



chesser  
resources limited

## **Half-Year Financial Report**

**31 December 2010**

**ABN 14 118 619 042**

**Chesser Resources Ltd** ABN 21 120 723 426  
**Interim Financial Report – 31 December 2010**

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This interim financial report does not include all of the notes and other disclosure information of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the financial year ended 30 June 2010 and any public announcements made by Chesser Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## Directors' Report

The directors present their report on the consolidated entity consisting of Chesser Resources Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

### Directors

The following persons were directors of Chesser Resources Ltd during the whole of the half-year under review and up to the date of this report:

Mr Stephen Evans, Chairman  
Dr Richard Valenta, Managing Director  
Mr Simon O'Loughlin, Non-Executive Director  
Mr Creagh O'Connor, Non-Executive Director  
Mr Simon Taylor, Non-Executive Director

### Review and Results of Operations

#### Results

The consolidated entity realised a loss after tax for the half-year of \$822,944.

The key achievements and highlights for the six months to December 2010 were as follows:

- The exercise of the first two options to acquire a 100% interest in the Kestanelik Project in Turkey with the third and final option exercised subsequent to period end.
- Capital raising of \$4.3 million completed
- Share price more than doubled after promising drilling results on the Kestanelik Project.

### Corporate

- On the 14 July 2010, Chesser announced that the capital raising of \$4.3 million was completed. The placement was the second tranche of the two tranche placement announced on the 28 May 2010 of a total of 26,666,667 shares at \$0.30 per share raising total funds of \$8.0 million.
- The exercise of the first two options to acquire a 100% interest in the highly prospective Kestanelik Project in Turkey was announced on 16 December 2010. Subsequent to period end, the announcement was made on 1 March 2011 that Chesser had reached the important milestone of exercising the third and final option and had acquired 100% of the Kestanelik Project.
- Cash balance at 31 December 2010, including term deposits, was \$5.8 million.

### Kestanelik

The Kestanelik Project is in north western Turkey. The property consists of a series of epithermal quartz vein zones of up to 30 metres true thickness, with a total strike length of more than 21 kilometres, the major proportion of these veins were totally untested by drilling. Some 18 kilometres of veins are covered by a post-mineral sequence of sediments, volcanics and alluvium. Mineralisation on the property is typical of low-sulphidation epithermal vein systems, examples of which include Pajingo in Queensland (Conquest Mining) and the Cerro Negro/Eureka project in Argentina (Goldcorp Inc).

A 10,000 metre drill program was undertaken during the period with excellent drill-hole assay results reported to the market in November and December.

The project has outstanding exploration potential with most of the gold bearing veins on the property yet to be drill tested.

## **Karaayi**

Karaayi is a copper and gold porphyry project situated some 70 kilometres south of Kestanelik. During the six months to 31 December 2010, work progressed on integrating the ground magnetic survey data, the IP-resistivity and the surface geochemical surveys with the previously mapped geological information. This has resulted in the identification of a number of high priority drill targets. Chesser has applied for drill permits and intends to carry out a short exploration drill program in the second quarter of 2011.

## **Sisorta**

The Sisorta Gold Project is in Turkey. The project has been granted an operating licence based on open pit heap leach gold recovery from the reported oxide gold JORC resources of 303,000oz gold. Chesser has now vested a 51% interest in the project and has notified the other party that the Stage two earn-in will not be exercised. There are no ongoing commitments with respect of the lease.

During the period discussions continued with potential participants in a sale or joint venture of the project. Following the operating permit granted in 2009, work continued on legal and environmental permits and studies. The other related permits are expected to be awarded in a timely manner. All facilities and infrastructure are in good standing and related extensions to rentals have been successfully completed.

## **Other Turkey regional prospects**

The company continues to assess additional exploration opportunities with an emphasis on drill-stage high-grade gold opportunities.

