

# CHRYSALIS RESOURCES LIMITED

ACN 125 931 964

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## ENTITLEMENTS ISSUE PROSPECTUS

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For a non-renounceable entitlements issue of approximately 41,375,001 Options on the basis of one (1) Option for every one (1) Share held by Shareholders registered at 5.00pm WST on 14 October 2008 at an issue price of 1 cent per Option to raise approximately \$413,750 (**Offer**).

### **Important Notice**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Options being offered under this Prospectus or any other matter, you should consult your stockbroker, accountant or other professional adviser.

The Options offered by this Prospectus should be considered speculative.

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**TIMETABLE AND IMPORTANT DATES**

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Lodgment of Prospectus with the ASIC & ASX	3 October 2008
Notice sent to Shareholders	7 October 2008
Ex Date	8 October 2008
Record Date for determining Shareholder entitlements	14 October 2008
Opening Date and dispatch of Prospectus to Shareholders	17 October 2008
Closing Date	31 October 2008
Options quoted on a deferred settlement basis	3 November 2008
Allotment and dispatch of holding statements	7 November 2008

Note: These dates are determined based upon the current expectations of the Directors and may, subject to the Listing Rules, be changed without notice. The Directors may extend the Closing Date by giving at least 6 Business Days' notice to ASX prior to the Closing Date.

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## **IMPORTANT INFORMATION**

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Investors should read this document in its entirety and, if in doubt, should consult their professional advisers before deciding whether to apply for Options offered under this Prospectus.

This Prospectus is dated 3 October 2008 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The expiry date of the Prospectus is at 5.00pm WST on the date which is 13 months after the date of this Prospectus (**Expiry Date**). No Options will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Acceptance Form which accompanies this Prospectus.

Please read this document carefully before you make a decision to accept the Offer. An investment in the Company has specific risks which you should consider before making a decision to invest.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus.

Application will be made to ASX within seven (7) days after the date of this Prospectus for official quotation of the Options the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus is a transaction specific prospectus for an offer of Options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Certain terms and abbreviations used in this Prospectus have defined meanings which are set out in the Glossary.

### **Electronic Prospectus**

This Prospectus may be issued as an electronic prospectus. The offer of Options pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing an Acceptance Form to another person unless it is attached to or accompanies the complete and unaltered version of this Prospectus. The Prospectus may be viewed online at [www.chrysalisresources.com.au](http://www.chrysalisresources.com.au).

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## CORPORATE DIRECTORY

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### Directors

Dr Neale Fong  
*Executive Chairman*

Mr Adrian Paul  
*Non-Executive Director*

Mr Grant Kidner  
*Non-Executive Director*

### Share Registry\*

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth WA 6000

Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2033

### Company Secretary

Grant Kidner

### Solicitors to the Company

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### Registered Office

Churchill Court  
Suite 9  
232 Churchill Avenue  
SUBIACO WA 6008

Telephone: (08) 9388 2556  
Facsimile: (08) 9388 3631

### Auditors\*

HLB Man Judd  
15 Rheola Street  
WEST PERTH WA 6005

### Website

[www.chrysalisresources.com.au](http://www.chrysalisresources.com.au)

\* These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.

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## CHAIRMAN'S LETTER

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Dear Shareholder

On behalf of the board I invite you to participate in the Company's Option issue open to all Shareholders on the register as at 5.00pm WST on 14 October 2008.

The Company is offering Shareholders non-renounceable Options on the basis of one Option for every one Share held, exercisable at 20 cents each on or before 30 June 2010, at an issue price of 1 cent.

A comprehensive overview of the Company is set out in the IPO prospectus which was lodged with the ASIC on 11th March 2008 for the initial public offer of 15,000,000 shares, with oversubscriptions of up to a further 5,000,000 Shares. As detailed in Section 3 of the IPO Prospectus the initial focus of activities was to become a successful exploration company through the discovery and development of minerals within the various project areas that are considered to be highly prospective.

Since listing in May 2008, we have made some progress toward the above objectives.

