



Chrysalis
RESOURCES LIMITED

ACN 125 931 964

ANNUAL REPORT

30 JUNE 2014

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AUSTRALIAN SECURITIES EXCHANGE

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

The home exchange is Perth, Western Australia

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CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to welcome you to Chrysalis Resources Limited's annual report for the year ended 30 June 2014. It has been a busy and productive year for the Company, and one that has seen our focus on the Zambian Copper Projects increase dramatically.

An intensive drilling campaign at the Shikila Project culminated in a maiden inferred copper resource estimate of 18.6Mt at 0.52% Cu containing 96,000 tonnes of copper (0.3% Cu cut-off) for the Wangolo Deposit. Extensive soil sampling, pitting, trenching and ground geophysical surveys were conducted across the entire Shikila Project defining 12 significant Cu-in-soil anomalies, of which 8 were subsequently tested with 26 reverse circulation (RC) drill holes. This drilling confirmed the presence of low-grade copper and silver mineralisation of a similar style to that seen in the shallow parts of the Wangolo resource. Further drilling is envisaged especially within the Block 4 Cu-in-soil anomaly associated with a Kansanshi style "dome structure".

At Kabwima almost 8,000 soil samples were collected identifying 9 separate Cu-in-soil anomalies, including the Kimabwe prospect >100ppm Cu anomaly which measures 5.5km x 1.6km and contains Cu-in-soil values up to 485ppm. Follow-up work on the Kimabwe prospect has included extensive pitting, trenching and a recently completed a 5,269 metre aircore drilling program where laboratory assay results are eagerly awaited.

Soil and rock chip sampling at the Bulala Hills Project identified 3 substantial Cu-in-soil anomalies and 9 RC drill holes were recently completed in order test beneath the >200ppm Cu parts of a semi-continuous 1km wide x 4.5km long >100ppm Cu-in-soil anomaly at the Mwako Prospect. These assay results are also eagerly awaited.

Soil sampling, rock chip sampling and geophysical interpretation work at the Mwongo Project has also confirmed several anomalies very similar in nature to Blackthorn Resources' nearby Kitumba Iron Oxide Copper Gold (IOCG) Deposit.

As part of an overhead cost reduction exercise, all Zambian and Australian projects were reviewed early in the year and a divestment strategy put in place for all Australian projects. Subsequently several licences were surrendered and several projects sold or optioned out to selected parties, with the company now very much focussed on copper and gold exploration in Zambia.

It has been a busy year for Chrysalis in the boardroom with the ASX granting Chrysalis a waiver from ASX listing rule 6.18 giving Eagle Brilliant Holdings Ltd ("EBH") a "Top-up Right" and the ability to increase its shareholding to 25% subsequent to Chrysalis shareholder approval. This was affected on the 1st November 2013.

On the 8th July 2014 the company announced a fully underwritten Non-Renounceable Entitlement Issue on the basis of one new share for every two shares at one cent each. A total of 114,494,709 shares were allotted raising a total of \$1,144,947 (before costs) in order to further exploration across the Zambian Copper Projects, together with meeting general working capital requirements.

Our Board has also undergone some significant changes this year with the resignations of Mr Grant Kidner, Mr Adrian Paul and Mr Trevor Benson, the appointment and resignations of Ms Jing Wang, and Mr Michael Griffiths, and the appointment of Mr Leigh Ryan as Chief Executive Officer who recently assumed the role of Managing Director. Mr Kevin Hart also replaced Ms Melanie Cotterell as Company Secretary.

Chrysalis has continued to support various Corporate Social Responsibility programs and subsequently develop and nurture its close relationship with Zambia and its people.

It has been a very positive year in terms of our progress. I thank the management and staff at Chrysalis for their hard work over the past year, and I thank our shareholders for your support, which I hope will continue. I expect the coming year to hold plenty of important and exciting developments for Chrysalis, and look forward to taking that journey together.

Yours Sincerely,



Dr Neale Fong
Non-Executive Chairman

COMPANY OVERVIEW

EXPLORATION - ZAMBIA

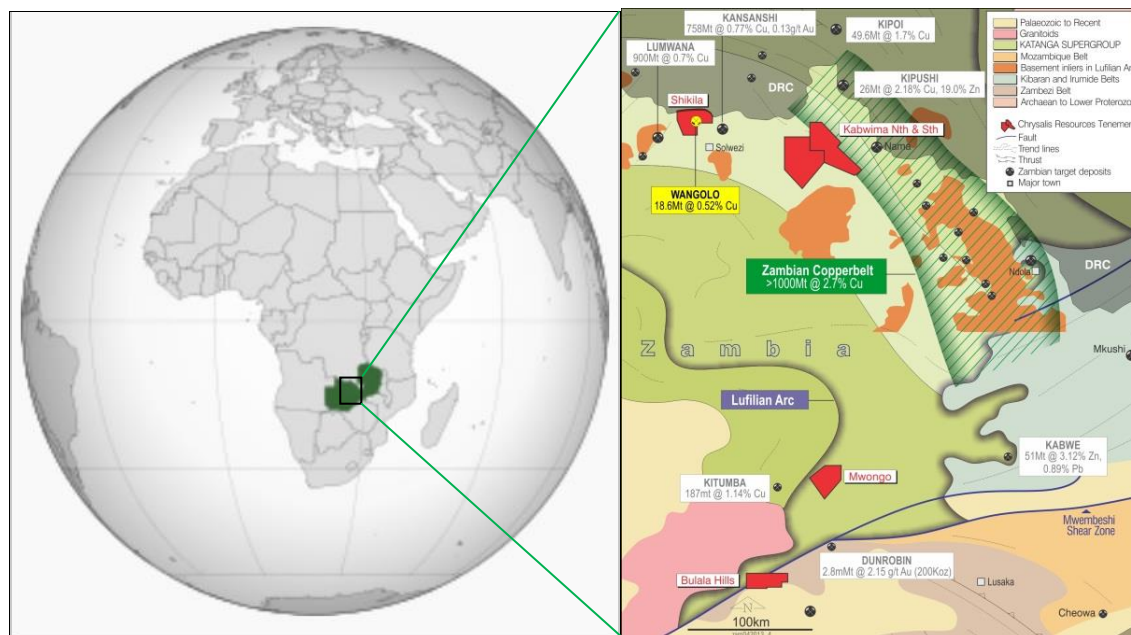


Figure 1: Location of Chrysalis' Licences

Chrysalis' Zambian Copper Projects include 5 licences that cover 3,023km² of highly prospective copper and copper-gold exploration ground in south-western Zambia. The northern-most licence (Shikila - 397km²) is located between the Lumwana (Barrick Gold) and Kansanshi (First Quantum) copper mines. The other northern licences (Kabwima North and Kabwima South) are located between Kansanshi and the town of Chingola and cover a total area of 1,784km². The Shikila and Kabwima South licences are within the Domes Region of the Lufilian Arc which hosts copper-gold (e.g. Kansanshi), copper-uranium deposits (e.g. Lumwana). Exploration within these licences is targeting large, low grade deposits such as these. Kabwima North contains mainly Zambian Copper Belt lithologies which host a variety of high grade zinc-copper (e.g. Kipushi, DRC), copper (e.g. Lubambe), and cobalt (e.g. Nama) deposits with exploration focussing on these styles of mineralisation.

The two southern licences of Mwongo and Bulala Hills are located approximately 150km west of Lusaka in the Central and Southern Provinces of Zambia, and have a combined area of 852km². The licences are located within the Katanga High Zone of the Lufilian Arc and surround the Hook Batholith. This batholith and associated intrusives are interpreted to be associated with the Kitumba IOCG style deposit (Blackthorn) located just 25 kilometres west of the Mwongo licence, and it is this style of mineralisation that is being targeted within both these project areas.

Previous exploration across all 5 licences has identified anomalous levels of copper and other elements at a number of prospects.

Shikila Project (CYS 99.99%)

Chrysalis' Shikila Project (13405-HQ-LPL) is located in north-western Zambia, approximately 400km north of the capital Lusaka, and is located between Barrick's (TSX: ABX) Lumwana and First Quantum's (TSX: FM) Kansanshi copper mines.

Wangolo Prospect

During 2012 Chrysalis completed a drilling programme at the Wangolo prospect within the Shikila Project just 20km along strike of the Kansanshi deposit. The program included 11 RC holes totalling 1,586m and 9 diamond core holes totalling 1,548.8m. Subsequent to this program a maiden inferred resource estimate of 18.6Mt at 0.52% Cu containing 96,000 tonnes of copper (0.3% Cu cut-off) was announced for the Wangolo Deposit (refer to ASX release dated 20 August 2013). The resource estimate was completed by Optiro Pty Ltd in accordance with the 2004 JORC Code. The Wangolo resource has been classified by Optiro as Inferred which reflects the use of historical data, and the current understanding of geology and controls on mineralisation. About 15% of the resource estimate can be considered extrapolated. Figure 2 below shows the Wangolo Prospect drill hole locations, block model and selected sections.

COMPANY OVERVIEW (continued)

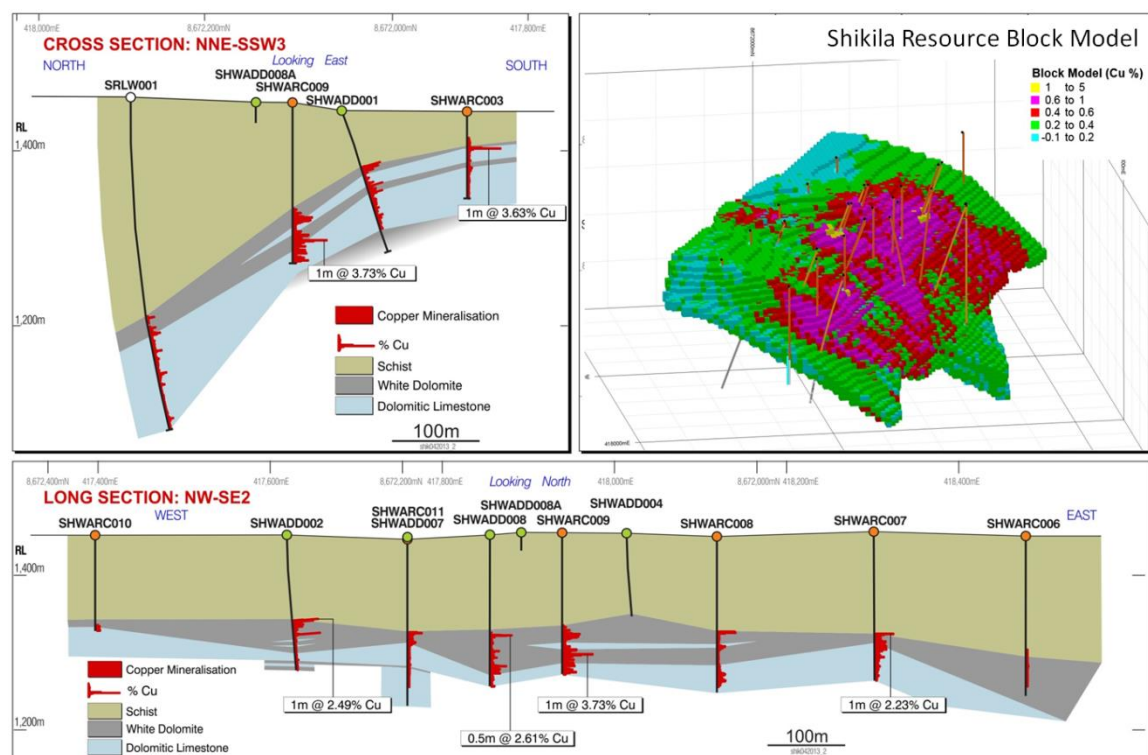


Figure 2: Wangolo Prospect showing drill hole locations, block model and sections.

Optiro Pty Ltd made the following conclusions:

- Inferred resource of 18.6Mt at 0.52% Cu containing 96,000 tonnes of copper at 0.3% Cu cut-off.
- Resource model based on mineralisation to approximately 250 metres vertical depth.
- Potential to increase the maiden resource estimate as mineralisation remains open along strike and at depth.

Mineral Resource Statement

As at 30 June 2014, Chrysalis' consolidated inferred resource estimate is 18.6Mt at 0.52% Cu containing 96,000 tonnes of copper (0.3% Cu cut-off). This resource figure and classification has not changed from the resource referred to in the ASX release dated 20 August 2013 (Table 1).

Table 1: Resource estimate at a range of cut-offs

Deposit & Classification	Cut-off (Cu%)	Tonnes (Mt)	Grade (Cu%)
Wangolo Deposit Inferred	0.2	23.2	0.47
	0.3	18.6	0.52
	0.4	14.1	0.58
	0.5	9.0	0.65

The Company has not changed its governance and internal controls with regards to estimates of mineral resources since previous reporting as no change was warranted, pending commencement of any new estimation.

COMPETENT PERSONS STATEMENT

The Mineral Resource Statement is based on, and fairly represents, information and supporting documentation compiled by Michael Andrew.

COMPANY OVERVIEW (continued)

The information in this Mineral Resource Statement as a whole has been approved by Mr Leigh Ryan, a Director of Chrysalis Resources Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Ryan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Ryan consents to its inclusion in the Annual Report in the form and context in which it appears.

Mr Ryan participates in the Company's Employee Share Plan.

The Information in this report that relates to mineral resources at Wangolo is based on resource estimates compiled by Mr Michael Andrew, who is a member of the Australian Institute of Geoscientists and The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Andrew is a former employee of Optiro Pty Ltd. Mr Andrew has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the "JORC Code") and to qualify as a "Qualified Person" under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Mr Andrew consents to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original Wangolo Resource announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement.

The company confirms that it is not aware of any new information or data that materially affects the information included in the recent market announcements referred to in this report.

Shikila Regional Exploration

During the year infill soil sampling, pitting and trenching continued in Blocks 2, 3, 4, 5, 8 and 9 within the Shikila Project. A total of 3,023 soil samples were collected on a 125m x 25m grid and assayed by a hand held Niton XRF analyser. Twelve pits were hand dug at the Wangolo deposit, 8 pits hand dug within Blocks 2, 3, 4 and 6, and one trench was completed in Block 5, all to obtain a sample of residual copper mineralisation within saprolite and to enable the identification of the underlying lithology, (refer to ASX release dated 31 October 2013).

Soil sampling results further defined the 12 previously announced significant Cu-in-soil anomalies within Blocks 2-9 (Fig. 3). Outcrop lithological and structural mapping continued in synchrony with soil sampling.

COMPANY OVERVIEW (continued)

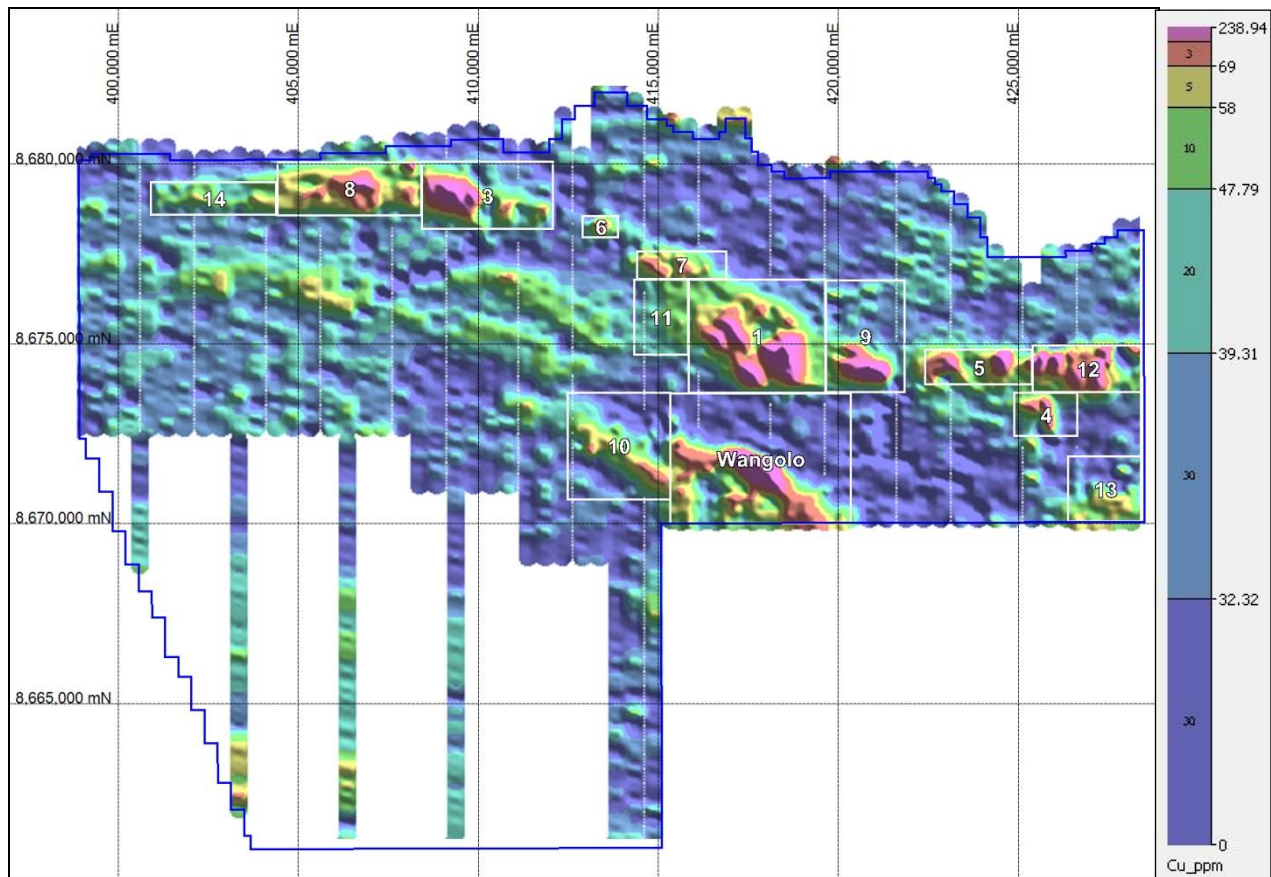


Figure 3: Shikila Project – labelled prospect blocks over Cu-in-soil image

Five additional pits were excavated by hand at Wangolo for a total depth of 45m. Minor malachite was exposed between 5 metres and 9.5 metres in 4 of the 19 pits completed. XRF analysis of channel samples returned best intercepts of 1m @ 2.37% Cu from 8.5m to bottom of pit (SHWAPt06), and 1.5m @ 1.13% Cu from 8m to bottom of pit (SHWAPt15). Pitting and trenching elsewhere intercepted a variety of rock types including limonitic carbonaceous grey shale, limestone, dolomite, marble, muscovite schist, sandstone, and gabbro, and returned only one intercept >0.1% Cu from a pit in Block 12 - 8.5m @ 0.15% Cu from 4m (SHB12Pt01).

Geophysical Surveys

A ground magnetic survey was completed over Blocks 1, 2, 3, 4, 5, 8, 9, 12 and the Wangolo deposit (Fig. 4). Readings were collected every 10m on lines were 100m apart for a total of 233 line kilometres. The work has improved the shallow magnetic definition of each area surveyed and has greatly aided lithological interpretations and subsequent drill program design.

Five ground IP lines (dipole-dipole) were completed during the period for a total of 8.73 line kilometres. Four lines were completed at Wangolo (6.33km) and one 2.4km line at Block 1 (Fig. 4). Two lines at Wangolo were completed across the strike of lithologies and copper mineralisation (NE-SW), and another two lines completed along strike (NW-SE). The Wangolo IP imagery highlighted a strong metal factor high (a combination of conductivity high and chargeability high anomalism) immediately above the copper ore zone. This feature does not correlate with mineralisation and has not yet been properly explained.

Block 1 IP also returned a strong metal factor high immediately below the copper-in-soil anomaly. This zone was targeted during subsequent RC drilling but appeared to coincide with carbonate-sericite-pyrite altered fault zone at 93-95m in hole SHRC005. No elevated copper results were returned from this fault zone.

COMPANY OVERVIEW (continued)

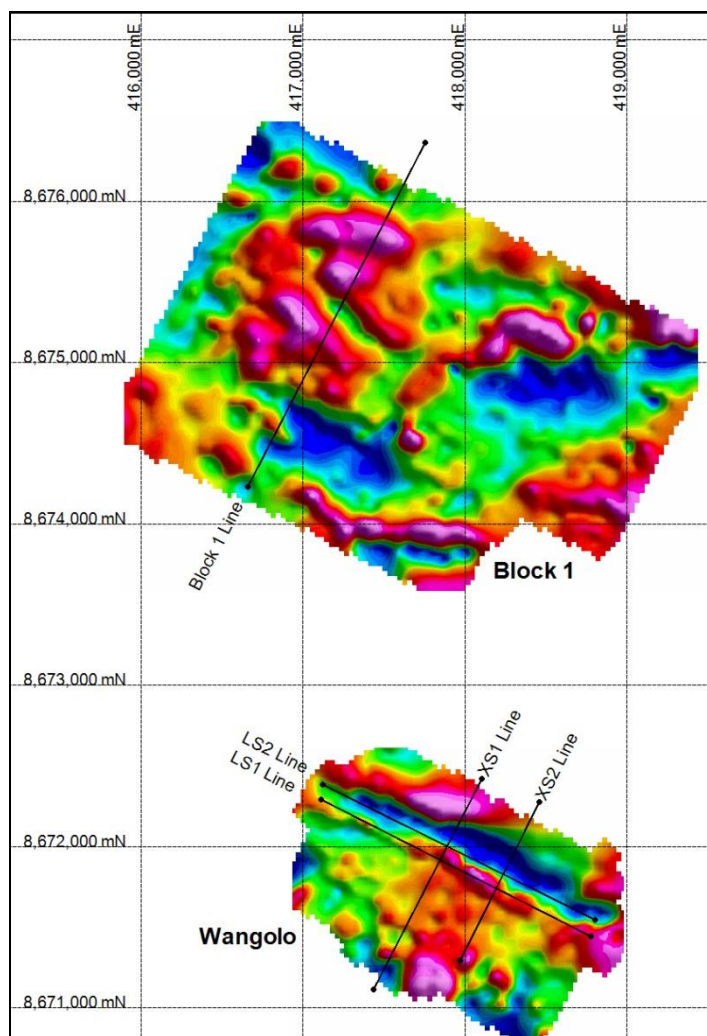


Figure 4: Prospect area blocks and ground IP lines over ground magnetic survey images.