## **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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



**Dr Richard Valenta**  
**Managing Director**

Brisbane  
11 March 2011

The Directors  
Chesser Resources Ltd  
96 Stephens Road  
SOUTH BRISBANE QLD 4101

Dear Sirs

### **Auditor's Independence Declaration**

As lead engagement partner for the review of the financial report of Chesser Resources Ltd for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**JOHNSTON RORKE**  
Chartered Accountants



**J. J. EVANS**  
Partner

Brisbane, Queensland  
11 March 2011

## Consolidated Statement of Comprehensive Income

	Notes	Half-Year	
		2010 \$	2009 \$
<b>Revenue and other income from continuing operations</b>	3	<b>191,810</b>	34,867
Employee benefits expense		<b>(209,947)</b>	(138,481)
Share-based payments expense		-	(8,407)
Capitalised exploration costs – written-off		<b>(246,453)</b>	-
Depreciation		<b>(1,416)</b>	(1,349)
Consultancy costs		-	(30,000)
Other expenses		<b>(556,938)</b>	(319,777)
		<hr/>	<hr/>
<b>Loss before income tax</b>		<b>(822,944)</b>	(463,147)
Income tax expense		-	-
		<hr/>	<hr/>
<b>Loss for the half-year</b>		<b>(822,944)</b>	(463,147)
		<hr/>	<hr/>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<b>(1,238,942)</b>	(151,379)
		<hr/>	<hr/>
<b>Other comprehensive income for the half-year net of tax</b>		<b>(1,238,942)</b>	(151,379)
		<hr/>	<hr/>
<b>Total comprehensive income for the half-year</b>		<b>(2,061,886)</b>	(614,526)
		<hr/>	<hr/>
Loss attributable to:			
Owners of the parent		<b>(819,032)</b>	(463,147)
Non-controlling interests		<b>(3,912)</b>	-
		<hr/>	<hr/>
		<b>(822,944)</b>	(463,147)
		<hr/>	<hr/>
Total comprehensive income attributable to:			
Owners of the parent		<b>(1,753,382)</b>	(614,526)
Non-controlling interests		<b>(308,504)</b>	-
		<hr/>	<hr/>
		<b>(2,061,886)</b>	(614,526)
		<hr/>	<hr/>
<b>Earnings per share</b>		<b>Cents</b>	Cents
Basic and diluted (loss)		<b>(0.76)</b>	(1.06)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Financial Position

	Notes	31 December 2010 \$	30 June 2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,696,146	1,803,169
Trade and other receivables		819,951	358,428
Other financial assets – term deposits		4,082,471	2,500,000
Other current assets		57,140	51,847
<b>Total current assets</b>		<b>6,655,708</b>	<b>4,713,444</b>
<b>Non-current assets</b>			
Property, plant and equipment		103,233	98,484
Exploration and evaluation expenditure	4	14,711,613	14,039,231
<b>Total non-current assets</b>		<b>14,814,846</b>	<b>14,137,715</b>
<b>TOTAL ASSETS</b>		<b>21,470,554</b>	<b>18,851,159</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		219,472	356,185
Provisions		29,451	-
<b>Total current liabilities</b>		<b>248,923</b>	<b>356,185</b>
<b>TOTAL LIABILITIES</b>		<b>248,923</b>	<b>356,185</b>
<b>NET ASSETS</b>		<b>21,221,631</b>	<b>18,494,974</b>
<b>EQUITY</b>			
Contributed equity	5	19,767,198	14,978,655
Reserves	5	102,481	821,631
Accumulated losses		(4,393,184)	(3,358,952)
<b>Total equity attributable to the owners of the parent</b>		<b>15,476,495</b>	<b>12,441,334</b>
<b>Non-controlling interest</b>		<b>5,745,136</b>	<b>6,053,640</b>
<b>TOTAL EQUITY</b>		<b>21,221,631</b>	<b>18,494,974</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

