

CHESSER RESOURCES LIMITED

ACN 118 619 042

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting

Thursday, 20 November 2014

Time of Meeting

11.00am (Brisbane time)

Place of Meeting

McCullough Robertson Lawyers
Level 11, 66 Eagle Street
Brisbane

This Notice of Meeting and Explanatory Memorandum should be read in its entirety.
If Shareholders are in doubt as to how they should vote, they should seek advice from their
accountant, solicitor or other professional adviser prior to voting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting (**Meeting**) of the Shareholders of Chesser Resources Limited ACN 118 619 042 (**Company**) will be held on Thursday, 20 November 2014, commencing at 11.00am (Brisbane time) at McCullough Robertson Lawyers, Level 11, 66 Eagle Street, Brisbane QLD 4000. Registration will commence just prior to the Meeting.

An online version of the Company's 2014 Annual Report can be downloaded or viewed at www.chesserresources.com.au. The 2014 Annual Report has also been sent by post to those Shareholders who have previously elected to receive a hard copy.

This Notice of Meeting incorporates, and should be read together with, the Explanatory Memorandum and Proxy Form. Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of Meeting and the Explanatory Memorandum.

ORDINARY BUSINESS

Receipt of financial statements and reports

To receive and consider the Directors' report, the Auditor's report and the financial statements of the Company for the financial year ended 30 June 2014.

Resolutions

1. Adoption of Remuneration Report (non-binding resolution)

To consider and if thought fit, pass, with or without amendment, the following Resolution as an ordinary Resolution under section 250R(2) of the Corporations Act:

"That the Remuneration Report for the financial year ended 30 June 2014 as set out in the Company's 2014 Annual Report be adopted."

Note: Under the Corporations Act, this Resolution is advisory only and does not bind the Directors or the Company. However, if 25% or more votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at that second annual general meeting on an additional resolution on whether another meeting should be held at which all of the Directors, other than the Managing Director, must stand for re-election. Please see the Explanatory Memorandum for further information.

Voting Exclusion: A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (ii) the person is the Chair of the Meeting and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on the Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

2. Re-election of Director, Mr Simon O'Loughlin

To consider and if thought fit, pass, with or without amendment, the following Resolution as an ordinary Resolution:

"That Mr Simon O'Loughlin, who retires as a Director of the Company pursuant to rule 6.1 of the Company's Constitution and being eligible and offering himself for re-election, be re-elected as a Director of the Company."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr O'Loughlin and any associate of Mr O'Loughlin.

SPECIAL BUSINESS

3. Ratification and approval of previous allotment and issue of Shares

To consider and if thought fit, pass the following Resolution as an ordinary Resolution:

"That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the previous allotment and issue of 1,100,000 Shares to Eldorado Gold Corporation on the terms and conditions as set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Eldorado Gold Corporation and any of its associates.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Approve Return of Capital

To consider and if thought fit, pass the following Resolution as an ordinary Resolution:

"That, for the purposes of Part 2J.1 of the Corporations Act and for all other purposes, Shareholders approve the Company reducing its share capital by way of an equal capital reduction in accordance with section 256C of the Corporations Act and that an amount of up to fifteen cents per Share be returned to each Shareholder registered as at the Record Date, and otherwise on the terms outlined in the Explanatory Memorandum."

ATTENDANCE AND VOTING AT THE MEETING

Voting entitlement

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that Shareholders who are on the Company's share register at 7.00pm (Brisbane time) on Tuesday, 18 November 2014 shall, for the purposes of the Meeting, be entitled to attend and vote at the Meeting.

If you are not the registered holder of a relevant Share at that time, you will not be entitled to vote at the Meeting.

Voting at the Meeting

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast. No special resolutions have been proposed for this Meeting.

The passing of each Resolution arising at this Meeting will be decided in the first instance by a show of hands. A poll may be demanded in accordance with the Company's Constitution.

On a show of hands, every Shareholder who is present in person or by proxy, corporate representative or attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, corporate representative or attorney, will have one vote for each Share held by that person.

Voting by proxy

A Shareholder who is entitled to attend and vote at this Meeting may appoint a proxy to attend and vote on the Shareholder's behalf. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise.

A Proxy Form accompanies this Notice. To be valid, the Proxy Form must be received no later than 11.00am (Brisbane Time) on Wednesday 19, November 2014, being 24 hours prior to the commencement of the Meeting.

