CHRYSALIS RESOURCES LIMITED
ACN 125 931 964

ANNUAL REPORT

30 JUNE 2009

COMPANY DIRECTORY

DIRECTORS

Dr Neale Fong
Executive Chairman

Mr Adrian Paul
Non Executive Director

Mr Grant Kidner
Non Executive Director (appointed 31 August 2008)

SECRETARY

Mr Grant Kidner

REGISTERED OFFICE

Suite 9, Churchill Court
232 Churchill Avenue
SUBIACO WA 6008

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

AUDITORS

HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

AUSTRALIAN SECURITIES EXCHANGE

Chrysalis Resources Limited shares (CYS) are listed on the Australian Securities Exchange.

CONTENTS

CHAIRMAN'S LETTER

Dear Shareholders,

It is with pleasure that your Board of Directors present the Chrysalis Resources Limited ("the Company") Annual Report.

The Company was incorporated on 13 June 2007 for the purpose of acquiring and exploring prospective mineral projects primarily focused on gold, iron ore, uranium and nickel. Pursuant to these agreements, the Company acquired an 80% interest in the Pioneer Gold Project and a 100% interest in the Sheeza Gold Project, West Angelas Iron Ore Project, Isabella North Iron Ore Project, Gregory Isabella Uranium Project and Windarra Nickel Sulphide Project. It has since acquired the Youanmi Uranium Project, Spring Creek Iron Ore Project and further Iron Ore tenements in the Gregory Range.

Since its incorporation in June 2007 and ASX listing in May 2008, the Company has focused its exploration activities in three of its new seven project areas; iron ore tenements in the Pilbara and gold tenements in Norseman (Dundas) and Kalgoorlie (Ora Banda).

High grade gold discoveries have been reported at the Spongelite Prospect in the Pioneer Project near Norseman following two successful drill programs in May 2009 and again after the end of this reporting period in July 2009. The Company is very keen to complete its analysis and interpretation of its results and further exploration of this target area is a priority.

The Company's objective is to rapidly develop the identified assets in its priority project areas and to advance them as quickly as possible. Despite the global financial crisis affecting commodity prices, the gold market has remained strong.

On behalf of the Company I would like to thank all Shareholders who have supported the Company since listing on the ASX and look forward to your continuing support.

Yours faithfully

Dr Neale Fong
Executive Chairman

CORPORATE

The Company's 41,375,001 shares commenced trading on 29 May 2008 and currently there are 33,107,127 listed options on issue.

During the year the Company has employed on a contractual basis experienced Consultant Geologists Mr Peter Poole and Mr Nicholas Revell to assist with technical matters and the exploration of its various tenements. Mr Ian Kerr and Mr Robert Hawke have also been employed on a Consultancy Agreement.

PROJECTS

Pioneer

The Pioneer Spongelite Prospect has been the main focus for the Company's exploration activity this past 12 months.

The Company's major highlight was the new high-grade gold discovery within the 'Spongelite' Prospect in the Pioneer Project.

The 'Spongelite' Prospect is located approximately 30 kilometres north of the town of Norseman. Other nearby gold mining operations include the Avoca Resources Limited (ASX: AVO) 'Higginsville' Mining Operations and Gold Treatment Plant, which is located approximately 20 kilometres north along the sealed Coolgardie/Esperance Highway.

Following field trips in October 2008 and March 2009, the Company undertook a 1,662 metre RC drilling program in May 2009 and intercepted significant high-grade gold mineralisation at shallow depths.

In total, 22 holes were drilled over an area 120 metres long by 50 metres wide. The area investigated during this campaign was only a small part of the overall Project package, with a further 2 kilometres of possible strike extensions at this location yet to be fully investigated by the Company.

On completion of this programme, gold mineralisation was open in all directions and at depth.

The style of mineralisation in the Project area was interpreted as northerly trending, intensely sheared felsic volcanics that exhibited alteration, including bleaching and silicification.

The drilling also intersected massive quartz veining up to 12 metres in thickness.

Below the supergene one (greater than 50 metres), the mineralisation appeared to be associated with steeply dipping to sub vertical quartz sulphide veins.

Some of these results included:

- 21m @ 4.80 g/t Au from 49m – 70m (CSRC016)
- 9m @ 4.88 g/t Au from 38m – 47m (CSRC003)
- 16m @ 2.29 g/t Au from 31m – 47m (CSRC015)
- 8m @ 2.08 g/t Au from 34m – 42m (CSRC012)
- 17m @ 1.71 g/t Au from 42m – 59m (CSRC013)

Table of significant results:

Hole ID	Nth	Easting	From	To	Interval	Au (g/t)
CSRC001	6466160	374125	32	38	6	1.2
CSRC001	6466160	374125	69	71	**2**	**3.94**
CSRC002	6466160	374140	36	39	3	1.4
CSRC003	6466160	374150	48	49	1	3.24
CSRC003	6466160	374150	38	47	**9**	**4.88**
CSRC004	6466160	374160	31	33	**2**	**6.72**
CSRC005	6466140	374120	NSR			
CSRC006	6466140	374130	NSR			
CSRC007	6466140	374140	34	37	3	3.36
CSRC008	6466140	374150	36	42	6	1.64
CSRC009	6466040	374150	39	42	3	1.15
CSRC010	6466040	374160	56	61	**5**	**2.37**
CSRC011	6466040	374130	42	44	2	1.45
CSRC012	6466080	374130	34	42	**8**	**2.08**
CSRC013	6466080	374140	36	39	**3**	**4.32**
CSRC013	6466080	374140	42	59	**17**	**1.71**
CSRC014	6466080	374170	37	40	3	2.33
CSRC014	6466080	374170	49	53	4	1.63
CSRC014	6466080	374170	62	64	2	2.46
CSRC015	6466060	374130	31	47	**16**	**2.29**
CSRC016	6466060	374140	30	35	**5**	**3.29**
CSRC016	6466060	374140	49	70	**21**	**4.8**
CSRC017	6466060	374150	NSR			
CSRC018	6466060	374120	32	35	3	1.42
CSRC019	6466100	374120	NSR			
CSRC020	6466100	374140	27	30	**3**	**2.04**
CSRC020	6466100	374140	38	45	**7**	**1.9**
CSRC020	6466100	374140	54	56	**2**	**2.13**
CSRC021	6466120	374130	37	41	4	1.83
CSRC022*	6466120	374140	28	48	**20**	**1.63**

** includes some 4m composite samples.*

After receiving the results from this drill program the Company engaged Bruce Craven (Southern Geoscience Consultants) to conduct a detailed geophysical interpretation of the 'Spongelite' target area and surrounds. This data was utilised in the Stage 2 RC drilling program (which was undertaken in July 2009) and will be available for future exploration programmes.

The Stage 2 drilling program will examine possible parallel supergene (oxide) zones and also investigate the presence of deeper primary ore zones within this structural corridor.

Map of drilling cross section 6466060N

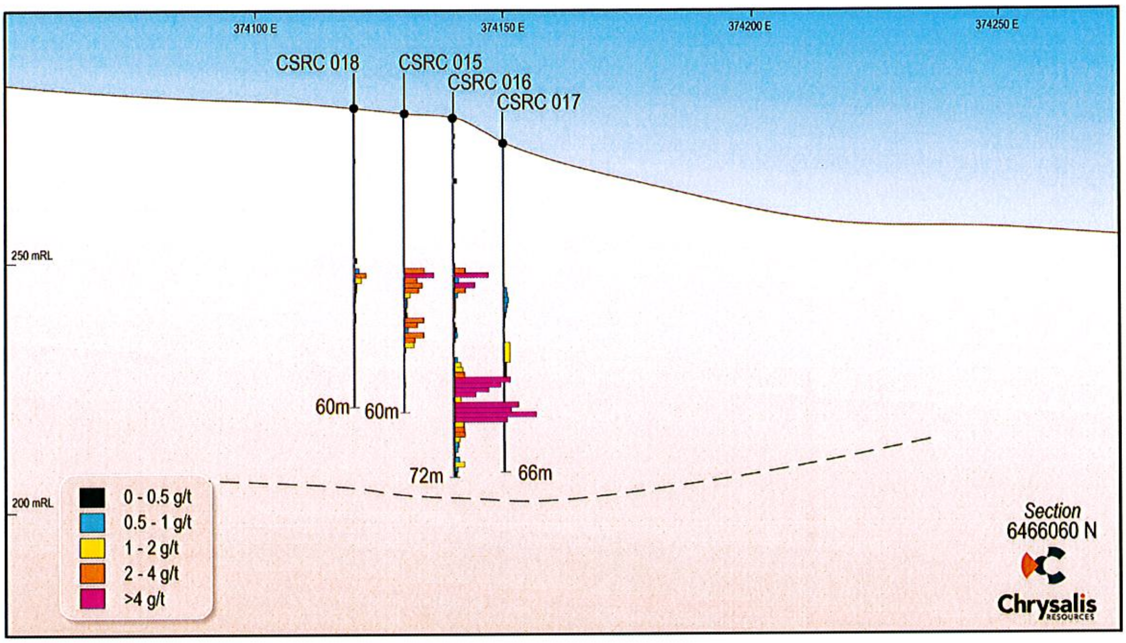
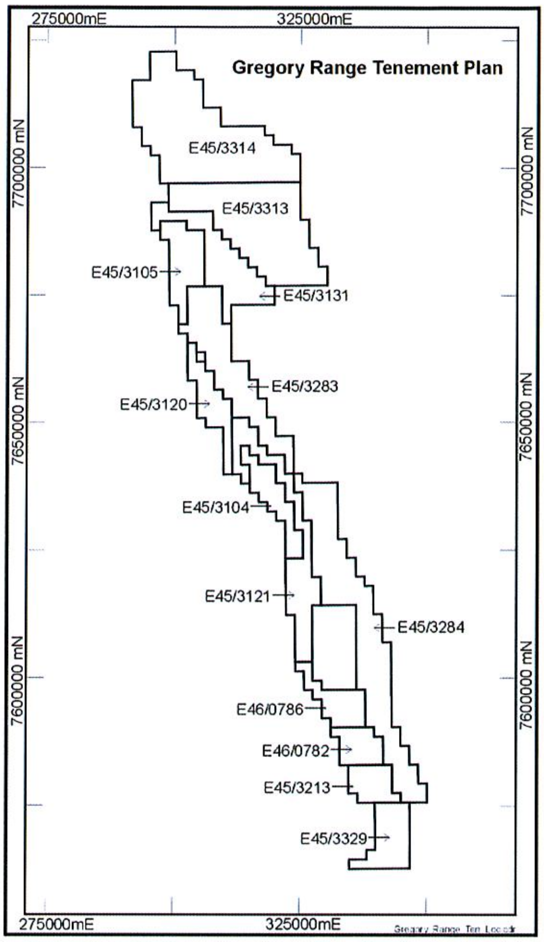


