, the Board Charter notes that the Board should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.</p>
2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and the length of service of each director	Yes	<p>At the date of this statement the board consists of five non-executive directors, four of whom are considered to be independent, and one executive director. Directors are expected to bring independent views and judgement to the Board's deliberations. The independent directors are:</p> <ul style="list-style-type: none"> <li>• Mr Frank Terranova Non-Executive Chairman (Appointed 12 February 2015)</li> <li>• Mr Simon O'Loughlin Non-Executive Director (Appointed 2 March 2006)</li> <li>• Mr Simon Taylor Non-Executive Director (Appointed 29 March 2007)</li> <li>• Mr Phillip Amery Non-Executive Director (Appointed 12 February 2015)</li> </ul> <p>The Board considers this to be an appropriate composition given the size and development of the</p>

## Corporate Governance Statement

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
		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.
2.4 A majority of the board of a listed entity should be independent directors.	Yes	A majority of the directors are independent.
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	The chair of the Board is independent.
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	No	The Company does not have a formal program in place. However, as part of their individual appointments, the Board (carrying out the functions of the Nomination Committee) carefully reviews the suitability of every Director, which includes an assessment of their skills and qualifications
<b>3. Act ethically and responsibly</b>		
3.1 A listed entity should:		
(a) have a code of conduct for its directors, senior executives and employees; and	Yes	The Board has adopted a Corporate Code of Conduct, which forms part of its Corporate Governance Plan.
(b) disclose that code or a summary of it.	Yes	A copy of the Corporate Governance Plan can be accessed via the Company's website.
<b>4 Safeguard integrity in financial reporting</b>		
4.1 The board of a listed entity should:		
(a) have an audit committee which:	Yes	The Audit, Risk and Compliance Committee comprises Mr Simon O'Loughlin (Chairman), Mr Simon Taylor and Mr Phillip Amery, all of whom are independent Non-Executive Directors. The Board has approved a Charter for the Audit, Risk and Compliance Committee which may be viewed on the Company's website at <a href="http://www.chesserresources.com.au">www.chesserresources.com.au</a> .
(1) has at least three members, all of whom are non- executive directors and a majority of whom are independent directors; and		
(2) is chaired by an independent director, who is not the chair of the board,		
and disclose:		The Audit, Risk and Compliance Committee's primary responsibilities are to:
(3) the charter of the committee;		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;
(4) the relevant qualifications and experience of the members of the committee; and		b) review and assess the appointment,
(5) in relation to each		

## Corporate Governance Statement

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
<p>reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Yes	<p>qualifications, independence, performance and remuneration of, and relationship with, the Company's external auditors and the integrity of the audit process as a whole;</p> <p>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</p> <p>d) oversee the policies and procedures for ensuring the Group's compliance with relevant regulatory and legal requirements.</p>
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	It is the Board's policy, that the CEO (or equivalent) and the CFO (or equivalent) make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. The CEO and CFO, or persons acting in those roles, have declared to the Board that the Company's management of its material business risks is effective.
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	The Company's auditor will attend its AGM and will be available to answer questions from security holders relevant to the audit.
<b>5. Make timely and balanced disclosure</b>		
5.1 A listed entity should:		
(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes	The Continuous Disclosure Policy sets out the key obligations of the Directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance. The Board
(b) disclose that policy or a summary of it.	Yes	



## Corporate Governance Statement

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
		has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.
<b>6. Respect the rights of security holders</b>		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company's website: <a href="http://www.chesserresources.com.au">www.chesserresources.com.au</a> contains all relevant information about the Company.
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	The Company has not designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.2 of the Corporate Governance Council. Given the size of the Company, the board does not consider design of, or disclosure of a communications policy to be appropriate. The board takes ultimate responsibility for these matters.
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	No	The Company has not designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.3 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.
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Shareholders can register with the Company's Registrar to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the annual, half yearly and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.
<b>7. Recognise and manage risk</b>		
7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, 3. and disclose: 4. the charter of the committee;	Yes	<p>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.</p> <p>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</p>

## Corporate Governance Statement

ASX Principles and Recommendations	Comply (Yes / No)	Commentary
<p>5. the members of the committee; and</p> <p>6. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>		<p>meetings. Budgets are prepared and compared against actual results.</p> <p>Management and the Board monitor the Group's material business risks and reports are considered at regular meetings.</p> <p>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 <a href="http://www.chesserresources.com.au">www.chesserresources.com.au</a>.</p>
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Yes</p> <p>Yes</p>	<p>The Board is responsible for overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.</p> <p>As of the end of this reporting period, the Board has completed its review.</p>
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	No	<p>Due to the size and scale of operations of the Company the Board considers that it would not be efficient to implement an internal audit function at this time.</p> <p>The Board is responsible for overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	<p>As a former mining explorer, the Company is faced with a number of economic, environmental and social sustainability risks. The Board, carrying out the functions of the Audit and Risk Committee, and as guided by the Risk Management Review Procedure reviews and manages these risks on a regular basis.</p>