	Attributable to Owners of Chesser Resources Ltd				Non- Controlling Interests \$	Total Equity \$
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$		
<b>2010</b>						
<b>Balance at 30 June 2010</b>	<b>14,978,655</b>	<b>821,631</b>	<b>(3,358,952)</b>	<b>12,441,334</b>	<b>6,053,640</b>	<b>18,494,974</b>
Transfer of equity reserves	-	215,200	(215,200)	-	-	-
Loss for the half-year	-	-	(819,032)	(819,032)	(3,912)	(822,944)
Other comprehensive income	-	(934,350)	-	(934,350)	(304,592)	(1,238,942)
<b>Total comprehensive income for the half-year</b>	-	(934,350)	(819,032)	(1,753,382)	(308,504)	(2,061,886)
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the half-year, net of transaction costs	4,788,543	-	-	4,788,543	-	4,788,543
<b>Balance at 31 December 2010</b>	<b>19,767,198</b>	<b>102,481</b>	<b>(4,393,184)</b>	<b>15,476,495</b>	<b>5,745,136</b>	<b>21,221,631</b>
<b>2009</b>						
<b>Balance at 30 June 2009</b>	<b>8,967,198</b>	<b>251,134</b>	<b>(1,820,301)</b>	<b>7,398,031</b>	<b>50</b>	<b>7,398,081</b>
Loss for the half-year	-	-	(463,147)	(463,147)	-	(463,147)
Other comprehensive income	-	(151,379)	-	(151,379)	-	(151,379)
<b>Total comprehensive income for the half-year</b>	-	(151,379)	(463,147)	(614,526)	-	(614,526)
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the half-year, net of transaction costs	1,282,500	-	-	1,282,500	-	1,282,500
Share-based payments	-	8,407	-	8,407	-	8,407
<b>Balance at 31 December 2009</b>	<b>10,249,698</b>	<b>108,162</b>	<b>(2,283,448)</b>	<b>8,074,412</b>	<b>50</b>	<b>8,074,462</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Cash Flows

	Half-year	
	2010	2009
	\$	\$
<b>Cash flows from operating activities</b>		
Interest received	180,512	25,112
Payments to suppliers and employees	(740,641)	(515,262)
<b>Net cash outflows used in operating activities</b>	<b>(560,129)</b>	<b>(490,150)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(11,549)	(8,863)
Transfer other financial assets – term deposits	(1,582,470)	(1,000,000)
Payments for exploration and evaluation expenditure	(2,712,963)	(733,159)
<b>Net cash outflows used in investing activities</b>	<b>(4,306,982)</b>	<b>(1,742,022)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	5,026,500	1,350,000
Share issue costs	(237,957)	(67,500)
<b>Net cash inflows provided by financing activities</b>	<b>4,788,543</b>	<b>1,282,500</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(78,568)</b>	<b>(949,672)</b>
Cash and cash equivalents at the beginning of the half-year	1,803,169	2,215,921
Effects of exchange rate changes on cash and cash equivalents	(28,455)	(107,703)
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,696,146</b>	<b>1,158,546</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## Notes to the Financial Statements

### 1 Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update of the latest annual financial statements of Chesser Resources Ltd and its controlled entities (the Group). As such, it does not include all the notes of the type normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

### 2 Operating Segments

#### Identification of reportable segments

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

The Group is managed primarily on the basis of projects in Turkey and other exploration and evaluation activity.

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

#### Activity by segment

##### *Kestanelik project*

The Kestanelik project is a high grade epithermal gold project in Turkey. Since the end of the half-year Chesser has vested 100% ownership in the project.

##### *Sisorta project*

The Sisorta Gold Project is in Turkey. The project has been granted an operating licence based on open pit heap leach gold recovery from the reported oxide gold JORC resources of 223,000oz gold. Chesser has now vested a 51% interest in the project and has notified the other party that the Stage two earn-in will not be exercised. There are no ongoing commitments with respect of the lease.

##### *Kaarayi project*

The Karaayi project is a copper and gold porphyry project not far from Kestanelik. A number of high priority drill targets have been identified. Chesser has applied for drill permits and intends to carry out a short exploration drill program in the second quarter of 2011.

##### *Other Turkey exploration and evaluation*

The company continues to assess advanced and other high quality projects in Turkey.

## 2 Operating Segments (continued)

### Basis of accounting for purposes of reporting by operating segments

#### *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

As at 31 December all operating activities of the Group relate to the exploration and evaluation of its exploration projects in Turkey. Income and expenditure as per the statement of comprehensive income consist of incidental revenue including interest and corporate overhead expenditure which are not allocated to the Group's operating segments.

Accordingly only exploration and evaluation expenditure assets are allocated to the Group's operating segments. All other assets and liabilities relate to corporate activities and are not allocated to operating segments.