Figure 2: Map of Significant Intercepts: Stage 1 Pioneer Drilling Programme

Gregory Range

Since listing the Company has made several acquisitions in what is now called the Gregory Range Project, which comprises of:

– Gregory South	E45/3213 E46/782 E46/786
– Isabella North	E45/3105 E45/3131 E45/3313 E45/3314
– Gregory Isabella	E45/3120 E45/3121 E45/3283 E45/3284 E45/3329



Gregory South

In September 2008 the Company announced the acquisition of three exploration licences (E45/3213, E46/782 & E46/786) in the Gregory South area to the east of the Hamersley Basin in the Pilbara Region and are considered prospective for Iron Ore.

Surface sampling by previous explorers has returned consistent values of greater than 50% Fe, with a maximum value of 59.8% Fe in lag sampling. Several of these samples have been collected from the extensive ironstone pebble lag deposits which are estimated to cover approximately 60% of the project area.

These ironstone pebble lag deposits are considered to be indicators of laterite or ferruginous duricrust surfaces at shallow depth (Williams and Trendall, 1998b).

The remainder of the samples with values greater than 50% Fe are rock chip samples from ferruginous outcrops, including the unusual iron-rich quartz-hematite veins which outcrop near the southern boundary and trend at about 340 degrees for approximately 12 kilometres further north, also within the project area.

The palaeodrainage system is interpreted to follow the trend of these quartz-hematite veins, and it is likely that hematite-rich scree deposits shed from these veins has been concentrated in palaeochannels with the palaeodrainage system, possibly forming economic iron ore deposits.

Potential also exists within the project area for the discovery of Roxby Downs style and vein hosted base metal deposits.

Initial exploration through further sampling and geological mapping to establish the extent of the quartz-hematite vein system, followed by a re-interpretation of the palaeodrainage system will be undertaken.

A field visit by our geological team in September 2008 also found the existence of out-cropping iron ore in the tenement area.

The results of the rock sampling program undertaken in September 2008 were pleasing even though sampling was restricted to an area near the southern boundary of the project area reported to contain unusual iron-rich quartz-hematite veins.

Examination of these veins revealed that they appeared to be remnants of banded iron formation enclosed within the Gregory Range Granitic Complex.

The twelve rock chip samples were collected from an iron-rich rock outcrop located near the southern boundary of E45/3213 at longitude 121° 27' 12", latitude 21° 54' 20". Each of the samples was photographed and a hand specimen description recorded. Fe values for eleven of the samples ranged from 49.38% to 65.25%. None of the samples were magnetic.

Geological interpretation suggests that the banded iron formation can be correlated with the Nimingarra Iron Formation, which is part of the Gorge Creek Group. The Nimingarra Iron Formation is host to open pit iron ore mines at Yarrie, Nimingarra and Sunrise Hill further to the north-west.

Assay results are recorded in table 1. Table 2 includes a description of each sample, its location and the Fe content calculated as hematite (Fe_2O_3).

Sample Number	Fe	SiO_2	Al_2O_3	TiO2	CaO	Mn	P	S	MgO	K2O	LOI
	%	%	%	%	%	%	%	%	%	%	%
404310	57.63	14.46	0.75	0.03	0.04	0.02	0.041	0.072	0.05	0.042	2.05
404311	49.38	28.37	0.34	-0.01	0.02	-0.01	0.032	0.008	-0.01	0.029	0.17
404312	62.95	8.94	0.42	0.03	0.02	-0.01	0.018	0.026	0.03	0.039	0.43
404313	56.65	17.65	0.41	0.11	0.02	0.02	0.021	0.018	0.02	0.040	0.30
404314	51.41	25.85	0.31	-0.01	0.03	-0.01	0.013	0.018	0.01	0.032	0.07
404315	59.03	14.88	0.30	-0.01	0.03	0.02	0.025	0.017	0.01	0.037	0.15
404806	59.86	13.80	0.38	0.05	0.02	0.02	0.029	0.012	0.02	0.036	0.20
404807	51.43	26.07	0.15	-0.01	0.01	0.02	0.012	0.020	0.02	0.018	-0.01
404808	58.67	15.09	0.33	0.01	0.01	-0.01	0.039	0.011	0.02	0.035	0.14
404811	65.25	6.22	0.25	-0.01	0.01	-0.01	0.014	0.013	0.02	0.020	0.07
404812	26.30	58.71	1.98	0.06	0.05	-0.01	0.016	0.035	0.07	0.011	0.98
404888	56.06	19.00	0.25	-0.01	0.06	0.02	0.014	0.027	0.02	0.031	0.22

Table 1: Sample Analyses from Gregory South

Sample Number	Coordinates		Description	Fe_2O_3 %
	Easting	Northing		
404310	340322	7576810	Hematite, minor quartz lined cavities	82.33
404311	340318	7576819	Hematite, gossanous in part, significant quartz	70.54
404312	340318	7576819	Massive fine grained hematite	89.93
404313	340338	7576767	Massive hematite, minor quartz	80.93
404314	340212	7576773	Massive hematite, significant quartz as irregular masses up to 5mm	73.44
404315	340279	7576938	Hematite, sedimentary layering, folded (typical BIF)	84.33
404806	340320	7576814	Hematite, botryoidal, minor quartz as cavity filling	85.51
404807	340308	7576850	Hematite, compositional banding, alternate bands more siliceous?	73.47
404808	340317	7576828	Massive hematite, significant quartz as irregular veinlets	83.81
404811	340309	7576851	Massive hematite, partly botryoidal, minor quartz	93.21
404812	340308	7576874	Re-cemented detrital Fe and quartz grit	37.57
404888	340189	7577137	Massive hematite, gossanous in part, significant quartz	80.09

Table 2: Sample Location and Description. Fe calculated as Fe_2O_3

Tenements Map: Gregory Range (Gregory South Project)

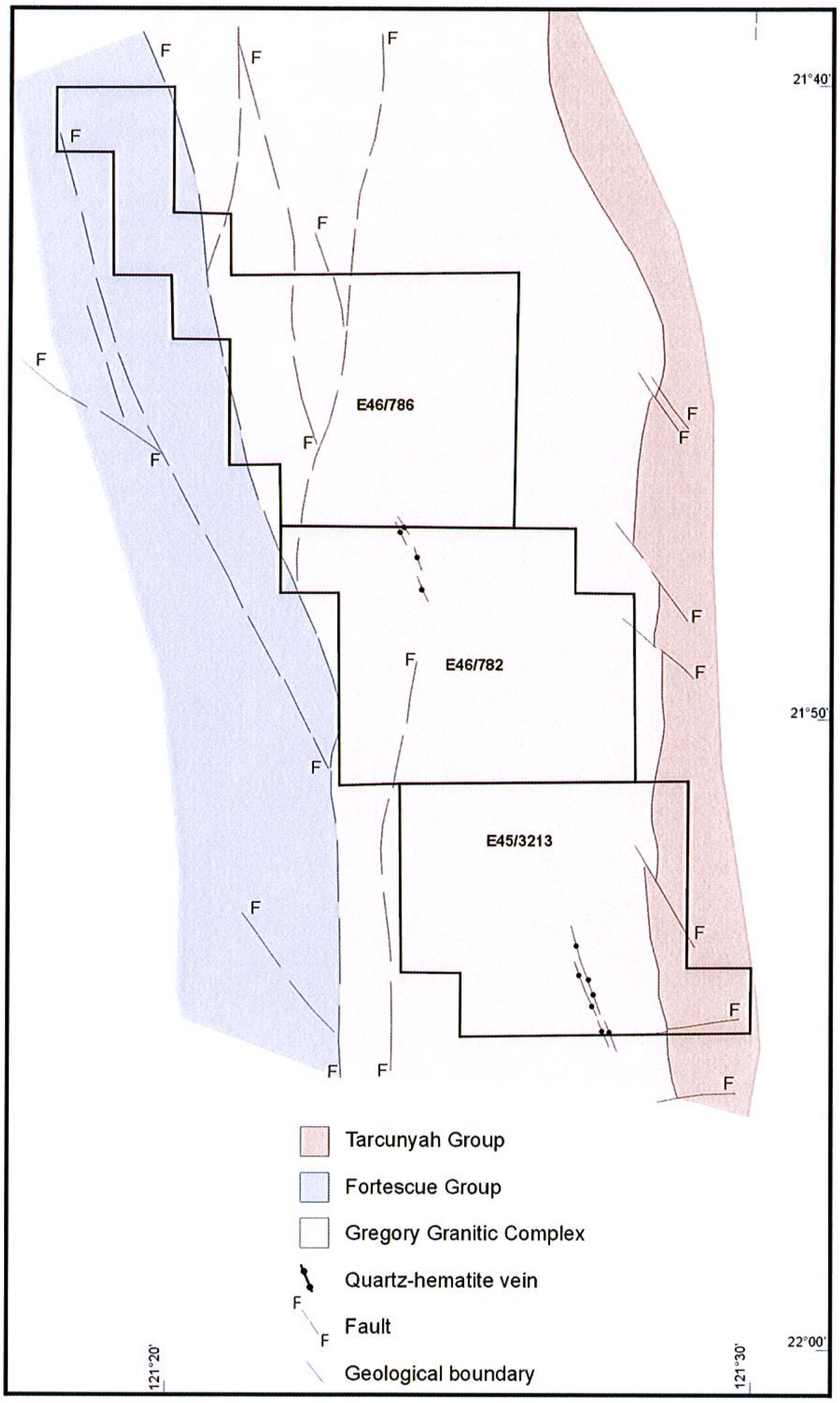


Figure 2: Simplified Geology

In November 2008 a further field trip to the Gregory Range was undertaken.