27 | Page

28 | Page

# Consolidated Income Statement

## For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue and other income	7	790,396	364,312
Employee benefits expense		(1,188,568)	(1,324,713)
Depreciation expense		(27,520)	(30,429)
Share options expense		(24,384)	(26,733)
Professional fees		(408,919)	(301,072)
Auditors remuneration		(26,000)	(76,000)
Rental expense for office lease		(42,773)	(70,657)
Share registry fees		(99,497)	(60,656)
Loss on sale of financial assets at fair value through profit or loss		(70,149)	-
Other expenses		(191,227)	(377,792)
<b>Loss before income tax from continuing operations</b>		<b>(1,288,641)</b>	<b>(1,903,740)</b>
Income tax benefit from continuing operations	9	-	-
<b>Loss for the period from continuing operations</b>		<b>(1,288,641)</b>	<b>(1,903,740)</b>
<b>Discontinued operations</b>			
Profit / (loss) from discontinued operations	24	20,276,328	(7,862,433)
<b>Profit / (loss) for the period</b>		<b>18,987,687</b>	<b>(9,766,173)</b>
Profit / (loss) attributable to:			
Owners of the parent – continuing operations		(1,288,641)	(1,903,740)
Owners of the parent – discontinued operations		20,276,328	(4,668,794)
Non-controlling interests – discontinued operations		-	(3,193,639)
		<b>18,987,687</b>	<b>(9,766,173)</b>
<b>Earnings per share:</b>	21	<b>Cents</b>	<b>Cents</b>
Basic and diluted profit / (loss) per share – continuing and discontinued operations		8.59	(3.27)
Basic and diluted profit / (loss) per share – continuing operations		(0.58)	(0.95)

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 2015

	Note	2015 \$	2014 \$
<b>Profit / (loss) for the period</b>		<b>18,987,687</b>	<b>(9,766,173)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		-	(2,482,458)
Reclassification of adjustments related to foreign operations disposed of during the year		<b>(2,412,785)</b>	-
Income tax relating to these items		-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(2,412,785)</b>	<b>(2,482,458)</b>
<b>Total comprehensive loss for the period</b>		<b>16,574,902</b>	<b>(12,248,631)</b>
Total comprehensive Loss attributable to:			
Owners of the Chesser Resources Limited		<b>16,574,902</b>	(7,768,568)
Non-controlling interests		-	(4,480,063)
		<b>16,574,902</b>	<b>(12,248,631)</b>

*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 2015

	Note	2015 \$	2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	20(a)	7,894,885	1,070,536
Trade and other receivables	10	46,179	401,186
Financial assets at fair value through profit or loss	11	-	454,344
Other financial assets	12	-	85,021
Other current assets	13	-	203,029
<b>TOTAL CURRENT ASSETS</b>		<b>7,941,064</b>	<b>2,214,116</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	10	-	15,000
Property, plant and equipment	14	19,312	159,525
Exploration and evaluation assets	15	-	22,956,296
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,312</b>	<b>23,130,821</b>
<b>TOTAL ASSETS</b>		<b>7,960,376</b>	<b>25,344,937</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	116,221	948,994
<b>TOTAL CURRENT LIABILITIES</b>		<b>116,221</b>	<b>948,994</b>
<b>TOTAL LIABILITIES</b>		<b>116,221</b>	<b>948,994</b>
<b>NET ASSETS</b>		<b>7,844,155</b>	<b>24,395,943</b>
<b>EQUITY</b>			
Issued capital	17	9,325,822	42,476,896
Accumulated losses	18	(3,395,526)	(18,485,795)
Reserves	18	1,913,859	(1,687,941)
<b>Parent interests</b>		<b>7,844,155</b>	<b>22,303,160</b>
<b>Non-controlling interest</b>		<b>-</b>	<b>2,092,783</b>
<b>TOTAL EQUITY</b>		<b>7,844,155</b>	<b>24,395,943</b>