To record a valid proxy vote, a Shareholder will need to take the following steps:

- (i) cast the Shareholder's vote online by visiting www.investorvote.com.au and entering the Shareholder's Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed Proxy Form;
- (b) complete and lodge the Proxy Form at the share registry of the Company, Computershare Investor Services Pty Limited:
 - (i) by post at the following address:

Computershare Investor Services Pty Limited
GPO Box 242
MELBOURNE VIC 3001
 - OR
 - (ii) by facsimile on 1800 783 447 (within Australia) or +61 9473 2555 (outside Australia);
- (c) enter www.investorvote.com.au directly into your smart phone and follow the instructions on your personalised proxy form or scanning the QR Code on the front of your proxy form. To scan the QR code you will have needed to download and installed a QR Code Scanner application for your smart phone; or
- (d) for Intermediary Online subscribers only (custodians), cast the Shareholder's vote online by visiting www.intermediaryonline.com.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on each of the Resolutions by marking either **For**, **Against** or **Abstain** on the voting form for each item of business. As explained further below, your vote on Resolution 1 may not be counted if you do not direct your proxy how to vote.

Pursuant to section 250BB of the Corporations Act, an appointment of a proxy may specify the way the proxy is to vote on a particular Resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the Resolution, the proxy must not vote on a show of hands;
- (c) if the proxy is the Chair of the meeting at which the Resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the Chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Under section 250BC of the Corporations Act, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular Resolution at a meeting of a company's members;
- (b) the appointed proxy is not the Chair of the meeting;
- (c) at the meeting, a poll is duly demanded on the Resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the Resolution at the meeting.

Undirected proxies

Please note that if the Chair of the Meeting is appointed as your proxy (or becomes your proxy by default), you expressly authorise the Chair to exercise your proxy on the Resolutions even though they may be connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company, which includes the Chair. If you appoint the Chair as your proxy you can direct the Chair to vote for or against or abstain from voting on any of Resolutions by marking the appropriate box on the Proxy Form.

The Chair intends to vote undirected proxies in favour of each item of business.

Please also note that if you appoint a Director or a member of the Key Management Personnel (or their Closely Related Parties) as your proxy, in accordance with section 250R(5) of the Corporations Act you must direct your proxy how to vote on Resolution 1, otherwise your vote will not be counted. Follow the instructions on the proxy form to direct your proxy how to vote.

Voting by corporate representative

A Shareholder or proxy that is a corporation and entitled to attend and vote at the Meeting may appoint an individual to act as its corporate representative.

Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with the Company before the Meeting or at the registration desk on the day of the Meeting.

Voting by attorney

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint an attorney to attend and vote at the Meeting on the Shareholder's behalf.

An attorney need not be a holder of Shares.

An instrument conferring the power of attorney or a certified copy of the authority must be produced to the Company at least 24 hours prior to the commencement of the Meeting.

DATED 10 October 2014

**BY ORDER OF THE BOARD
CHESSER RESOURCES LIMITED**

**STEPHEN KELLY
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY**

EXPLANATORY MEMORANDUM

IMPORTANT NOTICE

This Explanatory Memorandum forms part of the Notice convening the Annual General Meeting of Shareholders of Chesser Resources Limited to be held on 20 November 2014 at 11.00 am (Brisbane time). This Explanatory Memorandum is to assist Shareholders in understanding the background to, and the legal and other implications of, the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by Shareholders to consider the Resolutions.

If you are in doubt about what to do in relation to the Resolutions, you should consult your financial or other professional adviser.

Words or expressions used in the Notice of Meeting and in this Explanatory Memorandum are defined in the Glossary.

Unless otherwise stated, all references to sums of money, '\$' and 'dollars' are references to Australian currency.

This Explanatory Memorandum is dated 10 October 2014.

BACKGROUND TO THE RESOLUTIONS

ORDINARY BUSINESS

Receipt of financial statements and reports

This item does not require voting by Shareholders. It is intended to provide an opportunity for Shareholders to raise questions on the financial statements and reports. The Company's auditor of the Company will be present at the Meeting and available to answer any questions.

In addition to asking questions at the Meeting, Shareholders may address written questions to the Chair of the Meeting about the management of the Company or to the Company's Auditor, Pitcher Partners, if the question is relevant to:

- (i) the content of the Auditor's report; or
- (ii) the conduct of its audit of the financial statements to be considered at the Meeting.

Note: Under section 250PA(1) of the Corporations Act a Shareholder must submit the question to the Company no later than the fifth business day before the day on which the Annual General Meeting is held.

Written questions for Pitcher Partners must be delivered by 13 November 2014 to the address listed on the Proxy Form attached to this Notice of Meeting.

