CHRYSALIS RESOURCES LIMITED
ACN 125 931 964

INTERIM REPORT
FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

CONTENTS

DIRECTORS' REPORT

Your Directors submit the financial report of the Group for the half year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of directors who held office during or since the end of the interim period and up until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated:

Dr Neale Fong	Executive Chairman	
Mr Grant Kidner	Executive Director	
Mr Adrian Paul	Non-Executive Director	
Mr Bradley Marwood	Non-Executive Director	Appointed – 24 September 2012
Mr Trevor Benson	Non-Executive Director	Appointed – 24 September 2012

OPERATING RESULTS

The loss after income tax for the half year ended 31 December 2012 was $687,732. (31 December 2011: $363,643).

REVIEW OF OPERATIONS

Zambian Project (Cu)

During the period to 31 December 2012, Chrysalis commenced its exploration programme on the Zambian Copper Project which included:

- Aeromagnetic surveys over its five large scale prospecting licences in Zambia;
- Reverse circulation (RC) and diamond drilling (DD) on the Shikila and Kabwima licences;
- Satellite Imagery on the Shikila and Kabwima licences; and
- Soil sampling programmes on the Shikila and Kabwima licences.

The first drill programme consisting of RC and DD at the Wangolo Prospect, which is located between First Quantum's (TSX: FM) Kansanshi mine and Barrick Gold's (TSX: ABX) Lumwana mine, commenced during the period.

The drilling programme at Wangolo prospect comprised 11 RC holes totalling 1,586m and eight DD holes totalling 1,549m. The drilling programmes at Kabwima comprised 17 RC holes totalling 1,809m at the Mutenda prospect and three RC holes totalling 268m at the Mashimba prospect.

REVIEW OF OPERATIONS (continued)

Zambian Project (Cu) (continued)

Subsequent to period end and up until the date of this report, RC and DD samples at the Shikila licence were assayed. The best mineralised intersections from the RC samples of 2m apparent thickness and greater, at a 0.5% Cu cut-off included:

- SHWARC003: 3m @ 1.87% Cu from 41m (incl. 1m at 3.63% Cu)
- SHWARC007: 3m @ 1.24% Cu from 132m
- SHWARC007: 4m @ 0.95% Cu from 140m
- SHWARC007: 9m @ 1.10% Cu from 146m
- SHWARC008: 3m @ 1.71% Cu from 123m
- SHWARC009: 8m @ 1.39% Cu from 130m (incl. 1m at 2.06% Cu)
- SHWARC009: 7m @ 1.50% Cu from 155m (incl. 1m at 3.73% Cu)

The best mineralised intersections from four of the completed eight DD holes of 2m apparent thickness and greater, at a 0.5% Cu cut-off includes:

- SHWADD005: 59m @ 0.62% Cu from 194m (incl. 3m of 1.21% Cu; 3m of 1.10% Cu; 3m of 0.92% Cu).
- SHWADD006: 39m @ 0.62% Cu from 225m and 3m @ 0.93% Cu from 213m
- SHWADD008: 2m @ 1.52% Cu from 130m and 11m @ 0.71% Cu from 170m.

For details of the full results reported in relation to the RC and DD intersections summarised above, please refer to the Company ASX announcements (ASX: CYS) dated 29 January 2013 and 27 February 2013.

The results confirm the presence of a substantial mineralised system close to surface extending approximately 900m along strike and +350m down dip. The mineralisation has two styles:

- A 3m-thick contact zone at the contact with the overlying schist
- A +50m-thick mineralised unit in the host stratum.

The remaining four DD holes outstanding from the Wangolo Prospect drilling programme are expected before the end of March and will be used to develop a resource model.

In addition to the above a soil geochemical programme of 6,300 samples at the Shikila licence has been completed, with check assays of the field XRF assays expected late March. The soil sampling programme (10,000 samples) at Kabwima North and South is in progress.