Regional Reverse Circulation Drilling

In October 2013 Chrysalis commenced a first pass program of RC drilling at Shikila. The program consisted of 26 holes for 2,145m, and aimed to identify economic copper mineralisation within a linear, semi-continuous, 24km long copper-in-soil anomaly (Figs. 3 & 5). Eight individual >120ppm copper-in-soil anomalies were tested, with over half of the drill holes located within 15 kilometres of the Kansanshi Copper Mine.

Geological information from the Wangolo resource drilling indicates lower near-surface copper grades due to surficial copper leaching, and a zone of supergene copper enrichment present between 20m and 60m below surface. The regional RC drill program was thus designed to intercept supergene copper mineralisation at a depth of ~40m and provide fresh drill chips for rock type identification as well as a dry uncontaminated sample for any possible future resource estimations.

The drilling confirmed the presence of low-grade copper and silver mineralisation of a similar style to that seen in the shallow parts of the Wangolo resource, (refer to ASX release dated 3 January 2014).

Best copper intercepts from the RC drilling included:

- 2m @ 0.19% Cu from 112m (SHRC012)
- 3m @ 0.12% Cu from 39m (SHRC015)
- 3m @ 0.11% Cu from 50m (SHRC015)
- 2m @ 0.12% Cu from 35m (SHRC019)
- 7m @ 0.10% Cu from 11m (SHRC024), including 2m @ 0.12% Cu from 16m.

Best silver intercepts include:

- 27m @ 7.8g/t Ag from 7m (SHRC001), including 8m @ 14.2g/t Ag from 8m

COMPANY OVERVIEW (continued)

- 9m @ 13.5g/t Ag from 23m (SHRC005)
- 42m @ 4.7g/t Ag from 37m (SHRC013)
- 5m @ 19.5g/t Ag from 60m (SHRC016)

(refer to the Shikila RC results as announced to the ASX on 3 January 2014)

The best copper intercept (7m @ 0.10% Cu from 11m) in SHRC024 is associated with saprolitic carbonate rocks in the hanging wall of a broad NNW-trending steeply west dipping talc-mica schist/shear zone. The shear cuts through a Kansanshi style “dome structure” associated with much of the Cu-in-soil anomalism in the area (Figures 5 & 6). The down dip and along strike of this shallow intercept will require follow-up drill testing.

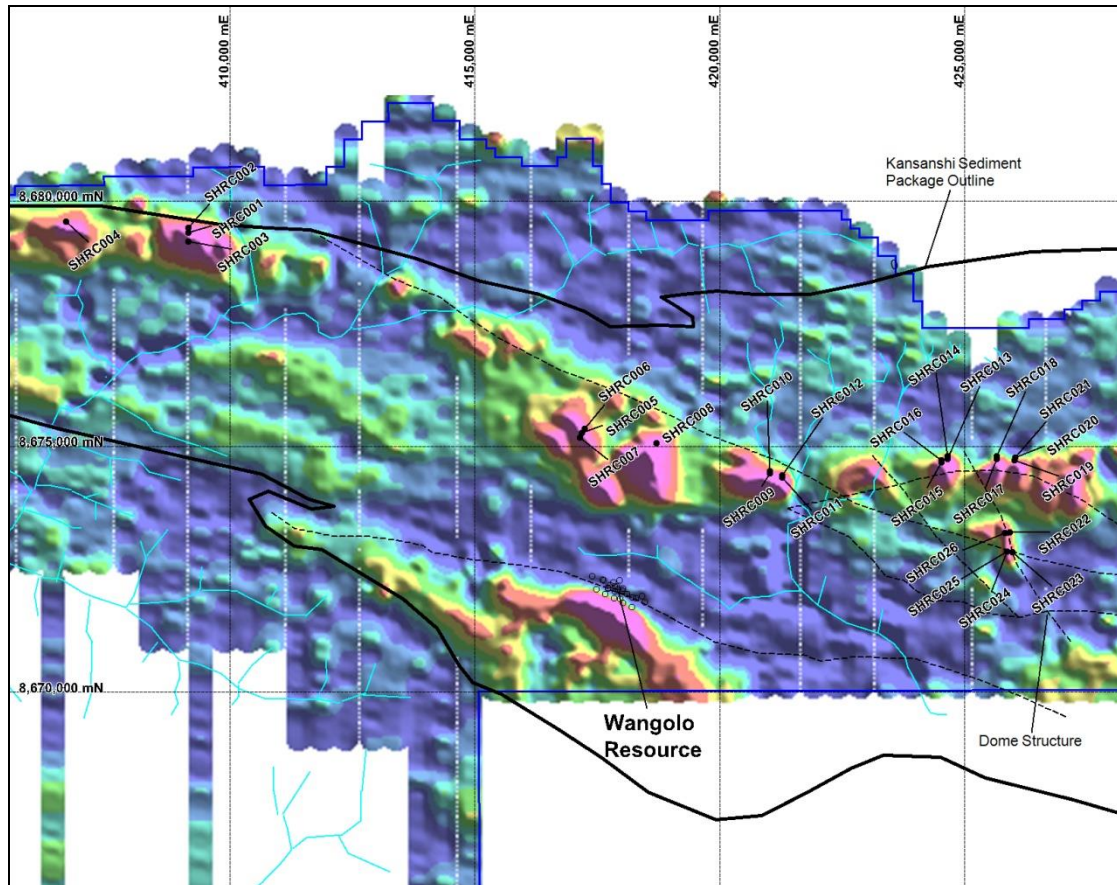


Figure 5: Shikila Project – Recent RC drilling, Kansanshi sediment package outline, drainage and structures over copper in soil image

COMPANY OVERVIEW (continued)

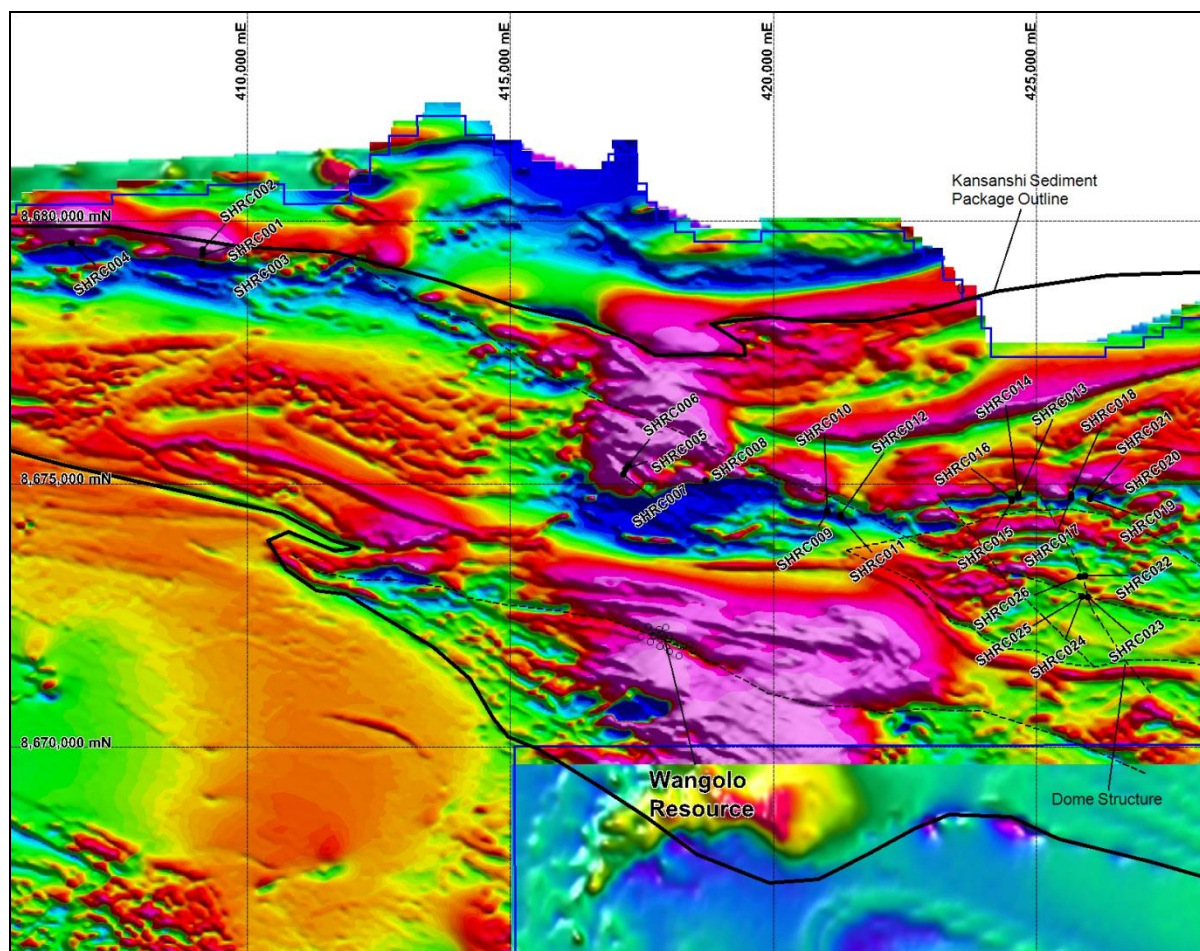


Figure 6: Shikila Project – Recent RC drilling, Kansanshi sediment package outline, and structures over aeromagnetic image

Kabwima Project (CYS 99.99%)

Chrysalis' Kabwima Project is comprised of the Kabwima North (8194-HQ-LPL) and Kabwima South (8194-HQ-LPL) licences located ~50km east of the Kansanshi Cu-Au Mine.

Soil Geochemistry and Regolith Interpretation

During the year 7,723 first pass (500m x 100m spaced) and infill (250m x 50m spaced) soil samples were collected from both the Kabwima South and Kabwima North licences. All samples have been analysed using a Niton hand held XRF instrument. The analysis has identified 9 separate >100ppm Cu-in-soil anomalies, including the Kimabwe prospect anomaly (previously referred to as Block G) which measures 5.5km x 1.6km and contains Cu-in-soil values up to 485ppm (Fig. 7), (refer to ASX release dated 12 March 2014).

The Kimabwe prospect has been the only area sampled down to a 250m x 50m sample spacing. The anomaly corresponds with a strong ENE-trending aeromagnetic lineament (Fig. 7). The infill sampling returned 194 samples >100ppm Cu to a maximum of 485ppm Cu and 3 Co values over 0.1% up to a maximum of 0.15% Co.

A regolith interpretation was completed across the entire Kabwima Project in order to design a regional wide spaced (1km x 1km) soil sampling program. The 1660 sample soil geochemistry program has commenced with 301 samples collected from the southern part of the Kabwima South licence to date. XRF results are awaited however low level 4 acid digest 48 element analysis is planned and will be conducted by ALS in Johannesburg. Multi-element analysis is to be used to identify broad pathfinder element alteration haloes associated with large Cu (+/-Au) bearing hydrothermal systems, and for litho-geochemical interpretation to help determine rock types underlying areas of no outcrop (refer to ASX release dated 16 June 2014). All results are awaited.

Outcrop lithological and structural mapping continued in synchrony with all soil sampling programs.

Additional infill and extension soil sampling is also planned for the eight soil anomalies within Blocks A, B, E, H, and J (Fig. 7).

COMPANY OVERVIEW (continued)

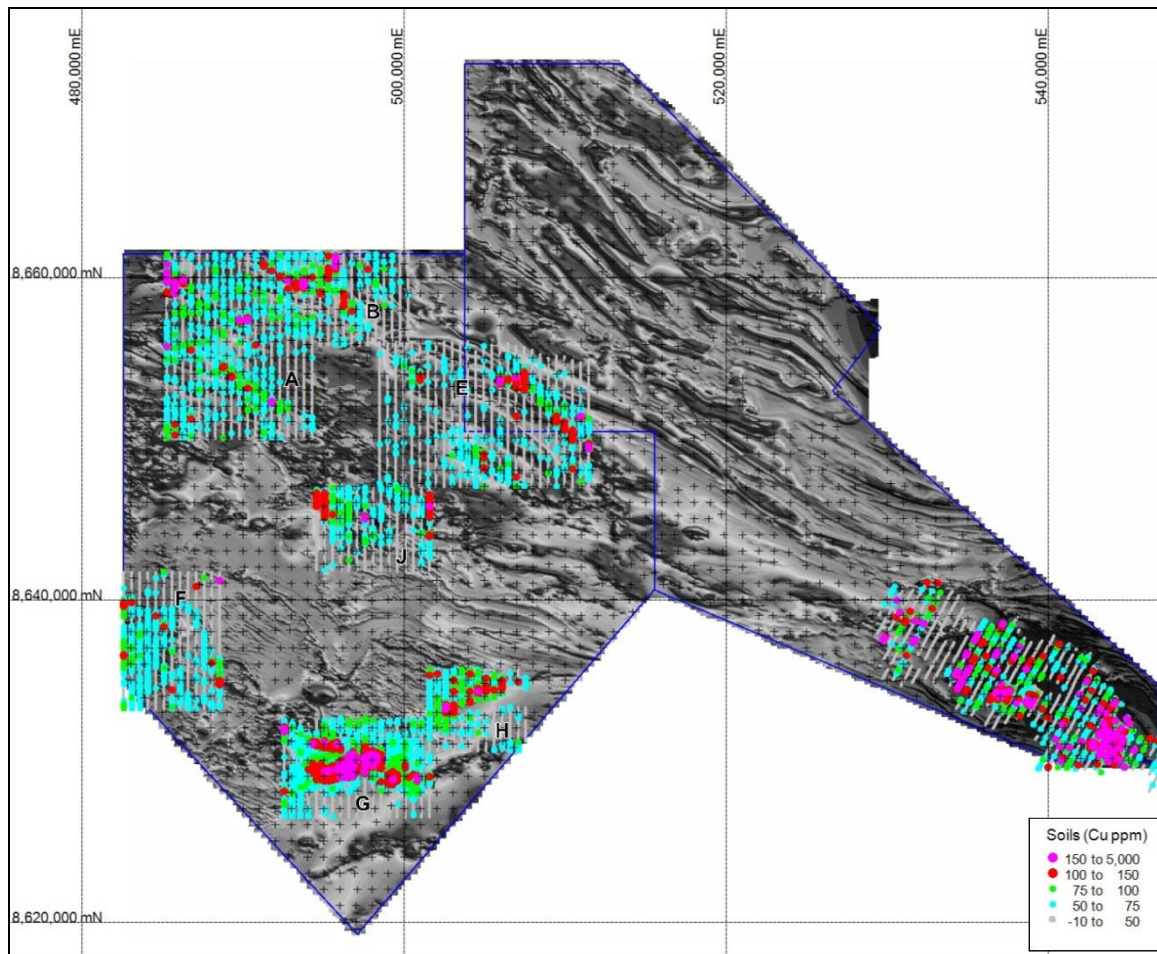


Figure 7: Kabwima Project soil sampling results (Cu ppm) and planned regional soil sampling (crosses) over grey-scale aeromagnetic image (TMI-RTP)

Pitting and Trenching

Fifteen pits (KIPT001-015) with a combined depth of 158.2m were excavated by hand at the Kimabwe prospect. Three hundred and twenty two (322) vertical channel samples (0.5m wide) were collected from the pits and analysed using the Niton XRF instrument. Pit sampling returned 12 samples >400ppm Cu to a maximum of 626ppm Cu. The two best pit intercepts (using a 300ppm Cu lower cut-off and 1m maximum internal waste) were 4.2m @ 420ppm Cu from 8.5m in limonitic quartz veined grey shale (KIPT001), and 5.5m @ 351ppm Cu from 8.5m in limonitic pale grey shale (KIPT014).

One 56.8m long trench (KITR001) was excavated by hand at the Kimabwe prospect. Fifty nine (59) horizontal channel samples (1m wide) were collected from the trench and analysed using the Niton XRF instrument. Channel sampling returned 11 samples >200ppm Cu to a maximum of 266ppm Cu. The best trench intercept using a 200ppm Cu lower cut-off and maximum 1m internal waste) was 10.6m @ 221ppm Cu from 38m in lateritic rubble near a shale / gabbro contact (KITR001).

The Kimabwe anomaly is associated with a slight topographic high, but the area contains very little outcrop. A geological interpretation based on limited outcrop mapping, pit information, and the interpretation of airborne magnetic data has been completed for the prospect area (Fig. 8). Mineralisation appears to be related to an ENE-trending structure possibly associated with a shale / gabbro contact. Lithologies and potential mineralised structures dip shallowly to the NNE (~30°).

COMPANY OVERVIEW (continued)

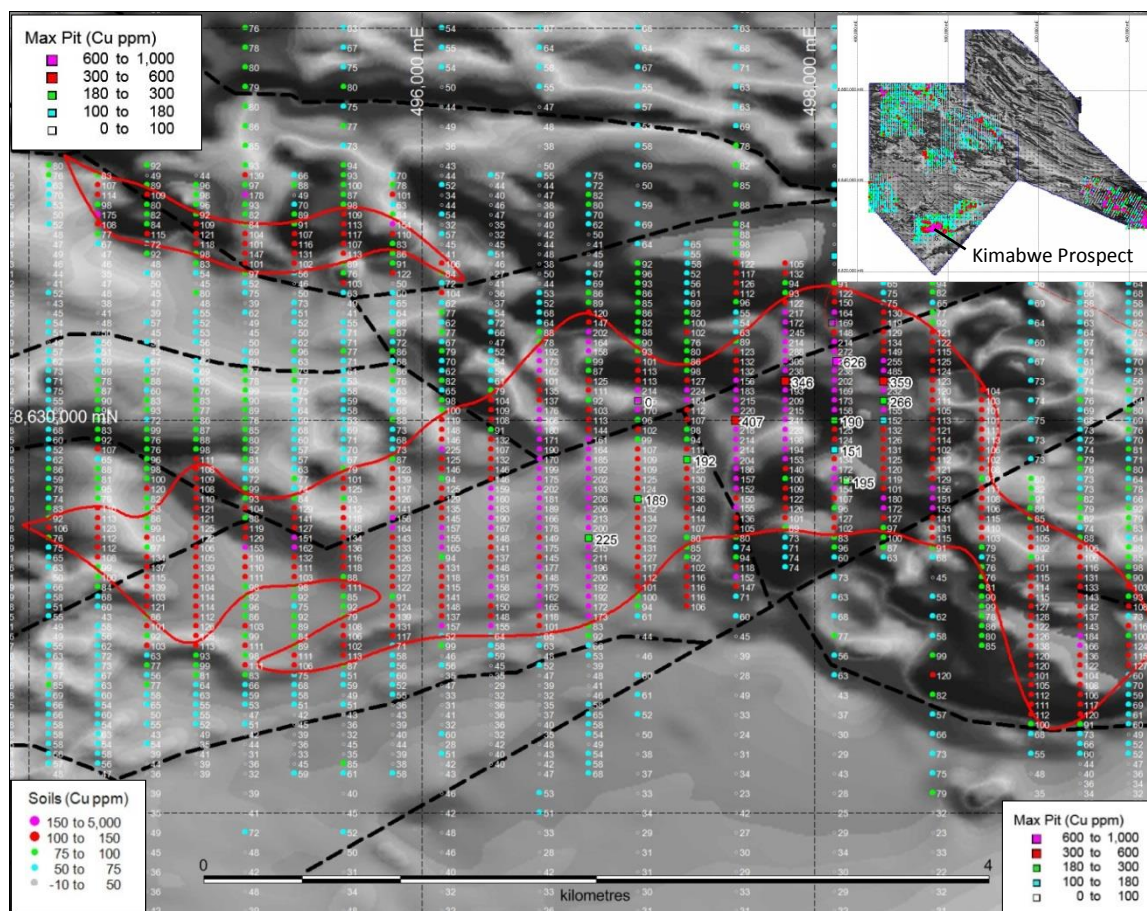


Figure 8: Kimabwe Prospect (Block G) interpreted structures (dashed black lines), 100ppm Cu contour (red line), soil sampling results and maximum down-pit copper results (labelled by XRF Cu ppm) over grey scale TMI RTP aeromagnetic image.

Aircore Drilling

A first pass aircore drilling program consisting of 122 holes was completed at the Kimabwe Prospect for a total of 5269m. The program was designed to test for high grade supergene copper mineralisation beneath the >200ppm Cu-in-soil results within the central parts of the anomaly where copper-in-soil values are up to 485ppm Cu and in-pit results are up to 626ppm Cu (Fig. 9). The program also targeted the ENE-trending structure that cuts through the main part of the soil anomaly. In order to achieve total drill coverage across the anomaly, aircore holes were drilled at -600 towards the south starting at the northern end of each line with the position of subsequent holes dependent on the final depth of the previous hole. Drilling was conducted in a very professional manner by Layne Drilling (Zambia) Limited. All results are awaited (refer to ASX release dated 24 September 2014).