As reported in the latest Quarterly Report, the Company completed its first drilling program at "Sheeza" (PL24/3731). The results of the program revealed surface anomalism, including a 124.83 g/t value within the first metre of SRC 11, and confirms the general widespread presence of low-level gold values within the laterite profile. In respect to a potential bedrock source, the best single metre intersection of 2.33 g/t was returned in outlying drill hole SRC 17 at a depth of between 9-10 metres.

It is considered significant that the position of drill hole SRC 17 was situated the closest of all to an interpreted fault zone located further to the north. This fault zone has been previously defined as a priority geophysical target, but remains untested at this time.

The Board has acquired three tenements (Gregory Southern Project) in the Gregory Range area on the eastern extremity of the Hamersley Basin in the Pilbara Region. This project is prospective for iron ore.

The Board is currently reviewing all of its exploration tenements.

The Company appreciates the support of its shareholders and I encourage you to participate in this Offer of Options.

Yours sincerely

**Dr Neale Fong**  
**Chairman**

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## **1. DETAILS OF THE OFFER**

### **1.1 The Offer**

The Company is offering an entitlement issue of Options pursuant to this Prospectus. The purpose of the Offer and the use of the funds raised pursuant to the Offer are set out in Section 2.1 of this Prospectus.

The Offer consists of a non-renounceable offer of approximately 41,375,001 Options on the basis of one (1) Option for every one (1) Share held by Shareholders registered at 5.00pm WST on 14 October 2008 at an issue price of 1 cent per Option to raise approximately \$413,750.

The terms of the Options are set out in Section 3 of this Prospectus.

### **1.2 How to Apply**

Shareholders' acceptance of the Offer must be made on the Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
  - (i) complete the Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque for the amount indicated on the Acceptance Form;
- (b) if you only wish to accept part of your Entitlement:
  - (i) fill in the number of Options you wish to accept in the space provided on the Acceptance Form; and
  - (ii) attach your cheque for the appropriate application monies (at 1 cent per Option); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Chrysalis Resources Limited" and crossed "Not Negotiable".

Your completed Acceptance Form and cheque must reach the Share Registry by no later than 5.00pm WST on the Closing Date.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

### **1.3 Minimum Subscription**

There is no minimum subscription in respect of the Offer.

#### **1.4 Shortfall**

If you do not wish to take up any part of your Entitlement under the Offer, you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall.

The Company reserves the right, within 3 months of the Closing Date, to allot and issue the Shortfall at the discretion of the Directors. Do **not** complete a Shortfall Application Form unless you are directed to do so by one of the Directors.

The offer of Options under the Shortfall is independent from the Offer and will remain open after the Offer has closed for a period not exceeding 3 months.

#### **1.5 Allotment of Options**

All Options offered pursuant to this Prospectus will be allotted as soon as practicable after the Closing Date.

Pending the allotment and issue of the Options all application monies will be held by the Company in trust for the applicants in a separate bank account as required by the Corporations Act. The Company will, however, be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

#### **1.6 Risk Factors**

Prospective applicants should be aware that subscribing for Options the subject of this Prospectus involves a number of risks. These risks are set out in Section 4 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 4, and other general risks applicable to all investments in securities not specifically referred to, may in the future affect the value of the Options. Accordingly, an investment in the Company should be considered speculative.

#### **1.7 ASX Listing**

Application for official quotation by ASX of the Options offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue any Options and will repay all application monies for the Options within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Options is not to be taken in any way as an indication of the merits of the Company or the Options now offered for subscription.

#### **1.8 Electronic Prospectus**

This Prospectus will be issued in paper form and as an electronic prospectus. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. The Corporations Act prohibits any person from passing onto another person an Acceptance Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. Whilst the Offer is open, any person may obtain a hard copy of

this Prospectus by contacting the Company using the contact details set out in the Corporate Directory.