DIRECTORS' REPORT (CONTINUED)

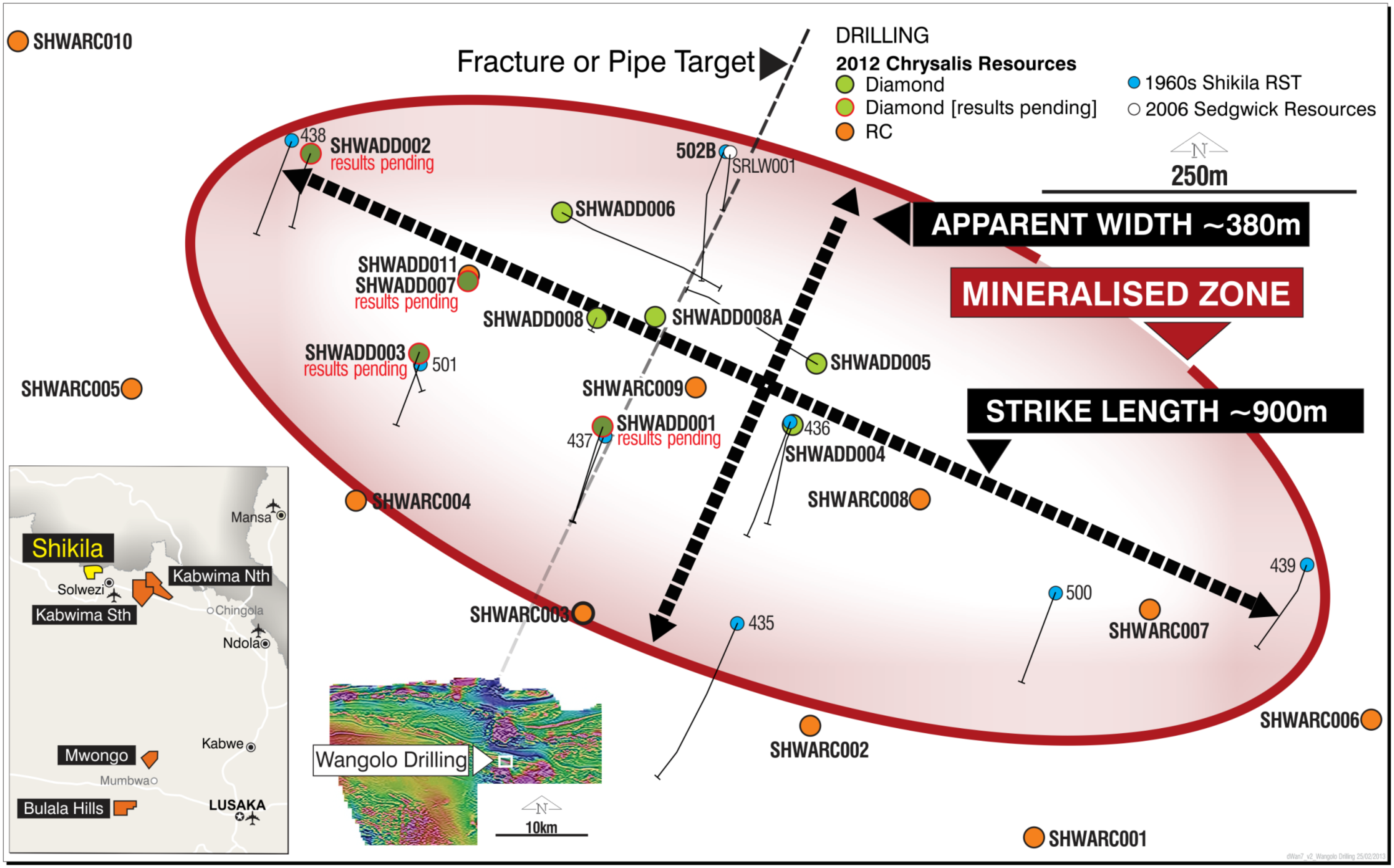

Figure 1: Drill hole locations and copper intersections for the RC and DD drilling at the Wangolo Prospect

REVIEW OF OPERATIONS (continued)

Halloween West Project (Cu/Au)

The Halloween West project area is approximately 150km north-northeast of Meekatharra and consists of one Exploration Licence covering an area of 18.5km^2. The tenement is approximately 12km southwest of the DeGrussa copper-gold massive sulphide deposit, which is currently managed by Sandfire Resources Ltd (ASX: SFR).

This project is subject to a Farm-In agreement with Talisman Mining Limited ("Talisman", ASX: TLM).