Resolution 1 – Adoption of Remuneration Report (non-binding resolution)

1.1 Background

The Annual Report for the year ended 30 June 2014 contains a Remuneration Report which sets out the remuneration policy of the Company and the remuneration details for each Director and for each member of the Company's senior executive management team.

An electronic copy of the 2014 Annual Report is available to download or view on the Company's website at www.chesserresources.com.au. The 2014 Annual Report has also been sent by post to those Shareholders who have previously elected to receive a hard copy. In addition, the Company has also enabled online voting, details of which are explained on the Proxy Form.

The Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Directors will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

1.2 *Two strikes*

If 25% or more of votes that are cast on this non-binding Resolution are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of these annual general meetings on a resolution (a **Spill Resolution**) that another meeting be held within 90 days (**Spill Meeting**), at which:

- (i) all of the Company's Directors (other than the Managing Director) cease to hold office immediately before the end of the Spill Meeting; and
- (ii) Resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting will be put to the vote at the Spill Meeting.

The approval threshold for the Spill Resolution is 50% or more of votes that are cast on the Spill Resolution.

1.3 *Board Recommendation*

At the 2013 Annual General Meeting, Shareholders voted in favour of the Remuneration Report.

The Board unanimously recommends that Shareholders vote **FOR** Resolution 1.

The Chair intends to vote undirected proxies in favour of Resolution 1.

Resolution 2 - Re-election of Director, Mr Simon O'Loughlin

2.1 *Background*

Under Listing Rule 14.4 and clause 6.1 of the Company's Constitution, a Director must not hold office without re-election past the third annual general meeting following the director's appointment, or 3 years, whichever is longer. A Director who retires in accordance with these requirements is eligible for re-election.

Mr O'Loughlin was re-elected to the Board in 2011. Accordingly, Mr O'Loughlin must retire at the end of the Meeting and offers himself for re-election.

A resume for Mr O'Loughlin follows:

Simon O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. For many years he has practiced both in Sydney and Adelaide, in the corporate and commercial fields with, in more recent times, a particular focus on the resources sector. He also holds accounting qualifications. Simon is the Chairman of Lawson Gold Limited and Petratherm Ltd and a Non-executive Director of WCP Resources Limited, Lyell Resources Limited, Crest Minerals Ltd and Goldminex Ltd.

Simon has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and back-door listing of numerous companies on the ASX and National Stock Exchanges. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Resolution 2 is an ordinary Resolution.

2.2 Board Recommendation

The Board (with Mr O'Loughlin abstaining) recommends that Shareholders vote **FOR** Resolution 2.

The Chair intends to vote undirected proxies in favour of Resolution 2.

SPECIAL BUSINESS

Resolution 3 - Ratification and approval of previous allotment and issue of Shares

3.1 Background

On 3 April 2014, the Company issued 1,100,000 Shares to Eldorado Gold Corporation (**Eldorado**) pursuant to the exercise of an option by the Company in relation to the Catak Gold Project, in accordance with the terms of an option agreement between the Company and Eldorado dated 10 July 2012 (as amended) (**Option Agreement**).

The purpose of Resolution 3 is for Shareholders to ratify and approve, under Listing Rule 7.4, the Shares issued to Eldorado.

Listing Rule 7.1 prohibits the Company (subject to certain exceptions such as pro-rata issues) from issuing or agreeing to issue equity securities representing more than 15% of the Company's total issued securities, during a rolling 12 month period, without Shareholder approval (**15% Threshold**).

Listing Rule 7.4 allows an issue of equity securities, for which Shareholder approval was not first obtained, to not be counted towards the 15% Threshold when Shareholder approval for that issue is subsequently obtained.

That is, Listing Rule 7.4 permits an issue of Shares to be approved retrospectively. It provides that an issue of securities is treated as having been made with shareholder approval if Listing Rule 7.1 was not breached at the time the securities were issued and Shareholders subsequently approve (ratify) the issue. The Company did not breach Listing Rule 7.1 at the time the Placement Shares were issued and now seeks Shareholder approval for the issue of the Placement Shares.

By Shareholders approving Resolution 3, the Board has the flexibility to issue more equity securities up to the 15% Threshold over the next 12 month period. Once the issue of Shares to Eldorado is approved, these Shares will not be counted for the purposes of the 15% Threshold.

3.2 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 3:

Item	Information
Maximum number of Shares issued	1,100,000 Shares.
Issue Price	Nil (issued pursuant to the exercise of an option by the Company under the Option Agreement in relation to the Catak Gold Project).
Terms of the securities	The Shares were issued as fully paid ordinary shares ranking equally with existing Shares for which quotation on the ASX was sought.
Name of allottees or basis on which determined	Eldorado Gold Corporation
Use of funds	Not applicable, given the Shares were issued for nil consideration because they were issued pursuant to the exercise of an option by the Company under the Option Agreement in relation to the Catak Gold Project.