The purpose of the trip was to:

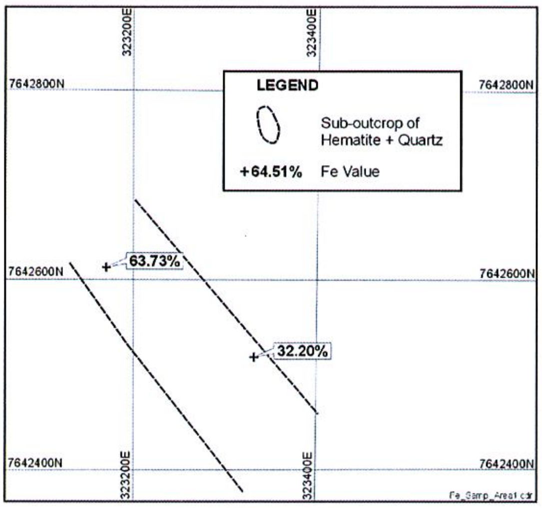
1. Locate and assess a hematite/quartz occurrence at 323000E/7642000N
2. Locate and assess hematite/quartz occurrences at 335000E/7590000N
3. Locate and assess hematite/quartz occurrences at 341000E/7576000N
4. Investigate a magnetic anomaly located at 305700E/7685750N
5. Investigate Iron Hill, 301000E/7700500N
6. Investigate massive hematite assaying 47% Fe at 334000E/7596000N

Hematite/quartz occurrence at 323000E/7642000N

This area (Fe Sampling Area 1) is located just to the south of the Telfer access road and trends in a south easterly direction from Memorial Bore. Outcrop is very poor with most of the area covered by wind blown sands.

Samples 404001 (63.73% Fe) and 404002 (32.20% Fe) were collected from a zone of sub-outcropping hematite and quartz approximately 100 metres in width.

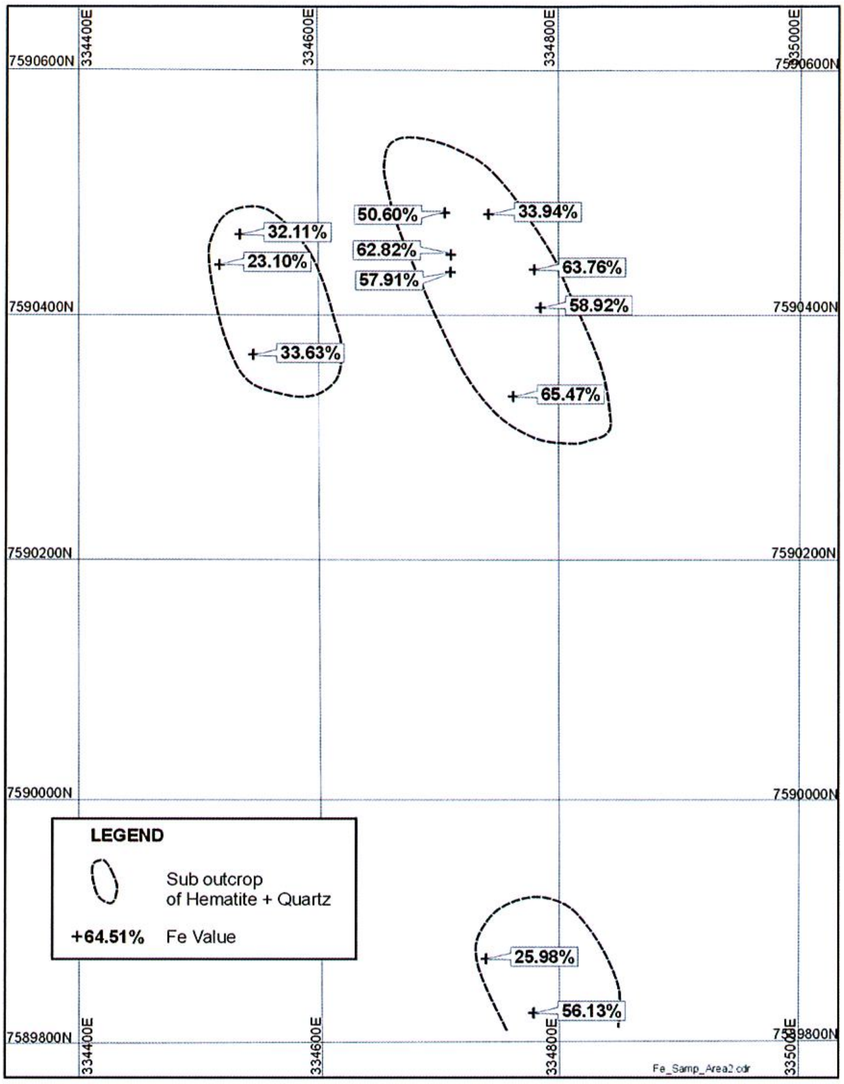
Ferruginous laterite capping from near Memorial Bore has been used as road base for the Telfer access road.



Fe Sampling - Area 1

Hematite/quartz occurrences at 335000E/7590000N

Several south westerly to south south-westerly bands of hematite associated with quartz are present in this area (Fe Sampling Area 2). Outcrop is poor with most of the area covered by wind blown sand.



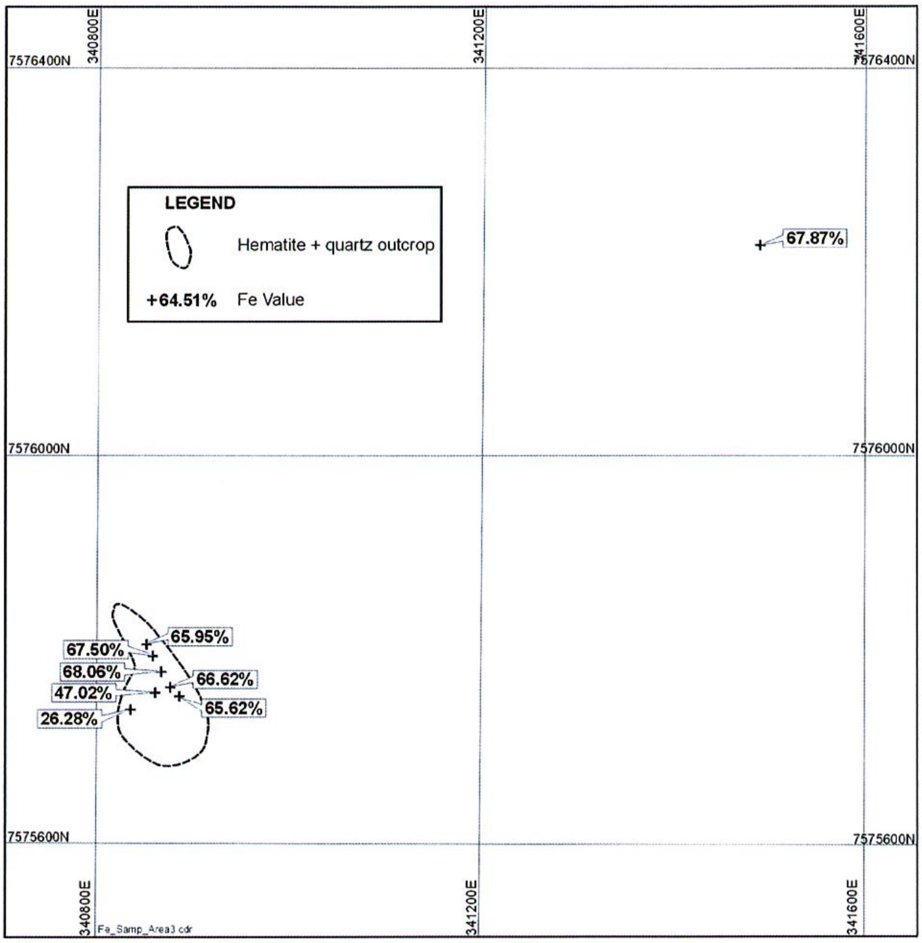
Fe Sampling - Area 2

Fe values of up to 65.47% were returned from sampling. Two additional parallel north south trending hematite quartz veins are located approximately 1,000 metres to the west of this area at 333650E.

Hematite/quartz occurrences at 341000E/7576000N

Three parallel hematite zones up to 0.5 metres in width occur within schistose metasedimentary rock, quartz-muscovite-biotite-silliminite rock and quartz pebble conglomerate (Fe sampling Area 3). Seven samples (404007 to 404013) of hematite collected from this area ranged from 26.28% Fe (sample 404007) to 68.06% (sample 404011), with 5 of the samples assaying 65.62% or more.