During the half-year period, Talisman completed:

- a detailed 100m x 25m soil geochemical programme covering the prospective Halloween West sediment horizon;
- a ground fixed-loop electromagnetic (EM) survey on the prospective horizon within the project; and
- a 1,750m, 13-hole RC drilling programme.

Pioneer Project (Au)

The Pioneer Project comprises an area of approximately 30.9km^2. The project is located 25km north-northwest of Norseman and immediately east of the Coolgardie-Esperance Highway, Kambalda-Esperance Railway, and the Kalgoorlie-Esperance Gas Pipeline.

Further exploration at the Pioneer Gold Project will consist of data compilation, review and interpretation before committing to field work. This will ensure all historic exploration data and relevant regional data are assessed allowing the potential for other commodities and mineralisation styles to be evaluated before further exploration.

Horseshoe Lights (Cu/Au)

The Horseshoe South Project comprises an area of 11.3km^2 and is located within the Meekatharra Mineral Field approximately 140km north of the Meekatharra township.

No work was performed on the project during the half year.

West Angelas Project (Fe)

The West Angelas Iron Ore Project comprises an area of 87.7km^2. The project is located approximately 135km west of Newman and 35km west from Rio Tinto's West Angelas minesite.

Plans to drill will be reviewed by the Board during 2013.

No work was performed on the project during the half year.

Gregory Range (U/Fe/Base Metals)

The Gregory Range Project comprises an area of approximately 84km^2 with further applications pending totalling 1,077km^2. The project is located in the Marble Bar Mineral Field, approximately 200km southeast of Port Hedland.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (continued)

Gregory Range (U/Fe/Base Metals) (continued)

The majority of the tenure is still under application with the exception of tenement E45/3120. No exploration work was completed on this tenement during the half year and a partial impairment of $71,405 has been recorded during the period. Native Title Agreements are currently being reviewed.

Spring Creek (Fe)

The Spring Creek Project comprises an area of approximately 164km^2. The project is located 12km south and southeast of the township of Tom Price and is situated on the sealed Paraburdoo-Tom Price Road adjacent to the Rio Tinto Paraburdoo Railway Line.

No work was performed on the project during the half year.

Windarra Project (Ni)

On 14 September 2012 the Company surrendered all of its exploration licences in the Windarra Project. The associated exploration expenditure had been fully written off in the prior period.

FINANCIAL REVIEW

Non-Renounceable Rights Issue (NRRI)

On 8 August 2012 the Company announced a 4:5 Non-Renounceable Rights Issue (NRRI) at 5 cents per share to existing shareholders. On 28 August 2012 the NRRI was fully underwritten by Tiger Resources Limited (ASX/TSX: TGS, "Tiger") through the announcement of a strategic alliance with the Company. A total of 60,274,962 shares were allotted under the NRRI which comprised:

- 50,029,470 shares to existing shareholders; and
- 10,245,492 shares to Tiger, being the balance of the NRRI shortfall.

Total funds raised from the NRRI were $3,013,748.10.

The capital raised will be used to fund the costs associated with further exploration at the Zambian Copper Project, Pioneer and West Angelas projects together with meeting general working capital requirements.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL REVIEW (continued)

Strategic Alliance with Tiger Resources Limited

On 28 August 2012 the Company announced the formation of a strategic alliance with Tiger to subscribe for a 19.9% interest in Chrysalis. This was completed via the signing of a subscription agreement to underwrite the NRRI and/or place additional shares up to a maximum of 19.9% as follows:

- The issue of 10,245,942 shortfall shares at 5 cents per share (as per the NRRI above); and
- The issue of 11,142,800 Tranche 2 shares at 5 cents per share raising $557,140. Tranche 2 shares were placed under the Company's existing 15% share placement capacity; and
- The issue of 10,758,080 Tranche 3 shares at 5 cents per share raising $537,904. Tranche 3 shares were placed after receiving shareholder approval at the Company's Annual General Meeting held on 23rd November 2012.

Under the terms of the subscription agreement, Tiger:

- Acquired 19.90% of Chrysalis;
- Underwrote the NRRI;
- Formed a joint technical committee with two representatives from each company;
- Appointed one board member to Chrysalis, being Mr Bradley Marwood who was appointed on 24 September 2012;
- Will have the first right of refusal in relation to the sale of Chrysalis' assets, subject to obtaining the necessary approvals and satisfaction of certain conditions; and
- Subject to Tiger holding the Minimum Shareholding (voting power of 15%), each time Chrysalis issues any new shares, Tiger (or its nominee) may subscribe for, on the same terms and on the same date, such number of shares in order to maintain its percentage interest in the issued capital of the Company.