3.3 *Impact of Shareholder approval*

Importantly, Shareholders should note that:

- (i) Shareholder approval was not required for the issue of the Shares to Eldorado; and
- (ii) If Shareholder approval is not obtained for Resolution 3, the issue of Shares to Eldorado will not be affected.

The impact of Shareholder approval for Resolution 3 will be the extent to which the Company's 15% Threshold is refreshed. For example, if:

- (i) **Resolution 3 is approved** the Company's capacity under Listing Rule 7.1 will be refreshed to the extent of the Shares issued to Eldorado.

On this basis, assuming no other securities are issued and no options currently on issue are exercised, if Resolution 3 is approved, the Company will be able to issue an additional 33,151,074 new Shares in the following 12 months, without Shareholder approval and without relying on any exceptions to the 15% Threshold; and

- (ii) **Resolution 3 is not approved** the Company's capacity under Listing Rule 7.1 will not be refreshed to the extent of the Placement.

On this basis, assuming no other securities are issued and no options currently on issue are exercised, if Resolution 3 is not approved the Company will only be able to issue an additional 31,886,074 new Shares in the next 12 months without Shareholder approval, unless one of the exceptions to the 15% Threshold applies (such as a pro rata entitlement offer).

Voting exclusion statements are included in the Notice of Meeting.

3.3 *Board Recommendation*

The Board recommends that Shareholders vote **FOR** Resolution 3.

The Chair intends to vote undirected proxies in favour of Resolution 3.

Resolution 4 – Approval of capital reduction

4.1 *Background*

At a general meeting of the Company's Shareholders on 13 October 2014, Shareholders approved the sale of the Company's Kestanelik Project for cash consideration of US\$40,000,000. If the transaction settles as anticipated, the Company will have substantial cash balances. The Directors recognise that many Shareholders had invested in the Company on the basis of its ownership of the Kestanelik Project and consider it appropriate that a significant portion of the proceeds from the sale of the Kestanelik Project be returned to Shareholders as a Return of Capital.

The Return of Capital is to be effected by the Company seeking shareholder approval for an equal reduction in the share capital of the Company by returning up to fifteen cents per share to Shareholders.

This Resolution seeks Shareholder approval for the Company to effect the Return of Capital as required under the Corporations Act and the Listing Rules.

4.2 *Terms of proposed return of capital*

(a) *Return of Capital*

The Company proposes to make a cash payment to each Shareholder of up to fifteen cents per Share as a Return of Capital. This equates to a reduction of share capital by approximately A\$33,151,074 based upon the Company's 221,007,161 shares currently on issue.

The Record Date for determining entitlements to receive the Return of Capital is 6:00 pm (Brisbane time) on Wednesday, 26 November 2014.

The Return of Capital is conditional on:

- (i) the successful closing of the transaction for the sale of the Kestanelik Project and the Company receiving in full the US\$40,000,000 cash consideration due under the agreement;
- (ii) the AUD:USD exchange rate not exceeding A\$0.934:US\$1; and
- (iii) the direct and indirect transaction costs (including government charges, levies and taxes) not exceeding US\$3,000,000,
(Conditions).

(b) *Payment details*

If the Return of Capital under this Resolution is approved by Shareholders¹, payments are expected to be made on or about Friday, 12 December 2014.

Payments will be made by way of cheque or via direct credit (if a Shareholder has lodged their Australian bank account details with the Company's Share Registry).

The Company advises Shareholders to complete the Tax File Number (TFN) and Direct Credit Form enclosed with the Meeting Document to provide their Australian bank account details to the Share Registry if they wish to receive their Return of Capital distribution by direct credit transfer.

Shareholders who have received their Meeting Document electronically can obtain a Tax File Number (TFN) and Direct Credit Form by contacting the Share Registry on 1 300 368 218 (within Australia) or + 61 3 9415 4615 (outside of Australia).

(c) *Tax Treatment*

Please refer to Section 4.7 below for information about the tax implications of the Return of Capital for Shareholders.