### (i) Segment performance

	Kestanelik Project \$	Sisorta Project \$	Other Turkey Exploration & Evaluation \$	Total \$
<b>Half-Year 31 December 2010</b>				
Total segment revenue	-	-	-	-
Segment result	-	-	(246,453)	(246,453)
<i>Reconciliation of segment result to Group loss before tax</i>				
• Revenue				191,810
• Depreciation and amortisation				(1,416)
• Other corporate expenses				(766,885)
Net loss before tax				<u>(822,944)</u>
<b>Half-Year 31 December 2009</b>				
Total segment revenue	-	-	5,642	5,642
Segment result	-	-	5,642	5,642
<i>Reconciliation of segment result to Group loss before tax</i>				
• Revenue				29,225
• Depreciation and amortisation				(1,349)
• Share-based payments expense				(8,407)
• Other corporate expenses				(488,258)
Net loss before tax				<u>(463,147)</u>

### (ii) Segment assets

<b>31 December 2010</b>				
Segment assets	2,468,901	11,657,060	585,652	14,711,613
<b>30 June 2010</b>				
Segment assets	780,504	12,713,375	545,352	14,039,231

### 3 Revenue and Other Income

	Half-year 2010 \$	Half-year 2009 \$
Interest	180,512	29,225
Foreign exchange gain	7,446	5,642
Other revenue	3,852	-
	<b>191,810</b>	<b>34,867</b>

### 4 Non-current Assets – Exploration and evaluation expenditure

#### Capitalised costs – exploration and evaluation phase

	31 December 2010 \$	30 June 2010 \$
At cost	<b>14,711,613</b>	<b>14,039,231</b>
	Half-year 2010 \$	Half-year 2009 \$
Carrying amount at beginning of period	14,039,231	5,158,542
FX on opening balance	(1,794,128)	(53,866)
Additions	2,712,963	686,472
Write-off – capitalised exploration and evaluation expenditure	(246,453)	(71,856)
Carrying amount at end of period	<b>14,711,613</b>	<b>5,719,292</b>

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

### 5 Issued Capital and Reserves

#### Issued Capital

	31 December 2010 \$	30 June 2010 \$
Ordinary shares – fully paid	<b>19,767,198</b>	<b>14,978,655</b>

#### Movements in issued capital

	Note	Half-year 2010		Half-year 2009	
		No. of Shares	\$	No. of Shares	\$
Balance at the start of the half-year		93,878,750	14,978,655	70,958,750	8,967,198
Issue of shares – Placement tranche 2	(i)	14,421,667	4,326,500	-	-
Issue costs		-	(237,957)	-	-
Issue of shares – Exercise of unlisted options	(ii)	2,000,000	700,000	-	-
Issue of shares – Exercise of 1 <sup>st</sup> and 2 <sup>nd</sup> options Kestanelik project	(iii)	650,000	-	-	-
Issue of shares – Eurasian Minerals Inc.	(iv)	-	-	1,500,000	-
Issue of share – Placement	(v)	-	-	9,000,000	1,350,000
Issue costs		-	-	-	(67,500)
Issue of shares – Eldorado Gold Corporation	(vi)	-	-	100,000	-
Balance at the end of the half-year		<b>110,950,417</b>	<b>19,767,198</b>	<b>81,558,750</b>	<b>10,249,698</b>

Notes (i) Second tranche of \$8 million two tranche placement announced on 28 May 2010 to raise funds for the Group's exploration program on its Kestanelik project. The placement was completed on 14 July 2010 at an issue price of \$0.30 per share.

(ii) Exercise of unlisted options

(iii) Issue of shares pursuant to signed option agreement on Kestanelik project.

(iv) Issue of shares pursuant to signed option agreement on Sisorta project

(v) Share placement to sophisticated investors.

(vi) Issue of shares pursuant to signed option agreement on Kestanelik project.