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 2015

	Issued Capital Ordinary shares \$	Accumulated Losses \$	Reserves \$	Non- controlling Interest \$	Total \$
<b>Balance at 1 July 2014</b>	<b>42,476,896</b>	<b>(18,485,795)</b>	<b>(1,687,941)</b>	<b>2,092,783</b>	<b>24,395,943</b>
<b>Total comprehensive income</b>					
Profit for the year	-	18,987,687	-	-	18,987,687
Other comprehensive Loss	-	(3,897,418)	3,577,416	(2,092,783)	(2,412,785)
<b>Total comprehensive profit / (loss) for the year</b>	<b>-</b>	<b>15,090,269</b>	<b>3,577,416</b>	<b>(2,092,783)</b>	<b>16,574,902</b>
<b>Transactions with owners in their capacity as owners</b>					
Return of capital paid	(33,151,074)	-	-	-	(33,151,074)
Share options issued	-	-	24,384	-	24,384
<b>Balance at 30 June 2015</b>	<b>9,325,822</b>	<b>(3,395,526)</b>	<b>1,913,859</b>	<b>-</b>	<b>7,844,154</b>

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

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 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Interest received		206,520	72,515
Payments to suppliers and employees		(3,112,649)	(3,315,062)
Research and development tax offset received		216,930	-
<b>Net cash outflows used in operating activities</b>	<b>20(b)</b>	<b>(2,689,199)</b>	<b>(3,242,547)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(8,018)
Payments for exploration and evaluation expenditure		(1,397,692)	(5,063,288)
Net proceeds from sale of exploration property		-	236,703
Net proceeds from disposal of subsidiaries		43,294,945	-
Proceeds from the sale of financial assets at fair value through profit or loss		384,195	1,173,412
<b>Net cash inflows / (outflows) used in investing activities</b>		<b>42,281,448</b>	<b>(3,661,191)</b>
<b>Cash flows from financing activities</b>			
Capital return paid to shareholders		(33,151,074)	-
Proceeds from issue of shares		-	7,301,847
Share issue costs		-	(615,732)
<b>Net cash inflows/(outflows) provided by financing activities</b>		<b>(33,151,074)</b>	<b>6,686,115</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
		<b>6,441,175</b>	<b>(217,623)</b>
Cash and cash equivalents at the beginning of the year		1,070,536	1,224,078
Effects of exchange rate changes on cash and cash equivalents		383,174	64,081
<b>Cash and cash equivalents at the end of the year</b>	<b>20(a)</b>	<b>7,894,885</b>	<b>1,070,536</b>

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

**Contents of the notes to the financial statements**

1.	General information	35
2.	Application of new and revised Accounting Standards	35
3.	Significant accounting policies	36
4.	Financial risk management	45
5.	Critical accounting estimates and judgements	47
6.	Operating segments	48
7.	Revenue	50
8.	Expenses	50
9.	Income tax	51
10.	Trade and other receivables	52
11.	Financial assets at fair value through profit or loss	52
12.	Other financial assets	52
13.	Other current assets	52
14.	Property, plant and equipment	52
15.	Exploration and evaluation expenditure	53
16.	Trade and other payables	53
17.	Contributed equity	53
18.	Reserves and accumulated losses	54
19.	Remuneration of auditors	55
20.	Cash flow information	56
21.	Earnings per share	56
22.	Share-based payments	57
23.	Parent entity disclosures	59
24.	Subsidiaries	60
25.	Related parties	62
26.	Key management personnel compensation	62
27.	Commitments and Contingent Liabilities	62
28.	Events occurring after the reporting period	63

# Notes to the Financial Statements (continued)

For the year ended 30 June 2015

## 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 during the financial year was the development and disposal of its gold projects located in Turkey.

## 2. Application of new and revised Accounting Standards

In the current financial year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Company's accounting policies or application of those policies.

### *Standards and Interpretations not yet adopted*

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 'Financial Instruments', and the relevant amending standards <sup>1</sup>	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-15 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB101'	1 Jan 2016	1 Jul 2016
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

**Notes to the Financial Statements (continued)****For the year ended 30 June 2015**

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

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

AASB 9 – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss. The Group is yet to assess the impact of the new standard. In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There will be no impact on the Group's accounting for financial liabilities, as the Group does not have any liabilities at fair value through profit or loss. Recent amendments as part of the project introduced a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. There will be no impact on the Group's accounting, as the Group does not utilise hedge accounting.

Other than as noted above, the Directors do not anticipate that 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 that have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with the other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 September 2015.

#### **(b) Basis of preparation**

The consolidated financial statements have been prepared on the basis of historical cost, except for certain

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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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 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.

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 2015 and the results of all subsidiaries for the year then ended. Chesser Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 3(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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### (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 or, in the absence of the Managing Director, the Chief Financial Officer.

### (e) Revenue recognition

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

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

#### *Government grants*

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

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

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

#### *Interest revenue*

Interest is recognised using the effective interest method.