(d) *Indicative Timetable*

Set out below is an indicative timetable for the Return of Capital (if the Resolution is approved by Shareholders):

Event	Date*
Latest date for lodgement of proxies	11:00 am (Brisbane time), Wednesday, 19 November 2014
Date of Annual General Meeting of Shareholders to Approve Return of Capital	11:00 am (Brisbane time) Thursday, 20 November 2014
Trading in Shares on an 'ex Return of Capital basis' (Ex Date)	Monday, 24 November 2014
Record Date for determining entitlement to participate in the Return of Capital	6:00 pm (Brisbane time) Wednesday, 26 November 2014
Implementation of the Return of Capital - anticipated date of distribution of funds and distribution statements to	Friday, 12 December 2014

* All dates and times are indicative only. The Company reserves the right to vary these dates and times. All dates and times in this Meeting Document refer to Brisbane time. The Company will make an announcement to ASX of any changes if they occur.

¹ and subject to the satisfaction of the Conditions.

4.3 *Reasons for the Return of Capital*

On 3 September 2014, the Company announced that it had entered into a conditional agreement for the sale of the Kestanelik Project for US\$40,000,000 cash receivable on closing of the transaction. If the transaction completes as expected by 31 October 2014, the Company will have an estimated net cash balance of approximately \$A40,000,000 after payment of all estimated transaction costs including government fees, levies and taxes.

The Board recognises that many of the Company's Shareholders had invested in the Company on the basis of its ownership of the Kestanelik Project. Taking this into consideration, the Board has undertaken a review of its capital management options and the Company's current capital requirements and has determined that a Return of Capital of up to fifteen cents per Share is appropriate.

Following completion of the Return of Capital (if approved by Shareholders²), it is estimated that the Company will have net cash reserves of approximately A\$8 million. These funds will be used to pursue acquisition opportunities in the resource sector. The Company is actively assessing opportunities, with a particular focus on early stage gold and copper-gold projects both in Australia and overseas.

4.4 *Financial effects and capital structure*

(a) *Amount and Source of Return of Capital*

The Return of Capital is to be effected by the Company reducing its share capital by returning up to fifteen cents per Share to Shareholders – this equates to an aggregate reduction of share capital by approximately A\$33,151,074 based upon the Company's 221,007,161 ordinary shares currently on issue.

The funds required to effect the fifteen cent per Share Return of Capital will be sourced from the proceeds the Company receives from the sale of the Kestanelik Project.

(b) *Effect on Capital Structure*

The Company has 221,007,161 fully paid ordinary shares on issue as at the date of this Notice of Meeting.

No Shares will be cancelled as a result of the Return of Capital. Accordingly, the number of Shares held by each Shareholder will not change as a consequence of the Return of Capital.

The Company also has 6,705,000 unlisted Options on issue (**Options**) as at the date of this Notice of Meeting. Option holders will not receive a payment as part of the Return of Capital and no Options will be cancelled or reorganised.

However, if the Return of Capital is approved by Shareholders³, in accordance with Listing Rule 7.22.3, the exercise price for the Options will be reduced by up to fifteen cents.

For example, a holding of 1000 Options with an exercise price of \$0.50 each prior to the Return of Capital would result in a holding of 1000 Options with an exercise price of \$0.35 each after the Return of Capital (assuming a Return of Capital at fifteen cents per share).

(c) *Effect on Shareholders*

If the Resolution is approved, the Return of Capital will:

- (i) result in an equal return of capital being made on a pro rata basis to all Shareholders - all Shareholders will participate equally in the Return of Capital in proportion to their Shareholding in the Company as at the Record Date;

² and subject to the satisfaction of the Conditions.

³ and subject to the satisfaction of the Conditions.

- (ii) enable a cash amount equal to up to fifteen cents per Share to be paid to Shareholders holding Shares on the Record Date, with payment expected to be made in accordance with the Indicative Timetable set out above; and
- (iii) not affect the number of Shares held by each Shareholder.

(d) *Effect on Creditors*

Having regard to the Company's current, anticipated and contingent financial requirements, the Directors have assessed that the Return of Capital will not adversely impact the rights of the Company's creditors or the ability of the Company to pay its debts as and when they fall due.

(e) *Impact On Company's Investment Activities, Business and Growth Opportunities*

In light of the Company's current financial position and the outflow of funds under the Return of Capital, in the opinion of the Board, notwithstanding the reduction in its capital base, the Return of Capital is not likely to have a material impact on the Company's ability to undertake its investment activities and fund investment opportunities.

(f) *Share Price Impact*

If the Return of Capital is approved by Shareholders and implemented, the Company's Shares may trade at a lower Share price than they would have done had the Return of Capital not been implemented, reflecting the outflow of funds (represented by the Return of Capital amount per Share) from the Company. This is likely to occur from the "ex" date, being the day that Shares trade without an entitlement to participate in the Return of Capital. Given that the Company's share price is likely to decrease to below 20 cents as a result of the Return of Capital, a waiver of Listing Rule 7.25 is required. ASX has granted the Company a waiver of Listing Rule 7.25 to the extent necessary to permit the Company to undertake the Return of Capital.