COMPANY OVERVIEW (continued)

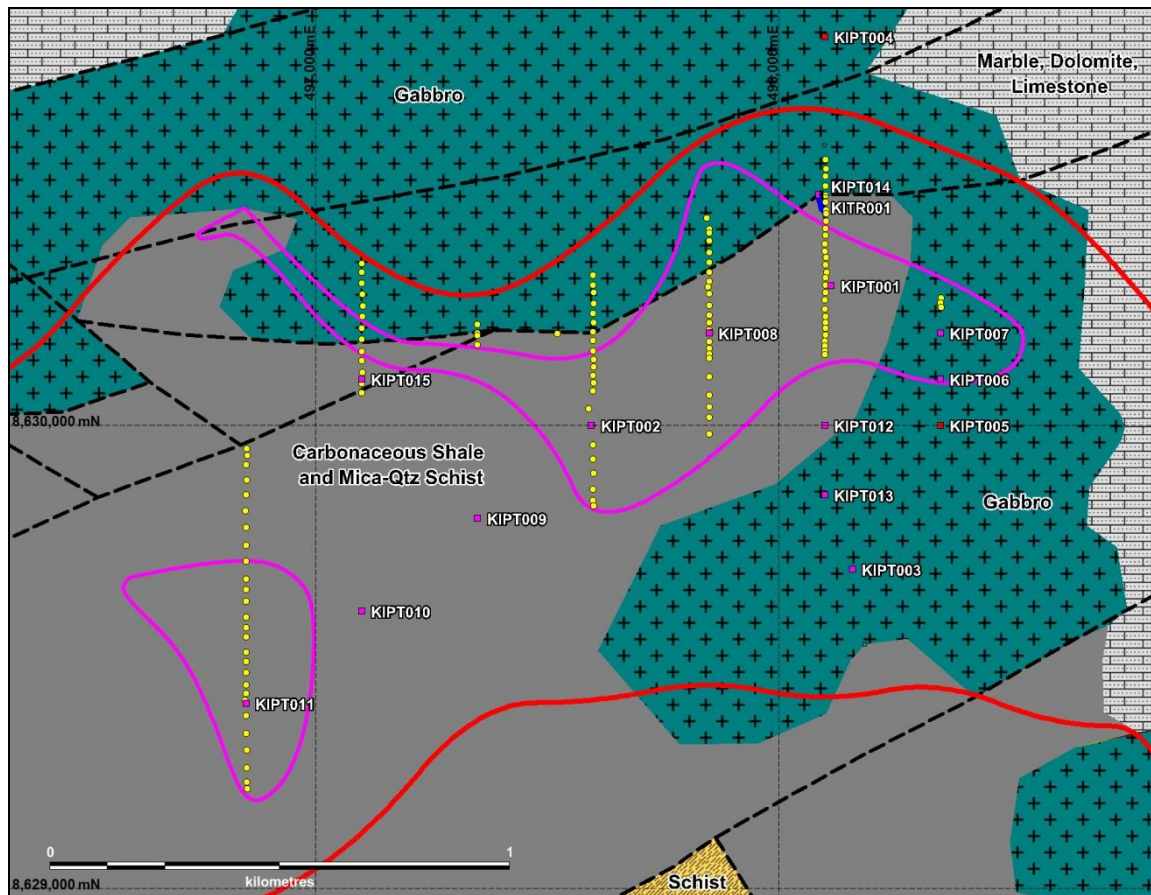


Figure 9: Kimabwe Prospect >100ppm Cu-in-soil contour (red), >200ppm Cu-in-soil contour (pink), maximum down-pit copper results (labelled by pit ID no.) and completed AC drilling (yellow dots) over interpreted geology.

Mwongo Project (CYS 99.99%)

The Mwongo Project (8198-HQ-LPL) is located just 25km to the east of Blackthorn's Kitumba deposit and ~150km west of Lusaka. It contains bullseye magnetic anomalies interpreted to be late stage intrusions, some of which show syenite geochemical signatures very similar to those found at Kitumba (Fig. 10).

Soil Geochemistry and Regolith Interpretation

During 2013 641 first pass and infill soil samples were collected on 500m x 100m and 250m x 50m grid spacings from the Uranium 1, Kasonkomona, Kaporoso, and Musontwa prospects. Each prospect / target was identified from the 2005/2006 multi-element regional stream sediment anomalism and structural / lithological interpretation of the 2012 aeromagnetic survey data. All samples were analysed by a hand held Niton XRF instrument. The results identified several anomalies displaying weakly elevated As, Cu, Zn, Ni, Fe, Mo, and U results associated with "bullseye" aeromagnetic anomalism, however the lateral extent of sampling was not sufficient enough to determine the background geochemical thresholds for each element in each area.

In order to acquire the regional background thresholds for a variety of elements, identify broad pathfinder element alteration haloes associated with large IOCG deposits, and for litho-geochemical interpretation to help determine rock types underlying areas of no outcrop, a wide spaced (500m x 500m) regional soil geochemistry program was designed and completed early in 2014. XRF analysis of all 1,826 samples from this program was completed with 41 soil samples returning values >100ppm Cu to a maximum of 824ppm Cu, and 21 samples >800ppm Co to a maximum of 0.2% Co (Figs. 10 & 11). Seven broad areas of Cu-in-soil anomalism were identified from the XRF analysis. One anomaly (Mobola prospect) extends for over 10km along the NW boundary of the tenement. A second anomaly (Sicheku prospect) located towards the central north of the Project covers an area 4km x 3km. XRF analysis also confirms that these anomalies also contain elevated levels of Pb (up to 201ppm), Zn (up to 463ppm) and Fe (up to 37.0%) (Fig. 11), (refer to ASX release dated 12 March 2014).

COMPANY OVERVIEW (continued)

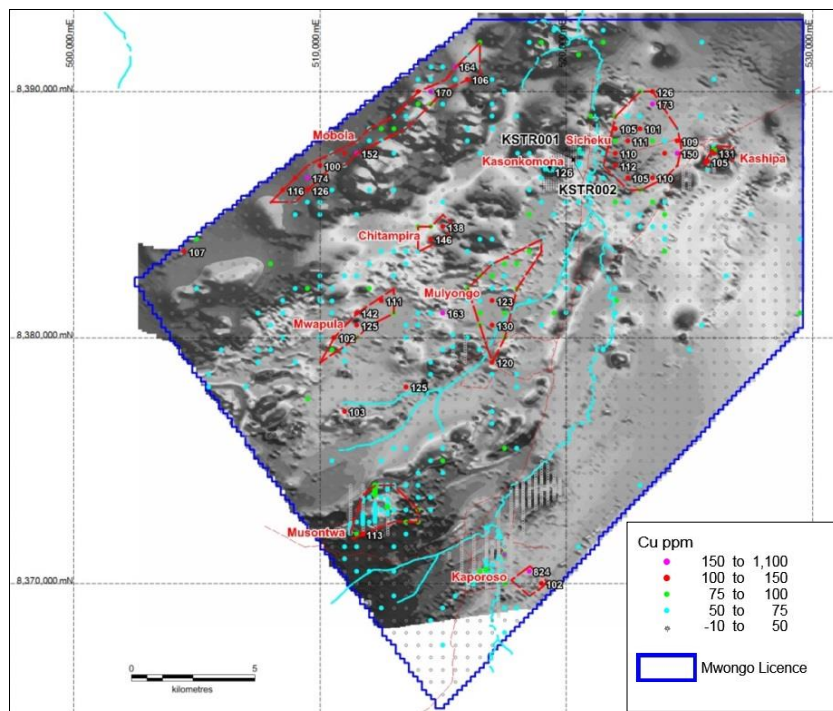


Figure 10: Mwongo Project generalised Cu-in-soil anomalies (red outlines) and XRF Cu results (Cu ppm) over grey-scale aeromagnetic image (TMI-RTP)

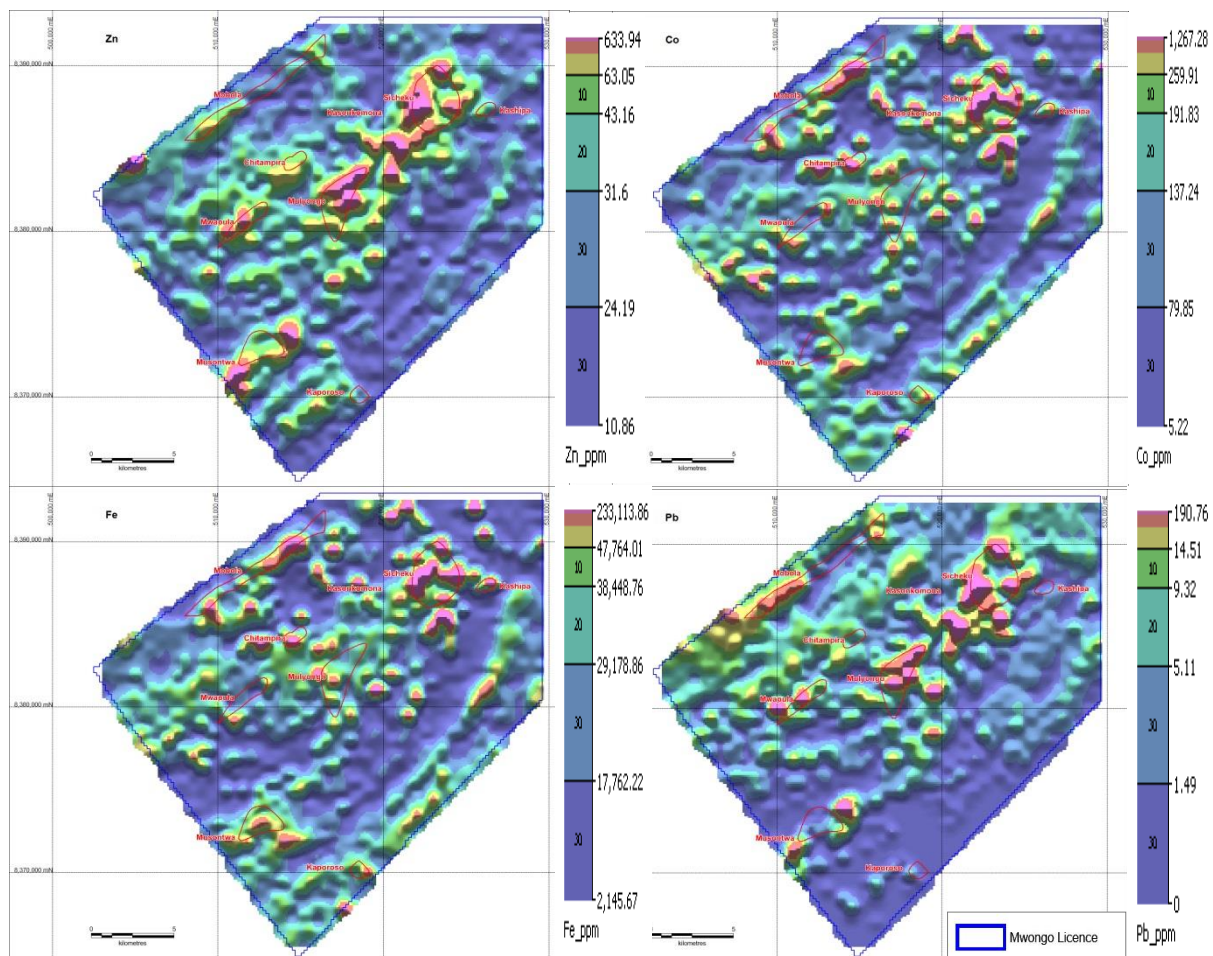


Figure 11: Mwongo Project regional XRF soil sampling results (Co, Fe, Pb, Zn images).

COMPANY OVERVIEW (continued)

A subsequent regolith interpretation completed across the entire project revised the number of residual soil samples down to 1,618 and these were sent to ALS South Africa for low level 4 acid digest 48 element analysis. Evaluation of the soil results identified coincident anomalous Cu-Fe-Ag-Na-U and low Ti confirming the potential for Kitumba style Iron Oxide Copper Gold (IOCG) mineralisation associated with syenite intrusives (refer to ASX release dated 16 June 2014).

The elements common to both the 4 acid digest and in-house hand XRF analysis compared favourably and are within 15% error for Cu, As, Fe, Zn K, Mn, Rb, Th, Ti, and U. Immobile trace elements from the 4 acid digest analysis have been used to identify distinctive lithologies including a large syenite intrusive (Mulyongo Syenite) towards the centre of the licence. This syenite (previously considered a leucogranite) also shows highly elevated uranium-in-soil levels and can also be clearly identified in airborne radiometric imagery for uranium. Same scale airborne radiometric images for both the Mwongo and Kitumba projects are shown in Figure 12.

Immobile elements have been used to remove the elevated background Cu effects inherent in certain rock types and has confirmed 5 true Cu-in-soil anomalies. Contoured Sc/Cu ratios identifying the 5 main anomalies are also shown in figure 12. The Mulyongo Syenite forms the south-western end of a 9km long, up to 1.8km wide immobile element ratio confirmed Cu-in-soil anomaly with coincident elevated Cu-Ag-Na-U and low Ti, and forms the main exploration target for Cu mineralisation going forward.

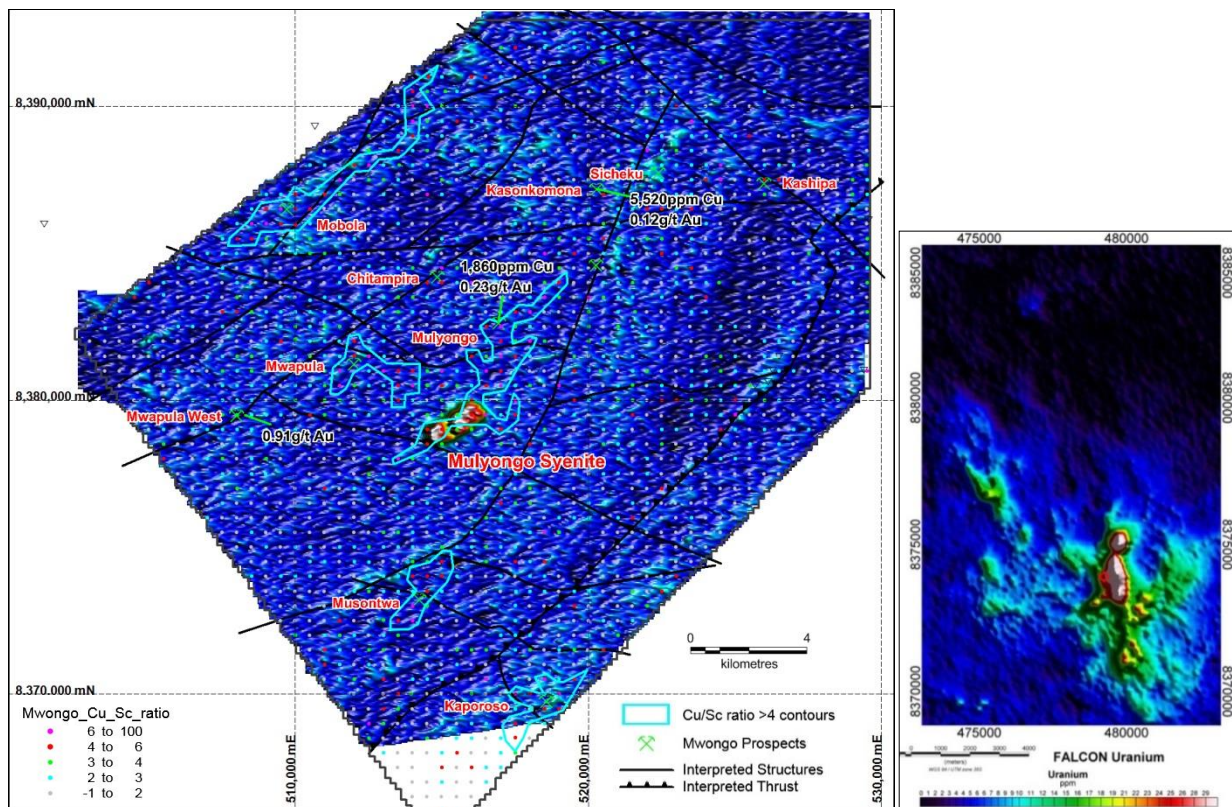


Figure 12: Left: Mwongo Project immobile element (Cu/Sc ratio) soil anomaly contours and coloured soil sample locations, prospects and structures over airborne uranium image, Right: Kitumba Deposit discovery hole (red circle) over FALCON airborne uranium image (both images are at the same scale).

Subsequent to receiving the regional soil sampling results, 785 infill soil samples were collected from the *Sicheku Prospect* at a 100m x 100m spacing. Results included only 12 values >100ppm Cu to a maximum of 147ppm Cu. One very low level 1.7km x 800m +75ppm Cu anomaly was defined however no follow-up work is planned at this stage (Fig. 13), (refer to ASX release dated 31 July 2014).

Four hundred and thirty five (435) infill soil samples were also collected at 50m x 100m spacings at the *Kasonkomona Prospect* in the central north of the Project. XRF analysis of the soil samples included only 3 samples >90ppm Cu to a maximum of 126ppm Cu (Fig. 13), (refer to ASX release dated 30 April 2014).

Infill soil sampling was completed at the *Chitampira Prospect* also as a follow-up to anomalous regional soil sampling results. 367 soil samples were collected at a 100m x 100m spacing. XRF analysis of the soil samples included 27 samples >100ppm Cu to a maximum of 147ppm Cu (Fig. 13).

Seven hundred and fifty three (753) 100m x 100m spaced infill soil samples were collected from the area

COMPANY OVERVIEW (continued)

surrounding the workings and trenches at the *Mulyongo Prospect*. XRF analysis of the soil samples included 18 samples >100ppm Cu to a maximum of 182ppm Cu (Fig. 13). Additional work is required at Mulyongo to more closely determine the residual or transported nature of the soils in the area. Reverse circulation (RC) drilling to test for sulphide copper mineralisation at depth beneath the Mulyongo gossan and Cu-Au workings is warranted.

Three hundred and sixty six (366) infill soil samples were collected at 100m x 100m spacings at the Kaporoso Prospect in the southern corner of the Project. XRF analysis of the soil samples included only 3 samples >100ppm Cu to a maximum of 325ppm Cu (Fig. 13). The program is not complete with an additional 235 infill samples planned for the eastern side of the prospect area.

Geological mapping is routinely conducted with all soil sampling programs. Infill soil sampling and mapping is now focusing on the Mulyongo Syenite, Kaporoso and Musontwa soil anomalies.

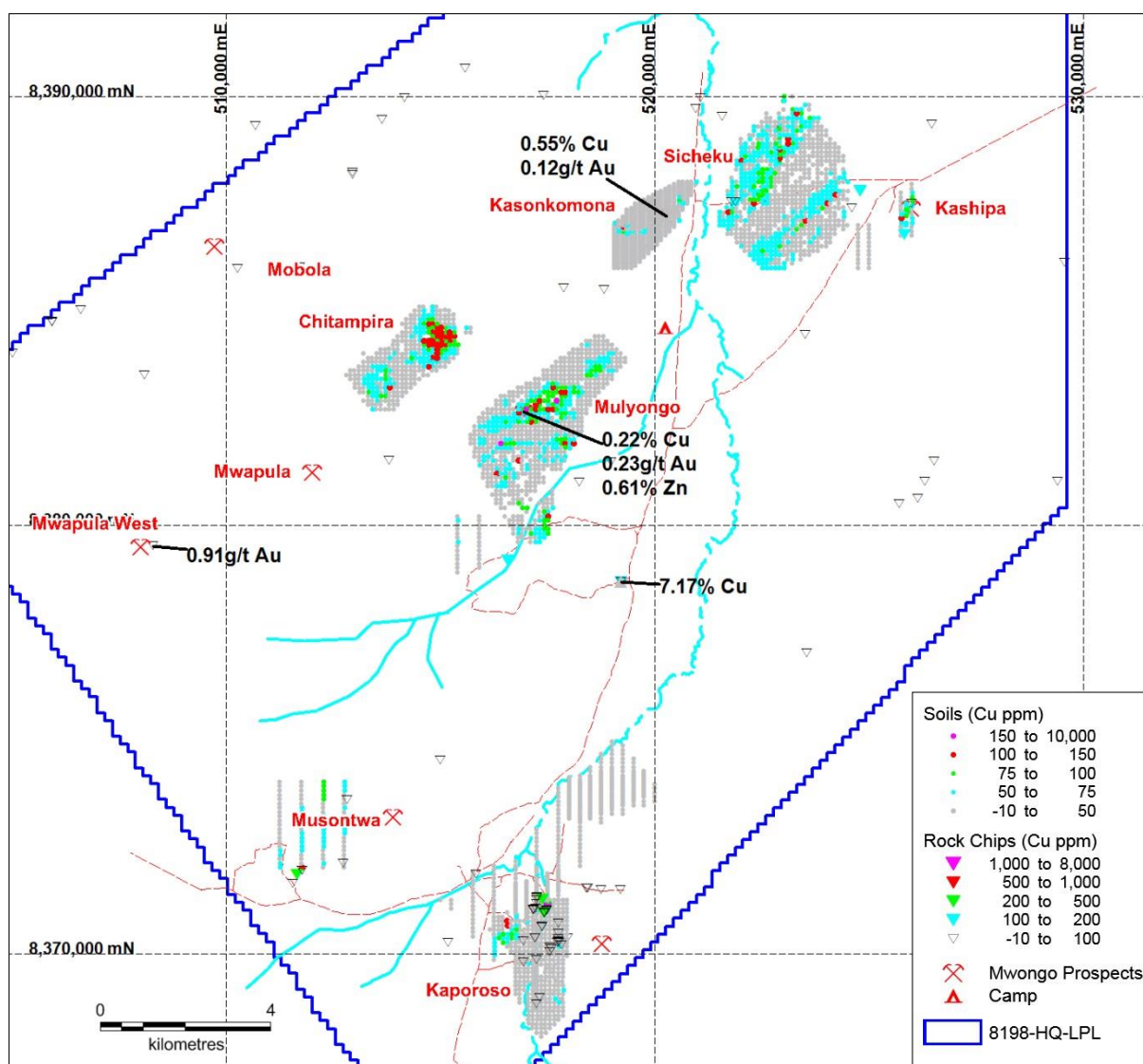


Figure 13: Mwongo Project infill soil sample locations (coloured dots), rock chip samples (coloured triangles), tracks, drainage and prospects.