### (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or 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.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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

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

### **(g) Business combinations**

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

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.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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### (j) Exploration and evaluation expenditure

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

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

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

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

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



# Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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

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

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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

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

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

### **(q) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, expected to be settled 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 corporate 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.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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(ii) *Diluted earnings per share*

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

(s) **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(t) **Dividends**

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

(u) **Foreign currency translation**

(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 2015

- 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 2015

## 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:

	2015 \$	2014 \$
<b>Financial Assets</b>		
Cash and cash equivalents *	7,894,885	1,070,536
Trade and other receivables *	46,179	416,186
Financial assets at fair value through profit or loss**	-	454,344
Other financial assets *	-	85,021
	<u>7,941,064</u>	<u>2,026,087</u>
<b>Financial Liabilities</b>		
Trade and other payables ***	<u>116,221</u>	<u>948,994</u>
	<u>116,221</u>	<u>948,994</u>

\* 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 2015

	2015 USD \$	2014 USD \$	2015 TL \$	2014 TL \$	2015 CAD \$	2014 CAD \$
Cash and cash equivalents	2,671,924	290,068	-	11,485	-	6,841
Trade and other receivables	-	-	-	380,221	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	454,344
Other financial assets	-	-	-	85,021	-	-
<b>Total assets</b>	<b>2,671,924</b>	<b>290,068</b>	<b>-</b>	<b>476,727</b>	<b>-</b>	<b>461,185</b>
Trade and other payables	-	17,000	-	432,409	-	2,256
<b>Net exposure</b>	<b>2,671,924</b>	<b>273,068</b>	<b>-</b>	<b>44,318</b>	<b>-</b>	<b>458,929</b>

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

	2015 USD \$	2014 USD \$	2015 TL \$	2014 TL \$	2015 CAD \$	2014 CAD \$
Profit / (loss) before tax	(267,192)	(27,307)	-	(4,431)	-	(45,892)
Equity	(267,192)	(27,307)	-	(4,431)	-	(45,892)

## (ii) Price risk

At the end of the prior 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 were classified as financial assets at fair value through profit or loss and had a carrying value of \$Nil as at the reporting date (2014:\$454,344). Had the value of the equity securities held at 30 June 2015 increased / decreased by 10% with all other variables held constant, the Group's post tax loss for the year would have been \$Nil lower / higher (2014: \$45,434 higher / \$45,434 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 2015		30 June 2014	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	2.15%	7,894,885	2.33%	1,070,536

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 2015

	After-tax profit higher / (lower)		Equity higher / (lower)	
	2015	2014	2015	2014
	\$	\$	\$	\$
+1% (100bp)	78,949	10,705	78,949	10,705
-1% (100bp)	(78,949)	(10,705)	(78,949)	(10,705)

## (b) Credit risk

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

## (c) Liquidity risk

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

### *Maturity of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

30 June 2015	Less than 3 months \$	Total contractual cash flows \$	Carrying amount \$
Trade and other payables	116,222	116,222	116,222
30 June 2014	Less than 3 months \$	Total contractual cash flows \$	Carrying amount \$
Trade and other payables	948,994	948,994	948,994

## (d) Fair value estimation

Financial assets at fair value through profit or loss are carried at their fair value as determined by reference to quoted bid prices in an active, liquid market (Level 1).

The carrying amount of other financial assets (net of any provision for impairment) and financial liabilities as disclosed above is assumed to approximate their fair values primarily due to their short maturities

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

## 5. Critical accounting estimates and judgements

The Group makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. As at 30 June 2015 there were no critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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### 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, or in the absence of the Managing Director, the Chief Financial Officer (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on a geographic basis, that is, the location of the respective Projects the Group is seeking to explore and develop. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments.

#### Activity by segment

##### *Kestanelik Project*

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

##### *Karaayi Project*

The Karaayi Project is approximately 40 kilometers 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 in which the Group had a 51% ownership interest. During the year the Company disposed of its interest in the Sisorta Project for cash consideration of \$162,023.

##### *Catak Project*

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

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



# Notes to the Financial Statements (continued)

For the year ended 30 June 2015

## i. Segment performance

	Kestanelik Project \$	Karaayi Project \$	Sisorta Project \$	Catak Project \$	Corporate costs \$	Total \$
<b>30 June 2015</b>						
Total segment revenue	-	-	-	-	191,924	191,924
Total segment expenditure	(552,978)	-	(75,041)	-	(2,027,133)	(2,655,152)
Segment result	(552,978)	-	(75,041)	-	(1,835,209)	(2,463,228)

### Reconciliation of segment result to net loss before tax

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

	Kestanelik Project \$	Karaayi Project \$	Sisorta Project \$	Catak Project \$	Corporate costs \$	Total \$
<b>30 June 2014</b>						
Total segment revenue	-	-	-	-	77,092	77,092
Total segment expenditure	(5,101,805)	(218,997)	(145,856)	(25,441)	(2,210,890)	(7,702,989)
Segment result	(5,101,805)	(218,997)	(145,856)	(25,441)	(2,133,798)	(7,625,897)

### Reconciliation of segment result to net loss before tax

Other income	287,220
Depreciation	(30,429)
Share based payments	(26,733)
Loss from discontinued operations	(7,862,433)
Capitalised expenditure	5,492,099
Net loss before tax	(9,766,173)

## 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. As at 30 June 2015 the Group's assets are located primarily in Australia.