(g) *Impact on Consolidated Financial Position*

A post-Return of Capital Pro Forma Abridged Consolidated Statement of Financial Position is set out below to demonstrate the financial position of the Company after payment of the Return of Capital.

The Pro Forma Abridged Consolidated Statement of Financial Position has been prepared on the following basis:

- (i) The starting position is derived from the audited financial statements of the Company for the year ended 30 June 2014 (as reported in the Company's ASX release dated 30 September 2014);
- (ii) Reflecting the anticipated sale of the Company's Kestanelik Project for US\$40,000,000 cash consideration assuming transaction costs of US\$3,000,000 and applying an AUD:USD exchange rate of 0.936. It has been assumed that the proceeds from the sale were received on 30 June 2014 for the purposes of this analysis;
- (iii) Reflecting the position if the Return of Capital had been completed on 30 June 2014;
- (iv) Does not reflect the effect on the financial position of the Company of transactions entered into between 30 June 2014 and the Transaction closing date. The effect of those transactions would be to result in a lower actual cash balance and a lower balance of financial assets at fair value through profit and loss than presented in the pro forma balance sheet; and
- (v) In accordance with the measurement and recognition requirements of applicable Australian Accounting Standards and the Company's accounting policies (as reported in the Company's 2014 Annual Report).

**PRO FORMA ABRIDGED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Audited 30 June 2014	Sale of Kestanelik Adjustments	Return of Capital Adjustments	Pro-forma 30 June 2014
CURRENT ASSETS				
Cash and cash equivalents	1,070,536	39,464,834	(33,151,074)	7,384,296
Trade and other receivables	401,186	(273,977)	-	127,209
Financial assets at fair value through profit or loss	454,344	-	-	454,344
Other financial assets	85,021	-	-	85,021
Other current assets	203,029	(155,033)	-	47,996
TOTAL CURRENT ASSETS	2,214,116			8,098,866
NON-CURRENT ASSETS				
Trade and other receivables	15,000	-	-	15,000
Property, plant and equipment	159,525	(108,390)	-	51,135
Exploration and evaluation assets	22,956,296	(17,844,591)	-	5,111,705
TOTAL NON-CURRENT ASSETS	23,130,821			5,177,840
TOTAL ASSETS	25,344,937			13,276,706
CURRENT LIABILITIES				
Trade and other payables	948,994	(368,990)	-	580,004
TOTAL CURRENT LIABILITIES	948,994			580,004
TOTAL LIABILITIES	948,994			580,004
NET ASSETS	24,395,943			12,696,702
EQUITY				
Issued capital	42,476,896	-	(33,151,074)	9,325,822
Accumulated losses	(18,485,795)	18,630,736	-	144,941
Reserves	(1,687,941)	2,821,097	-	1,133,156
Parent interests	22,303,160			10,603,919
Non-controlling interest	2,092,783			2,092,783
	24,395,943			12,696,702

The Pro Forma Abridged Consolidated Statement of Financial Position is presented in abbreviated form as a guide and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian Accounting Standards and the Corporations Act. The Pro Forma Abridged Consolidated Statement of Financial Position does not constitute a representation of the future financial position or prospects of the Company.

Further information about the Company's business, financial position and prospects is contained in the financial report for the year ended 30 June 2014 (released on ASX on 30 September 2014) and other Company announcements and reports which can be accessed on the Company's website at www.chesserresources.com.au.

(h) Impact on Dividend Policy

The Company has not paid any dividends and as it currently has no operations generating revenue, it is not anticipated that the Return of Capital will impact the Company's dividend policy.

(i) Tax Implications for the Company

No taxation consequences are expected to arise for the Company as a result of effecting the Return of Capital.

4.5 Requirements for the return of capital

Section 256 of the Corporations Act

(a) An Equal Reduction of Capital

Section 256B(2) of the Corporations Act provides that a capital reduction is an 'equal reduction' under the Corporations Act if:

- (i) it relates only to ordinary shares; and
- (ii) applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold; and
- (iii) the terms of the reduction are the same for each holder of ordinary shares.

The proposed Return of Capital satisfies the criteria in section 256B(2) and, as such, is treated as an equal reduction of capital for the purposes of the Corporations Act.

(b) Statutory requirements

Under section 256B(1) of the Corporations Act, a company can reduce its share capital if the reduction satisfies three key requirements.