Pitting and Trenching

Two old trenches (KSTR001-002) containing malachite rich artisanal stockpiles at the Kasonkomona prospect were extended to 20.7m and 15m respectively, then mapped and channel sampled at 1.5m intervals. Averaged XRF analysis of the channel samples in KSTR001 returned a maximum of 0.11% Co over 1.5m but all copper results were less than 90ppm Cu. KSTR002 returned an average of 203ppm Cu and 753ppm Co over 15m. These results included maximum values of 345ppm Cu and 0.15% Co over 1.5m. No further work is planned at the prospect.

COMPANY OVERVIEW (continued)

Three old trenches (MGTR001-003) containing abundant quartz veining and a malachite rich hematite gossan at the Mulyongo Prospect were cleaned out, mapped and channel sampled at 1.5m intervals. The combined length of the 3 trenches was 27m. Averaged XRF analysis of the channel samples returned 10.5m @ 347ppm Cu in MGTR001, 10.5m @ 179ppm Cu in MGTR002 and 6m @ 126ppm Cu in MGTR003. The results included a maximum value of 542ppm Cu over 1.5m.

Rock Chip Sampling

During the first pass soil sampling program and reconnaissance work in 2013, 66 rock samples were collected and analysed with the Niton XRF. The results included 12 samples >75ppm Cu up to a maximum of 7.1% Cu from a quartz-chrysocolla vein within an artisanal pit located 3km east of the Mulyongo Syenite.

Laboratory results from 45 rock chip samples collected across the licence during the regional soil sampling program included 0.55% Cu, 0.12% Cu, 0.12g/t Au and 0.1% Cu in malachite stained siltstone and ferruginous breccia from the Kasonkomona prospect, 0.19% Cu, 0.15% Cu, and 0.23g/t Au in malachite stained limonitic gossan from the Mulyongo prospect and 0.91g/t Au from a siliceous ironstone at Mwapula West (Fig. 13), (refer to ASX release dated 16 June 2014).

An additional 3 rock chip samples were collected from within the Mulyongo trenches. Laboratory results included 0.12% Cu and 0.61% Zn from a quartz gossan, 0.22% Cu and 0.18g/t Au from a malachite bearing quartz vein, and 0.16% Zn from a limonitic quartz vein within MGTR003.

Bulala Hills Project (CYS 99.99%)

The Bulala Hills Project (8199-HQ-LPL) is located 150km east of Lusaka, and just 35km along strike to the SW of the Dunrobin gold deposit (~200Koz). The project contains Katanga Super Group sediments and volcanic rocks hosting the Mwembishi shear zone. Anomalous levels of Cu, Co, Pb, Zn and Ni were identified in wide spaced soil sampling during 2006 and rock chips collected during the same year returned Cu values up to 3.1%. Recent work by Chrysalis has included soil and rock chip geochemistry, geological mapping and geological/structure interpretation using geophysical data, and Reverse Circulation drilling.

Soil Geochemistry and Regolith Interpretation

A regolith interpretation was completed across the entire Bulala Hills licence and 1,280 wide spaced (500m x 500m) soil samples planned for the residual soil areas (Fig. 14). Four hundred and sixty four (464) of the 1280 planned samples have been collected to date (Fig. 15). XRF results only included six samples >100ppm Cu to a maximum of 169ppm Cu, however the results detected and confirmed the presence of both Mwako and Ifumbwe prospects and have highlighted another Cu-in-soil anomaly ~4km along strike to the SW of the Mwako Prospect. All wide spaced regional samples will be sent to ALS South Africa for low level gold and 4 acid digest 48 element geochemical analysis in order to identify IOCG-style alteration haloes and for litho-geochemical interpretations within the project area.

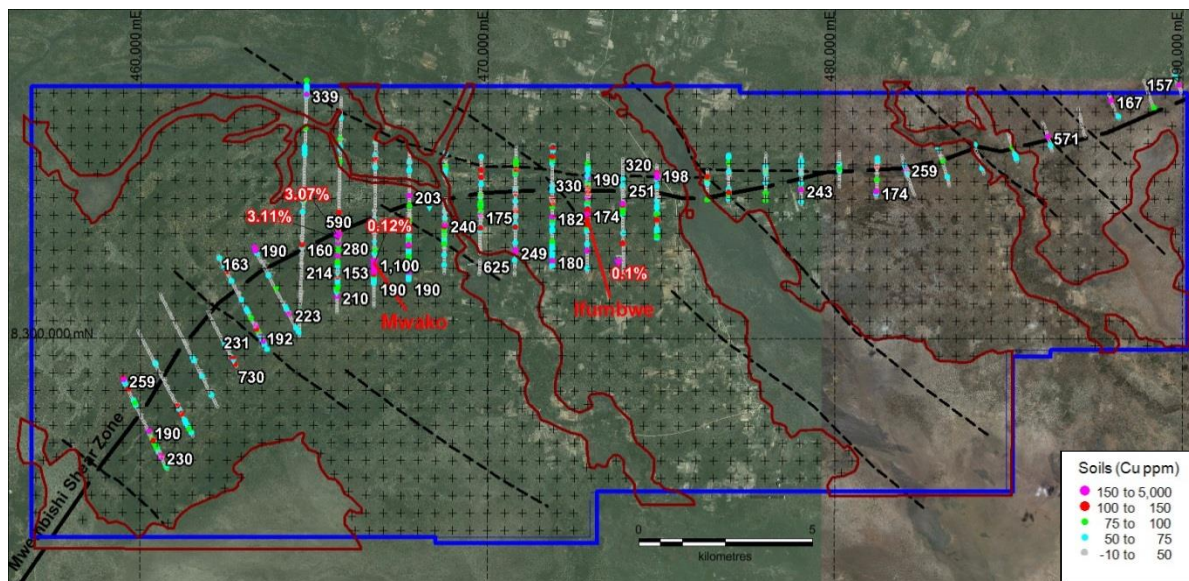


Figure 14: Bulala Hills historic soil samples (coloured circles), interpreted structures (black lines), transported soil outline (brown), prospects (labelled red), and proposed soil samples (black crosses) over high resolution Google Earth image.

COMPANY OVERVIEW (continued)

Infill soil sampling and mapping was completed at both 100m x 100m spacings and 50m x 50m spacings at the *Mwako Prospect*. One thousand nine hundred and fourteen (1914) infill soil samples were collected with 107 soil samples returning XRF values greater than 200ppm Cu to a maximum of 1066ppm Cu. The >100ppm Cu-in-soil anomaly remains open to the east, is up to 1km wide, and is semi-continuous over 4.5km. Copper mineralisation appears to be associated with a steeply dipping NE-trending 50m to 200m wide shear zone containing a quartz porphyry intrusive displaying strong argillic alteration and a hematite breccia unit on its northern contact and a chert unit on its southern contact (Fig. 16), (refer to ASX release dated 16 June 2014).

Infill soil sampling and mapping was completed at 100m x 100m spacings at the *Ifumbwe Prospect*. Four hundred and four (404) infill soil samples were collected with 43 soil samples returning XRF values greater than 100ppm Cu to a maximum of 604ppm Cu. The >100ppm Cu-in-soil anomaly is ~1.5km long and ~500m wide (Fig. 17). Additional infill sampling and rock chip sampling is planned.

Laboratory results from 16 rock chip samples collected during the infill soil sampling program at the *Mwako Prospect* returned best results of 0.14% Cu from a hematite breccia, 0.11% Cu from a massive quartz vein, and 0.62g/t Au from a brown chert unit.

A first pass reverse circulation (RC) drill program consisting of 9 holes for 1,634m has been completed in order to test the Mwako shear zone at depth beneath the >200ppm Cu parts of the semi-continuous 1km wide x 4.5km long >100ppm Cu-in-soil anomaly (Fig. 16). All results are pending (refer to ASX release dated 24 September 2014).

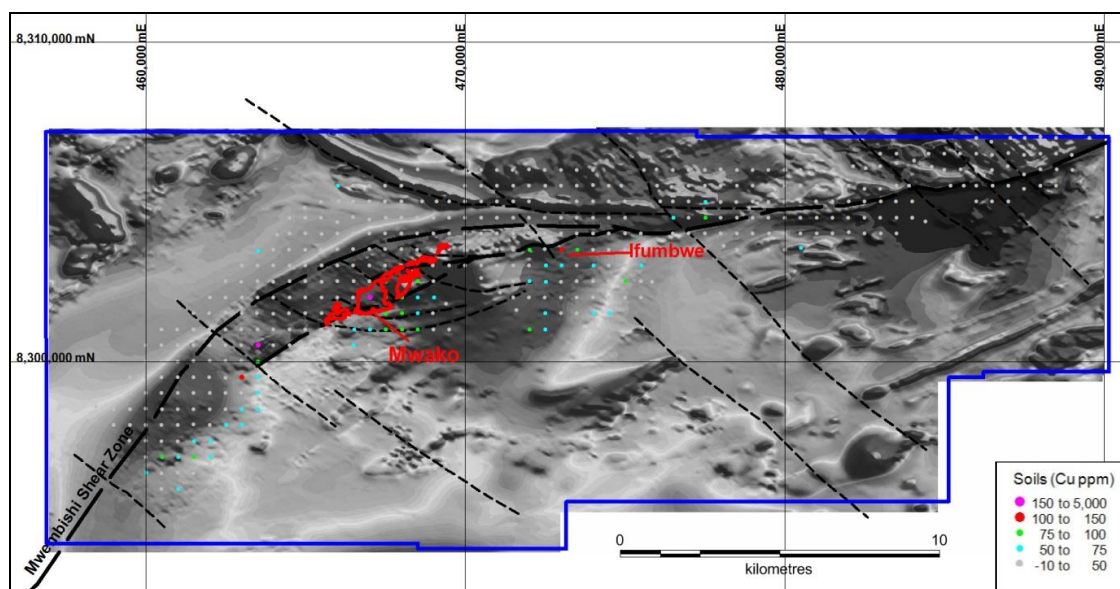


Figure 15: Bulala Hills regional soil samples (coloured circles), major structures, and Mwako Prospect >100ppm Cu-in-soil contour from recent infill soil sampling over grey scale RTP TMI aeromagnetic image.

COMPANY OVERVIEW (continued)

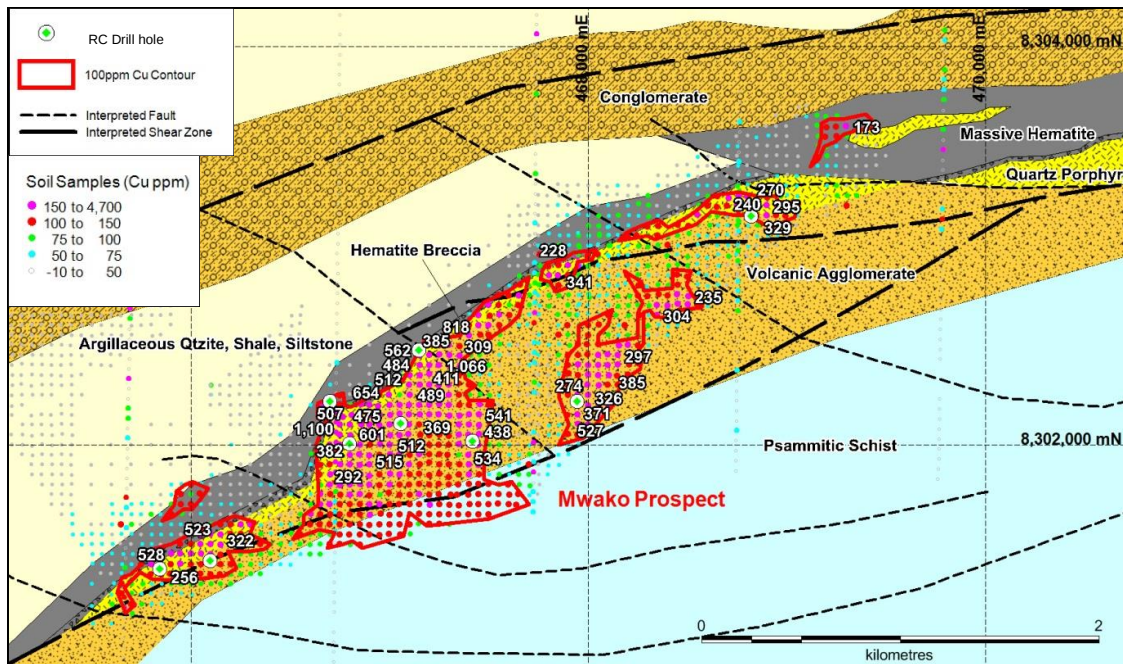


Figure 16: Mwako Prospect soil samples coloured and labelled by XRF Cu results (ppm), and RC drill hole locations over interpreted geology.

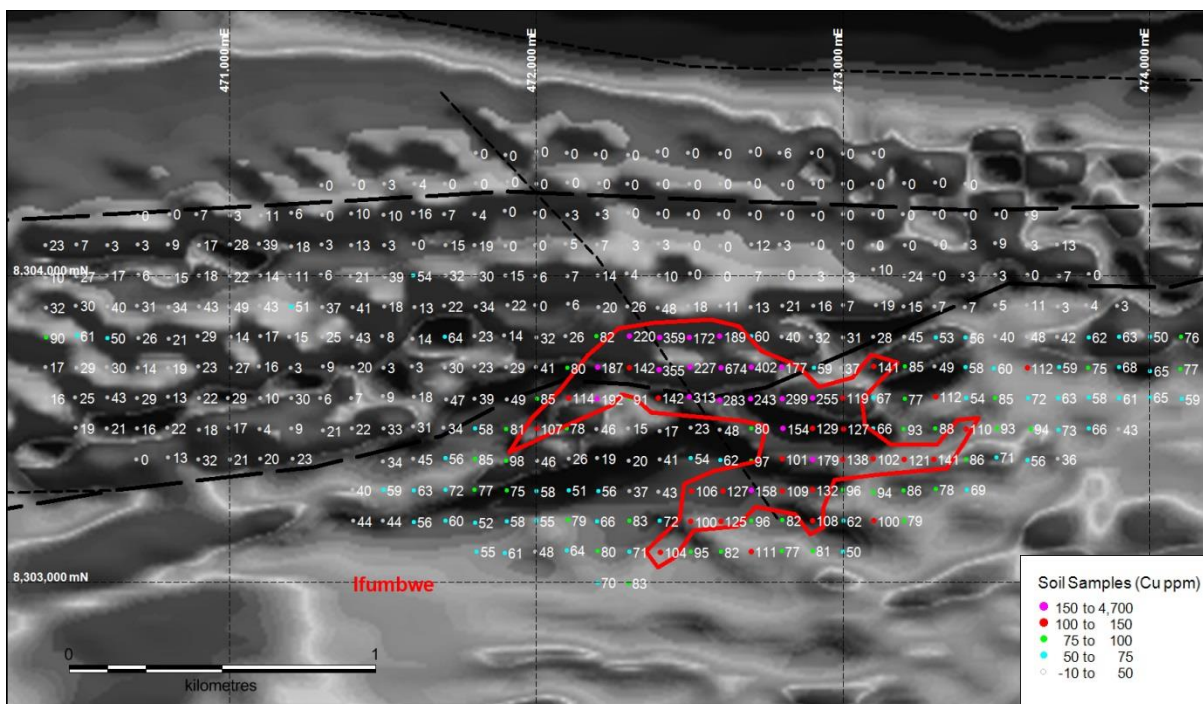


Figure 17: Ifumbwe Prospect soil samples coloured and labelled by XRF Cu results (ppm), and >100ppm Cu-in-soil contour (red outline) over grey-scale 1st vertical derivative aeromagnetic image.

Zambian Licence renewals

During the year, licence renewals for all 5 Zambian large-scale prospecting licences were submitted and approved without reduction for a further 2 years commencing 1st July 2014. The total area covered by the Zambian prospecting licences remains at 3023km².

Corporate Social Responsibility

The CSR work completed during the year in Zambia has been focused on the health and education of the people in and around our exploration projects and has been very well received. It has resulted in excellent

COMPANY OVERVIEW (continued)

relations between the Company and the local communities and has provided a good foundation for additional exploration and CSR work over the next 2 year renewal period.

The Zambian Agricultural College bridge used to access the Shikila Project and all the rural areas to the NW of Solwezi was repaired during the year. A motorbike was purchased and donated to the Mumbwa District Hospital to aid medicine and vaccination deliveries, collecting of water samples for disease analysis, child growth monitoring and promotion of child health, and supervision of community based volunteers within the Mwongo licence area. The Mulyongo Primary School in the Mwongo licence area was painted and sports equipment and writing materials were supplied.

Following a visit by the Western Australian Premier in February 2014, the company has continued to assist in improving the services and facilities at the Lusaka Teaching Hospital. Subsequently a A\$20,000 donation was made to the Lusaka University Teaching Hospital's Malnutrition Ward to facilitate additional refurbishment work and ongoing child patient support.

COMPANY OVERVIEW (continued)

EXPLORATION - AUSTRALIA

No field work was conducted by Chrysalis Resources in Australia during the year, however all Australian projects were reviewed, compared to and prioritized with the Zambian projects. Following the review it was decided that the Company should divest the Australian projects in order to focus on the Zambian Copper and copper-gold projects.



Figure 18: Chrysalis Resources Project Location Map.

COPPER – GOLD PROJECTS

Halloween West Copper-Gold Joint Venture (37% CYS)

The Halloween West Project, formerly known as Doolgunna West, comprises a granted Exploration Licence of 18.5km². The project is located within the Meekatharra Mineral Field, approximately 130km north of the Meekatharra township. The licence is approximately 20km west of Sandfire Resources Limited's DeGrussa copper-gold massive sulphide deposit and is interpreted to host the western extension of the prospective Halloween horizon which is considered to have potential to host volcanogenic massive sulphide (VMS) copper-gold deposits.

During the year, joint venture partner Talisman Mining Ltd (ASX: TLM) collected approximately 800 soil samples along 100m and 200m-spaced soil sampling traverses and completed a geological mapping program at Halloween West (Fig. 19). The exploration program was designed to test for the surface expression of copper-gold mineralization across two previously defined target areas including the western extension of the Halloween VMS target horizon at the Wizard Prospect and a malachite-bearing (secondary copper) sedimentary horizon in the east of the tenement at the Malachite Prospect (refer to the Talisman Mining Limited March 2014 Quarterly Activities Report as announced to the ASX on 30 April 2014).

COMPANY OVERVIEW (continued)

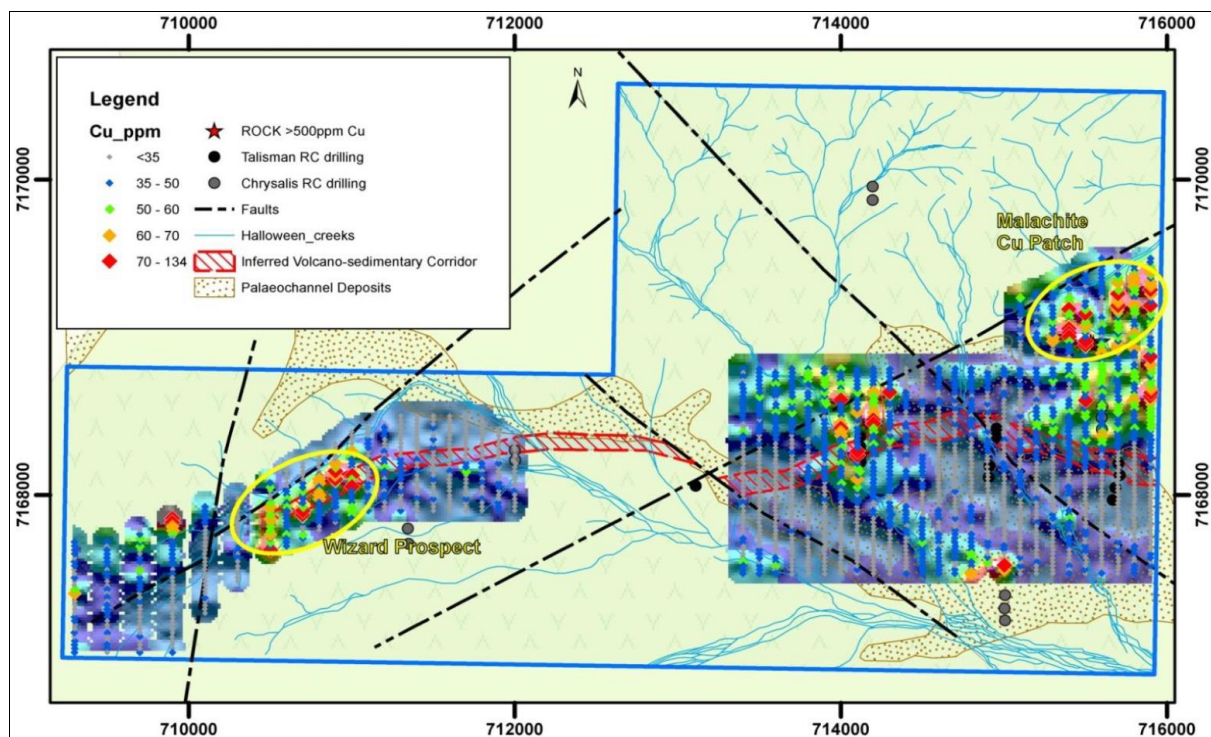


Figure 19 – Halloween West JV copper results for soil sampling programs at the Wizard and Malachite Prospects

At the Wizard Prospect, a zone of coherent copper-gold anomalism was defined and correlates with the interpreted western extension of the prospective Halloween volcano-sedimentary corridor. Maximum assay results returned were 90ppm Cu against a background 25–40ppm Cu and a peak 448ppb Au against a background < 2 ppb Au (Fig 19).