	Turkey \$	Australia and Other \$	Total \$
<b>30 June 2015</b>			
Segment assets	-	7,960,376	7,960,376
Segment assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)	628,018	-	628,018
Disposals of non-current assets (refer note 24)	(23,116,628)	-	(23,116,628)
Segment liabilities	-	116,222	116,222

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2015

	Turkey \$	Australia and Other \$	Total \$
<b>30 June 2014</b>			
<b>Segment assets</b>	<b>23,607,384</b>	<b>1,737,553</b>	<b>25,344,937</b>
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)
<b>Segment liabilities</b>	<b>573,974</b>	<b>375,020</b>	<b>948,994</b>

	2015 \$	2014 \$
<b>7. Revenue and other income – continuing operations</b>		
Interest revenue	191,923	71,214
Gain on sale of financial assets at fair value through profit or loss	-	293,098
Foreign exchange gains	381,543	-
Research and development tax offset	216,930	-
	<b>790,396</b>	<b>364,312</b>

During the financial year the Group received \$216,930 (2014:\$Nil) research and development refundable tax offset which has been accounted for as a government grant and included in other income. There are no unfulfilled conditions or other contingencies attaching to this grant. The Group did not benefit directly from any other forms of government assistance.

Gain on sale of financial assets at fair value through profit or loss includes \$Nil in unrealised gains as at 30 June 2015 (2014:\$131,055 unrealised gains).

**8. Expenses – continuing operations**

Loss before income tax includes the following specific expenses:

Rental expenses relating to operating leases – minimum lease rentals	<b>68,155</b>	93,821
Superannuation contributions	<b>82,931</b>	140,947
Net foreign exchange losses	-	163,273

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2015

	2015 \$	2014 \$
<b>9. Income tax – continuing operations</b>		
<b>(a) Income tax benefit</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>(b) Deferred income tax/(revenue)</b>		
Deferred income tax/(revenue) included in tax expense comprises:		
(Increase)/decrease in deferred tax assets	(148,290)	(2,198,620)
Increase/(decrease) in deferred tax liabilities	148,290	2,198,620
	-	-
<b>(c) Reconciliation of income tax expense to prima facie income tax</b>		
Loss before income tax from continuing operations	(1,288,641)	(1,903,740)
Tax at the Australian tax rate of 30% (2014: 30%)	(386,592)	(571,122)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	7,315	8,020
Research and development offset	(65,079)	-
Other non-deductible expenses	154,637	228,449
Capital raising costs	(107,597)	(123,575)
	(397,316)	(458,228)
Deferred tax assets not recognised	397,316	458,228
Income tax benefit	-	-
<b>(d) Deferred tax assets / liabilities comprise</b>		
Interest receivable	(2,369)	(1,613)
Accruals	11,216	15,544
Unrealised foreign exchange gains	(175,662)	-
S 40-880 capital raising expenses and legal fees	148,548	256,144
Unrealised fair value adjustments	-	(39,316)
Tax losses available for offset against future taxable income	2,751,695	2,354,379
Net deferred tax assets	2,733,428	2,585,138
Deferred tax assets not recognised	(2,733,428)	(2,585,138)
	-	-
<b>(e) Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences and tax losses at 30% (2014: 30%)	2,733,428	2,585,138

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

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2015

	2015 \$	2014 \$
<b>10. Trade and other receivables</b>		
<b>Current</b>		
Other receivables	46,179	401,186
<b>Non-current</b>		
Other receivables	-	15,000
	<b>46,179</b>	<b>416,186</b>

Other receivables in the prior period 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 in the prior period was 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
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**13. Other current assets**

Prepayments	-	203,029
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**14. Property, plant and equipment**

## Plant and equipment

At cost	127,945	433,066
Accumulated depreciation	(108,633)	(273,541)
	<b>19,312</b>	<b>159,525</b>

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

Carrying amount at beginning of year	159,525	213,407
Impact of movements in foreign exchange rates	-	(30,494)
Additions	-	56,365
Disposals	(112,693)	-
Depreciation	(27,520)	(79,753)
Carrying amount at end of year	<b>19,312</b>	<b>159,525</b>

Depreciation amounting to \$Nil was capitalised to exploration and evaluation expenditure during the year (2014: \$48,303).