The three requirements and how they are being met by the Company are:

(i) The reduction must be fair and reasonable to the Company's shareholders as a whole

The Directors of the Company consider that the Return of Capital is fair and reasonable to all Shareholders of the Company, as it applies to all Shareholders equally having regard to the number of shares in the Company held by each of them.

(ii) The reduction does not prejudice the Company's ability to pay its creditors

The Directors have reviewed the financial position of the Company, including its assets, liabilities, expected cash flow and capital requirements, and believe the proposed Return of Capital will not prejudice the Company's ability to pay creditors. The Directors have also satisfied themselves as to the solvency of the Company following the implementation of the Return of Capital. Refer also to the Pro Forma Abridged Consolidated Statement of Financial Position in Section 4.4 (g) above.

(iii) The reduction is approved by ordinary resolution at a general meeting of shareholders under section 256C of the Corporations Act

Resolution 4 is being put to Shareholders at the Annual General Meeting for the purposes of seeking their approval for the Return of Capital. As an ordinary resolution, the Resolution will be passed if at least 50% of the votes cast in person or by proxy by Shareholders at the meeting who are entitled to vote on the Resolution are cast in favour of the Resolution.

The Directors are of the view that, subject to Shareholders approving this Resolution, the Return of Capital meets the requirements of section 256B(1) of the Corporations Act and, as such, that the Company is permitted to undertake the Return of Capital for the purposes of that section.

(b) Listing Rule 7.20

The Return of Capital does not require approval of Shareholders under the Listing

Rules. The following information is provided for the purposes of Listing Rule 7.20:

- (i) The proposed Return of Capital will not change the number of Shares held by each Shareholder in the Company (or the amount, if any, unpaid on their Shares).
- (ii) The proposed Return of Capital will not change the number of Options on issue in the Company, however the exercise price for the Options will be reduced by the same amount as the Return of Capital (being up to fifteen cents), in accordance with Listing Rule 7.22.3.

4.6 Taxation considerations

The following is a general description of the Australian capital gains tax (CGT) consequences of Shareholders receiving the Return of Capital. The information applies only to Shareholders who hold their Shares on capital account and therefore may be assessed for tax under the CGT provisions in respect of all or a portion of the amount received under the Return of Capital. It does not apply to Shareholders who hold their Shares as trading stock in the course of carrying on a business of trading in shares (eg. in general, Shareholders who are professional share traders) or who hold their Shares for the purpose of sale at a profit. The tax consequences for those Shareholders may differ significantly from those discussed below. Such Shareholders should obtain their own tax advice.

The information below is based on current income tax legislation and administrative practices, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of all Shareholders. These laws, the interpretation of them by the courts, and administrative practice may change at any time, and sometimes with retrospective effect.

The Company has applied for a class ruling from the ATO for shareholders who participate in the Return of Capital, but had not received that ruling at the time of issuing the Notice of Meeting.

The information in this document is not intended to be advice and should not be relied upon on that basis. Shareholders should seek independent professional advice in relation to their own particular circumstances.

(a) Tax considerations for Australian resident Shareholders

(i) Reduction in Cost Base of a Share if Cost Base is More Than Return of Capital Amount

The Shareholder's cost base (and reduced cost base) in each Share held by them will be reduced by the amount of the Return of Capital per Share (ie. up to fifteen cents). This is likely to have the effect of increasing any capital gain the Shareholder later makes when it later disposes of its Shares, as the cost base of the Shares will be reduced pursuant to the Return of Capital.

(ii) Capital Gain if Return of Capital Amount Exceeds Cost Base of a Share

If the amount of the Return of Capital per Share exceeds the Shareholder's cost base in a Share, a capital gain will arise to the extent to which the Return of Capital amount exceeds the cost base and the cost base will be reduced to nil.

(iii) Discounted Capital Gain

If a capital gain arises in the hands of a Shareholder, the Shareholder may qualify for the general CGT discount.

The CGT discount may apply if the Shareholder is an individual, a trust, a complying superannuation fund or a life insurance company to reduce the capital gain, by 50% for individuals and trusts and by 33¹/₃% for complying superannuation funds and life insurance companies, where a Shareholder has held the Shares for a period of at least 12 months prior to receiving the Return of Capital amount.

(iv) CGT cost base of a Share

The CGT cost base of a Share will include the money the Shareholder paid to purchase the Share plus any incidental costs of purchase.