At the Malachite Prospect, copper-gold anomalism was confirmed as occurring across the general area surrounding a known malachite occurrence. Maximum assay results returned were 104ppm Cu against a background of 25–40ppm Cu and a peak of 73 ppb Au against a background of background < 2 ppb Au.

Geological mapping at the Malachite Prospect indicates that the surface copper-gold anomalism is associated with a copper-bearing inter-volcanic sedimentary horizon and as such may warrant further mapping and geochemical evaluation to determine its possible extents and significance.

During the quarter Talisman also announced the signing of a Letter Agreement to permit Sandfire to farm-in to its interests in the Springfield, Halloween and Halloween West Projects. Sandfire can earn up to 70% of Talisman's interest in its Doolgunna Copper-Gold Projects, by spending a minimum of \$15M on exploration over 5½ years. Sandfire has a minimum expenditure commitment of \$5M within 2 years. CYS also welcomes Sandfire as a new JV partner and hopes for a new generation of discoveries using Sandfire's extensive geological knowledge (gained from the discovery and development of DeGrussa) and exploration funding capability.

The next phase of activity at the Halloween Projects, which is now underway, will involve a process of integration, analysis and modelling of the combined exploration data sets by Sandfire. Once complete, this will then enable planning of the next phases of exploration at the Halloween West Project. Talisman's share of future exploration activities on this Project will be funded and managed by Sandfire under the terms of the Letter Agreement.

Pioneer Project (Au)

The Pioneer Project is located approximately 135km south-southeast of Kalgoorlie-Boulder and 25km north-northwest of Norseman, immediately east of the Coolgardie-Esperance Highway, Kambalda-Esperance Railway and the Kalgoorlie-Esperance Gas Pipeline.

No field work was completed on this project during the financial year, and as part of Chrysalis' Australian exploration tenure consolidation and divestment strategy Exploration Licences E63/1413 and E63/1413 were relinquished due to a lack of prospectivity, and the remaining licences (E63/1117, M63/329, M63/368, P63/1429 and P63/1468) were sold to Metals-X Limited for a consideration of \$30,000.

COMPANY OVERVIEW (continued)

Gregory Range (Cu, base metals, U)

The Gregory Range Project is located in the Marble Bar Mineral Field, ~200km southeast of Port Hedland. The Gregory Range Project covers 938km² of the Throssell Range and Fortescue Group sediment and volcanic units ~55km to 130km NNW of the Nifty Copper Mine.

During the year drilling details and assay results from 157 historic WMC, BHP, CRA, MIM, and ACM drill holes were compiled and data entered into a Sequel database. All available historic surface geochemistry and all geology logs from holes containing anomalous assays were also data entered. Several broad, low grade Pb and Zn intercepts were identified (refer to ASX release dated 28 May 2014).

Infill drilling and follow-up drilling along strike of the Baton Prospect is warranted. The company is actively seeking Joint Venture partners for this project in order to continue its focus on copper exploration in Zambia.

Horseshoe South (Cu/Au)

No work was completed on the Horseshoe South Project during the year and all tenements including E52/2523, E52/2524 and P52/1363 were surrendered.

IRON ORE PROJECTS

West Angelas Project (Fe)

The West Angelas Iron Ore Project comprises an area of approximately 87.7km². The project is located approximately 135 kilometres west of Newman in the world-class Pilbara iron ore province of Western Australia.

No field work was completed on this project during the year.

On the 8th August Chrysalis announced the signing of a legally binding agreement with FMG Pilbara Pty Ltd ("Fortescue") whereby Chrysalis grant Fortescue exclusive exploration access to, and an option to purchase, the West Angelas Project Tenements (E47/1838-I and P47/1538). In consideration of Chrysalis granting Fortescue the exclusive licence and option, Fortescue paid Chrysalis AU\$100,000 at Commencement; and if not terminated beforehand, Fortescue must pay Chrysalis the sum of AU\$100,000 on the first anniversary of the Commencement Date; and if not terminated beforehand, the sum of AU\$100,000 on the second anniversary of the Commencement Date. Fortescue must pay these amounts even if Fortescue has exercised the purchase option prior to the due dates. If Fortescue exercises the purchase option, Fortescue agrees to pay Chrysalis a Royalty. Fortescue will be responsible for managing, administering and keeping the Tenements in good standing throughout the exclusive licence period.

OTHER

Relinquishment of Projects

As part of the Company's consolidation and divestment strategy, all Zambian and Australian projects were reviewed and ranked during the year, and due to a considered lack of prospectivity the Horseshoe South Project (E52/2523, E52/2524, & P52/1363) and Pioneer licences E63/1413 and E63/1414 were relinquished.

Zambian office

Chrysalis is maintaining a company office in Lusaka, Zambia including necessary support staff.

Competent Person's Statement

The information in this report that relates to exploration results is based on information compiled by Mr Leigh Ryan, CEO employed by Chrysalis, who is a Member of the Australian Institute of Geoscientists (MAIG). Mr Ryan has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ryan consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Ryan participates in the Company's Employee Share Plan.

JORC Code Compliant Public Reports

The Company advises that this Annual Report contains summaries of Exploration Results as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). The JORC compliant Public Reports released to the ASX declaring the exploration results or JORC resources referred to can be viewed on both the ASX and the Company websites.

CORPORATE GOVERNANCE STATEMENT

Approach to Corporate Governance

Chrysalis Resources Limited (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to ASX Corporate Governance Council Principles and Recommendations 2nd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at <http://www.chrysalisresources.com.au/company/corporategovernance.html>, under the section marked "Corporate Governance":

Charters

Board
Audit Committee
Nomination Committee
Remuneration Committee

Policies and Procedures

Policy and Procedure for Selection and (Re) Appointment of Directors
Process for Performance Evaluations
Policy on Assessing the Independence of Directors
Diversity Policy (summary)
Code of Conduct (summary)
Policy on Continuous Disclosure (summary)
Compliance Procedures (summary)
Procedure for the Selection, Appointment and Rotation of External Auditor
Shareholder Communication Policy
Risk Management Policy (summary)
Policy for Trading in Company Securities

The Company reports below on whether it has followed each of the recommendations during the 2013/2014 financial year (**Reporting Period**). The information in this statement is current at 9 September 2014.

Board

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Chair and assisting the Chair in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Chair or, if the matter concerns the Chair, directly to the Chair or the lead independent director, as appropriate.

CORPORATE GOVERNANCE STATEMENT (continued)

Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report on page 30.

The mix of skills and diversity for which the Board of directors is looking to achieve in membership of the Board is represented in the Board's current composition. The directors have skills and qualifications in the following areas: mining engineering; international exploration, mining and corporate experience in Asia, Australia and Africa; project development, implementation and operations, accounting and finance; public company management and securities industry and stockbroking. The Board believes these skills and experience are appropriate for the Company's strategy of focussing its attention on exploration at its Zambian copper project.

Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. The Board comprises only non-independent directors and the Board considers that its composition is, and continues to be, appropriate given the current size and operations of the Company. The Board believes its directors possess the skills and experience relevant to the Company's circumstances, and the Board is satisfied with the level of independence of thought and decision making being contributed by its directors. The Board will continue to monitor its composition.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

As noted above, the Board does not have a majority of independent directors. The directors of the Company are:

Name	Position	Status
Dr Neale Fong	Non-Executive Chair	Non-Independent (executive in past 3 years)
Mr Leigh Ryan	Managing Director	Non-independent (executive)
Mr Jian Hua Sang	Non-Executive Director	Non-independent (appointed by substantial shareholder)

The Non-Independent Non-Executive Chair is Dr Neale Fong.

The Board believes that Dr Fong is the most appropriate person to Chair the Board notwithstanding that he is not independent because of his industry experience and his extensive experience as a chairman and director. Dr Fong is a Fellow of the Australian Institute of Company Directors.

CORPORATE GOVERNANCE STATEMENT (continued)

The Chief Executive Officer was Mr Leigh Ryan from 2nd December 2013 until he assumed the role of Managing Director on 22 September 2014. Accordingly, throughout the 2014 financial year, the roles of Chair and Chief Executive Officer have been performed by different persons in compliance with Recommendation 2.3.

Independent professional advice (Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)-Appointment of Directors (Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

Board committees

Nomination Committee (Recommendations: 2.4, 2.6)

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board in its capacity as the Nomination Committee held two meetings during the Reporting Period. Details of director attendance at meetings of the full Board, in its capacity as the Nomination Committee, during the Reporting Period are set out in a table in the Directors' Report on page 42.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee.

The Company's Nomination Committee Charter is disclosed on the Company's website.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has not established a separate Audit Committee, and accordingly it is not structured in compliance with Recommendation 4.2. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board in the capacity of the Audit Committee held two meetings during the Reporting Period. Details of director attendance at meetings of the full Board, in its capacity as the Audit Committee, during the Reporting Period are set out in a table in the Directors' Report on page 42.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit Committee.

Details of each of the director's qualifications are set out in the Directors' Report on page 30. All members of the Board consider themselves to be financially literate and to possess industry knowledge.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

Remuneration Committee

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Board has not established a separate Remuneration Committee and accordingly it is not structured in accordance with Recommendation 8.2. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board in its capacity as the Remuneration Committee held one meeting during the Reporting Period. Details of director attendance at meetings of the full Board, in its capacity as the Remuneration Committee, during the Reporting Period are set out in a table in the Directors' Report on page 42.

To assist the Board fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report and commences on page 35. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time the Company may grant shares and/or options to non-executive directors. Given the Company is at

CORPORATE GOVERNANCE STATEMENT (continued)

its early stages of development, and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options or grant shares to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All the directors' option and shareholdings are fully disclosed. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at general meeting.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include shares and/or options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of shares and/or options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness. Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is disclosed on the Company's website.

Performance evaluation

Senior executives (Recommendations: 1.2, 1.3)

The Chair is responsible for evaluating the performance of senior executives by way of a formal interview with each senior executive. The Nomination Committee (or equivalent) is responsible for evaluating the Chair.

The Nomination Committee (or equivalent) formally reviews the performance of the Chair at least annually, including evaluating achievement of key operational goals and strategic objectives, compliance with legal and Company policy requirements, and the achievement of key performance indicators. This performance evaluation is undertaken by round table discussions.

During the Reporting period, an evaluation of the Chair and Senior Executives took place in accordance with the process disclosed above.

Board, its committees and individual directors (Recommendations: 2.5, 2.6)

The Chair is responsible for evaluating the performance of the Board and, when deemed appropriate the board committees and individual directors.

The Board is evaluated annually via round table discussion. The evaluation includes consideration of the following matters: comparison of the performance of the Board against the requirements of the Board Charter, assessment of the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and annual budget, review of the level and effectiveness of the Board's interaction with management, review of the content, format and timing of information provided to directors, and review of Board and committee charters to assess if they remain appropriate to the Company's activities. Similar procedures to those for the Board review are applied to evaluate the performance of any Board committees. An assessment will be made of the performance of each committee against each charter and areas identified where improvements can be made.

Non-executive directors are evaluated by round table discussion and a meeting with the Chair. Performance evaluations of non-executive directors include consideration of contribution to the Board, degree of independence, availability for and attendance at Board meetings and other relevant events, contribution to Company strategy, membership of and contribution to any Board committees, and suitability to Board and committee structure.

CORPORATE GOVERNANCE STATEMENT (continued)

During the Reporting Period an evaluation of the Board and its non-executive directors took place in accordance with the process disclosed above, except that non-executive directors did not meet with the Chair individually. This was due to the unforeseen unavailability of the Chair at the time of the scheduled evaluation meetings.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

Diversity

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

However, the Board has not set measurable objectives for achieving gender diversity. Given the size of the Board, and the Company's limited number of employees, the Board considers that it is not practical to set measurable objectives for achieving gender diversity at this stage. The Board will review this position as its circumstances change.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30 June 2014 are set out in the following table:

	Proportion of women
Employees in whole organisation (excluding executive directors)	5 out of 27 (18.5%)
Senior executive positions in the whole organisation (excluding executive directors)	0 out of 5 (0.0%)
Board	1 out of 4 (25.0%)

A summary of the Company's Diversity Policy is disclosed on the Company's website.

Continuous Disclosure

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

Shareholder Communication

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

CORPORATE GOVERNANCE STATEMENT (continued)

Risk Management

Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chair, who is responsible for identifying, assessing, monitoring and managing risks. The Chair is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chair may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has implemented a formal system to manage its material business. This system includes the preparation of a risk register by management to identify the Company's material business risks and a risk management plan and mitigation strategies for these risks. In addition, the process of management of material business risks is allocated to members of senior management. The risk register is reviewed on a half-yearly basis and updated, as required. During the Reporting Period, the risk register was reviewed once as a review was deferred because the Binding Term Sheet with Eagle Brilliant Holdings Limited was not finalised.

The categories of risk reported on or referred to as part of the Company's systems and processes for managing material business risk include: occupational health and safety risk; cash-flow; regulatory environment; sovereign/country risk, application and approval risks and tenement management, native title risks; environmental risks, general economic risks, commodity price risks, reliance on key personnel, possible volatility of share price and other risks; foreign exchange/currency risk and speculative nature of investments.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Chair and the Managing Director have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration 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 reporting risks.

Risk Management

Recommendations: 7.1, 7.2, 7.3, 7.4) (continued)

A summary of the Company's Risk Management Policy is disclosed on the Company's website.

DIRECTORS REPORT

The Directors of Chrysalis Resources Limited (“the Company”) present their report for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors, who held office during or, since the end of the year and up until the date of this report, are as follows:

Dr Neale Fong	Non-Executive Chairman	
Mr Leigh Ryan	Managing Director	Appointed 23 September 2014
Mr Jian Hua Sang ¹	Non-Executive Director	Appointed 5 July 2013
Mr Trevor Benson	Non-Executive Director	Resigned 29 November 2013
Mr Michael Griffiths ²	Non-Executive Director	Resigned 23 September 2014
Mr Grant Kidner	Executive Director	Resigned 29 November 2013
Mr Bradley Marwood	Non-Executive Director	Resigned 29 July 2013
Mr Adrian Paul	Non-Executive Director	Resigned 29 November 2013
Ms Jing Wang ³	Executive Director	Resigned 23 September 2014

Notes:

1. Mr Jian Hua Sang was appointed as Executive Director on 5 July 2013 and Interim Chief Executive Officer on 5 August 2013. On 2 December 2013 Mr Sang resigned as Executive Director and Interim Chief Executive Officer and remained as a Non-Executive Director.
2. Mr Michael Griffiths was appointed as Alternate Director to Mr Bradley Marwood on 5 April 2013 and subsequently appointed as Non-Executive director on 26 July 2013 and resigned on 23 September 2014.
3. Ms Jing Wang was appointed Executive Director on the 1 November 2013 and resigned on the 23 September 2014.

Directors were in office for this entire period unless otherwise stated.

The particulars of the qualifications, experience and special responsibilities of each director as at year end and until the date of this report are as follows:

Dr Neale Fong – MBBS Dip CS MTS MBA FAICD FACHSM (Hon) Non-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 is also a non-executive director of Sleep Studies Australia Pty Ltd and Chairman of Bethesda Hospital Inc and a director of Mining Developments International Ltd, a public unlisted company.

Dr Fong has served as a director and chairman of the West Australian Football Commission and acts as adviser and consultant to a number of other companies.

During the past three years, Dr Fong also served as a non-executive director for Realm Resources Limited from December 2009 until September 2013.

DIRECTORS REPORT (continued)

Mr Leigh Ryan – BSc Geology, MAIG Managing Director (Appointed 23 September 2014)

Mr Ryan is a highly qualified geologist with 27 years of experience in the exploration and resources industry, specifically in project management and executive management throughout Australia and Africa. He has been involved in the targeting, evaluation, discovery and resource definition of numerous gold and base metal deposits and has successfully negotiated many purchase option and joint venture agreements. Mr Ryan was previously the Managing Director of Boss Resources Limited, and prior to that was employed by Resolute Mining Limited as the Group Exploration Manager for Africa and Australia. He has worked extensively in Queensland, WA, Tanzania, Burkina Faso, Mali, and Cote d'Ivoire. On the 2 December 2013 Mr Ryan was appointed as Chief Executive Officer of the Company.

During the past three years Mr Ryan has also served as a Director of the following listed companies:

Company	Date appointed	Date ceased
Attila Resources Limited	23 January 2012	21 January 2013
Boss Resources Limited	4 May 2011	24 July 2013

Mr Jian Hua Sang Executive Director (Appointed 5 July 2013)

Mr Sang trained in China and also was the first Chinese postgraduate student studying Economic Geology in Western Australia. He has more than 25 years of international exploration, mining and corporate experience in Asia, Australia and Africa.

Mr Sang has held senior executive positions as the Chief Representative China of several ASX-listed companies, Vice President China of Ivanhoe Mines Inc., Director of Minerals China with Hatch Associates, General Manager – Commercial Services of Citic Pacific Mining and CEO of an ASX mining company. During the past two years, he has played an instrumental role in successfully bringing a significant amount of Chinese capital investment to several ASX-listed minerals exploration companies.

During the past three years Mr Sang has also served as a Director of the following listed companies:

Company	Date appointed	Date ceased
Emergent Resources Limited	17 September 2012	-
Vector Resources Limited	13 September 2012	28 November 2013

Mr Sang is entitled to a benefit for the provision of corporate advisory services in relation to the Term Sheet executed with Eagle Brilliant Holdings Limited ("EBH"). The corporate advisory agreement executed between Mr Sang's consulting entity and the Company entitles Mr Sang to receive, by way of a consulting fee, 5% of any amount of direct equity investment in the Company by the TDL Group (or any of its associates). The contract was executed at arms length and on commercial terms.

Mr Michael Griffiths – BSc Dip Ed FAusIMM GAICD Non-Executive Director (Appointed 5 April 2013; Resigned 23 September 2014)

Mr Griffiths has over 30 years experience in the minerals and energy sector in Australia and Africa. In the role of Chief Executive Officer of Sub-Sahara Resources N.L between 1998 and 2009, Mr Griffiths and his team were responsible for the discovery of significant gold deposits in both Tanzania and Eritrea. In Australia his exploration experience includes the discovery of significant gold resources in the Tanami Desert region of the Northern Territory. He also currently serves as a consultant to ASX-listed Chalice Gold Mines Limited.

During the past three years Mr Griffiths has also served as a Director of the following listed companies:

Company	Date appointed	Date ceased
Tiger Resources Limited ("Tiger")	7 December 2012	-
Currie Rose Resources Inc	7 March 2005	-
Chalice Gold Mines Limited	26 August 2009	21 November 2011
East Africa Resources Limited	20 November 2013	-
Mozambi Coal Limited	14 April 2010	30 April 2013
RMG Limited	6 June 2013	-

DIRECTORS REPORT (continued)

Ms Jing Wang

Executive Director (Appointed 1 November 2013; Resigned 23 September 2014)

Ms Wang has a Bachelor of Science degree in Chemistry from Shandong University of China (2001) and gained her masters of Accounting from Curtin University (2003). She is a member of CPA Australia and has had 10 years of commercial and financial experience in the mining industry in China, Australia and Africa. She has worked in the areas of marketing, business development, accounting and commercial services for several ASX companies and a major Chinese multinational group which were actively involved in exploration and mining of gold, nickel and iron ore.

During the past three years, Ms Wang has not held a directorship in any other listed companies.

Company Secretary (Appointed 3 December 2013)

Mr Kevin Hart – FCA, B Com

Mr Hart is a Partner at Endeavour Corporate Pty Ltd, an advisory firm that specialises in the provision of Company Secretarial services to ASX listed entities. Kevin has over 27 years of professional experience with various public companies, mostly in the exploration and mining industry.

Interests in shares and options of the company and related bodies corporate

The following relevant interests in shares and options of the Company were held by the directors or their associates as at the date of this report:

	Number of fully paid ordinary shares*	Number of listed options over ordinary shares	Employee share plan rights
Directors			
Neale Fong	7,611,480	-	-
Leigh Ryan	-	-	3,000,000
Jian Hua Sang	-	-	-

No share options were granted to the directors of the Company during or since the end of the financial year as part of their remuneration.

Listed options

There were no ordinary shares issued by the company during or since the end of the financial year as a result of the exercise of an option.

At the date of this report, the Company had no listed options over ordinary shares on issue.

Dividends

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

Principal Activity

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

DIRECTORS REPORT (continued)

Review of Operations

Zambian Copper Projects

Exploration continued in Zambia throughout the year with first pass and infill soil sampling, rock chip sampling, mapping, completed at the Kabwima, Shikila, Mwongo and Bulala Hill Projects. 18,636 first pass regional and infill soil samples were collected across the four project areas. 130 rock chip samples were collected from the Mwongo and Bulala Hills projects. 66 pits for 538.5m and 7 trenches totalling 193.5m were excavated by hand at the Kabwima, Shikila, and Mwongo Projects (refer to ASX releases dated between 31 October 2013 and 31 July 2014).

Six lines of dipole-dipole Induced Polarisation geophysical surveying and 233 line km of ground magnetics was completed at the Shikila Project (refer to ASX release dated 31 July 2013).

122 first pass aircore holes were drilled across the 5.5km x 1.6km >100ppm Kimabwe Prospect Cu-in-soil anomaly for a total of 5,269m (refer to ASX release dated 24 September 2014).