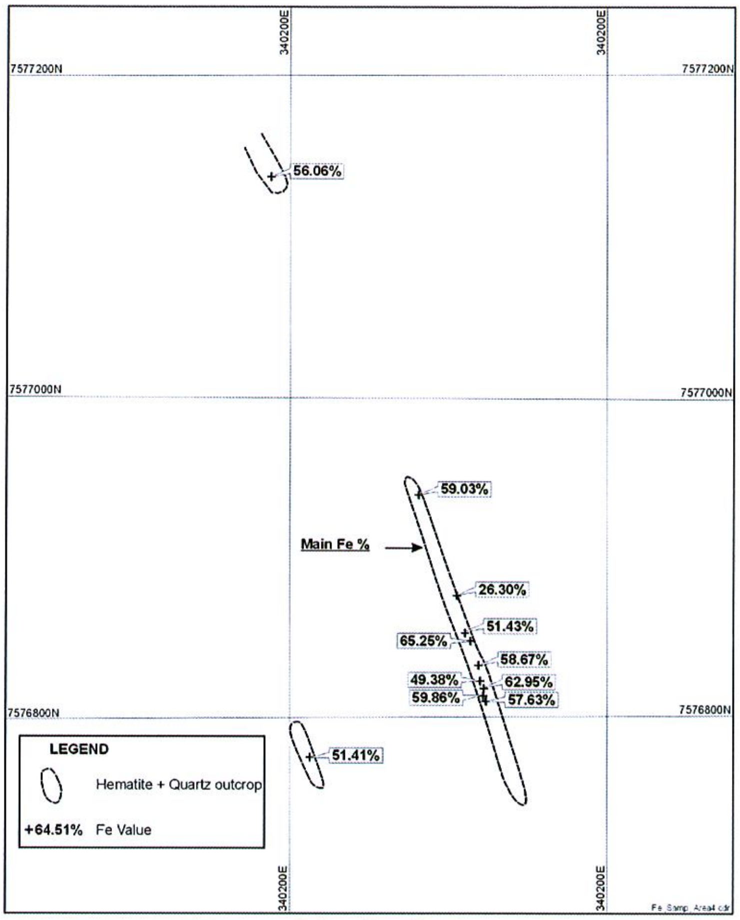
Sample 404006, located 700 metres to the north east of the above samples, assayed 67.87% Fe. This sample occurred as surface rubble and is interpreted to overlie a sub-surface zone of hematite.



Fe Sampling - Area 3

The hematite/quartz occurrences at 341000E/7576000N (above) are located approximately 1.5 kilometres south south-east along strike from the area of hematite/quartz sampled on the previous field trip to the Gregory Range area in October 2008 (Fe Sampling Area 4).

Samples collected during the October field trip were from a prominent hematite outcrop approximately 250 metres long and with a width of up to 8 metres. Parallel outcrops of hematite were noted to the west of the main outcrop. Sedimentary banding was noted from some of the samples, and it was concluded that the hematite outcrop was originally a banded iron formation that was part of a sedimentary sequence that had been largely assimilated by the Gregory Range Granite.



Fe Sampling - Area 4

Investigation of Magnetic Anomaly Located at 305700E/685750N

This area was visited and two rock samples (404004 and 404005) collected. The area has been mapped as the Koongaling Volcanic Member of the Hardey Formation. The two samples were identified as porphyritic rhyolite and were subjected to whole rock analysis. There were no anomalous elements and the cause of the magnetic anomaly has not been determined.

Investigation of Iron Hill, 301000E/7700500N

Iron Hill was examined to investigate the reported presence of pyrite nodules within the Coolbro Sandstone. One sample was collected (404003) and subjected to whole rock analysis. There were no anomalous elements.

Investigation of massive hematite assaying 47% Fe at 334000E/7596000N

The geology of this area was dominated by a prominent north south trending quartz vein. Two iron-rich samples were collected (404015 and 404016) and returned values of 10.36% Fe/81.08% SiO_2 and 6.43% Fe/88.73% SiO_2.

Conclusions Regarding the Fe Potential

Hematite values in excess of 60% Fe have now been shown to exist within the Gregory Range tenements over a north south extent of approximately 70 kilometres. Further exploration is likely to extend the strike length of the mineralisation.

Widths of individual hematite veins discovered to date range from 8 metres to narrow stringers of a few centimetres. The veins occur as multiple north north-westerly trending hematite and quartz veins with a combined width of up to 1,000 metres.

The overall extent of the mineralisation is difficult to determine due to the non-magnetic nature of the hematite and the extensive wind-blown sand cover.

The potential for the area to host commercial deposits of iron ore is dependent upon the presence of:

- Channel iron ore within the palaeodrainage system, and/or
- Concealed in-situ hematite veins beneath transported sand cover.

Isabella North

The presence of banded-iron formations is established at Mt Cecelia, though no iron ore investigations by CYS have been made to date. TMI data does suggest sub-surface presence of banded-iron formations within our project area. On ground investigations to define targets for exploration will now be undertaken.

In addition to examining for the presence of banded-iron formations in this locality, the recent discovery of high-grade manganese by Shaw River Resources (ASX: SRR) at Barramine, and whose tenements directly abut the CYS ground to the west, will also be investigated for this mineral. Although GSWA mapping does not reflect any known occurrences, such a close proximity suggests further scrutiny is warranted.

Two new tenements (E45/3313 and E45/3314), prospective for iron ore, were acquired though no exploration licences have yet been granted.

Gregory Isabella

A field trip to the Gregory Project (E45/3104) in November 2008 to investigate a radiometric anomaly outlined in the South Paterson Radiometric Survey conducted by GSWA in 2005, failed to define any worthwhile uranium mineralisation. As a result, the tenement was relinquished.

Two new tenements (E45/3283 & E45/3284) were also applied for in the general location. Although the intended primary target for these applications was uranium, the possibility for either iron-ore or copper mineralisation to be outlined within the project area remains the key focus of future exploration.

Youanmi Project

In 2009 three tenement applications (E57/775, E57/776 & E57/777) were applied for in the East Murchison Mineral Field. This area is prospective for Uranium and Iron Ore. To date, exploration licences have not been granted.

Radiometric data covering the Youanmi Project area boasts significant uranium channel anomalism consistent with near surface calcrete style enrichment. Such a geological environment is considered similar to that hosting the Yeelirrie Uranium Deposit, which is located to the north east of the Project area. Other localized deposits include the Windimurra Uranium

Deposit, reported to contain 7.5 million pounds U3O8, and the Yuinmery Uranium Deposit, 1,580,000t @ 0.037% U_3O_8 (after Pickaxe Pty Ltd, 1998), which abuts the Chrysalis Resources Youanmi Project area.

The exploration model for this project is the delineation of near surface uranium mineralisation deposited in mature drainage channels. This target style of mineralisation is consistent with other WA calcrete hosted deposits and, in particular, other regional occurrences, including the Yeelirrie deposit; the world's largest known calcrete uranium deposit.

GSWA mapping has also noted the presence of banded-iron=formations within E57/777. This data is further supported by elevated TMI readings at the same location. The Company will conduct investigations to determine scope of the occurrence once the tenements have been granted.

Spring Creek Project

The Spring Creek Project comprises two application areas that include E47/1967 and E47/1968, both of which are considered prospective for Channel Iron Deposits.

The Spring Creek Project is located within approximately 12 kilometres to the south and south-east of the township of Tom Price and is situated on the sealed Paraburdoo – Tom Price Road: adjacent to the Rio Tinto Paraburdoo Railway line.

The tenement applications were subject to dispute between Chrysalis and Fortescue Metals Group (FMG), with the matter referred by submission to the Minister of Mines and Petroleum for determination. As a result, Chrysalis has been afforded a priority claim to the most western portion of the tenement application. This ground is considered prospective for channel iron deposits, in particular, possible extensions of the previously mined Hamersley Iron Pty ltd 'Southern Plains Detritals' Deposit.

Sampling by Ausquest Limited, conducted along the western boundary of E47/1968, has recorded surface iron assay results in the order of 57.59%, 58.35% and 57.6% Fe. These samples were obtained from within a drainage channel, that appears from aerial photographs, to continue east-west through the CYS application area.

The Company is pleased to have secured this tenure at a time when prospective iron ore ground was at a premium and looks forward to the grant of this tenure in due course. No further legal argument will be expended over this issue.

Windarra Project

The project area comprises two granted tenements, E39/1324 and P39/4852. E39/1324 is located immediately south of the Windarra South nickel mine, while P39/4852 is located to the south west.

Previous exploration in the area has primarily focused on the search for gold. Limited drilling within what is now P39/4852 resulted in the delineation of a highly prospective ultramafic unit. This unit will be the subject of further exploration in the new financial year.

The Company seeks to expend only the minimum required on the tenements at this time. The depressed nickel price has created a volatile nickel market in WA over the past 12 months.

Although a strong focus remains on nickel exploration within this project area, the possibility of defining gold bearing host lithologies is also a realistic outcome. Gold anomalies encountered within shallow RAB drilling by Homestake Gold of Australia will be further investigated to determine their significance in what continues to be an evolving gold market.

Sheeza Project

No action has taken place during this financial year on the project.

West Angelas Project

This is a priority exploration tenement that is still awaiting grant. Native Title Agreements are in the process of being finalised, with indications that a licence document will be issued early in the new financial year.

No activity has been undertaken on this project as at the time of this Annual Report. Native Title Agreements have not been finalised.