**Notes to the Financial Statements (continued)****For the year ended 30 June 2015**

	2015 \$	2014 \$
<b>15. Exploration and evaluation expenditure</b>		
At cost	-	22,956,296
Carrying amount at beginning of year	<b>22,956,296</b>	28,092,408
Impact of movements in foreign exchange rates	<b>532,079</b>	(2,337,853)
Additions	<b>628,018</b>	5,492,099
Disposals	<b>(24,116,393)</b>	(1,790,358)
Impairment of exploration and evaluation expenditure	-	(6,500,000)
Carrying amount at end of year	-	22,956,296

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.

**16. Trade and other payables**

Trade payables	<b>79,605</b>	690,298
Accruals	<b>36,616</b>	258,696
Total trade and other payables	<b>116,221</b>	948,994

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	<b>9,325,822</b>	42,476,896
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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 2015

**(a) Movements in share capital**

Date	Details	No. of shares	Issue Price	\$
	<b>Balance 30 June 2013</b>	<b>153,000,729</b>		<b>35,563,669</b>
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)
	<b>Balance 30 June 2014</b>	<b>221,007,161</b>		<b>42,476,896</b>
12 December 2014	Capital return paid to shareholders	-	\$0.15	(33,151,074)
	<b>Balance 30 June 2015</b>	<b>221,007,161</b>		<b>9,325,822</b>

**(b) Capital management**

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

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

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

**(c) Share options**

At 30 June 2015, the following options for ordinary shares in the Company were on issue:

	2015 Number	2014 Number
Director and employee options	<u>7,100,000</u>	<u>6,705,000</u>

**18. Reserves and accumulated losses**

	2015 \$	2014 \$
<b>(a) Reserves</b>		
Share-based payments reserve	1,914,271	1,889,887
Foreign currency translation reserve	(412)	(3,577,828)
	<u>1,913,859</u>	<u>(1,687,941)</u>

**Movements:**

*Share based payments reserve*

Balance at beginning of year	1,889,887	1,863,154
Options issued	24,384	26,733
Balance at end of year	<u>1,914,271</u>	<u>1,889,887</u>

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2015

	2015 \$	2014 \$
<b>Movements:</b>		
<i>Foreign currency translation reserve</i>		
Balance at beginning of year	(3,577,828)	(2,381,794)
Derecognition on disposal of overseas subsidiaries	3,577,416	-
Net exchange differences on translation of foreign controlled entities	-	(1,196,034)
Balance at end of year	(412)	(3,577,828)

**(b) Accumulated losses****Movements:**

Balance at beginning of year	(18,485,795)	(11,913,261)
Net profit / (loss) for the year	18,987,687	(6,572,534)
Derecognition of foreign currency translation reserve attributable to non-controlling interests in overseas subsidiaries disposed of	(3,897,418)	-
Balance at end of year	(3,395,526)	(18,485,795)

**(c) Nature and purpose of reserves***Share based payments reserve*

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

*Foreign currency translation reserve*

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

**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) Audit and assurance services*

Audit and review of financial reports	26,000	35,000
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*(ii) Non-audit services*

Tax advice and compliance services	-	18,542
Total remuneration of Pitcher Partners Brisbane	-	53,542

**(c) Network firms – Baker Tilly Gureli Turkey***(i) Audit and assurance services*

Audit and review of financial reports	-	30,000
Total remuneration of network firms of Pitcher Partners Brisbane	-	30,000

**Total auditors' remuneration**

26,000	83,542
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**Notes to the Financial Statements (continued)**

For the year ended 30 June 2015

	2015 \$	2014 \$
<b>20. Cash flow information</b>		
<b>(a) Cash and cash equivalents</b>		
Cash at bank and on hand	<u>7,894,885</u>	<u>1,070,536</u>
<b>(b) Reconciliation of loss after income tax to net cash outflow from operating activities</b>		
Profit / (loss) for the year	18,987,687	(9,766,173)
Gain on disposal of subsidiaries	(21,244,676)	-
Provision for impairment	-	6,500,000
Share based payments	24,384	26,733
Depreciation and amortisation	27,520	30,950
(Gain) / loss on disposal of financial assets at fair value through profit or loss	70,149	(289,982)
Net exchange differences	(349,535)	163,273
Change in operating assets and liabilities (net of disposals):		
(Increase)/decrease in trade or other receivables	47,441	(17,338)
(Increase)/decrease in other assets	-	13,189
Increase/(decrease) in trade and other payables	<u>(252,169)</u>	<u>96,801</u>
Net cash outflow from operating activities	<u>(2,689,199)</u>	<u>(3,242,547)</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

**21. Earnings per share**

	2015 Cents	2014 Cents
Basic and diluted profit / (loss) per share – continuing and discontinued operations	8.59	(3.27)
Basic and diluted profit / (loss) per share – continuing operations	(0.58)	(0.95)

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

	2015 Number	2013 Number
Number used in calculating basic earnings per share	<u>221,007,161</u>	<u>201,104,865</u>



## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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(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 2015 and 2014 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.