## 5 Issued Capital and Reserves (continued)

	31 December 2010 \$	30 June 2010 \$
<b>Reserves</b>		
Share-based payments reserve	1,007,414	1,007,414
Foreign currency translation reserve	(904,933)	(185,783)
	<b>102,481</b>	<b>821,631</b>
	<b>Half-year 2010 \$</b>	<b>Half-year 2009 \$</b>
<b>Movements in reserves</b>		
<i>(a) Share-based payments reserve</i>		
Balance at the start of the half-year	1,007,414	284,207
Options issued to directors and employees	-	-
Balance at the end of the half-year	<b>1,007,414</b>	<b>284,207</b>
<i>(b) Foreign currency translation reserve</i>		
Balance at the start of the half-year	(185,783)	(124,891)
Transfer to accumulated losses	215,200	-
Net exchange differences on translation of foreign controlled entities	(934,350)	(151,379)
Balance at the end of the half-year	<b>(904,933)</b>	<b>(276,270)</b>
	<b>Half-Year 2010 Number</b>	<b>Half-Year 2009 Number</b>
<b>Share Options on Issue</b>		
Balance at the start of the half-year	10,107,500	7,792,500
Options exercised during the half-year	(2,000,000)	-
Balance at the end of the half-year	<b>8,107,500</b>	<b>7,792,500</b>

No options were issued during the reporting period.  
No options had expired during the reporting period.

## 6 Business Combination

### Summary of acquisition

On 21 May 2010 Chesser Resources Ltd acquired 51% of the share capital of EBX (BVI) Ltd and its controlled entity (EBX Group) as a result of the Group meeting the stage 1 earn in requirements in relation to the Sisorta project in North Central Turkey under the terms of the definitive option agreement signed on 26 October 2007. Stage 1 earn in requirements included the issue of shares, paying anniversary payments and paying for exploration and evaluation expenses during the period 26 October 2007 to 21 May 2010 until the threshold of payments as per the agreement.

#### *Completion of accounting for acquisition of EBX Group*

As at 30 June 2010 the Group had not completed its assessment of the fair value of tenements and information acquired in relation to the Sisorta project and as a result had been carried at cost with the excess of the purchase consideration over the net assets acquired disclosed as goodwill. The fair value assessment was completed during the period ended 31 December 2010. The details of the completed accounting for the business combination are stated below:

## 6 Business Combination (continued)

	\$
Purchase consideration:	
Shares issued (i)	1,260,000
Anniversary payments	336,851
Payments for exploration and evaluation expenditure	4,703,876
Non-controlling interest (ii)	6,053,640
	<u>12,354,367</u>

	Fair Value
	\$
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	26,278
Receivables	233,379
Property, plant and equipment	18,418
Payables	(116,931)
Exploration and evaluation assets	12,193,223
Total	<u>12,354,367</u>

(i) The consideration paid to acquire the EBX Group includes 3,150,000 ordinary shares at \$0.40 per share issued to the vendors of EBX (BVI) Ltd. The fair value of the shares has been determined based on the current market price of the shares at the date of acquisition.

(ii) The Group elected to recognise the non-controlling interests in the EBX (BVI) Ltd at its proportionate share of the acquired net identifiable assets for this acquisition.

As a result of the completion of the business combination accounting, the Statement of Financial Position as at 30 June 2010 has been restated as follows:

	Previously Disclosed 30 June 2010 \$	Restated 30 June 2010 \$	Change \$
Exploration and evaluation assets	7,801,122	14,039,231	6,238,109
Goodwill	3,181,462	-	(3,181,462)
Non-controlling interest	(2,996,993)	(6,053,640)	(3,056,647)
			<u>-</u>

## 7 Contingent Liabilities

There have been no material changes in contingent liabilities from those disclosed in the June 2010 annual report.

## 8 Commitments

There are no other material new commitments to the Group other than those disclosed in the June 2010 annual report.

## 9 Events Occurring After Balance Sheet Date

Other than the matters discussed in this report, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods, except the following;

- (i) On 1 March 2011, the Group announced that it had exercised the third option on the Kestanelik project as per the signed Option Agreement and as a result now owns 100% of the project. 250,000 shares in the Company were issued under the agreement.

The financial effect of the above matter has not been brought to account in the financial statements for the half-year ended 31 December 2010 but will be recognised in future financial periods.

## Directors' Declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Dr Richard Valenta**  
Managing Director

**Brisbane**  
**11 March 2011**

**Independent Auditor's Review Report  
To the Members of Chesser Resources Ltd**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Chesser Resources Ltd, which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Chesser Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

*Liability limited by a scheme approved under Professional Standards legislation.*

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**JOHNSTON RORKE**  
Chartered Accountants



Brisbane, Queensland  
11 March 2011

**J. J. Evans**  
Partner