First pass RC drilling was conducted within the Shikila and Bulala Hills projects in order to test for high grade copper mineralisation beneath extensive Cu-in-soil anomalism. 26 holes (2,145m) were completed at the Shikila Project (refer to ASX release dated 14 October 2013) and 9 holes were drilled at Bulala (1,670m) (refer to ASX release dated 24 September 2014).

A JORC 2004 compliant maiden inferred copper resource estimate of 18.6Mt at 0.52% Cu containing 96,000 tonnes of copper (0.3% Cu cut-off) was announced for the Wangolo Deposit (refer to ASX release dated 20 August 2013).

Australian Projects

Halloween West Joint Venture (Cu-Au, 37% CYS)

During the year, joint venture partner Talisman Mining Ltd (ASX: TLM) completed soil sampling and geological mapping at the Wizard and Malachite Prospects (refer to the Talisman Mining Limited March 2014 Quarterly Activities Report as announced to the ASX on 30 April 2014).

On the 20th December 2013 Talisman announced the signing of a Letter Agreement to permit Sandfire to farm-in to its interests in the Springfield, Halloween and Halloween West Projects. Sandfire can earn up to 70% of Talisman's interest in the Projects, by spending a minimum of \$15M on exploration over 5½ years. Chrysalis welcomes the new JV partner and hopes for a new generation of discoveries using Sandfire's extensive geological knowledge (gained from the discovery and development of DeGrussa) and Sandfire's exploration funding capability.

West Angelas Project (Fe)

No field work was completed on this project during the year. On the 8th August Chrysalis announced the signing of a legally binding agreement with FMG Pilbara Pty Ltd ("Fortescue") whereby Chrysalis grant Fortescue exclusive exploration access to, and an option to purchase, the West Angelas Project for a consideration of \$100,000 at Commencement; and if not terminated beforehand, \$100,000 on the first anniversary of the Commencement Date; and if not terminated beforehand, the sum of \$100,000 on the second anniversary of the Commencement Date. Fortescue must pay these amounts even if Fortescue has exercised the purchase option prior to the due dates. If Fortescue exercises the purchase option, Fortescue agrees to pay Chrysalis a Royalty. Fortescue will be responsible for managing, administering and keeping the Tenements in good standing throughout the exclusive licence period.

Gregory Range (Cu, base metals, U)

During the year drilling details and assay results from 157 historic drill holes and all available historic surface geochemistry were compiled and data entered into a database (refer to ASX release 28 May 2014). Evaluation of the data has been completed and the company is actively seeking Joint Venture partners for this project in order to continue its focus on copper exploration in Zambia.

Pioneer Project (Au)

No field work was completed on this project during the financial year.

Horseshoe South (Cu/Au)

No work was completed on the Horseshoe South Project during the year and all tenements including E52/2523, E52/2524 and P52/1363 were surrendered.

DIRECTORS REPORT (continued)

Corporate

Pursuant to the shareholder approval given at the General Meeting on 14 October 2013, CYS issued 23,575,427 fully paid ordinary shares valued at 6 cents per share to Eagle Brilliant Holdings Limited ("EBH") on 1 November 2013. The shares were placed under a voluntary 12-month escrow from the date of issue. On 10 January 2014, subsequent to the same General Meeting, unissued shares of \$510,872 (8,514,538 ordinary fully paid shares) were issued to Eagle Brilliant Holdings Limited (2,128,635 shares), and Tiger Resources Limited (6,385,903 shares), in accordance with shareholder approvals.

Financial

At 30 June 2014, the Company had cash reserves of \$694,497 (2013: \$456,885). Capitalised exploration and evaluation expenditure is \$3,772,954 (2013: \$3,304,788) which included incurred expenditure of \$1,448,713 (2013: \$1,841,713). The net loss for the year was \$2,788,971 (2013: \$3,905,006) which included Zambian costs of \$819,014 (2013: \$628,178) which supports the delivery of the exploration program in Zambia.

In the six months to June 2014 there has been a focus on reducing costs and the net loss for the half-year to June 2014 after adjusting for impairments is \$932,768 against the December 2013 half-year of \$1,259,769 after adjusting for impairments.

Significant changes in the state of affairs

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

Matters Subsequent to the End of the Financial Year

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years, other than those detailed below:

- On 8 July 2014 the Company announced a fully underwritten Non-Renounceable Entitlement Issue. The offer gave existing eligible shareholders the opportunity to subscribe for 1 new share for every 2 shares held in the capital of the Company on 15 July 2014. The offer comprised up to 114,494,709 new fully paid ordinary shares at 1 cent per new share to raise up to \$1,144,947 before costs.
 - On 27 August 2014 the Company provided notice of shortfall of 88,793,752 ordinary fully paid shares at 1 cent, in accordance with the underwriting agreement with Adrian Paul.
 - On 2 September 2014 26,200,957 ordinary shares were allotted at 1 cent pursuant to the offer document released on the 18 July 2014.
 - On 15 September 2014 the Company advised of the completion by the underwriter of the entitlement issue by the placement of the remaining 88,293,752 shortfall shares, amounting to \$882,937.52.
- On 8 September 2014 the Company announced an exclusive licence and option agreement with Fortescue Metals Group for the West Angelas Project Tenements, for a consideration of \$100,000 at Commencement; and if not terminated beforehand, \$100,000 on the first anniversary of the Commencement Date.

Likely developments and expected results

The Group will continue to pursue its principal activity of exploration for minerals, particularly in respect of the Projects as outlined in the Company Overview.

Environmental legislation

The Group's exploration activities are subject to environmental regulations under both Commonwealth of Australia and Western Australian State legislation as well as Zambian Government legislation.

The Board believes the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group during 2014 and up until the date of this report.

DIRECTORS REPORT (continued)

Remuneration Report

This report outlines the remuneration arrangements in place for key management personnel of the Company and its controlled entities for the financial year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and its controlled entities, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Key Management Personnel

Directors

Dr Neale Fong	Non-Executive Chairman	
Mr Michael Griffiths ¹	Non-Executive Director	Appointed 5 April 2013
Mr Jian Hua Sang ²	Non-Executive Director	Appointed 5 July 2013
Ms Jing Wang	Executive Director	Appointed 1 November 2013
Mr Trevor Benson	Non-Executive Director	Resigned 29 November 2013
Mr Grant Kidner	Executive Director	Resigned 29 November 2013
Mr Bradley Marwood	Non-Executive Director	Resigned 29 July 2013
Mr Adrian Paul	Non-Executive Director	Resigned 29 November 2013

1. Mr Michael Griffiths was appointed as Alternate Director to Mr Bradley Marwood on 5 April 2013 and subsequently appointed as Non-Executive director on 26 July 2013.
2. Mr Jian Hua Sang was appointed as Executive Director on 5 July 2013 and Interim Chief Executive Officer on 5 August 2013. On the 2 December 2013 Mr Sang resigned as Executive Director and Interim Chief Executive Officer and remained as a Non-Executive Director.

Executives

Mr Leigh Ryan	Chief Executive Officer	Appointed 2 December 2013
Mr Kevin Hart	Company Secretary	Appointed 3 December 2013
Mr Patrick Soh	Chief Financial Officer	Appointed 29 November 2013
Mr John Noakes	Director (Sedgwick Resources Limited)	
Mr Christopher Simasiku	Director / Company Secretary (Sedgwick Resources Limited)	
Ms Melanie Cotterell	Company Secretary	Resigned 2 December 2013
Mr Jeremy Hawsworth	Exploration Manager	Resigned 31 January 2014

Details of KMP remuneration are set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration including share-based compensation remuneration
- C Employment contracts of key management personnel
- D Remuneration of key management personnel
- E Shareholdings of key management personnel
- F Option holdings of key management personnel
- G Transactions with related parties of key management personnel

DIRECTORS REPORT (continued)

A. Principles used to determine the nature and amount of remuneration

The objective of the Company's reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align reward with the creation of value for shareholders. The Board ensures that employee reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance incentives
- transparency
- capital management

The framework provides a mix of fixed fee, consultancy agreement based remuneration, and share-based incentives.

Company performance and link to remuneration

Mr Ryan has been granted 3,000,000 performance shares of which 2,000,000 of these relate to market performance as detailed in the performance rights holdings table.

Below is a table showing the Group's performance and EPS over the last 4 financial years.

	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Financial year profit / (loss) - \$	(2,417,426)	(1,207,470)	(3,905,006)	(2,788,971)
EPS / (Loss per share) - cents	(5.78)	(2.13)	(2.90)	(1.29)
Share price - cents	12	8	5.5	1.5

B. Details of remuneration

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive directors

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

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 20 November 2009 when shareholders approved an aggregate remuneration of \$300,000 per year as a base salary.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. The remuneration of non-executive directors for the year ended 30 June 2014 is detailed in section D of this report.

Employee share plan

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report.

DIRECTORS REPORT (continued)

The objective of the Chrysalis Employee Share Plan is to ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees. The plans provide an incentive for participants to participate in the future growth of the Company and, upon becoming shareholders in the Company, to participate in the Company's profits and development. There are no performance criteria attached to shares given the Company's projects are currently within an exploration phase.

The key features of the schemes are set out below.

Executive director remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of fixed annual remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed annual remuneration

Fixed remuneration is reviewed annually by the Board of directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate external advice on policies and practices. The Board of directors has access to external and independent advice where necessary.

Variable annual remuneration

Short-term incentives

The Performance Rights issued to Mr Ryan include rights that will vest upon completion of 12 months service.

Long-term incentives

Retirement allowances for directors

Apart from superannuation payments paid on base director fees there are no retirement allowances for directors.

Employee share plan

To ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees, the Company established an Employee Share Plan (the "Plan"), which was approved by the Shareholders on 20 November 2009 at the Company's Annual General Meeting. The Plan was not renewed at the Company's 2012 Annual General Meeting and as such should the Company issue shares to directors, consultants and employees under the Plan, the issue will impact the Company's 15% placement capacity under ASX listing rule 7.1.

The number of Ordinary Shares that may be offered to a Participant is entirely within the discretion of the Board. The Company does not intend to offer more than 5% of the issued share capital of the Company under the Plan.

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. During the year no independent external advice was utilised, but it 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.

DIRECTORS REPORT (continued)

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.

Participants of the Plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the Plan are not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant.

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan; and
- The Company will have a lien over the shares in respect of which a loan is outstanding.

The market value of the option implicit in the share issued under the Plan (funded by way of a loan on the conditions noted above), measured using the Black and Scholes option pricing model, is recognised in the financial statements as an equity benefit reserve and as employee benefit costs in the period over which the shares vest.

The following Employee Plan Shares were issued by the Company during the year ended 30 June 2014.

	Grant Date	Number Granted	Vesting date	Value at grant date (cents)	Expiry date	Exercisable
2014						
Key Management Personnel						
Mr Leigh Ryan ¹	6-Dec-2013	1,000,000	16-Sep-2014	4.5	N/A	Nil
Mr Leigh Ryan ²	6-Dec-2013	1,000,000	Refer 2 below	3.2	N/A	Nil
Mr Leigh Ryan ³	6-Dec-2013	1,000,000	Refer 3 below	2.3	N/A	Nil

Notes:

1. Plan shares will vest upon the employee completing 12 month's service in the role of Chief Executive Officer of the Company.
2. Plan shares will vest upon the Company achieving a Market Capitalisation of equal to or greater than \$30 million.
3. Plan shares will vest upon the Company achieving a Market Capitalisation of equal to or greater than \$50 million.

No ordinary shares in the Company were provided as a result of the exercise of remuneration options during the year.

DIRECTORS REPORT (continued)

C. Employment contracts of key management personnel

Agreements with Directors

The employment arrangements of the directors are not formalised in a contract of employment.

Agreements with Executives

The employment arrangements of executives formalised in a contract of employment are listed below:

Chief Executive Officer

On 10 December 2014 the Company announced the appointment of Mr Leigh Ryan as Chief Executive Officer effective from the 2 December 2014.

An agreement executed on the 6 December 2014 does not have a fixed contract period. It requires that:

- i) the Company may terminate the employment contract at any time by giving three months notice; or
- ii) Mr Ryan may terminate the employment contract at any time by providing the Company with three months notice.
- iii) Fixed remuneration in the form of a base salary at \$220,000 plus superannuation.
- iv) Employee Share Plan Participation
 - a. 1,000,000 plan shares vesting on completion of 12 month's service in the role of Chief Executive Officer.
 - b. 1,000,000 plan shares will vest upon the Company achieving a Market Capitalisation of equal to or greater than \$30,000,000.
 - c. 1,000,000 plan shares will vest upon the Company achieving a Market Capitalisation of equal to or greater than \$50,000,000.

Contracted key management personnel are engaged on standard commercial terms.

D Remuneration of key management personnel

Key management personnel remuneration for the year ended 30 June 2014 and 30 June 2013

	Short-term employee benefits			Post-employment benefits	Other long-term benefits	Equity		Performance Related %
	Salary & Fees \$	Bonuses \$	Other \$	Super-annuation \$	Long-service leave \$	Share Options/ rights \$	Total \$	
2014								
Directors								
Dr Neale Fong	82,500	-	-	7,631	-	-	90,131	-
Mr Michael Griffiths ¹	48,316	-	-	4,469	-	-	52,785	-
Mr Jian Hua Sang ²	133,765	-	6,386	2,698	-	-	142,849	-
Ms Jing Wang ³	62,917	-	9,118	5,820	-	-	77,855	-
Mr Trevor Benson ⁴	21,331	-	-	1,973	-	-	23,304	-
Mr Grant Kidner ⁵	41,667	-	-	3,854	-	-	45,521	-
Mr Bradley Marwood ⁶	50,328	-	-	-	-	-	50,328	-
Mr Adrian Paul ⁷	22,917	-	-	2,120	-	-	25,037	-
Key Management Personnel								
Mr Leigh Ryan ⁸	188,923	-	-	11,740	-	40,254	240,917	16.7%
Mr Kevin Hart ⁹	24,524	-	-	-	-	-	24,524	-
Mr Patrick Soh ¹⁰	39,500	-	-	-	-	-	39,500	-
Mr John Noakes	-	-	-	-	-	-	-	-
Mr Christopher Simasiku	62,052	-	7,462	-	-	-	69,514	-
Ms Melanie Cotterell ¹¹	12,500	-	-	1,156	-	-	13,656	-
Mr Jeremy Hawksworth ¹²	154,493	-	-	-	-	-	154,493	-

DIRECTORS REPORT (continued)

	Short-term employee benefits			Post-employment benefits	Other long-term benefits	Equity		
	Salary & Fees \$	Bonuses \$	Other \$	Super-annuation \$	Long-service leave \$	Share Options/ rights \$	Total \$	Performance Related %
2013								
Directors								
Dr Neale Fong	100,000	-	-	9,000	-	-	109,000	-
Mr Michael Griffiths ¹	-	-	-	-	-	-	-	-
Mr Jian Hua Sang ²	-	-	-	-	-	-	-	-
Mr Trevor Benson ⁴	42,319	-	-	3809	-	-	46,128	-
Mr Grant Kidner ⁵	100,000	-	-	9,000	-	-	109,000	-
Mr Bradley Marwood ⁶	-	-	-	-	-	-	-	-
Mr Adrian Paul ⁷	55,000	-	-	4,950	-	-	59,950	-
Key Management Personnel								
Mr John Noakes	244,500	-	-	-	-	-	244,500	-
Mr Christopher Simasiku	64,007	-	13,072	-	-	-	77,079	-
Ms Melanie Cotterell ¹¹	22,917	-	-	2,063	-	-	24,980	-
Mr Jeremy Hawksworth ¹²	105,122	-	-	-	-	-	105,122	-

Notes:

1. Appointed as Alternate Director to Mr Bradley Marwood on 5 April 2013 and subsequently appointed as Non-Executive director on 26 July 2013.
2. Appointed as Executive Director on 5 July 2013 and Interim Chief Executive Officer on 5 August 2013. On the 2 December 2013 Mr Jian Hua Sang resigned as Executive Director and Interim Chief Executive Officer and remained as a Non-Executive Director.
3. Appointed as Executive Director from 1 November 2013
4. Resigned 29 November 2013
5. Resigned 29 November 2013
6. Resigned 29 July 2013
7. Resigned 29 November 2013
8. Appointed as Chief Executive Officer from 2 December 2013
9. Appointed as Company Secretary from 3 December 2013
10. Appointed as contracted Chief Financial Officer 29 November 2013
11. Resigned as Company Secretary 2 December 2013
12. Resigned 31 January 2014

E Shareholdings of key management personnel

	Balance at beginning of period	Granted as remuneration	On exercise of options	On market acquisitions / (disposals)	Balance at end of period
2014					
Directors					
Dr Neale Fong	6,934,320	-	-	-	6,934,320
Mr Michael Griffiths	-	-	-	-	-
Mr Jian Hua Sang	¹ -	-	-	-	-
Ms Jing Wang	¹ -	-	-	-	-
Mr Trevor Benson	6,750,000	-	-	-	² 6,750,000
Mr Grant Kidner	6,447,104	-	-	-	² 6,447,104
Mr Bradley Marwood	-	-	-	-	-
Mr Adrian Paul	12,481,820	-	-	-	² 12,481,820
Key Management Personnel					
Mr Leigh Ryan	¹ -	-	-	-	-
Mr Kevin Hart	¹ -	-	-	-	-
Mr Patrick Soh	¹ -	-	-	-	-
Mr John Noakes	1,425,000	-	-	(758,813)	666,187
Mr Christopher Simasiku	-	-	-	-	-
Ms Melanie Cotterell	360,000	-	-	-	² 360,000
Mr Jeremy Hawksworth	-	-	-	-	-
	34,398,244	-	-	(758,813)	33,639,431

DIRECTORS REPORT (continued)

	Balance at beginning of period	Granted as remuneration	On exercise of options	On market acquisitions / (disposals)	Balance at end of period
2013					
Directors					
Dr Neale Fong	3,852,400	-	-	3,081,920	6,934,320
Mr Grant Kidner	3,581,724	-	-	2,865,380	6,447,104
Mr Jian Hua Sang	-	-	-	-	-
Mr Adrian Paul	6,934,344	-	-	5,547,476	12,481,820
Mr Bradley Marwood	-	-	-	-	-
Mr Michael Griffiths	-	-	-	-	-
Mr Trevor Benson	3,750,000	-	-	3,000,000	6,750,000
Key Management Personnel					
Ms Melanie Cotterell	200,000	-	-	160,000	360,000
Mr Jeremy Hawksworth	-	-	-	-	-
Mr John Noakes	1,500,000	-	-	(75,000)	1,425,000
Mr Christopher Simasiku	-	-	-	-	-
	19,818,468	-	-	14,579,776	34,398,244

Notes:

1. Represents shares held at date of appointment as Director or key management personnel.
2. Represents shares held at date of resignation as Director or key management personnel.

F Option holdings of key management personnel

No options were issued during the year ended 30 June 2014, nor were there any other movements since 2013.

	Balance at beginning of period	Granted as remuneration	Options expired	On market acquisitions	Balance at end of period	Exercisable
2013						
Directors						
Dr Neale Fong	500,000	-	(500,000)	-	-	-
Mr Grant Kidner	2,190,000	-	(2,190,000)	-	-	-
Mr Adrian Paul	2,500,001	-	(2,500,001)	-	-	-
Key Management Personnel						
Ms Melanie Cotterell	141,830	-	(141,830)	-	-	-
	5,331,831	-	(5,331,831)	-	-	-

Note: No other Directors or key management personnel had option holdings in the Company

G Transactions with related parties of key management personnel

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

		Income from Related Parties \$	Expenditure to Related Parties \$	Amounts Owed by Related parties at year end \$	Amounts Owed to Related parties at year end \$
Equiti partners ¹	2014	-	138,429	-	-
	2013	-	154,718	-	30,430
Craigstone Pty Ltd ²	2014	-	64,906	-	-
	2013	-	-	-	78,000
Australasian Minerals & Trading Pty Ltd ³	2014	-	-	-	-
	2013	-	2,071	-	-
Ruby Hall Pty Ltd ⁴	2014	-	-	-	-
	2013	-	1,215	-	-
Yangtze Trust ⁵	2014	-	165,356	-	-
	2013	-	-	-	-

Notes:

1. Mr G Kidner, an Executive director, is a director of Equiti Partners. During the financial year, Equiti Partners received fees for accounting, secretarial, executive consultancy fees, administration services and reimbursement of car parking facilities from the Company.

DIRECTORS REPORT (continued)

- Mr J Noakes, a director of Sedgwick Resources Limited, is a director of Craigstone Pty Ltd. During the financial year, Mr Noakes received geological exploration consultancy fees from the Company.
- Australasian Minerals & Trading Pty Ltd is the trustee for the Sedgwick Resources Unit Trust of which Mr J Noakes is a beneficiary.
- Mr A Paul, a Non-Executive director, is a director of Ruby Hall Pty Ltd. During the prior financial year, Ruby Hall Pty Ltd lent \$195,000 via an unsecured loan to the Company. The loan was repaid during September 2012 with interest of \$1,215 calculated at 8% per annum in accordance with the terms of contract with the Company.
- Mr Jian Hua Sang, a Non-Executive director is a beneficiary of Yangtze Trust. During the financial year Mr Sang received a commission on funds raised from EBH.

For the year ended 30 June 2014, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history (2012: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

Directors' Meetings

The Board has not established separate committees. The Board performs the roles of the Committees.