### 22. Share based payments

#### Employee Share Option Plan

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

- Eligible participants shall be full time or part time employees of the Company or an Associated Body Corporate.
- Options are granted under the Scheme at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option entitles the holder to subscribe for and be allotted one Share. Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue. The Options may not be exercised until the Shares have been quoted on ASX throughout the 12 month period immediately preceding that exercise of the Options, without suspension during that period exceeding in total 2 trading days.
- Unless the Directors in their absolute discretion determine otherwise, Options shall lapse upon the earlier of:
  - a. The expiry of the exercise period;
  - b. The Option holder ceasing to be within the category of Eligible Participant by reason of dismissal, resignation or termination of employments, office or services for any reason, except the Directors may resolve within 30 days of such dismissal, resignation or termination, that the Options shall lapse on other terms they consider appropriate;
  - c. The expiry of 1 year after the Option holder ceases to be within the category of Eligible Participant by reason of retirement; and
  - d. A determination by the Directors that the Option holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or an Associated Body Corporate.
- An option may not be transferred or assigned except that a legal personal representative of a holder of an Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Option after that production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.
- Options will not be quoted on ASX. However, application will be made to ASX for official quotation of the shares allotted pursuant to the exercise of options if the Company's shares are listed on ASX at that time.
- 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 2015

Grant Date	Expiry Date	Exercise Price <sup>(1)</sup>	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 2015	Vested and exercisable at end of the year Number
<b>2015</b>								
04/03/2010	02/03/2015	\$0.03	105,000	-	-	(105,000)	-	-
14/12/2012	13/12/2016	\$0.35	500,000	-	-	-	500,000	500,000
14/12/2012	13/12/2016	\$0.40	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.45	1,500,000	-	-	-	1,500,000	1,500,000
14/12/2012	13/12/2016	\$0.50	1,000,000	-	-	-	1,000,000	1,000,000
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	1,000,000	-	-	-	1,000,000	1,000,000
01/2/2013	31/1/2017	\$0.20	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.25	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.30	200,000	-	-	-	200,000	200,000
20/10/2014	31/12/2016	\$0.11	-	500,000	-	-	500,000	500,000
			<b>6,705,000</b>	<b>500,000</b>	<b>-</b>	<b>(105,000)</b>	<b>7,100,000</b>	<b>7,100,000</b>
Weighted average exercise price			<b>\$0.46</b>	<b>\$0.11</b>		<b>\$0.03</b>	<b>\$0.44</b>	

<sup>(1)</sup> In accordance with the Listing Rules of the Australian Stock Exchange Limited, the exercise price of issued options was reduced by \$0.15 per share on 12 December 2014 following the completion of a \$0.15 capital return to shareholders. The adjusted exercise price is shown in the tables for both 2015 and 2014.

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
<b>2014</b>								
20/04/2010	19/04/2015	\$0.40	2,200,000	-	-	(2,200,000)	-	-
04/03/2010	02/03/2015	\$0.03	105,000	-	-	-	105,000	105,000
14/12/2012	13/12/2016	\$0.35	500,000	-	-	-	500,000	500,000
14/12/2012	13/12/2016	\$0.40	1,000,000	-	-	-	1,000,000	1,000,000
14/12/2012	13/12/2016	\$0.45	1,500,000	-	-	-	1,500,000	1,500,000
14/12/2012	13/12/2016	\$0.50	1,000,000	-	-	-	1,000,000	1,000,000
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	1,000,000	-	-	-	1,000,000	1,000,000
01/2/2013	31/1/2017	\$0.20	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.25	200,000	-	-	-	200,000	200,000
01/2/2013	31/1/2017	\$0.30	200,000	-	-	-	200,000	-
			<b>8,905,000</b>	<b>-</b>	<b>-</b>	<b>(2,200,000)</b>	<b>6,705,000</b>	<b>6,505,000</b>
Weighted average exercise price			<b>\$0.55</b>	<b>-</b>	<b>-</b>	<b>\$0.40</b>	<b>\$0.61</b>	<b>\$0.61</b>

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.5 years (2014 – 2.44 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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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.

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

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

No options were granted during the year ended 30 June 2014.

The weighted average fair value of options granted was \$0.035 (2014: \$Nil). 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.