Competent Persons:
The information within this report relating to exploration activities on the Company's projects is based on information compiled by Nicholas Revell who is a member of the Australasian Institute of Mining and Metallurgy. Mr Revell has sufficient experience which is relevant to the style of mineralization 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 Reserves'.

Your Directors present their report on the Company for the period ended 30 June 2009.

DIRECTORS

The names of the Directors of the Company in office during the financial period and up to the date of this report are as follows:

		Appointed	Resigned
Mr Adrian Paul	Non Executive Director	13 June 2007	
Dr Neale Fong	Executive Chairman	28 February 2008	
Mr Grant Kidner	Non Executive Director	31 August 2008	
Mr Michael Fry	Non Executive Director	13 June 2008	31 August 2008

The particulars of the qualifications, experience and special responsibilities of each director are as follows:

Dr Neale Fong – ***MBBS Dip CS MTS MBA FAICD AFACHSE***
Executive Chairman

Dr Fong has extensive experience in management of large and complex organisations, especially in the health and human services field. He is a qualified medical practitioner holding Bachelors Degrees in Medicine and Surgery from the University of Western Australia as well as a Masters in Business Administration from the UWA Business School. He also holds a Masters Degree in theological studies from Regent College, University of British Columbia.

Dr Fong is a Fellow of the Australian Institute of Company Directors and is an experienced chairman and director. He has been a director for 11 years and chairman for 7 years of the West Australian Football Commission, a position he still holds. He is also a non-executive director of Realm Resources Limited, The Bethanie Group Ltd, Bethesda Hospital Inc and Prime Health Ltd. He has held positions as the Director General of the Department of Health, and also held the position as CEO of St John of God Hospital, Subiaco.

Dr Fong also provides consultancy services to a range of different industries and companies.

Mr Adrian Paul
Non-Executive Director

Mr Paul has over 20 years of experience in the securities industry, and was previously a partner in the Australian stockbroking firm D.J. Carmichael & Co. He has held various non-executive directorships of public companies listed on the ASX most recently Sylvania Resources Ltd (ASX: SLV) from which he resigned in June 2006.

Mr Paul currently manages a private investment company and utilises his extensive networks in the stockbroking and investment banking sectors to assist the Company in achieving its corporate objectives.

Mr Grant Kidner – *BBus CPA*
Non Executive Director

Mr Kidner is a qualified accountant (CPA) holding a Bachelor of Business Degree from Edith Cowan University.

Mr Kidner has over 25 years experience in the accounting industry and is currently a director of Equiti Partners. He has advised in his capacity as a director to numerous businesses ranging from the professional sector to manufacturing, retail and the mining industry.

Mr Kidner has also had numerous involvements in a number of businesses and is currently a director of Realm Resources Limited, Ultimo Catering and Events Pty Ltd and Oaks Liquor Pty Ltd.

Mr Kidner was appointed as a Director on 31 August 2008.

COMPANY SECRETARY

Mr Grant Kidner, also a Director of the Company, was appointed company secretary on 12 December 2007. Particulars on Mr Kidner are detailed above.

PRINCIPAL ACTIVITIES

The principal continuing activity of the Company was exploration for minerals.

OPERATING AND FINANCIAL REVIEW

Review of Operations

A review of operations for the financial period and the results of those operations are contained within the Company Overview.

Operating Results

The loss after income tax for the financial period was $282,940.

Financial Position

At 30 June 2009, the Company had cash reserves of $3,459,443.

Dividends

No dividends were paid during the period and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial period are detailed in the Company Overview.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial period under review not otherwise disclosed in this report or in the financial report.

EVENTS SUBSEQUENT TO BALANCE DATE

On the 4th September 2009 the Company announced the acquisition of ground at Doolgunna.

Chrysalis Resources Limited was pleased to announce the acquisition of a granted exploration tenement, E52/2275, approximately 20 kilometres west along strike from the Sandfire Resources (ASX:SFR) 'DeGrussa' Copper/Gold Deposit.

Outside of ground held by Sandfire Resources (ASX:SFR), this tenement package comprises one of the largest single land holdings and represents a strategic investment by the Company in the highly prospective and emerging upper corridor of the Narracoota Volcanics formation within the Doolgunna area.

Conceptually, the geological sequence and structural setting has the potential to host both gold and base metal mineralization. Importantly, the project area is also considered prospective for volcanogenic massive sulphides (VMS) style mineralization, eg 'DeGrussa' and 'Conductor 1'.

The company will immediately undertake a comprehensive review, including a detailed geophysical interpretation, to qualify zones considered prospective for the targeted style of mineralization sought, including copper, gold, zinc, silver and zinc.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to pursue its principal activity of exploration for minerals, particularly in respect of the Projects as outlined in the Company Overview. The Company will also continue to pursue other potential investment opportunities to enhance shareholder value.

MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director is as follows:

	Number eligible to attend	Attended
Dr Neale Fong	7	7
Mr Adrian Paul	7	7
Mr Grant Kidner	7	6
Mr Michael Fry	1	1

REMUNERATION REPORT

This report details the philosophy of the Company's remuneration policy and the nature and amount of remuneration for each director and executive of Chrysalis Resources Limited.

A. Remuneration Philosophy and Policy

The Board's policy is to remunerate directors at market rates for time, commitment and responsibilities. The board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold securities in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the company. All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

Apart from superannuation paid on director's fees, there are no additional benefits paid to directors.

The Company does not pay any performance-based component of salaries.

B. Details of remuneration

The Company does not have any full time executive officers.

There were no performance related party payments made during the year as there were no short term incentive remuneration arrangements in place.

2009

Directors	Primary		Post Employment	Share-based	Other	
	Salary and fees	Cash Bonus	Superannuation	Options		Total
	$	$	$	$	$	$
Dr Neale Fong	100,000	-	9,000	-	-	109,000
Mr Adrian Paul	50,000	-	4,500	-	-	54,500
Mr Grant Kidner	50,833	-	4,575	-	-	55,408
Mr Michael Fry	4,166	-	375	-	-	4,541
	204,999	-	18,450	-	-	223,449

2008

Directors	Primary		Post Employment	Share-based	Other	
	Salary and fees	Cash Bonus	Superannuation	Options		Total
	$	$	$	$	$	$
Dr Neale Fong	33,333	-	3,000	-	-	36,333
Mr Adrian Paul	16,667	-	1,500	-	-	18,167
Mr Michael Fry	8,333	-	750	-	-	9,083
Mr David Morris	-	-	-	-	-	-
	58,333	-	5,250	-	-	63,583

C. Employment contracts of directors

The employment arrangements of the directors are not formalised in a contract of employment. There are no retirement allowances for directors.

DIRECTORS' AND AUDITOR'S INDEMNIFICATION

The Company has not, during or since the financial period, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

(a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses of successfully defending legal proceedings; or

(b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

SHARE OPTIONS

On 11 November 2008 and 17 December 2008 the Company issued a total of 33,107,127 options exercisable at 1 cent on or before 30 June 2013 to shareholders on a one for one basis for every ordinary share held.

ENVIRONMENTAL REGULATIONS

The Company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the period under review and up until the date of this report.

NON-AUDIT SERVICES

The Company's auditors, HLB Mann Judd, did not provide any non-audit services.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 22.

Signed in accordance with a resolution of directors.

Dr Neale Fong
Executive Chairman
Perth, 18th September 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Chrysalis Resources Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Chrysalis Resources Limited.

Perth, Western Australia
18 September 2009

W M CLARK
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 2 15 Rheola Street West Perth 6005 PO Box 263 West Perth 6872 Western Australia. Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Introduction

The Board of Directors of Chrysalis Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Chrysalis Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board adopted a Board Corporate Governance Charter in April 2009.

The Company is committed to implementing sound standards of corporate governance. In determining what those standards should involve, the Company has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition 2007 ("Recommendations").

Principle 1: Lay solid foundations for management and oversight
Principle 2: Structure the board to add value
Principle 3: Promote ethical and responsible decision making
Principle 4: Safeguard integrity in financial reporting
Principle 5: Make timely and balanced disclosure
Principle 6: Respect the rights of shareholders
Principle 7: Recognise and manage risk
Principle 8: Remunerate fairly and responsibly

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

During the financial period the Company has complied with each of the 8 ASX Corporate Governance Council published guidelines as specified below:

Principle 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1- Establish and disclose the functions reserved to the Board and those delegated to senior executives.

The functions and responsibilities of the Board were not delegated to management as the Chairman functions in an executive capacity. All major decisions made by the Company are considered and decided by the Board. The Board has approved a Board Charter which is in process of being posted to the Company's website. The Charter outlines the Board's responsibilities, memberships, Committee Structure (to be approved at the appropriate time), the conduct of meetings, director independence, conflicts of interest, stakeholder communications and appointment of external auditors.

Recommendation 1.2- Disclose the process for evaluating the performance of senior executives.

Recommendation 1.3- Provide the information in the guide to reporting on Recommendations.

The performance of the executive function is continually monitored and reviewed regularly as the Board is involved in all major strategic and operational decisions, and the Board oversees all decisions. As the Chairman operates in an executive capacity his performance has been reviewed by his fellow directors on a continuing basis.

The Board has developed a policy on Board and Management Performance Enhancement. At the time of this report this policy has not been endorsed by the Board. It is envisaged this will be approved very soon and placed on the Company's website.

Principle 2: Structure The Board To Add Value

Recommendation 2.1- A majority of the Board should be independent directors.

The Board respects independence of thought and decision making as critical to effective governance, and is satisfied that its Board composition meets these requirements.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Chrysalis Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

However, against the Recommendations technical indicia of "independence" the Company does not strictly comply with this Recommendation.