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

	Directors' Meetings	Audit Committee	Remuneration Committee	Nomination committee
Number of meetings held:	11	2	1	2
Number of meetings attended:				
Dr Neale Fong	11	2	1	2
Mr Michael Griffiths ¹	11	2	1	2
Mr Jian Hua Sang ²	10	2	1	2
Ms Jing Wang ³	6	-	-	-
Mr Trevor Benson ⁴	5	2	1	2
Mr Grant Kidner ⁵	4	2	1	2
Mr Bradley Marwood ⁶	-	-	-	-
Mr Adrian Paul ⁷	3	2	1	1

Notes:

- Appointed as Alternate Director to Mr Bradley Marwood on 5 April 2013 and subsequently appointed as Non-Executive director on 26 July 2013.
- Appointed as Executive Director on 5 July 2013 and Interim Chief Executive Officer on 5 August 2013. On the 2 December 2013 Mr Jian Hua Sang resigned as Executive Director and Interim Chief Executive Officer and remained as a Non-Executive Director.
- Appointed as Executive Director from 1 November 2013
- Resigned 29 November 2013
- Resigned 29 November 2013
- Resigned 29 July 2013
- Resigned 29 November 2013

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

DIRECTORS REPORT (continued)

Proceedings on behalf of the company

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 44 and forms part of this Directors' Report for the year ended 30 June 2014.

Non-Audit Services

The Company's auditors provided tax compliance and IER services during the financial year ended 30 June 2014. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



Dr Neale Fong
Non-Executive Chairman
Perth, 30 September 2014

Competent Person's Statement

The information in this report that relates to exploration results is based on information compiled by Mr Leigh Ryan, CEO employed by Chrysalis, who is a Member of the Australian Institute of Geoscientists (MAIG). Mr Ryan has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ryan consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Ryan participates in the Company's Employee Share Plan.

JORC Code Compliant Public Reports

The Company advises that this Annual Report contains summaries of Exploration Results as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). The JORC compliant Public Reports released to the ASX declaring the exploration results or JORC resources referred to can be viewed on both the ASX and the Company websites.

The Information in this news release that relates to mineral resources at Wangolo is based on resource estimates compiled by Mr Michael Andrew, who is a member of the Australian Institute of Geoscientists and The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Andrew is a former employee of Optiro Pty Ltd. Mr Andrew has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the "JORC Code") and to qualify as a "Qualified Person" under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Mr Andrew consents to the inclusion in this news release of the matters based on their information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement.

AUDITORS INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Chrysalis Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2014

A handwritten signature in blue ink, appearing to read 'D I Buckley'.

D I Buckley
Partner

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organisation of accounting firms and business advisers.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

		Consolidated	
	Note	2014	2013
		\$	\$
Revenue	2	43,943	32,895
Accounting fees		(135,250)	(114,759)
Audit fees		(35,258)	(63,398)
Depreciation and amortisation		(65,749)	(38,212)
Directors' remuneration		(449,590)	(370,206)
Employee benefits expense		(689,617)	(433,437)
Stock exchange and registry fees		(44,968)	(35,258)
Corporate social responsibility		(28,740)	(15,056)
Tenement management fees		(6,304)	(14,265)
Costs associated with Zambian Copper Project		(26,159)	(9,426)
Exploration costs reimbursed / (written off)		2,002	(299,505)
Impairment of exploration costs	8	(596,434)	(1,927,801)
Other expenses	2	(756,847)	(616,578)
Loss before income tax expense		(2,788,971)	(3,905,006)
Income tax expense	3	-	-
Net loss for the year		(2,788,971)	(3,905,006)
Other comprehensive income / (loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of foreign operations		(396,731)	118,163
Total comprehensive loss for the year		(3,185,702)	(3,786,843)
Earnings per share			
Basic loss per share (cents)	5	(1.29)	(2.90)
Diluted earnings per share (cents)	5	(1.29)	(2.90)

The accompanying notes form part of this financial statement.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		Consolidated	
	Note	2014	2013
		\$	\$
Current Assets			
Cash and cash equivalents	6	694,497	456,885
Trade and other receivables	7	79,288	2,425,042
Total Current Assets		773,785	2,881,927
Non-Current Assets			
Property, plant and equipment	10	217,133	194,656
Exploration and evaluation expenditure	8	3,772,954	3,304,788
Total Non-Current Assets		3,990,087	3,499,444
Total Assets		4,763,872	6,381,371
Current Liabilities			
Trade and other payables	9	218,060	406,936
Total Current Liabilities		218,060	406,936
Total Liabilities		218,060	406,936
Net Assets		4,545,812	5,974,435
Equity			
Ordinary share capital	11	16,211,680	14,019,803
Reserves	12	204,342	1,035,871
Accumulated losses	12	(11,870,210)	(9,081,239)
Total Equity		4,545,812	5,974,435

The accompanying notes form part of this financial statement.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated	Ordinary share capital \$	Reserves \$	Accumulated Losses \$	Total \$
1 July 2012	7,715,081	917,708	(5,176,233)	3,456,556
Total comprehensive loss for the year	-	118,163	(3,905,006)	(3,786,843)
Shares issued under non-renounceable rights issue	2,501,473	-	-	2,501,473
Shares issued as consideration for Zambian Project	1,607,320	-	-	1,607,320
Shares issued to consultants	2,362,793	-	-	2,362,793
Share and option issue expense	(166,864)	-	-	(166,864)
Balance at 30 June 2013	14,019,803	1,035,871	(9,081,239)	5,974,435
1 July 2013	14,019,803	1,035,871	(9,081,239)	5,974,435
Total comprehensive loss for the year	-	(396,731)	(2,788,971)	(3,185,702)
Shares issued	1,925,398	-	-	1,925,398
Share issue expense	(325,573)	-	-	(325,573)
Share plan shares	592,052	(475,052)	-	117,000
Recognition of share-based payments	-	40,254	-	40,254
Balance at 30 June 2014	16,211,680	204,342	(11,870,210)	4,545,812

The accompanying notes form part of this financial statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
	Note	2014	2013
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,787,420)	(1,165,616)
Exploration overheads		(630,641)	(344,639)
Interest received		43,496	32,840
GST received		116,618	98,306
Interest paid		(164)	(5,021)
Net cash (used in) operating activities	6(ii)	(2,258,111)	(1,384,130)
Cash flows from investing activities			
Purchase of plant and equipment		(127,072)	(192,104)
Settlement of Zambian Copper Project		-	(300,000)
Exploration & evaluation expenditure		(1,448,713)	(1,902,621)
Net cash (used in) investing activities		(1,575,785)	(2,394,725)
Cash flows from financing activities			
Proceeds from unsecured loans		-	320,000
Repayment of unsecured loans		-	(320,000)
Proceeds from issue of shares		4,405,191	4,108,793
Payment of capital raising costs		(325,573)	(170,457)
Net cash provided by financing activities		4,079,618	3,938,336
Net increase in cash held		245,722	159,481
Cash at beginning of the financial year		456,885	294,444
Effect of exchange fluctuations on cash held		(8,110)	2,960
Cash at end of the financial year	6 (i)	694,497	456,885

The accompanying notes form part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity of Chrysalis Resources Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars. The Company is a listed company incorporated in Australia and operating in Australia and the Republic of Zambia. The Group's principal activities are the exploration for mineral resources. The Company is a for profit entity.

Where appropriate prior year disclosures have been reclassified for consistency with current year classifications. The re-classification has not impacted the net profit / (loss) for the prior year.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2014

In the year ended 30 June 2014, the Directors have reviewed all the new and revised standards and interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on the 30 September 2014.

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 (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Chrysalis Resources Limited ("Company") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Chrysalis Resources Limited and its subsidiaries are referred to in this financial report as the Group or consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the Statement of Profit or Loss and Other Comprehensive Income and within equity in the Consolidated Statement of Financial Position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Chrysalis Resources Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options and share plan shares with limited recourse loans is determined by using a Black and Scholes model, using the assumptions detailed in Note 13.

Exploration and evaluation costs carried forward

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group 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. The ultimate recoupment of value is dependent on the successful development and commercial exploitation or sale of the respective areas.

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors and an impairment expense of \$596,434 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to the Horseshoe, West Angelas, Gregory Range and Pioneer projects. Please refer to Note 8 for more details.

(f) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian controlled entity is Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign operations is Zambian Kwacha (KWA).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

As at the reporting date the assets and liabilities of these subsidiaries are translated into their presentation currency of the Group at the rate of exchange ruling at the balance date and their Statements of Profit or Loss and Other Comprehensive Income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(g) Going Concern

The Group incurred an operating loss after income tax of \$2,788,971 for the year ended 30 June 14, whilst cash balances as at 30 June 2014 were \$694,497. In addition the net cash outflows from operating and investing activities was \$3,833,896. On the 8 July 2014 the Company announced a fully underwritten non-renounceable entitlement issue. On the 15 September 2014 the Company issued the remaining shortfall shares to raise a total of \$1,144,947 before costs.

As at the date of this report, no firm funding facilities are in place. If there are delays in sourcing equity funding for planned activities over the next 12 months, the Company has plans in place to scale back its activities and budgeted expenditure until adequate funding is obtained. In the opinion of the Directors, the cash outflows relating to the scaled back activities can be met from the existing cash resources.

The Directors continue to manage the Group's activities with due regard to current and future funding requirements. On this basis, the Directors believe the financial statements should be prepared on a going concern basis.

(h) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Chrysalis Resources Ltd.

During the financial year, the Group operated in the mineral exploration industry within Australia and Zambia.

(i) Interest income

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

(j) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the statement of financial position over the period necessary to match them with the direct costs that they are intended to compensate.

(k) 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 date.

Deferred income tax is provided on all temporary differences at the balance 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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 probable 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 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 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 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.

(l) Goods and services tax ("GST") and Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of GST and VAT except:

- when the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST or VAT included.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the taxation authority.

(m) Impairment of assets

The Group 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 Group 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 re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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 the profit or loss unless the asset is carried at re-valued 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.

(n) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(o) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off in the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

(p) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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 Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

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.

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 Statement of Profit or Loss and Other Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(q) Impairment of financial assets

The Company assesses at each balance date whether a financial asset or group of assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(r) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of revaluation. Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment (tangible) – over 3 to 20 years (diminishing value basis)

Plant and equipment (intangible) – over 5 to 20 years (straight line basis)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less cost to sell and value in use. 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 exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the cost of sales line item.

(i) De-recognition and disposal.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss and Other Comprehensive Income in the year the asset is derecognised.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(t) Interest-bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(v) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits of annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits where required and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(w) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). There is currently one plan in place to provide these benefits, being the Employee Share Plan (ESP).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model, further details of which are given in Note 13.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of the equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The Statement of Profit or Loss and Other Comprehensive Income charge or credit for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(x) Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(y) Earnings per share

Basic earnings per share is calculated as net profit or loss 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 or loss 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.

(z) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, is recognised as an exploration and evaluation asset in the year in which they are incurred where 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 assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

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.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(aa) Parent entity financial information

The financial information for the parent entity, Chrysalis Resources Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity financial statements of Chrysalis Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

(ii) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(ab) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interests a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUE AND EXPENSES

	Consolidated	
	2014	2013
	\$	\$
(a) Revenue		
Bank interest	43,943	32,895
(b) Expenses		
Travel and accommodation	(102,280)	(106,872)
Motor vehicle expenses	(52,037)	(87,279)
Professional fees	(152,970)	(91,540)
Legal expense	(51,397)	(41,264)

3. INCOME TAX

	Consolidated	
	2014	2013
	\$	\$
(a) Income Tax Expense		
The major components of tax expense are:		
The prima facie income tax expense on pre-tax accounting result from continuing operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before tax continuing operations	2,788,971	3,905,006
Income tax benefit @ 30% (2013:30%)	836,691	1,171,502
Non-deductible expenses	152,741	(20,065)
Non-assessable income	-	7,887
Other deferred tax assets and tax liabilities not recognised	(1,069,452)	(1,182,824)
Difference in tax rate of subsidiaries operating in other jurisdictions	80,020	23,500
Total income tax expense	-	-

(b) Unrecognised Deferred Tax Balances

The following deferred tax assets and liabilities have not been brought to account:

Deferred tax assets comprise:		
Losses available for offset against future taxable income – revenue	3,555,334	2,522,139
Depreciation timing differences	6,292	188
Business related costs	121	161
Share issue expenses	116,589	52,134
Accrued expenses and liabilities	18,580	57,827
	3,696,916	2,632,449
Deferred tax liabilities comprise:		
Exploration expenditure capitalised	(34,500)	(163,352)
Accrued interest	(69,429)	(85)
Prepayments	(5,505)	-
	(109,434)	(163,437)
(c) Income tax expense not recognised direct in equity during the year:		
Share-issue costs	(97,672)	(50,059)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

4. SEGMENT REPORTING

Description of segments and related information

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

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

	Australia \$	Zambia \$	Consolidated \$
Consolidated 30 June 2014			
Segment Revenue	43,943	-	43,943
Segment Results	(1,969,957)	(819,014)	(2,788,971)
Segment assets	828,017	3,935,855	4,763,872
Segment Liabilities	(147,923)	(300,834)	(448,757)
Capitalised expenditure	241,194	1,369,947	1,611,141
Included within segment results:			
Depreciation	(17,748)	(48,001)	(65,749)
Interest revenue	43,943	-	43,943

Consolidated 30 June 2013			
Segment Revenue	32,895	-	32,895
Segment Results	(3,276,828)	(628,178)	(3,905,006)
Segment assets	3,276,457	3,104,914	6,381,371
Segment Liabilities	(301,815)	(105,121)	(406,936)
Capitalised expenditure	89,615	1,944,202	2,033,817
Included within segment results:			
Depreciation	(10,356)	(27,856)	(38,212)
Interest revenue	32,895	-	32,895

5. LOSS PER SHARE (EPS)

	Consolidated	
	2014	2013
	\$	\$
Basic loss per share (cents)	(1.29)	(2.90)
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 the year	(2,788,971)	(3,905,006)
Weighted average number of ordinary shares used in the calculation of basic EPS	Number 216,111,055	Number 134,426,366
Diluted loss per share is not disclosed as the result is anti-dilutive.		

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	\$	\$
Cash at bank and on hand	191,366	406,164
Short-term deposits	503,131	50,721
	694,497	456,885

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

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term interest rates.

Reconciliation of loss for the year to net cash flows used in operating activities

	Consolidated	
	2014	2013
	\$	\$
Loss for the year	(2,788,971)	(3,905,006)
Exploration costs written off	-	299,505
Impairment of exploration costs	596,434	1,927,801
Loss on sale of asset	14,766	-
Depreciation	65,749	38,212
Share-based payments	40,254	-
Foreign exchange	19,574	101,639
(Increase) / decrease in prepayments & other debtors	(39,034)	(22,436)
(Increase) / decrease in accrued interest	(447)	(55)
(Increase) / decrease in GST recoverable	22,442	313
Increase / (decrease) in trade creditors	(59,622)	14,361
Increase / (decrease) in other payables	(142,330)	161,957
Increase / (decrease) in provisions	13,074	(421)
Net cash flows (used in) operating activities	(2,258,111)	(1,384,130)

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014	2013
	\$	\$
Current		
Debtors	6,624	17,057
Prepayments	21,245	11,933
GST receivable	10,532	32,974
Other	40,887	285
Receivable under Binding Term Sheet ¹	-	2,362,793
	79,288	2,425,042

Notes 1: On or around 19 June 2013 the Company entered into a Binding Term Sheet with EBH whereby the Company was required to issue that number of fully paid ordinary shares that gives EBH (and its associates) a shareholding in the Company equivalent to 25%.

At 30 June 2013 the Company and EBH had satisfied the conditions precedent in relation to the Initial Placement shares and Tiger had elected to exercise their Top-up right under the Tiger Subscription Agreement. The Company recognised the receivable due from EBH and Tiger on the Initial Placement shares for \$2,362,793 at 30 June 2013. Subsequent to year end, the 39,379,890 Initial Placement shares were issued on 5 July 2013.

Due to the nature of the Group's receivables, an ageing schedule is not presented.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

8. EXPLORATION AND EVALUATION EXPENDITURE

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

	Consolidated	
	2014	2013
	\$	\$
Exploration and evaluation phase – at cost		
Balance at beginning of the year	3,304,788	3,544,166
Expenditure incurred	1,448,713	1,841,713
Expenditure reimbursed / (written off)	-	(299,505)
Expenditure impaired ¹	(596,434)	(1,927,801)
Foreign currency translation	(384,113)	146,215
Total exploration expenditure	3,772,954	3,304,788

Notes:

- At 30 June 2014 the Company assessed the value of its exploration and evaluation assets. In light of current market conditions and considering there are no immediate programs of works currently underway on certain projects, the carrying values of the Pioneer, Gregory Range, Horseshoe South, Halloween West (JV) and West Angelas projects were impaired.
- The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

9. TRADE AND OTHER PAYABLES

	Consolidated	
	2014	2013
	\$	\$
Current		
Trade payables	55,515	115,137
Other payables	162,545	291,799
	218,060	406,936

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

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Furniture and fittings	Plant and equipment	Motor vehicle	Total
	\$	\$	\$	\$
Balance at 1 July 2012	18,113	9,087	-	27,200
Additions	12,427	67,211	112,466	192,104
Depreciation charge	(5,180)	(17,243)	(15,789)	(38,212)
Foreign currency differences	882	4,698	7,984	13,564
Balance at 1 July 2013	26,242	63,753	104,661	194,656
Additions	1,450	160,978	-	162,428
Depreciation charge	(4,797)	(51,548)	(9,404)	(65,749)
Disposals	(12,649)	(45,634)	-	(58,283)
Transfers	-	33,160	(33,160)	-
Foreign currency differences	(1,329)	20,461	(35,051)	(15,919)
Balance at 30 June 2014	8,917	181,170	27,046	217,133

	Consolidated	
	2014	2013
	\$	\$
Cost	322,892	267,006
Accumulated depreciation	(105,759)	(72,350)
Net carrying amount	217,133	194,656

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

11. ORDINARY SHARE CAPITAL

(a) Ordinary share capital

	2014 Number	Consolidated 2014 \$	2013 Number	2013 \$
(i) Issued and paid up capital				
Ordinary shares fully paid	228,989,419	16,211,680	154,519,564	11,657,010
Employee share plan shares	-	-	3,000,000	-
Total Issued and paid up capital	228,989,419	16,211,680	157,519,564	11,657,010
(ii) Unissued shares				
Unissued shares	-	-	39,379,890	2,362,793
Employee share plan shares	3,000,000	-	-	-
Total Unissued shares	-	-	39,379,890	2,362,793
Total Ordinary share capital	231,989,419	16,211,680	196,899,454	14,019,803

(b) Movement in ordinary share capital

	2014 Number	Consolidated 2014 \$	2013 Number	2013 \$
(i) Issued and paid up capital				
Balance at the beginning of the year	157,519,564	11,657,010	75,343,702	7,715,081
Shares issued under non-renounceable rights issue	-	-	50,029,470	2,501,473
Shares issued under Tiger subscription agreement and non-renounceable rights issue shortfall	-	-	32,146,392	1,607,320
Shares issued under additional placement to EBH	23,575,427	1,414,526	-	-
Shares issued under "Top-up rights" to EBH and Tiger	8,514,538	510,872	-	-
Transfer from unissued shares	39,379,890	2,362,793	-	-
Costs relating to issue of shares	-	(325,573)	-	(166,864)
Share plan shares	-	592,052	-	-
Balance at end of the year	228,989,419	16,211,680	157,519,564	11,657,010
(ii) Unissued shares				
Balance at the beginning of the year	39,379,890	2,362,793	-	-
Unissued shares due under contract ¹	-	-	39,379,890	2,362,793
Unissued employee share plan shares ²	3,000,000	-	-	-
Transfer to issued shares	(39,379,890)	(2,362,793)	-	-
Balance at end of the year	3,000,000	-	39,379,890	2,362,793

Notes

1. Unissued share were issued on the 4 July 2013.
2. During the year 3,000,000 share plan shares were granted to Mr Ryan as part of his remuneration package.

(c) Movement in options

	2014 Number	Consolidated 2014 \$	2013 Number	2013 \$
Balance at the beginning of the year	-	291,190	35,036,327	291,190
Options expired – 30 June 2014	-	-	(35,036,327)	-
Balance at end of the year	-	291,190	-	291,190

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

12. RESERVES AND ACCUMULATED LOSSES

	Consolidated	
	2014	2013
	\$	\$
Accumulated losses		
Movements in accumulated losses were as follows:		
Balance at beginning of financial year	9,081,239	5,176,233
Net loss for the year	2,788,971	3,905,006
Balance at end of financial year	11,870,210	9,081,239

	Consolidated			
	Option premium reserve	Share-based payments reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$
Reserves				
Movement in reserves were as follows:				
At 1 July 2012	291,190	627,710	(1,192)	917,708
Foreign currency translation	-	-	118,163	118,163
At 30 June 2013	291,190	627,710	116,971	1,035,871
At 1 July 2013	291,190	627,710	116,971	1,035,871
Loan settlement		117,000		117,000
Transfer to issued share capital		(592,052)		(592,052)
Share based payment		40,254		40,254
Foreign currency translation	-	-	(396,731)	(396,731)
At 30 June 2014	291,190	192,912	(279,760)	204,342

Nature and purpose of reserves

Option issue reserve

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

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to directors, consultants or employees as part of their remuneration. Refer to Note 13 for further details.

Foreign currency translation reserve

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

13. SHARE-BASED PAYMENTS

Employee share plans

Schemes under which shares may be issued by the Company to directors, consultants or employees for no cash consideration were approved by the shareholders at the 2009 Annual General Meeting. The Plan was not renewed at the Company's 2012 Annual General Meeting and as such should the Company issue shares to directors, consultants and employees under the Plan, the issue will impact the Company's 15% placement capacity under ASX listing rule 7.1.

Participants of the Plan are determined by the Board and can be directors, consultants or employees to the Company. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

The issue price for the shares issued under the Plan is not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised within the share-based payments reserve in the Statement of Financial Position and as a cost over the period the shares vest. Where share plan shares are granted with performance market conditions, the vesting condition is taken into account when estimating the fair value of the share plan shares by applying a discount rate for the probability of achieving the condition.