Capital raised

Total capital raised during the period (excluding capital raising costs) was:

NRRI	$3,013,748
Tranche 2 shares	$557,140
Tranche 3 shares	$537,904
Total capital raised	**$4,108,792**

Share capital and options on issue

As at 31 December 2012 shares and options on issue were as follows:

Ordinary Fully Paid Shares	157,519,564
Listed Options (Exercisable at $0.20 exp 30/06/2013)	35,036,327

FINANCIAL REVIEW (continued)

Unsecured Loans

On 8 August 2012 the Company announced the issue of unsecured loans to raise funds of up to $500,000 towards working capital requirements. During the third quarter of 2012, $250,000 was drawn to meet the working capital requirements of the Company. The initial capital and interest accrued were repaid during September 2012.

Executive Changes

Mr Bradley Marwood, pursuant to the Subscription Agreement with Tiger, and Mr Trevor Benson, pursuant to the Share Sale Agreement for the Zambian Copper Project, were appointed as Non-Executive Directors respectively, effective from 24 September 2012.

Competent Person's Statement:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves for the Zambian Projects is based on information compiled by Mr John S Noakes, who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Fellow of the Geological Society of London. Mr Noakes is a director of Sedgwick Resources Ltd and has a beneficial interest in shares in Chrysalis Resources Ltd. Mr. Noakes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve's'. Mr Noakes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Disclaimer
There has been insufficient exploration to define a Mineral Resource calculated in accordance with JORC Code and it is uncertain further exploration will result in the determination of a Mineral Resource.

Auditor Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the half-year ended 31 December 2012.

The report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

Dr Neale Fong
Executive Chairman
13th March 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Chrysalis Resources Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 March 2013

M R W OHM
Partner, HLB Mann Judd

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Consolidated	Company
	Half Year 2012 $	Half Year 2011 $
Revenue	**21,558**	10,014
Depreciation and amortisation	**(11,837)**	(5,353)
Stock exchange and registry fees	**(11,512)**	(17,256)
Directors remuneration	**(171,281)**	(114,450)
Professional fees	**(62,255)**	(24,580)
Tenement management fees	**(7,140)**	(5,700)
Tenement impairment	**(71,405)**	-
Costs associated with the Zambian Copper Project	**(9,426)**	(83,466)
Other expenses	**(364,434)**	(122,852)
Loss before income tax expense	**(687,732)**	(363,643)
Income tax expense	**-**	-
Net loss for the period	**(687,732)**	(363,643)
Other comprehensive income / (loss)		
Items that may be reclassified to profit or loss:		
Exchange difference on translation of foreign operations	**(67,225)**	-
Total comprehensive loss for the period	**(754,957)**	(363,643)
Basic loss per share (cents)	**(0.60)**	(0.76)

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

		Consolidated	
	Note	**31 December 2012 $**	30 June 2012 $
ASSETS			
Current Assets			
Cash and cash equivalents		**1,769,096**	294,444
Trade and other receivables		**104,836**	498,655
Total Current Assets		**1,873,932**	793,099
Non-Current Assets			
Plant & equipment		**142,159**	27,200
Exploration and evaluation expenditure	**2**	**4,864,214**	3,544,166
Total Non-Current Assets		**5,006,373**	3,571,366
Total Assets		**6,880,305**	4,364,465
LIABILITIES			
Current Liabilities			
Trade and other payables		**218,139**	607,909
Amounts due under contract		**-**	300,000
Total Current Liabilities		**218,139**	907,909
Total Liabilities		**218,139**	907,909
Net Assets		**6,662,166**	3,456,556
EQUITY			
Issued capital	**4**	**11,675,648**	7,715,081
Reserves	**5**	**850,483**	917,708
Accumulated losses	**5**	**(5,863,965)**	(5,176,233)
Total Equity		**6,662,166**	3,456,556

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

Company

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2011	5,787,433	918,900	(3,968,763)	2,737,570
Share issue	1,122,395	-	-	1,122,395
Share issue expenses	(29,048)	-	-	(29,048)
Total comprehensive loss for the period	-	-	(363,643)	(363,643)
Balance at 31 December 2011	6,880,780	918,900	(4,332,406)	3,467,274