From 1 July 2008 to 31 August 2008 the Board comprised:

- 1 independent non-executive Director Michael Fry;
- 1 non-executive director Adrian Paul;
- 1 executive director Neale Fong.

From 31 August 2008 to 30 June 2009 the Board was maintained at 3 with the appointment of Mr Grant Kidner and with the departure of Michael Fry. All current directors are not independent.

Recommendation 2.2- The chairperson should be an independent director.

Recommendation 2.3 – The roles of chair and Chief Executive Officer should not be exercised by the same person.

The Chairperson was not an independent director and the roles of the Chairperson and the Chief Executive Officer were exercised by the same individual. The Board believes the current size of the Company's business does not warrant the employment of a separate Chief Executive Officer or Chairman.

Recommendation 2.4 – The Board should establish a nomination committee.

The Board did not establish a Nomination and Remuneration Committee. The full Board considers those matters and issues arising that would usually fall to a nomination committee. The Board has outlined in its charter the requirements of the Company with respect to director appointments. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee at this point in time.

Recommendation 2.5 – Disclose process for evaluating the performance of the Board, its committees and individual directors.

The Board has developed a policy on Board and Management Performance Enhancement. The Board as a whole reviews the performance of all Directors each year. Directors whose performance is unsatisfactory are counselled and encouraged to improve their performance. If the Board believes their performance has not adequately improved, they are asked to retire.

At the time of this report this policy has not been endorsed by the Board. It is envisaged this will be approved very soon and placed on the Company's website.

Recommendation 2.6 – Provide the Information Indicated in *Guide to reporting on Principle 2.*

Contained in the Directors' Report section of this Annual Report are details of:

- The skills, experience and expertise relevant to the position of director held by each Director in office at the date of this Annual Report;
- The term of office held by each Director in office at the date of this Annual Report.

The terms of office, and their status as executive/non-executive/independent/non-independent, for each Director for the year ending 30 June 2009 were as follows (with all Directors noted as continuing as at 30 June 2009 still being in office at the date of this annual report):

Neale Fong	Executive – non independent 1 July 2008 to 30 June 2009 (cont)
Adrian Paul	Non-executive – non independent 1 July 2008 to 30 June 2009 (cont)
Grant Kidner	Non-executive – non independent 31 August 2008 to 30 June 2009 (cont)
Michael Fry	Non-executive – independent 1 July 2008 to 31 August 2008

The Company has accepted the definition of "independence" in the Recommendations in the above analysis.

The Company empowers a director to take independent professional advice at the expense of the Company.

The Company departed from the Recommendations in that:

a) a Nomination and Remuneration Committee was not established; and

b) subsequently neither a majority of the Board nor a majority of the Nomination and Remuneration committee were independent.

In explanation of the reasons for these departures the Company advises:

- It is satisfied with the level of independence of thought and decision making being contributed by its non-executive and executive directors.
- The current size of the Company's business operations does not warrant an expanded Board merely to satisfy the independence Recommendations.
- It is satisfied with the performance of the Chairman.
- The current directors' skills and abilities match the Company's requirements.
- The procedure for selection and appointment of directors is according to the constitution which will be publicly available on the Company's website in due course.

Principle 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1- Establish a code of conduct and disclose the code, or a summary as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity;
3.1.2 the practices necessary to take into account legal obligations and reasonable expectations of stakeholders;
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company is in the process of developing a formal code of conduct policy within its Charter to guide the Directors and key executives with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Board subscribes to the *Code of Conduct* as published by the Institute of Company Directors. This *Code of Conduct* has been communicated to all staff.

Recommendation 3.2- Establish and disclose the Policy Concerning Trading in Company Securities by directors, officers and employees.

The Company's policy concerning trading in Company securities by Directors, officers and employees is set out in the Securities Trading Policy which was approved by the Board in April 2009. This policy is in the process of being posted to the Company's website.

Recommendation 3.3- Provide the Information Indicated in *Guide to Reporting on Principle 3.*

The Company is not aware of any departures from Recommendations 3.1, 3.2 or 3.3.

Principle 4: Safeguard integrity in financial reporting.

Recommendation 4.1- The Board should establish an Audit Committee.

Recommendation 4.2- Structure the Audit Committee so that it consists of:

- **Only non-executive directors;**
- **A majority of independent directors;**
- **An independent Chairperson, who is not chairperson of the Board;**
- **At least three members.**

Recommendation 4.3- The Audit Committee should have a formal charter.

Recommendation 4.4- Provide the information indicated in *Guide to reporting on Principle 4.*

The Board has not established a separate Audit Committee. The role of the Audit Committee has been assumed by the full Board. The Board as the Audit Committee meets at least bi-annually (in respect of the full year and half year reports). The Company and its Board are of a relatively small size and Board members are encouraged to consult regularly with the Company's external auditors. Therefore the Company considers that no benefits would be gained by establishing a separate Audit Committee.

The duties and responsibilities of the Audit Committee which have been assumed by the full board are to;

- Evaluate the overall effectiveness of the external audit through review meetings with the auditors.

- Evaluate the adequacy and effectiveness of the Company's accounting and administrative policies and internal control systems by regular communication with management and external auditors.

- Review all final draft financial statements, reports and announcements related therefore with the managing director and auditors and recommend on their adequacy to the Board prior to the release to members and other public forums.

- Review and determine the effects of any proposed changes to accounting policies and make recommendations to the Board on their acceptance or otherwise.

- Review all statutory regulatory, trustee or lender reports submitted to or made by the Company and to report or recommend to the Board as appropriate.

- Report to the Board of Directors on Committee activities.

The Company is aware of the departure from the Recommendations and has outlined its reasoning in the above paragraphs.

Principle 5: Make Timely and Balanced Disclosure

Recommendation 5.1- Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of them.

The Company ensures compliance with ASX Listing Rule disclosure requirements and has a Security Trading Policy. This policy was approved in April 2009 and is in the process of being placed on the Company's website.

Recommendation 5.2- Provide the information indicated in *Guide to reporting on Principle 5.*

The Company is aware of a departure from Recommendations 5.2 but is in the process of posting the policy to the Company's website.

Principle 6: Respect the Rights of Shareholders

Recommendation 6.1- Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

Recommendation 6.2- Provide the Information Indicated in *Guide to Reporting on Principle 6.*

The Company has set out a Communications Strategy in its Board Charter, which is in the process of being placed on the Company website.

The Company is aware of the departure from Recommendations and has outlined its reasoning in the above paragraphs.

Principle 7: Recognise and Manage Risk

Recommendation 7.1- Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2- The Board to require management to design and implement the risk management and internal control system to manage the Company's material business risks, and report to it on whether those risks are being managed effectively Board to disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3- Board to disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with S.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reportings risks.

In its assessment and review of the Company's risk management system, the Board;

(a) oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;

(b) assists management to determine the key risks to the businesses and prioritise work to manage those risks; and

(c) review reports by management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The Company's process of risk management and internal compliance and control includes;

(a) Identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks.

(b) Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.

(c) Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practises are in place that are directed towards achieving the following objectives;

(a) compliance with applicable laws and regulations;

(b) preparation of reliable published financial information;

(c) implementation of risk transfer strategies where appropriate (eg insurance).

The identification and effective management of risk is viewed as an essential part of the Company's approach to creating long-term shareholder value.

The Board is satisfied that there is adequate review of risk in management of the Company's business, and reviews on an ongoing basis all aspects of significant business risk and makes recommendations and policies which require implementation to manage the Company's operations.

Recommendation 7.4- Provide the information indicated in *Guide to reporting on Principle 7.*

The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3 although notes it is continuing to develop and refine its risk management and internal control processes and procedures into more robust systems and procedures based on AS/ANZ4360.

Principle 8: Remunerate Fairly and Responsibly.

Recommendation 8.1- The Board should establish a remuneration committee.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives and non-executive Directors;
- Attraction of high quality management to the Company; and
- Performance incentives that allow executives to share the success of Chrysalis Resources Limited.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and executive team. The Board has absorbed the role of the Remuneration Committee.

Recommendation 8.2- Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

There are currently no full-time executive roles in the Company. The Chairman carries out an executive function in addition to chairing the board.

The maximum remuneration of non-executive directors is the subject of Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing rules, as applicable. The apportionment of non-executive director remuneration within that maximum is made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive director. The Board may also award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company. Details of these are set out in the Remuneration Report within the Directors' Report.

Greater details of the remuneration arrangements for Directors, officers and senior executives are contained in the Remuneration Report comprised in the Directors' Report forming part of this Annual Report.

Recommendation 8.3- Provide the Information Indicated in *Guide to reporting on Principle 8*

The Company is aware of the departure from the Recommendations and has outlined its reasoning in the above paragraphs.

Ethical Standards

All Directors and employees are expected to act with the utmost of integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Conflict of Interest

In accordance with the Corporations Act 2001, the Company's Constitution and Board Corporate Governance Charter, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Directors Dealings in Company Securities

The Constitution and Corporate Governance Charter permits Directors to acquire securities in the Company. Company policy prohibits Directors from dealing in Company securities whilst in possession of price sensitive information. Directors must notify the Company Secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, the Company on behalf of the Directors must advise the Australian Stock Exchange of any transactions conducted by them in shares and/or options in the Company.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Revenue	2	173,102	32,879
Other expenses	2	(456,042)	(114,969)
Loss before income tax expense		(282,940)	(82,090)
Income tax expense	3	-	-
Net Loss attributable to members of the Chrysalis Resources Limited		(282,940)	(82,090)
Basic loss per share (cents)	4	(0.68)	(0.77)

The accompanying notes form part of this financial statement.

BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 $	2008 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,459,443	3,826,536
Trade and other receivables	6	15,425	22,136
Total Current Assets		3,474,868	3,848,672
Non-Current Assets			
Exploration and evaluation expenditure	7	2,118,964	1,869,067
Total Non-Current Assets		2,118,964	1,869,067
Total Assets		5,593,832	5,717,739
LIABILITIES			
Current Liabilities			
Trade and other payables	8	38,545	153,021
Total Current Liabilities		38,545	153,021
Total Liabilities		38,545	153,021
Net Assets		5,555,287	5,564,718
EQUITY			
Issued capital	9	5,628,419	5,646,808
Reserves	10	291,898	-
Accumulated losses		(365,030)	(82,090)
Total Equity		5,555,287	5,564,718

The accompanying notes form part of this financial statement.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
Balance at incorporation on 13 June 2007	-	-	-	-
Shares issued during the period	5,784,001	-	-	5,784,001
Share issue expenses	(137,193)	-	-	(137,193)
Loss for the period	-	-	(82,090)	(82,090)
		-		
Balance at 30 June 2008	5,646,808	-	(82,090)	5,564,718
1 July 2008	5,646,808	-	(82,090)	5,564,718
Options issued during the period	-	331,071	-	331,071
Share and Option issue expenses	(18,389)	(39,173)	-	(57,562)
Loss for the period	-	-	(282,940)	(282,940)
Balance at 30 June 2009	5,628,419	291,898	(365,030)	5,555,287

The accompanying notes form part of this financial statement.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $ Inflows/ (Outflows)	2008 $ Inflows/ (Outflows)
Cash flows from operating activities			
Payments to suppliers and employees		(466,057)	(106,408)
Interest received		173,102	32,879
Other (GST)		27,824	-
Net cash (used in) operating activities	5(i)	(265,131)	(73,529)
Cash flows from investing activities			
Exploration & evaluation expenditure		(356,561)	(254,001)
Net cash (used in) investing activities		(356,561)	(254,001)
Cash flows from financing activities			
Proceeds from issue of shares and options		331,071	4,284,000
Payment of capital raising costs		(76,472)	(129,934)
Net cash provided by financing activities		254,599	4,154,066
Net increase (decrease) in cash held		(367,093)	3,826,536
Cash at beginning of the financial year		3,826,536	-
Cash at end of the financial year		3,459,443	3,826,536

The accompanying notes form part of this financial statement.

1. *Summary of Significant Accounting Policies*

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the measurement requirements of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

The financial report is presented in Australian dollars. The Company is a listed company incorporated in Australia and operating in Australia.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial report.

(b) Adoption of new and revised standards

In the year ended 30 June 2009, the Company has reviewed all the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

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

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. As a result of the review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net outstanding bank overdrafts.

(f) Income Tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

1. *Summary of Significant Accounting Policies (Continued)*

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probably that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

1. Summary of Significant Accounting Policies (Continued)

(g) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

(h) Recoverable amount

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the net asset is impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(j) Financial assets

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are classified as "financial assets at fair value through profit and loss" as they are acquired principally for the purpose of selling in the short term. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

1. Summary of Significant Accounting Policies (Continued)

Impairment
At each reporting date, the directors assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(k) Exploration and evaluation expenditure
Exploration and evaluation expenditures in relation to each separate area of interest, for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The expenditure relating to that area of interest is carried forward as an asset in the Balance Sheet so long as the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

- exploration and evaluation 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 expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount and where this is the case an impairment loss is recognised. Should a project or area of interest be abandoned, the expenditure will be written off in the period in which the decision is made. Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(l) Impairment of assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

1. Summary of Significant Accounting Policies (Continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Trade and other payables

Trade payables and other accounts payables are recognised when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Amounts are unsecured and are usually paid within 30 days of recognition.

(n) Share-based payment transactions

The fair value of shares and share options granted is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options.

The fair value of share grants at grant date is determined by the share price at that time.

(o) Issued capital

Issued capital is recognised at the fair value of the consideration received by the Company.

Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(q) Significant Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

1. *Summary of Significant Accounting Policies (Continued)*

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of costs carried forward as exploration assets. The ultimate recoupment of value is dependent on the successful development and commercial exploitation or sale of the respective areas.

Share-based Payment Transactions

The Company measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date which they are granted.

	2009 $	2008 $
2. *Revenue and Expenses*		
(a) Revenue		
Interest received – other corporations	173,102	32,879
(b) Expenses		
Stock exchange and registry fees	34,783	1,799
Directors' remuneration	223,449	63,583
Other	197,810	49,587
	456,042	114,969

3. *Income Tax*

(a) Income Tax Expense

	2009 $	2008 $
The income tax expense for the period differs from the prima facie tax as follows:		
Loss for period	282,940	82,090
Prima facie income tax benefit @ 30%	84,882	24,627
Deferred tax assets not brought to account	(84,882)	(24,627)
Total income tax expense	-	-

(b) Deferred Tax Assets

	2009 $	2008 $
Deferred tax assets not brought to account arising from tax losses	109,509	24,627

4. *Loss per Share (EPS)*

	2009 $	2008 $
Basic loss per share (cents)	(0.68)	(0.77)
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Earnings – Net loss for period	282,940	82,090
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	41,375,001	10,765,994

Diluted loss per share is not disclosed as the result is anti-dilutive.

5. Cash and cash equivalents

	$	$
Cash at hand	3,459,443	3,826,536

Cash at bank earns interest at floating interest rates based on daily bank deposit rates.

(i) Reconciliation of loss for the year to net cash flows used in operating activities:

	$	$
Loss for the year	(282,940)	(82,090)
Changes in operating assets and liabilities		
Receivables	6,951	(21,409)
Payables	10,858	29,970
Net cash flows (used in) operating activities	(265,131)	(73,529)

6. *Trade and other receivables*

Current		
GST Receivable	15,305	22,136
Other	120	-
	15,425	22,136

	2009 $	2008 $
7. *Deferred exploration expenditure*		

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

Exploration and evaluation phase	**$**	**$**
Balance at beginning of the year	1,869,067	-
Tenements acquired upon issue of shares	-	1,500,000
Expenditure incurred during the year	249,897	369,067
Balance at end of the year	2,118,964	1,869,067

The ultimate recoupment of the exploration and evaluation expenditure carried forward is dependent on the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value.

8. *Trade and Other Payables*

Current		
Trade payables and accruals	38,545	153,021

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

9. *Issued Capital*

	Company			
	2009 Number	**2009 $**	**2008 Number**	**2008 $**
(a) Issued and paid up capital				
Ordinary shares fully paid	41,375,001	5,920,317	41,375,001	5,646,808

(b) Movement in ordinary share capital

	2009 Number	2009 $	2008 Number	2008 $
Balance at the beginning of the year	41,375,001	5,646,808	-	-
Shares issued during the year	-	-	41,375,001	5,784,001
Transaction costs relating to shares issued	-	(18,389)	-	(137,193)
Balance at end of the year	41,375,001	5,628,419	41,375,001	5,646,808

(c) Options

On 11 November 2008 and 17 December 2008 the Company issued a total of 33,107,127 options exercisable at $0.20 on or before 30 June 2013 in accordance with the entitlement issue of options at an issue price of $0.01 per option.

At the end of the period, the Company had 33,107,127 options on issue expiring 30 June 2013 at an exercise price of 20 cents each.

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

10. *Reserves*	2009 $	2008 $
Option issue reserve	291,898	-
Movement in reserve		
Balance at beginning of year	-	-
33,107,127 options issue for cash at $0.01 each	331,071	-
Transaction costs relating to options issue	(39,173)	-
Balance at end of the year	291,898	-

Option issue reserve is used to accumulate the net proceeds received from the issue of options

11. *Commitments*

Exploration Commitments

The Company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Company. These commitments have not been provided for in the financial statements. Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or any new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

	$	$
Within one year	182,740	110,000
2 to 5 years	469,280	388,000
Over 5 years	706,400	338,000

12. *Contingent Liabilities*

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.

13. *Auditor's Remuneration*

Amounts, received or due and receivable by auditors for:		
- an audit or review services	17,776	-
- other services	-	-
	17,776	-

14. *Director and Executive Disclosures*

(a) Details of Key Management Personnel

Directors in office during the financial period were:

Executive Chairman

Dr Neale Fong

Non Executive Directors

Mr Michael Fry
Mr Adrian Paul
Mr Grant Kidner

(b) Compensation of Key Management Personnel

(i) Compensation Policy

The remuneration policy of Chrysalis Resources Limited as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

(ii) Compensation of Key Management Personnel

The Company has applied the exemption under Corporations Amendments Regulations 2006 to transfer key management personnel remuneration disclosures required by Accounting Standard AASB 124 *Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(iii) Compensation by category: Key Management Personnel

	2009	**2008**
	$	**$**
Short-Term	204,999	58,333
Post Employment	18,450	5,250
	223,449	63,583

(c) Shareholdings of Key Management Personnel

2009	Balance 01/07/08	Net Movement	Balance 30/06/09
Dr Neale Fong	500,000	-	500,000
Mr Adrian Paul	2,500,001	110,000	2,610,001
Mr Grant Kidner	310,000	50,000	360,000

2008	Balance 20/06/07	Net Movement	Balance 30/06/08
Dr Neale Fong	-	500,000	500,000
Mr Adrian Paul	2,500,001	-	2,500,001
Mr Grant Kidner	250,000	-	250,000

(d) Option holdings of Key Management Personnel

2009	Balance 01/07/08	Net Movement	Balance 30/06/09
Dr Neale Fong	-	500,000	500,000
Mr Adrian Paul	-	2,500,001	2,500,001
Mr Grant Kidner	-	1,210,000	1,210,000

2008
Nil

15. *Share Based Payments*

There were no share-based payment arrangements in existence at 30 June 2009.