## **1.9 Taxation Implications**

The Directors do not consider that it is appropriate to give potential applicants advice regarding the taxation consequences of applying for Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to potential applicants. Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

## **1.10 Privacy Act**

If you complete an Application Form, you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and Option holder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or the Share Registry if you wish to do so at the relevant contact numbers set out in the Corporate Directory.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

## **1.11 Overseas Shareholders**

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

## **1.12 Enquiries**

Any questions concerning the Offer should be directed to the Company Secretary, Mr Grant Kidner, on (08) 9388 2556.

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## **2. PURPOSE AND EFFECT OF THE OFFER**

### **2.1 Purpose of the Offer and Use of Funds Raised**

The purpose of the Offer is to raise approximately \$413,750 (before expenses of the Offer). Proceeds raised from the Offer will be applied to meet expenses of the Offer, fund the Company's exploration activities to identify and delineate commercially significant mineral deposits and for general working capital.

The indicative application of funds raised under the Offer will be as follows:

<b>Item</b>	<b>Amount</b>
New project development and acquisitions	\$250,000
Working capital	\$135,000
Expenses of the Offer	\$28,750
<b>Total</b>	<b>\$413,750</b>

### **2.2 Effect of the Offer**

The principal effect of the Offer, assuming full subscription and no existing options on issue are exercised prior to the Record Date, will be to:

- (a) increase cash reserves by approximately \$385,000 after deducting estimated cash expenses of the Offer; and
- (b) increase the number of options on issue from nil as at the date of this Prospectus to 41,375,001 Options. The number of Shares on issue will not change.

### **2.3 Statement of Financial Position**

Set out below is:

- (a) an audited consolidated balance sheet of the Company as at 30 June 2008; and
- (b) an unaudited pro-forma consolidated balance sheet of the Company as at 30 June 2008 incorporating and assuming:
  - (i) the Offer of 41,375,001 Options to raise approximately \$413,750; and
  - (ii) the payment of cash costs of the Offer of \$28,750 (which are payable from the proceeds of the Offer).

**BALANCE SHEET**

Set out below is the Balance Sheet of Chrysalis as at 30 June 2008, and the Pro Forma Balance Sheet of the Company as at 30 June 2008 on the basis of the assumptions contained in Note 4 of Appendix B. The significant accounting policies upon which the Balance Sheet and the Pro Forma Balance Sheet of the Company are based are contained in Appendix B.

	NOTE	AUDITED 30 JUNE 2008 \$	REVIEWED PRO FORMA 30 JUNE 2008 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	4	3,826,536	4,211,536
Receivables		22,136	22,136
<b>TOTAL CURRENT ASSETS</b>		3,848,672	4,233,672
<b>NON-CURRENT ASSETS</b>			
Deferred Exploration Expenditure		1,869,067	1,869,067
<b>TOTAL NON-CURRENT ASSETS</b>		1,869,067	1,869,067
<b>TOTAL ASSETS</b>		5,717,739	6,102,739
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		153,021	153,021
<b>TOTAL CURRENT LIABILITIES</b>		153,021	153,021
<b>TOTAL LIABILITIES</b>		153,021	153,021
<b>NET ASSETS</b>		5,564,718	5,949,718
<b>EQUITY</b>			
Contributed Equity	5	5,646,808	6,031,808
Accumulated Profits/(Losses)		(82,090)	(82,090)
<b>TOTAL EQUITY</b>		5,564,718	5,949,718

## APPENDIX B

### NOTES TO THE BALANCE SHEET

#### 1. Significant Accounting Policies

The balance sheet as at 30 June 2008 has been drawn up in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional requirements.

##### (a) Going Concern

The Directors have prepared the balance sheet on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

##### (b) Accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

###### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property. A summary of the Company's significant accounting policies is set out below.

##### (c) Acquisitions of assets

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value for the net assets of the subsidiary acquired, the difference is recognised directly in

the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(d) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(e) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**(f) Exploration and evaluation expenditure**

Exploration and evaluation costs related to areas of interest are carried forward to the extent that:

- (i) The rights to tenure of the areas of interest are current and the Company controls the area of interest in which the expenditure has been incurred; and
- (ii) Such costs are expected to be recouped through successful development and exploration of the area of interest, or alternatively by its sale; or
- (iii) 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 will be assessed annually for impairment and where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units.