Consolidated

	Issued Capital $	**Reserves $**	**Accumulated Losses $**	**Total $**
Balance at 1 July 2012	**7,715,081**	**917,708**	**(5,176,233)**	**3,456,556**
Total comprehensive loss for the period	**-**	**(67,225)**	**(687,732)**	**(754,957)**
Shares issued	**4,108,792**	**-**	**-**	**4,108,792**
Share issue expenses	**(148,225)**	**-**	**-**	**(148,225)**
Balance at 31 December 2012	**11,675,648**	**850,483**	**(5,863,965)**	**6,662,166**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Consolidated	Company
	Half Year 2012 $ Inflows/ (Outflows)	Half Year 2011 $ Inflows/ (Outflows)
Cash flows from operating activities		
Payments to suppliers and employees	**(753,334)**	(440,232)
Interest received	**20,584**	10,505
Other (GST)	**46,523**	23,159
Net cash (used in) operating activities	**(686,227)**	(406,568)
Cash flows from investing activities		
Plant & equipment expenditure	**(129,404)**	-
Exploration & evaluation expenditure	**(1,364,583)**	(128,428)
Payments for purchases of prospects	**(300,000)**	-
Net cash (used in) investing activities	**(1,793,987)**	(128,428)
Cash flows from financing activities		
Proceeds from borrowings	**250,000**	-
Repayment of borrowings	**(250,000)**	-
Proceeds from issue of shares	**4,108,792**	1,122,395
Payment of share issue costs	**(153,926)**	(23,816)
Net cash provided by financing activities	**3,954,866**	1,098,579
Net increase in cash held	**1,474,652**	563,583
Cash and cash equivalents at the beginning of the period	**294,444**	386,803
Cash and cash equivalents at the end of the period	**1,769,096**	950,386

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The condensed half year financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that the financial statements are read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Chrysalis Resources Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half year has been treated as a discrete reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim report period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report for the year ended 30 June 2012.

In the half-year ended 31 December 2012, management reassessed its estimates in respect of:

Carrying value of exploration expenditure
The Company performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continue to be capitalised under AASB 6 or written off to the statement of comprehensive income. As a result of this review, management has determined that $71,405 of exploration expenditure in relation to Gregory Range be impaired as it is the intention of the Group to partially relinquish tenements within the project area.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2012.

It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

NOTE 2: EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the exploration and evaluation phase:

	Consolidated	
	6 months to 31 December 2012 $	Year to 30 June 2012 $
Balance at beginning of the year	**3,544,166**	2,376,551
Tenements acquired	**-**	825,000
Expenditure incurred	**1,426,222**	385,800
Expenditure reimbursed / (written off)	**(3,535)**	14,848
Expenditure impaired	**(71,405)**	(58,033)
Foreign exchange movements	**(31,234)**	-
Total exploration expenditure	**4,864,214**	3,544,166

The recovery of deferred exploration expenditure is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 3. SEGMENT REPORTING

Description of segments and related information

The Group has based its operating segments on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources.

The Group currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by the Board based on the manner in which resources are allocated, the nature of the resources provided and the identity of the manager and country of expenditure. Information is reviewed on a whole of entity basis.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 3. SEGMENT REPORTING (continued)

	Australia $	Zambia $	Consolidated $
Consolidated			
31 December 2012			
Segment Revenue	**21,558**	**-**	**21,558**
Segment Results	**(525,200)**	**(162,532)**	**(687,732)**
Segment Assets	**4,515,525**	**2,364,780**	**6,880,305**
Segment Liabilities	**127,674**	**90,465**	**218,139**
Included within segment results:			
Depreciation	**5,220**	**6,617**	**11,837**
Interest revenue	**21,558**	**-**	**21,558**
Company			
31 December 2011			
Segment Revenue	10,014	-	10,014
Segment Results	(363,643)	-	(363,643)
Segment Assets	3,538,445	-	3,538,445
Segment Liabilities	71,171	-	71,171
Included within segment results:			
Depreciation	5,353	-	5,353
Interest revenue	10,014	-	10,014