(b) Tax considerations for Foreign (non-Australian resident) Shareholders

A foreign resident Shareholder can disregard a capital gain from a CGT event if the CGT asset is not 'taxable Australian property'. Shares in Chesser should not be considered to be 'taxable Australian property' as Chesser does not hold (directly or indirectly) any interests in real property located in Australia. Consequently, any capital gain made directly by a foreign tax resident shareholder (described above) should be disregarded.

(c) Dividend substitution tax provisions

Shareholders should also be aware that there are a number of tax anti-avoidance provisions which can apply where a company distributes share capital in preference to dividends. If those provisions are applied to the Return of Capital, then some or all of the amount returned may be deemed to be an unfranked dividend (instead of the treatment outlined above) and the relevant part of the Return of Capital payment may be included in the Shareholder's assessable income or be liable to withholding tax.

The Company has applied for a class ruling from the ATO for shareholders who participate in the Return of Capital to confirm that the ATO will not seek to apply the dividend substitution tax provisions to any portion of the Return of Capital, but had not received that ruling at the time of issuing this Notice of Meeting.

(d) TFN Notification

The Company advises Shareholders to complete the Tax File Number (TFN) Notification Form enclosed with the Meeting Document to ensure that no TFN withholding tax is required to be deducted from their share of the Return of Capital (if such withholding is required under the taxation laws).

4.7 Board Recommendation

The Board recommends that Shareholders vote FOR Resolution 4.

The Chair intends to vote undirected proxies in favour of Resolution 4.

Glossary

In this Explanatory Memorandum and the Notice of Meeting:

15% Threshold has the meaning given on page 10 of the Explanatory Memorandum;

AUD, \$, AU\$ are references to the Australian Dollar;

Annual General Meeting or **Meeting** means the annual general meeting of the Company to be convened by this Notice of Meeting (unless the context otherwise requires);

Associate(s) has the meaning given in the Corporations Act;

ASX means the Australian Securities Exchange or ASX Limited ACN 008 624 691;

Board means the board of Directors of the Company at the date of this Notice;

Chair means the chair of the Meeting;

Closely Related Party of a member of the Key Management Personnel for an entity, includes:

- (i) a spouse or child of the member;
- (ii) a child of the member's spouse;
- (iii) a dependent of the member or of the member's spouse;
- (iv) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (v) a company the member controls; or
- (vi) a person prescribed as such by the *Corporations Regulations 2001* (Cth);

Company means Chesser Resources Limited ACN 118 619 042;

Constitution means the constitution of the Company in effect at the time of the Meeting;

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

Directors means the directors of the Company being as at the date of this Notice of Meeting, being Robert Reynolds, Dr Richard Valenta, Peter Lester, Simon Taylor, Simon O'Loughlin and Richard Valenta;

Eldorado means Eldorado Gold Corporation.

Entitlement Offer means the non-renounceable pro-rata rights issue of new Shares announced by the Company on 16 September 2013;

Explanatory Memorandum means this explanatory memorandum that accompanies and forms part of the Notice of Meeting;

Financial Report means the 30 June 2014 financial report of the Company, a copy of which was lodged with ASX on 30 September 2014 under the announcement "Annual Financial Results";

Key Management Personnel means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise);

Listing Rules means the official Listing Rules of ASX;

Notice of Meeting means the notice of annual general meeting dated 10 October 2014 which this Explanatory Memorandum accompanies and in which the Resolutions are set out;

Option Agreement means the agreement between the Company and Eldorado dated 10 July 2012 (as amended) in relation to the Catak Gold Project.

Proxy Form means a valid proxy form for this Annual General Meeting (unless the context otherwise requires);

Remuneration Report means the remuneration report of the Company for the year ended 30 June 2014 contained in the Financial Report;

Resolution or Resolutions means the resolutions referred to in the Notice of Meeting;

Share means a fully paid ordinary share in the Company;


Shareholder means a holder of Shares;

Spill Meeting has the meaning given in Resolution 1; and

Spill Resolution has the meaning given in Resolution 1.



Lodge your vote:

  **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 368 218
(outside Australia) +61 3 9415 4615

┌ 000001 000 CHZ
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.


Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 11:00am (Brisbane time) Wednesday 19 November 2014**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Chesser Resources Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Chesser Resources Limited to be held at McCullough Robertson Lawyers, Level 11, 66 Eagle Street, Brisbane on Thursday 20 November 2014 at 11:00am (Brisbane time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 1 (except where I/we have indicated a different voting intention below) even though Item 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 1 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
1 Adoption of Remuneration Report (non-binding resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director, Mr Simon O'Loughlin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

3 Ratification and approval of previous allotment and issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approve Return of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / / _____

CHZ

1 2 3 4 5 6 A

Computershare