**(f) Exploration and evaluation expenditure (continued)**

The income statement will recognise expenses arising from the excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets. Expenditure capitalised under the above policy is amortised over the life of the area of interest from the date that commercial production of the related mineral occurs. In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(g) Provisions**

Mine restoration and rehabilitation costs are provided for at the present value of future expected expenditures required to settle the Company's obligations on commencement of commercial production, discounted using a rate specified to the liability. When this provision is recognised a corresponding asset is also recognised as part of the development costs of the mine to the extent that it is considered that the provision gives access to future economic benefits. On an ongoing basis, the rehabilitation liability is re-measured at each reporting period in line with the changes in the time value of money (recognised as an expense in the income statement and an increase on the provision), and additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability.

**(h) Employee benefits**

Share-based payments

Share-based compensation benefits will be provided to employees via the Company's Incentive Option Scheme. The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date

and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital. The market value of shares issued to employees for no cash consideration under the Incentive Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

**(i) Investment and other financial assets**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

*(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months

after the balance sheet date which are classified as non-current assets. Loans and receivable are included in receivables in the balance sheet.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the

cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**(i) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**2. Post Balance Date Events**

In our opinion, there have been no material items, transactions or events subsequent to 30 June 2008 not otherwise disclosed in this Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report of which would cause such information included in the Report to be misleading.

**3. Basis of Preparation**

The Pro Forma Financial Statements in Appendix A includes the following adjustments:

- i) The issue of 41,375,000 options at \$0.01 per share raising \$413,750 pursuant to the Offer.
- ii) Associated costs of the Offer totalling \$28,750.

	NOTE	REVIEWED ACTUAL JUNE 2008 \$	REVIEWED PRO FORMA JUNE 2008 \$
<b>4. Cash</b>			
Cash and Cash Equivalents		3,826,536	4,211,536
Opening Balance		3,826,536	3,826,536
Issue of 41,375,000 Options at 1 cent	3(i)	-	413,750
Associated costs of the Option Offer	3(ii)	-	(28,750)
Closing Balance		3,826,536	4,211,536
<b>5. Contributed Equity</b>			
Issued and paid up ordinary share capital		5,646,808	6,031,808
Opening Balance		5,646,808	5,646,808
Issue of 41,375,001 Options at 1 cent	3(i)	-	413,750
Associated costs of the Option Offer	3(ii)	-	(28,750)
Closing Balance		5,646,808	6,031,808
Movements in number of ordinary share capital			
<b>Details:</b>			<b>Number</b>
Balance as at 30 June 2008			41,375,001
Balance Post Offer			41,375,001
Movement in number of options			
<b>Details:</b>			
Balance as at 30 June 2008			0
Issue of 41,375,001 Options as per Offer			41,375,001
Balance Post Offer			41,375,001

## 2.4 Pro Forma Capital Structure of the Company

Upon completion of the Offer, the capital structure of the Company will be:

<b>Shares</b>	<b>No. of Shares</b>
Shares on issue as at the date of this Prospectus	41,375,001
<b>Options</b>	
Options on issue as at the date of this Prospectus	Nil
Options offered pursuant to this Prospectus	41,375,001
<b>Total options on issue at completion of Offer</b>	<b>41,375,001<sup>1</sup></b>

1. Assuming Offer is fully subscribed

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### 3. TERMS OF SECURITIES

#### 3.1 Terms of Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5:00 pm WST on 30 June 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**).
- (d) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

**(Exercise Notice).**

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Company will apply for quotation of the Options on ASX.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of

capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

### **3.2 Rights and Liabilities Attaching to Shares Issued Upon Conversion of Options**

The following is a summary of the more significant rights and liabilities attaching to Shares issued upon conversion of the Options. Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

#### **(a) General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

#### **(b) Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amount credited).

#### **(c) Dividend Rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the

payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

**(d) Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

**(e) Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

**(f) Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

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## **4. RISK FACTORS**

### **4.1 General**

The Options offered under this Prospectus are considered speculative, and involve investors being exposed to risk. The Directors recommend potential applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Options offered pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.