NOTE 4: ISSUED CAPITAL

(a) Share capital

	Consolidated		Company	
	31 December 2012		31 December 2011	
	Number	**$**	Number	$
Ordinary shares fully paid	**154,519,564**	**11,675,648**	64,343,702	6,880,780
Employee share plan shares	**3,000,000**	**-**	3,000,000	-
At Reporting date	**157,519,564**	**11,675,648**	67,343,702	6,880,780

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4. ISSUED CAPITAL (continued)

(b) Movements in ordinary share capital

	Consolidated		Company	
	Half Year 31 December 2012		Half Year 31 December 2011	
	Number	**$**	Number	$
At Beginning of the reporting period	**75,343,702**	**7,715,081**	44,895,801	5,787,433
Issue of shares	**82,175,862**	**4,108,792**	22,447,901	1,122,395
Costs relating to issue of shares	**-**	**(148,225)**	-	(29,048)
At Reporting date	**157,519,564**	**11,675,648**	67,343,702	6,880,780

5. RESERVES AND ACCUMULATED LOSSES

(a) Accumulated losses

	Consolidated	Company
	Half Year 31 December 2012 $	Half Year 31 December 2011 $
Movements in accumulated losses were as follows:		
Balance at beginning of period	**5,176,233**	3,968,763
Net loss for the period	**687,732**	363,643
Balance at end of period	**5,863,965**	4,332,406

(b) Reserves

	Option premium reserve $	**Share-based payments reserve $**	**Foreign currency translation reserve $**	**Total $**
Consolidated				
Half year ended 31 December 2012				
At 1 July 2012	**291,190**	**627,710**	**(1,192)**	**917,708**
Foreign currency translation	**-**	**-**	**(67,225)**	**(67,225)**
At 31 December 2012	**291,190**	**627,710**	**(68,417)**	**850,483**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5. RESERVES AND ACCUMULATED LOSSES (continued)

(b) Reserves
Movement in reserves were as follows:

	Option premium reserve $	Share-based payments reserve $	Foreign currency translation reserve $	Total $
Company				
Half year ended 31 December 2011				
At 1 July 2011	291,190	627,710	-	918,900
At 31 December 2011	291,190	627,710	-	918,900

Nature and purpose of reserves
Option premium reserve
This reserve is used to accumulate the net proceeds received from the issue of options.

Share-based payments reserve
This reserve is used to record the value of equity benefits provided to directors, consultants or employees as part of their remuneration.

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 subsidiaries into presentation currency.

NOTE 6: CONTINGENT LIABILITIES

Native Title
It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

Milestone shares
As part of the Share Sale Agreement for the acquisition of the Zambian Copper Project the Company is required to issue to the Vendors $1,000,000 worth of milestone shares subject to the following conditions:

(a) milestone shares will be issued upon the Group announcing a JORC-compliant mineral resource of 100 million tonnes of copper-bearing ore (whether or not any included copper is accompanied by other mineral or metal) being delineated on the licences or the application. The Group must not unreasonably delay or postpone the making of any such announcement;

(b) The milestone must be reached within 24 months of the settlement date;

(c) The number of milestone shares will be calculated based on the VWAP of the Company's shares in the five trading days on ASX immediately prior to the milestone being achieved;

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 6: CONTINGENT LIABILITIES (continued)

Milestone shares (continued)

(d) If the milestone is not achieved prior to the expiration date, the vendors will not be issued with any milestone shares;

(e) Subject to the receipt of any required regulatory or shareholder approvals, the Company will issue the Vendors with a new holding statement for the milestone shares as soon as practicable following the issue of the milestone shares; and

(f) The milestone shares will rank pari passu in all respects with existing shares.

No expense has been recorded in the financial statements in relation to the potential issue of the milestone shares and will be reviewed during the preparation of the Group's Annual Report.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years, other than those reported below:

Halloween West Project

On 23 January 2013 Talisman fulfilled its minimum expenditure commitment and has earned the right to be transferred a 60% interest in this project. As a result, a Joint Venture agreement between Talisman and the Company is currently under review and due to be established subsequent to period end.

DIRECTORS' DECLARATION

In the opinion of the directors of Chrysalis Resources Ltd ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half year then ended; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Neale Fong.

Dr Neale Fong
Executive Chairman

13th March 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chrysalis Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Chrysalis Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

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

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
13 March 2013

M R W OHM
Partner