	<b>2015 \$</b>	<b>2014 \$</b>
<b>Expenses arising from share-based transactions</b>		
Options issued to directors and employees	<b>24,384</b>	26,733

## 23. Parent entity disclosures

As at and throughout the financial year ending 30 June 2015 and 30 June 2014 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 2015

	2015 \$	2014 \$
<b>Chesser Resources Limited</b>		
<b>Results</b>		
Profit / (loss) for the year	<b>16,863,868</b>	(6,810,764)
Total comprehensive income for the year	<b>16,863,868</b>	(6,810,764)
<b>Financial Position</b>		
Current assets	<b>7,936,027</b>	1,507,524
Non-current assets	<b>21,507</b>	22,971,183
	<b>7,957,534</b>	24,478,707
Current liabilities	<b>107,725</b>	366,075
	<b>107,725</b>	366,075
Net Assets	<b>7,849,809</b>	24,112,632
Contributed equity	<b>9,325,822</b>	42,476,896
Share-based payments reserve	<b>1,914,271</b>	1,889,887
Accumulated losses	<b>(3,390,284)</b>	(20,254,151)
	<b>7,849,809</b>	24,112,632

**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 2015 or 30 June 2014.

**d) Contractual commitments for capital expenditure**

The parent entity did not have any contractual commitments for capital expenditure as at 30 June 2015 (2014: \$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 <sup>(1)</sup>	
			2015 %	2014 %
Bati Anadolu Madencilik Sanayi Ve Ticaret A.S. <sup>(2)</sup>	Turkey	Ordinary	-	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
EBX (BVI) Ltd.	British Virgin Isles	Ordinary	-	51
Kaletepe Madencilik Sanayi Ve Ticaret A.S	Turkey	Ordinary	-	100

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

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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

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

## A. Consideration received

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

## B. Net assets disposed of

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

## C. Financial performance and cash flow information

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

	2015 \$	2014 \$
Revenue	98,923	2,763
Expenses	(1,067,271)	(7,865,194)
Loss before income tax of discontinued operations	(968,348)	(7,862,431)
Income tax expense	-	-
Loss before income tax of discontinued operations	(968,348)	(7,862,431)
Gain on sale of subsidiaries after income tax	21,244,676	-
<b>Profit / (loss) from discontinued operations</b>	<b>20,276,328</b>	<b>(7,862,431)</b>
Net cash outflow from operating activities	(946,663)	(1,362,431)
Net cash inflow from investing activities	(1,654,802)	(4,826,585)
Net cash decrease attributable to disposed subsidiaries	(2,601,465)	(6,189,006)

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2015

**D. Gain / (loss) on disposal of subsidiaries**

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

**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.

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

**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:

	<b>2015 \$</b>	<b>2014 \$</b>
Short term employee benefits	<b>830,067</b>	1,058,333
Post employment benefits	<b>80,354</b>	97,896
Termination benefits	<b>347,271</b>	-
Share based payments	<b>24,383</b>	26,733
	<b>1,282,075</b>	1,182,962

**27. Commitments and contingent liabilities****Operating leases**

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

Within one year	<b>61,299</b>	72,376
Later than one year but not later than five years	-	70,333
	<b>61,299</b>	142,709

**Contingent liabilities**

The Company did not have any material contingent liabilities as at 30 June 2015.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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### 28. 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) *Equal access share buy back*

On 4 September, 2015 the Company held an Extraordinary General Meeting of Shareholders at which Shareholders approved the implementation of an equal access buy back on the following terms:

Proposed buy back price	\$0.0343 per share
Maximum number of shares to be bought by the Company	220,636,100 shares
Maximum cash to be returned to shareholders	\$7.57 million
Forecast cash balance after EABB if all shareholders participate fully	\$0.3 million

It is expected that payment will be made to participating Shareholders on or about 13 October 2015.

## CHESSER RESOURCES LIMITED

### DIRECTORS' DECLARATION

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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 2015 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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



Stephen Kelly  
Executive Director

Dated 30 September 2015





**PITCHER PARTNERS**

ACCOUNTANTS • AUDITORS • ADVISORS

Level 30  
345 Queen Street  
Brisbane  
Queensland 4000

Tel: 07 3222 8444  
Fax: 07 3221 7779

Postal Address:  
GPO Box 1144  
Brisbane  
Queensland 4001

www.pitcher.com.au  
info@pitcherpartners.com.au

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IAN JONES  
KYLIE LAMPRECHT  
NORMAN THURECHT  
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 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

### *Opinion*

In our opinion:

- a) the financial report of Chesser Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### *Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 16 of the directors' report for the year ended 30 June 2015. 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 2015 complies with Section 300A of the *Corporations Act 2001*.

PITCHER PARTNERS



J.J. Evans  
Partner

Brisbane, Queensland  
30 September 2015