The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Company's quoted securities.

This list is not exhaustive and potential applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Options.

### **4.2 Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

### **4.3 Market Conditions**

The market price of quoted securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### **4.4 Exploration Success**

The mineral tenements in which the Company has an interest are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of tenements will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

#### **4.5 Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

#### **4.6 Environmental Risks**

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

In this regard, the relevant state mines department from time to time reviews the environmental bonds that are placed on tenements. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

#### **4.7 Title Risks and Native Title**

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

#### **4.8 Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

#### **4.9 Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

#### **4.10 Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

#### **4.11 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Options offered under this Prospectus.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Options offered pursuant to this Prospectus.

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## 5. ADDITIONAL INFORMATION

### 5.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” for the purpose of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities. The Shares which will be issued on conversion of the Options issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the three months prior to the issue of this Prospectus.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of ASX as applicable from time to time since the date the Company listed on ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, the offices of the ASIC; and
- (b) it will provide a copy of any continuous disclosure given by the Company since the date the Company listed on ASX.

As at the date of this Prospectus, the Company has not lodged any annual financial report or half-year financial report with ASIC.

The Company has lodged the following announcements with ASX since lodgement of the initial public offer prospectus with the ASIC on 11 March 2008:

<b>Date</b>	<b>Announcement</b>
02/10/2008	Acquisition of Gregory South Iron Ore Project
25/09/2008	Letter to Shareholders - Addendum to Annual Report
25/09/2008	Annual Report to shareholders
09/09/2008	Board Changes
09/09/2008	Final Director`s Interest Notice
09/09/2008	Initial Director`s Interest Notice
09/09/2008	Initial Director`s Interest Notice
28/07/2008	Quarterly Activities and Cashflow Reports
17/06/2008	Becoming a substantial holder x4
16/06/2008	Result of Drilling Programme Sheeza
16/06/2008	Initial Director`s Programme Sheeza
29/05/2008	Drilling Programme Sheeza
27/05/2008	Constitution
27/05/2008	Appendix 1A
27/05/2008	Corporate Governance Statement
27/05/2008	Statement confirming completion of conditions precedent
27/05/2008	Balance Sheet
27/05/2008	Distribution Schedule
27/05/2008	Use of Proceeds
27/05/2008	Top 20 shareholders
27/05/2008	Pre-Quotation Disclosure
27/05/2008	Admission Official List
20/03/2008	Chrysalis Resources Ltd – Disclosure Document

## **5.2 Market price of Shares on ASX**

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

- (a) highest – 42 cents on 20 June 2008; and
- (b) lowest – 13 cents on 1 October 2008.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 13 cents per Share on 2 October 2008.

### 5.3 Consents

Steinepreis Paganin has given, and has not withdrawn, its written consent to be named in this Prospectus as the solicitor to the Company.

Steinepreis Paganin has not authorised or caused the issue of this Prospectus and does not accept any liability to any persons in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

### 5.4 Directors' Interests and Remuneration of Directors

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within two years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities pursuant to this Prospectus; or
- (c) the offer of Options pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company or the offer of Options pursuant to this Prospectus.

The Directors' interests in securities in the Company at the date of this Prospectus are as follows:

Director	Number of Shares		Number of options	
	Direct	Indirect	Direct	Indirect
Neale Fong	50,000	450,000	-	-
Adrian Paul	2,500,001	-	-	-
Grant Kidner	250,000	210,000	-	-

The Constitution provides that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting (currently set at \$300,000), to

be divided among the Directors and in default of agreement then in equal shares.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

No non-executive Director shall be paid as part or whole of his remuneration a commission on or a percentage of profits or operating revenue.

If any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or its business, the Directors may remunerate this Director in accordance with such services or exertions, and this remuneration may be either in addition to or in substitution for the remuneration provided in the form of directors fees.

The table below sets out the remuneration provided to the Directors and their associated companies during the current financial year, inclusive of Directors' fees and consultancy fees. None of the Directors received any remuneration from the Company prior to 1 July 2007.