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Interest free;
- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The term of the loan shall be four (4) years from the date of issue of the shares.
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding; and
- Shares issued under the Plan are not transferable while a loan amount in respect of those shares remains payable.

The following share-based payment arrangements were in place during the current and prior periods:

	Number	Grant date	Loan period	Repayment amount per share \$	Fair value at grant date per share \$
11 December 2009 plan shares ¹	3,000,000	11/12/2009	4 years	\$0.039	\$0.158
L Ryan – Class A plan shares ²	1,000,000	6/12/2013	N/A	N/A	\$0.045
L Ryan – Class B plan shares ³	1,000,000	6/12/2013	N/A	N/A	\$0.032
L Ryan – Class C plan shares ⁴	1,000,000	6/12/2013	N/A	N/A	\$0.023

Notes:

1. The limited recourse loan was settled on 7 October 2013.
2. Plan shares will vest upon the employee completing 12 month's service in the role of Chief Executive Officer of the Company.
3. Plan shares will vest upon the Company achieving a Market Capitalisation of equal to or greater than \$30 million.
4. Plan shares will vest upon the Company achieving a Market Capitalisation of equal to or greater than \$50 million.

The fair value at grant date of the Plan shares with limited recourse loans is independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

All shares issued under the Plan with non-recourse loans are considered to be options. Therefore, the fair value of shares issued under the Plan is determined in the same way as options would be.

Other share-based payments

The Company makes share-based payments to consultants and/or service providers from time to time, not under any specific plan. The shares and options are issued in accordance with the relevant consultancy or service provider agreements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

14. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for office premises in the Republic of Zambia and Perth, Western Australia. The Zambian leases have a minimum term of one year and is renewable every year thereafter and the Perth lease is a renewable two year option. There are no restrictions placed upon the lessee by entering into this lease. The Group also holds an office equipment lease.

	Consolidated	
	2014	2013
	\$	\$
Within one year	36,153	-
After one year but not more than five years	14,377	-
More than five years	-	-
	50,530	-

Exploration commitments

The Group 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 Group. These commitments have not been provided for in the financial statements.

Due to the nature of the Group'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 as follows:

	Consolidated	
	2014	2013
	\$	\$
Within one year	1,661,492	521,360
2 to 5 years	2,284,552	1,712,940
Over 5 years	-	193,200

Other expenditure commitments

The Group has executed other exploration and administration expenditure commitments for exploration work to in relation to the Zambian Copper Project. Details of the exploration expenditure commitments are detailed as follows:

	Consolidated	
	2014	2013
	\$	\$
Within one year	-	184,353
2 to 5 years	-	-
Over 5 years	-	-

Contingencies

Native Title

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

ASX waivers from listing rule 6.18

Tiger Resources Limited

In October 2012, ASX Limited (ASX) granted the Company a waiver from Listing Rule 6.18 to the extent necessary to permit Tiger Resources Limited ("Tiger") to maintain, by way of a right to participate in any issue of shares or to subscribe for shares, its percentage interest in capital of the Company (the "Top-up Right") in respect of a diluting event which occurs or is announced following entry into a subscription agreement (the "Subscription Agreement") between the Company and Tiger dated on or around 27 August 2012, subject to the following conditions:

- 1.1 The Top-up Right lapses on the earlier of:
 - 1.1.1 the holding of Tiger in the Company falling below 15% and;
 - 1.1.2 the strategic relationship between the Company and Tiger ceasing or changing in such a way that it effectively ceases.
- 1.2 The Top-up Right may only be transferred to an entity in the wholly owned group of Tiger.
- 1.3 Any securities issued under the Top-up Right are offered to Tiger for consideration that is:
 - 1.3.1 No more favourable than cash consideration offered by third parties (in the case of issues of securities to third parties for cash consideration); or
 - 1.3.2 Equivalent in value to non-cash consideration offered by third parties (in the case of issues of securities to third parties for non-cash consideration).
- 1.4 The number of securities that may be issued to Tiger under the Top-up Right in the case of any diluting event must not be greater than the number required in order for Tiger to maintain its percentage holding in the issued capital of the Company immediately before that diluting event.
- 1.5 The Company discloses a summary of the Top-up Right to persons who may subscribe for securities under a prospectus.

Eagle Brilliant Holdings Limited

In June 2013, ASX granted the Company a waiver from ASX listing rule 6.18, to the extent necessary to permit Eagle Brilliant Holdings Limited ("EBH") to maintain, by way of a right to participate in any issue of shares or to subscribe for shares, its percentage interest in the issued capital of the Company (the "Top-up Right"). This Top-up Right was granted in respect of a diluting event which occurs or is announced following completion of the term sheet ("Term sheet") entered into between the Company and EBH as announced on 24 June 2013.

The Top-up Right is subject to the following conditions:

- 1.1 The Top-up Right lapses on the earlier of:
 - 1.1.1 EBH's holding in the Company falling below 19.90%;
 - 1.1.2 EBH's holding in the Company exceeding 25%; or
 - 1.1.3 the strategic relationship between the Company and EBH ceasing or changing in such a way that it effectively ceases.
- 1.2 The Top-up Right may only be transferred to an entity in the wholly owned group of Tiandilong Group Limited ("TDL Group").
- 1.3 Any securities issued under the Top-up Right are offered to EBH for cash consideration that is:
 - 1.3.1 no more favourable than cash consideration paid by third parties (in the case of issues of securities to third parties for cash consideration); or
 - 1.3.2 equivalent in value to non-cash consideration offered by third parties (in the case of issues of securities to third parties for non-cash consideration).
- 1.4 The number of securities that may be issued to EBH under the Top-up Right in the case of any diluting event must not be greater than the number in order for EBH to maintain its percentage holding in the issued share capital of the Company immediately before that diluting event.
- 1.5 The Company discloses a summary of the Top-up Right to persons who may subscribe for securities under a prospectus, and undertakes to include in each annual report a summary of the Top-up Right.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

15. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Chrysalis Resources Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest	
		2014	2013
Horizon Copper Zambia Limited	Republic of Zambia Limited	100%	100%
Zambian Copper Pty Ltd	Australia	100%	100%
Sedgwick Resources Limited	Republic of Zambia Limited	99.99%	99.99%

Chrysalis Resources Limited is the ultimate Australian parent entity and ultimate parent of the Group. Related party transactions during the year consisted of loan advances and fees paid to related parties of the Group. All intergroup transactions and balances are eliminated on consolidation.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

		Income from Related Parties \$	Expenditure to Related Parties \$	Amounts Owed by Related parties at year end \$	Amounts Owed to Related parties at year end \$
Equiti partners ¹	2014	-	138,429	-	-
	2013	-	154,718	-	30,430
Craigstone Pty Ltd ²	2014	-	64,906	-	-
	2013	-	-	-	78,000
Australasian Minerals & Trading Pty Ltd ³	2014	-	-	-	-
	2013	-	2,071	-	-
Ruby Hall Pty Ltd ⁴	2014	-	-	-	-
	2013	-	1,215	-	-
Yangtze Trust ⁵	2014	-	165,356	-	-
	2013	-	-	-	-

Notes:

1. Mr G Kidner, an Executive director, is a director of Equiti Partners. During the financial year, Equiti Partners received fees for accounting, secretarial, executive consultancy fees, administration services and reimbursement of car parking facilities from the Company.
2. Mr J Noakes, a director of Sedgwick Resources Limited, is a director of Craigstone Pty Ltd. During the financial year, Mr Noakes received geological exploration consultancy fees from the Company.
3. Australasian Minerals & Trading Pty Ltd is the trustee for the Sedgwick Resources Unit Trust of which Mr J Noakes is a beneficiary.
4. Mr A Paul, a Non-Executive director, is a director of Ruby Hall Pty Ltd. During the prior financial year, Ruby Hall Pty Ltd lent \$195,000 via an unsecured loan to the Company. The loan was repaid during September 2012 with interest of \$1,215 calculated at 8% per annum in accordance with the terms of contract with the Company.
5. Mr Jian Hua Sang, a Non-Executive directors is a beneficiary of Yangtze Trust. During the financial year Mr Sang received a commission on funds raised from EBH.

For the year ended 30 June 2014, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history (2012: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

16. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Group's financial instruments consist mainly of deposits with banks and current trade and other payables.

The main purpose of financial instruments is to finance the Group's operations. The Group also has other financial instruments such as trade debtors and creditors which arise directly from its operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

The Company does not speculate in the trading of derivative instruments. The main risks the Group is exposed to through its financial instruments are currency risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(b) Capital risk management objectives

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as general administrative outgoings.

(c) Categories of financial instruments

	Consolidated	
	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	694,497	456,885
Trade and other receivables	79,288	2,425,042
	773,785	2,881,927
Financial liabilities		
Trade and other payables	218,060	406,936
	218,060	406,936

(d) Market risk

The Group's activities expose it mainly to the financial risks of changes in foreign currency exchange rates and changes in interest rates.

The Company's subsidiary, Sedgwick Resources Limited, exposes the Group to fluctuations in foreign currency exchange rates by undertaking mineral exploration on tenements within the Republic of Zambia.

There have been no changes at the reporting date to the Group's manner in which it manages and measures the risk from the previous period.

(i) Price risk

Given the current level of operations, the Group is not exposed to price risk.

(ii) Interest rate risk

The Group has exposure to the risks of changes in market interest rates relating to its cash and cash equivalents. The Group maintains funds at both fixed and floating interest rates, with the risk managed by the Group maintaining an appropriate mix between fixed and floating rate liquid funds. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Financial assets and liabilities in the form of receivables, payables and current borrowings were non-interest bearing during the year. Unsecured loans and credit cards had floating interest rates during the year.

During the year ended 30 June 2014, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in the post tax loss for the year. The impact on equity would have been the same.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated			
	30 June 2014		30 June 2013	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash balances	2.62%	694,497	2.51%	456,885

(iii) Foreign currency exchange risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2014 \$	2013 \$	2014 \$	2013 \$
Zambian Kwacha (KWA)	100,468	165,910	49,737	105,120

Foreign currency sensitivity analysis

The Group is exposed to Zambian Kwacha (KWA) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar (AUD) against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes cash balances held in KWA and trade creditors and other payables held in KWA and USD. A positive number indicates an increase in profit and other equity where the AUD strengthens against the relevant currency. For a weakening Australian Dollar against the relevant currency there would be an equal and opposite impact on the profit and other equity and the balances would be negative.

		Consolidated			
		2014		2013	
		Profit / (loss)	Equity increase / (decrease)	Profit / (loss)	Equity increase / (decrease)
AUD strengthens	KWA	(5,073)	5,073	(6,079)	6,079
AUD weakens	KWA	5,073	(5,073)	6,079	(6,079)

Note: foreign currency gains or losses on intercompany loans are transferred to equity in accordance with Note 1. Therefore there is no impact on the Group's loss.

(e) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group measures credit risk on a fair value basis.

The Group's cash balances are held with a major Australian lending institution. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit rating agencies.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

(f) Liquidity risk management

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitors the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables, joint venture liabilities and unsecured loans as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of reporting date.

Liquidity and interest rate risk tables

	Weighted average interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	%	\$	\$	\$	\$	\$
2014						
Non-interest bearing	-	-	218,033	-	-	-
Variable interest rate instruments	18.50%	-	27	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
2013						
Non-interest bearing	-	-	403,187	-	-	-
Variable interest rate instruments	11.69%	-	3,749	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-

The above table details the Group's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

The following tables detail the Group's contractual maturity for its financial assets. These are based on the undiscounted cash flows of financial assets.

	Weighted average interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	%	\$	\$	\$	\$	\$
2014						
Non-interest bearing	-	-	106,670	-	-	-
Variable interest rate instruments	2.35%	-	84,696	-	-	-
Fixed interest rate instruments	2.85%-3.45%	-	503,131	-	-	-
Receivables	-	-	79,288	-	-	-
2013						
Non-interest bearing	-	-	2,761,890	-	-	-
Variable interest rate instruments	2.25%	-	7,066	-	-	-
Fixed interest rate instruments	4.00%	-	50,722	-	-	-
Receivables	-	-	50,316	-	-	-

(g) Fair value of financial instruments

For financial assets and liabilities, the net fair value approximates the carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Group has no financial assets where carrying amount exceeds net fair value at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

17. AUDITOR REMUNERATION

	Consolidated	
	2014	2013
	\$	\$
Remuneration of the auditors of the Company for:		
- audit and review services		
HLB Mann Judd Australia	29,900	36,200
HLB Reliance Zambia	20,897	-
BDO Zambia	4,961	26,828
- other services		
HLB Mann Judd Australia (Compliance)	30,000	
HLB Reliance Zambia (Compliance)	16,501	
	102,259	63,028

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	Consolidated	
	2014	2013
	\$	\$
Short-term benefits	968,699	746,937
Post-employment benefits	41,461	28,822
Share-based payments	40,254	-
	1,050,414	775,759

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits, consultancy fees and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's superannuation contributions made during the year and termination benefits.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

19. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2014 the Company announced a fully underwritten Non-Renounceable Entitlement Issue. The offer gave existing eligible shareholders the opportunity to subscribe for 1 new share for every 2 shares held in the capital of the Company on 15 July 2014. The offer comprised up to 114,494,709 new fully paid ordinary shares at 1 cent per new share to raise up to \$1,144,947 before costs.

- On 27 August 2014 the Company provided notice of shortfall of 88,793,752 ordinary fully paid shares at 1 cent, in accordance with the underwriting agreement with Adrian Paul.
- On 2 September 2014 26,200,957 ordinary shares were allotted at 1 cent pursuant to the offer document released on the 18 July 2014.
- On 15 September 2014 the Company advised of the completion by the underwriter of the entitlement issue by the placement of the remaining 88,293,752 shortfall shares, amounting to \$882,937.52.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

On 8 September 2014 the Company announced an exclusive licence and option agreement with Fortescue Metals Group for the West Angelas Project Tenements, for a consideration of \$100,000 at Commencement; and if not terminated beforehand, \$100,000 on the first anniversary of the Commencement Date.

No other matters or circumstance have arisen since 30 June 2014 which significantly affected or could significantly affect the operations of the consolidated group in future financial years.

20. INTEREST IN JOINTLY CONTROLLED OPERATION

During the prior year, Talisman Mining Limited earned a 62.7% joint venture interest in the Halloween West project by spending \$500,000 on exploration within three years from the commencement of the original Farm In agreement. Chrysalis retains the remaining 37.3% interest in the project. A formal joint venture agreement was executed with Talisman in the June quarter. Details of the work performed on the project during the year are disclosed in the Company Overview section of this report.

The share of the assets, liabilities, revenue and expenses of the jointly controlled operation, which are included in the consolidated financial statements, are as follows:

	Consolidated	
	2014	2013
	\$	\$
Financial Position		
Current assets		
Cash	18,692	-
Trade and other receivables	124	-
Total current assets	18,816	-
Non-current assets		
Exploration and evaluation expenditure	86,853	344,508
Total non-current assets	86,853	344,508
Current liabilities		
Trade and other payables	20,400	-
Total current liabilities	20,400	-
Net 37.3% interest in Joint Venture	85,269	344,508
Financial performance		
Loss for the year	269	-
Total comprehensive loss for the year	269	-

Refer to Note 14 for details on commitments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

21. PARENT ENTITY DISCLOSURES

	Consolidated	
	2014	2013
	\$	\$
Financial position		
Assets		
Current assets	885,101	2,715,954
Non-current assets	5,784,186	4,089,676
Total assets	6,669,287	6,805,630
Liabilities		
Current liabilities	147,923	301,815
Total Liabilities	147,923	301,815
Equity		
Ordinary share capital	16,211,680	14,019,803
Retained earnings	(10,174,418)	(8,434,888)
Reserves		
Share-based payments	192,912	627,710
Options issue reserve	291,190	291,190
Total equity	6,521,364	6,503,815
Financial performance		
Loss for the year	(1,739,530)	(3,275,925)
Total comprehensive loss for the year	(1,739,530)	(3,275,925)

The parent entity has agreed to provide financial support to its subsidiary Sedgwick Resources Limited for the period beyond 30 June 2014.

The recoverability of the parent company loans and investment in its subsidiaries is dependent upon the successful development and commercial exploitation or sale of the underlying exploration assets.

The parent entity has no contingent liabilities as at 30 June 2014 other than those disclosed in Note 14 above.

DIRECTORS DECLARATION

1. In the opinion of the directors of Chrysalis Resources Limited (the 'Company'):
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - 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.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
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 2014.

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



Dr Neale Fong
Non-Executive Chairman

Perth, 30 September 2014



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 ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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.

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.



Accountants | Business and Financial Advisers

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 consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the 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 in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Chrysalis Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that reads 'D I Buckley'.

D I Buckley
Partner

Perth, Western Australia
30 September 2014

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows, the information is current as at 15 October 2014:

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Ordinary shares	
Number of holders	Number of shares
1 – 1,000	14
1,001 – 5,000	53
5,001 – 10,000	65
10,001 – 100,000	247
100,001 and over	180
	559
	344,484,128

1 – 1,000
1,001 – 5,000
5,001 – 10,000
10,001 – 100,000
100,001 and over

The number of equity security holders holding less than a marketable parcel (based on a 1.2 cents price) of securities is 275.

(b) Twenty largest shareholders

Ordinary shares	
Number of shares	Percentage of ordinary shares
Eagle Brilliant Holdings Ltd	57,247,355
Tiger Resources Limited	45,568,894
Allgreen Holdings Pty Ltd	20,000,000
Timriki Pty Ltd	20,000,000
Padstock Limited	10,000,000
Mr Adrian Stephen Paul	9,450,004
Greetside Holdings Pty Ltd	9,000,000
Mr Graham Waldon and Mrs Barbara Waldon	8,590,000
Occasio Holdings Pty Ltd	8,250,000
Ice Cold Investments Pty Ltd	8,100,000
Mr David Nasir Yusoff	6,750,000
Sunshore Holdings Pty Ltd	6,593,752
Mr Grant Anthony Kidner	5,062,500
Bell Potter Nominees Limited	4,770,000
Mr Gary Watkins and Mrs Debra Watkins	4,715,000
Miss Emma Waldon	4,300,000
Mr Trevor Benson	4,140,000
Secor Pty Ltd	4,050,000
Mr Grant Michael Button	3,375,000
Mr Greg Stockdale	3,300,549
	243,263,054
	70.62

Eagle Brilliant Holdings Ltd
Tiger Resources Limited
Allgreen Holdings Pty Ltd
Timriki Pty Ltd
Padstock Limited
Mr Adrian Stephen Paul
Greetside Holdings Pty Ltd
Mr Graham Waldon and Mrs Barbara Waldon
Occasio Holdings Pty Ltd
Ice Cold Investments Pty Ltd
Mr David Nasir Yusoff
Sunshore Holdings Pty Ltd
Mr Grant Anthony Kidner
Bell Potter Nominees Limited
Mr Gary Watkins and Mrs Debra Watkins
Miss Emma Waldon
Mr Trevor Benson
Secor Pty Ltd
Mr Grant Michael Button
Mr Greg Stockdale

(c) Substantial shareholders

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares	Percentage of ordinary shares
Eagle Brilliant Holdings Ltd	57,247,355	16.62
Tiger Resources Limited	45,568,894	13.23
Mr Adrian Paul (and related parties)	33,351,595	9.68
Mr David Nasir Yusoff (and related parties)	29,078,735	8.44

Eagle Brilliant Holdings Ltd
Tiger Resources Limited
Mr Adrian Paul (and related parties)
Mr David Nasir Yusoff (and related parties)

ASX ADDITIONAL INFORMATION (continued)

(d) 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.

(e) Restricted Securities

There are 23,575,427 ordinary fully paid shares which are subject to escrow agreements. The escrow period for the shares ends on or after 3 November 2014.

(f) Unquoted options

	Number of holders	Number of securities issued
Leigh Ryan Class A - share plan rights	1	1,000,000
Leigh Ryan Class B - share plan rights	1	1,000,000
Leigh Ryan Class C - share plan rights	1	1,000,000

(g) Schedule of interests in mining tenements

Project	Tenement Number	Tenement Status	Holder	Percentage Interest ¹
WA Projects				
Halloween West (JV)	E52/2275	Granted	Chrysalis Resources Limited	37.3%
Gregory Range	E45/3120	Granted	Chrysalis Resources Limited	100%
	E45/3313	Granted	Chrysalis Resources Limited	100%
	E45/3314	Granted	Chrysalis Resources Limited	100%
West Angelas ²	E47/1838	Granted	Chrysalis Resources Limited	100%
	P47/1538	Granted	Chrysalis Resources Limited	100%
Zambian Project				
Shikila	13405-HQ-LPL	Granted	Sedgwick Resources Limited ³	99.99%
Kabwima Nth	8194-HQ-LPL	Granted	Sedgwick Resources Limited ³	99.99%
Kabwima Sth	13404-HQ-LPL	Granted	Sedgwick Resources Limited ³	99.99%
Bulala	8199-HQ-LPL	Granted	Sedgwick Resources Limited ³	99.99%
Mwongo	8198-HQ-LPL	Granted	Sedgwick Resources Limited ³	99.99%

Notes

1. Chrysalis Resources Limited percentage interest.
2. Fortescue has exclusive exploration access to, and an option to purchase, the West Angelas Project for a consideration of \$100,000 at Commencement; and if not terminated beforehand, \$100,000 on the first anniversary of the Commencement Date; and if not terminated beforehand, the sum of \$100,000 on the second anniversary of the Commencement Date. If Fortescue exercises the purchase option, Fortescue agrees to pay Chrysalis a Royalty.
3. Sedgwick Resources Limited is a wholly owned subsidiary of Chrysalis Resources Limited