16. *Related Party Transactions*

There were no related party transactions for the year ended 30 June 2009 other than as follows;

Mr Grant Kidner, the Company Secretary, is also a director of Equiti Partners. During the financial year, Equiti Partners received remuneration for secretarial and administration services, office rent and accounting services from the Company totalling $58,487 (2008: $19,910).

18. *Financial Reporting by Segments*

During the financial year, the Company operated in the mineral exploration industry solely within Australia.

19. Financial Instruments

(i) Financial risk management

The Company's financial instruments consist mainly of deposits with banks and accounts payable.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

Interest rate and liquidity risk

The Company manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company's cash balances are held with a major Australian lending institution. The Company does not have any other significant credit risk exposures to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Foreign Currency Risk

The Company currently has no exposure to foreign currency risk.

(ii) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company does not have any interest bearing debt.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

(iii) Interest rate risk

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting

Financial Instruments (Continued)

period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's:

- Net loss after tax and shareholders' equity would decrease by $17,297 and increase by $17,297 respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate cash deposits.

.

The following table details the Company's exposure to interest rate risk as at the reporting date:

Company 2009

		Fixed interest rate maturing in:				
Financial Instrument	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest Bearing**	**Total**
Financial Assets						
Cash	3%	3,459,443	-	-	-	3,459,443
Receivables – other	-	-	-	-	15,425	15,425
Total financial assets	3%	3,459,443	-	-	15,425	3,474,868
Financial Liabilities						
Trade payables and accruals	-	38,545	-	-	-	38,545
Total financial liabilities	-	38,545	-	-	-	38,545

Company 2008

		Fixed interest rate maturing in:				
Financial Instrument	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest Bearing**	**Total**
Financial Assets						
Cash	6.9%	3,826,536	-	-	-	3,826,536
Receivables – other	-	-	-	-	22,136	22,136
Total financial assets	6.9%	3,826,536	-	-	22,136	3,848,672
Financial Liabilities						
Trade payables and accruals	-	153,021	-	-	-	153,021
Total financial liabilities	-	153,021	-	-	-	153,021

Financial Instruments (Continued)

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet all financial commitments in a timely and cost effective manner. The Board constantly reviews the liquid position including cash flow forecasts to determine the forecast cash position and maintain appropriate liquidity levels. At balance date, all financial liabilities are interest free and are payable within 90 days.

(v) Net fair value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based on upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

19. *Events Subsequent to Year End*

There are no matters or circumstances that have arisen since 30 June 2009 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

1. In the opinion of the directors:

   a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of it's performance for the year then ended; and

      ii) complying with Accounting Standards and the Corporations Regulations 2001; and

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

This declaration is signed in accordance with a resolution of the Board of Directors.

Dr Neale Fong
Executive Chairman

Perth, 18th September 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
Chrysalis Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Chrysalis Resources Limited, which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration as set out on pages 31 to 51.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 2 15 Rheola Street West Perth 6005 PO Box 263 West Perth 6872 Western Australia Telephone +61 (08) 9481 0977 Fax +61 (08) 9481 3686
Email: hlb@hlbwa.com.au Website: http://www.hlb.com.au

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Chrysalis Resources Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 20 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Chrysalis Resources Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

WM Clark

Perth, Western Australia
18 September 2009

W M CLARK
Partner

HOLDINGS AS AT 18 August 2009

Number of Securities Held	FULLY PAID SHARES No. of Holders	LISTED OPTIONS No. of Holders
1 to 1,000	-	-
1,001 to 5,000	35	15
5,001 to 10,000	124	74
10,001 to 100,000	344	197
100,001 and over	51	43
Total Number of Holders	554	329
Number of holders of less Than a marketable parcel	164	164
Percentage of the 20 largest holders	54.12%	61.79%

Substantial Shareholders

The Company has been notified of the following substantial shareholdings:

	Number	
Robert Lawrence Hawke	3,209,058	7.76%
Ian Kerr	3,000,000	7.25%
Adrian Stephen Paul	2,500,001	6.04%
David Nasir Yusoff	2,500,000	6.04%

Voting Rights

The Constitution of the Company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

HOLDINGS AS AT 18 AUGUST 2009 (Continued)

20 Largest Holders of Securities as at 18 August 2009:

Fully Paid Ordinary Shares

	No.	%
Mr Robert Lawrence Hawke	3,209,058	7.76
Mr Ian Kerr	3,000,000	7.25
Mr Adrian Stephen Paul	2,500,001	6.04
Mr David Nasir Yusoff	2,500,000	6.04
Ravenhill Investments Pty Ltd	1,800,000	4.35
BS Capital Pty Ltd	1,200,000	2.90
Katana Equity Pty Ltd	1,200,000	2.90
Park House Enterprises Pty Ltd	1,200,000	2.90
Beacon Minerals Limited	1,000,000	2.42
Pareto Nominees Pty Ltd	700,000	1.69
Dr Salim Cassim	628,000	1.52
Bell Potter Nominees Limited	550,000	1.33
Katana Asset Management Ltd	550,000	1.33
Mr Daniel Foster/Mr Paul Hodder/Mr James Ramsay	400,000	0.97
Mr Neale William Fong	350,000	0.85
Jevgold Pty Ltd	350,000	0.85
Waterox Pty Ltd	350,000	0.85
Mr Grant Michael Button	305,000	0.74
Blue Crystal Pty Ltd	300,000	0.73
Mr John and Mrs Elizabeth Mandosio	300,000	0.73
	22,392,059	54.12%

Listed Options

	No.	%
Mr Robert Lawrence Hawke	3,075,000	9.29
Mr Ian Kerr	3,000,000	9.06
Mr Adrian Stephen Paul	2,500,001	7.55
Katana Equity Pty Ltd	1,500,000	4.53
BS Capital Pty Ltd	1,200,000	3.62
Mr Leslie Robert Fong	1,060,000	3.20
Mr Nicholas Paul	1,000,000	3.02
Ravenhill Investments Pty Ltd	1,000,000	3.02
Lizrow Pty Ltd	850,000	2.57
Mr Denis Ivan Rakich	650,000	1.96
Dr Salim Cassim	628,000	1.90
Ms Sharon Lumb	610,000	1.84
Bell Potter Nominees Limited	550,000	1.66
Mr Daniel Foster/Mr Paul Hodder/Mr James Ramsay	530,000	1.60
Charles Foti Corporation Pty Ltd	500,000	1.51
Mr Rodney Jones/Mrs Carol Jones	405,000	1.22
Urban Pat Pty Ltd	400,000	1.21
Mr Neale William Fong	350,000	1.06
Waterox Pty Ltd	350,000	1.06
Blue Crystal Pty Ltd	300,000	0.91
	20,458,001	61.79%

Restricted Securities

The Company has the following restricted securities on issue as at the date of this report:

- 2,700,000 ordinary fully paid shares were released from escrow 31 December 2009;
- 7,500,000 ordinary fully paid shares were released from escrow 20 May 2009;
- 9,800,000 ordinary fully paid shares held in escrow until 2010.

Project	Tenement Number	Tenement Status	Holder	Chrysalis Resources Percentage Interest
Gregory/Isabella	E45/3120	Pending	Chrysalis Resources Limited	100%
	E45/3121	Pending	Chrysalis Resources Limited	100%
	E45/3283	Pending	Chrysalis Resources Limited	100%
	E45/3284	Pending	Chrysalis Resources Limited	100%
	E45/3329	Pending	Chrysalis Resources Limited	100%
Gregory South	E45/3213	Pending	Chrysalis Resources Limited	100%
	E46/0782	Pending	Chrysalis Resources Limited	100%
	E46/0786	Pending	Chrysalis Resources Limited	100%
Isabella North	E45/3105	Pending	Chrysalis Resources Limited	100%
	E45/3131	Pending	Chrysalis Resources Limited	100%
	E45/3313	Pending	Chrysalis Resources Limited	100%
	E45/3314	Pending	Chrysalis Resources Limited	100%
Noondie Hill	E57/0775	Pending	Chrysalis Resources Limited	100%
	E57/0776	Pending	Chrysalis Resources Limited	100%
	E57/0777	Pending	Chrysalis Resources Limited	100%
Pioneer	E63/0733	Granted	Chrysalis Resources Limited	80%
	E63/1117	Pending	Chrysalis Resources Limited	80%
	M63/0329	Granted	Chrysalis Resources Limited	80%
	M63/0368	Granted	Chrysalis Resources Limited	80%
	M63/0567	Pending	Chrysalis Resources Limited	80%
	P63/1429	Granted	Chrysalis Resources Limited	80%
	P63/1468	Granted	Chrysalis Resources Limited	80%
Rocklea	E47/1967	Pending	Chrysalis Resources Limited	100%
	E47/1968	Pending	Chrysalis Resources Limited	100%
Sheeza	M24/0938	Granted	Chrysalis Resources Limited	100%
	P24/4284	Granted	Chrysalis Resources Limited	100%
	P24/4285	Granted	Chrysalis Resources Limited	100%
	P24/4361	Pending	Chrysalis Resources Limited	100%
	P24/4362	Pending	Chrysalis Resources Limited	100%
	P24/4363	Pending	Chrysalis Resources Limited	100%
West Angeles	E47/1838	Pending	Chrysalis Resources Limited	100%
Windarra	E39/1324	Pending	Chrysalis Resources Limited	100%
	P39/4852	Granted	Chrysalis Resources Limited	100%