<b>Director</b>	<b>Previous financial year</b>	<b>Current financial year</b>
Neale Fong	\$36,333	\$109,000
Adrian Paul	\$18,167	\$54,500
Grant Kidner	\$9,083	\$55,400

## **5.5 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no expert or adviser nor any firm in which such an expert or adviser is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities pursuant to this Prospectus; or
- (c) the offer of Options pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any expert or adviser or to any firm in which any such expert or adviser is a partner, either to induce him to become, or to qualify him as, an expert or adviser or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company or the offer of Options pursuant to this Prospectus.

Steinepreis Paganin have acted as solicitor to the Company in relation to the Offer and assisted in conducting due diligence enquiries in respect of the Prospectus. The Company estimates it will pay them \$5,000 in respect of this work.

## 5.6 Litigation

The Company is not engaged in any legal or arbitration proceedings, nor so far as the Directors are aware, are there any legal or arbitration proceedings active, pending or threatened by or against the Company which may have or have had a significant effect on the financial position of the Company.

## 5.7 Expenses of the Offer

The estimated expenses of the Offer (excluding GST) are as follows:

<b>Item</b>	<b>Amount</b>
ASIC Fees	\$2,010
ASX fees	\$14,715
Legal fees	\$5,000
Miscellaneous costs	\$7,025
<b>Total</b>	<b>\$28,750</b>

## SECTION 6


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### 6. DIRECTORS' AUTHORISATION

#### 6.1 Directors' Authorisation and Consent

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



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**Grant Kidner**  
**Director**  
**For and on behalf of**  
**Chrysalis Resources Limited**

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## GLOSSARY

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**Acceptance Form** means the entitlement and acceptance form for the Offer accompanying this Prospectus.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means, as the context requires, ASX Limited (ACN 008 624 691) or the Australian Securities Exchange.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Closing Date** means the closing date for the Offer, being 11 March 2008 unless extended by the Company.

**Company** means Chrysalis Resources Limited (ACN 125 931 964).

**Constitution** means the Company's constitution as at the date of this Prospectus.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Dollar** or "\$" means Australian dollars.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**IPO Prospectus** means the initial public offer prospectus dated 11 March 2008.

**Listing Rules** or **ASX Listing Rules** means the Listing Rules of ASX.

**Offer** means the non-renounceable entitlements offer of one (1) Option for every one (1) Share held by Shareholders on the Record Date at an issue price of 1 cent per Option. Further details are set out in Section 1.1 of this Prospectus.

**Option** means an option to acquire a Share on the terms set out in Section 3.1 of this Prospectus.

**Prospectus** means this prospectus.

**Record Date** means the record date for determining Shareholders' entitlement to participate in the Offer, being 14 October 2008.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Computershare Investor Services Pty Ltd.

**Shareholder** means a holder of a Share.

**Shortfall** means the number of Options comprising the difference between the Options the subject of the Offer and the number of Options for which valid applications have been received and accepted by the Company.

**Shortfall Application Form** means the shortfall application form attached to or accompanying this Prospectus.

**WST** means Western Standard Time.



## INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the share registry of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the Share Registry on **(08) 9323 2000**. The Form must be received by the Registry no later than **5.00 pm on the date which is 3 months after the Closing Date (or such earlier date as directed by the Company)**.

**A. Application for Options**

The Shortfall Application Form must only be completed in accordance with instructions included in the Prospectus.

**B. Name of Applicant**

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

**C. Name of Joint Applicants or Account Designation**

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

**D. Address**

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

**E. Contact Details**

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

**F. CHES HIN or existing SRN Details**

The Company participates in CHES. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHES HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

**G. Cheque Details**

Make cheques payable to "Chrysalis Resources Limited- Entitlement Offer Account" in Australian currency and cross them "**Not Negotiable**". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

**H. Declaration**

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.

If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it, shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more Options than is indicated by the amount of the accompanying cheque.

**Forward your completed application together with the application money to:**

**Chrysalis Resources Limited- Entitlement Offer Account  
C/- Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth WA 6000**

### CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund