

5 February 2015

Dear Shareholder

General Meeting of Shareholders – Further Return of Capital of 2.75 cents per share

Chesser Resources recently announced that a majority of its directors have proposed that a return of capital of 2.75 cents per share be paid to all eligible shareholders (**Further Return of Capital**). This proposed payment would be in addition to the 15 cents per share return of capital paid to all shareholders on 15 December 2014. The purpose of this letter is to explain the background to the proposed Further Return of Capital, and to urge shareholders to vote in favour of the proposal at a meeting of shareholders to be held on 12 March, 2015.

As I outlined in earlier correspondence, Chesser management has recently undertaken an exhaustive review of more than 100 potential acquisitions, seeking an opportunity to redeploy the Company's capital reserves of approximately \$8.9 million to pursue a project that could create value for our shareholders. While the review did see some five projects examined in great detail, none ultimately were identified that were considered capable of delivering the desired returns and risk profiles required to satisfy management to proceed.

Consequently, on 30 January 2015, the Company announced that the majority of your Directors, comprising Morrice Cordiner, Peter Lester and myself (**Majority Directors**), have formed the view that the payment of a further return of capital is the best means to ensure that all of the Company's shareholders receive maximum value for their investment in the Company.

Chesser therefore has convened a meeting to be held on 12 March, 2015 at 11 am to consider the Further Return of Capital. Shareholders are urged to read the attached notice of meeting and explanatory memorandum for the Further Return of Capital and then to cast your vote, as the outcome of this meeting will potentially have a significant impact on the ability of shareholders to realise maximum value for their investment in the Company.

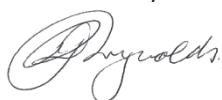
If the Further Return of Capital resolution is approved by shareholders it will be effective immediately, with payment proposed to be made to shareholders on 25 March 2015. The Directors may withdraw the resolution for the Further Return of Capital at any time prior to the resolution being put before shareholders at the meeting to be held on 12 March 2015. The Majority Directors are committed to putting the resolution for the Further Capital Return to shareholders, and if approved, ensuring that payment is made to shareholders on or before 25 March 2015.

One of the Company's recently disclosed major shareholders, Sandon Capital Investments Ltd (**Sandon**), has requisitioned a general meeting of shareholders to be held on 26 February 2015 to seek the removal of three of the five existing Non-Executive Directors, being the Majority Directors. Sandon also is seeking the appointment of one of its employees as a Director of Chesser. The future intentions of Sandon remain unclear and Chesser has not received any communication from Sandon indicating whether it supports the Further Return of Capital proposed by the Majority Directors.

Taking into consideration the matters set out above, I **recommend that shareholders vote FOR Resolution 1** in the attached Notice of Meeting.

This Notice of Meeting including the Explanatory Memorandum is an important document and I encourage you to read it in its entirety and, if required, obtain advice from your professional adviser.

Yours faithfully



ROB REYNOLDS,
Non-Executive Chairman

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 notice of meeting 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: 9999999

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 11 March 2015

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 Extraordinary General Meeting of Chesser Resources Limited to be held at Diana Plaza Hotel, 12 Annerley Road, Woolloongabba QLD 4101 on Thursday, 12 March 2015 at 11:00am (Brisbane time) and at any adjournment or postponement of that meeting.

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.

1 Approve Further Return of Capital

For

Against

Abstain

☐☐☐

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1. 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 9 5 5 9 3 A

Computershare +

CHESSER RESOURCES LIMITED

ACN 118 619 042

**NOTICE OF EXTRAORDINARY GENERAL MEETING,
EXPLANATORY MEMORANDUM AND
PROXY FORM**

Date of Meeting

Thursday, 12 March 2015

Time of Meeting

11.00am (Brisbane time)

Place of Meeting

Diana Plaza Hotel

12 Annerley Road

Woolloongabba

<p>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.</p>

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (**Meeting**) of the Shareholders of Chesser Resources Limited ACN 118 619 042 (**Company** or **Chesser**) will be held on Thursday, 12 March 2015, commencing at 11.00am (Brisbane time) at Diana Plaza Hotel, 12 Annerley Road, Woolloongabba, Queensland, 4101. Registration will commence just prior to the Meeting.

This Notice of Meeting incorporates, and should be read together with, the Explanatory Memorandum, Proxy Form and any other materials which accompany this Notice (collectively the **Meeting Materials**). 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.

Resolution

SPECIAL BUSINESS

1. Approve Further Return of Capital

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

"That, effective immediately from the passing of this Resolution, 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 \$0.0275 per Share be returned to each Shareholder registered as at the Record Date, and otherwise on the terms outlined in the Explanatory Memorandum."

DATED 5 February 2015

BY ORDER OF THE BOARD

CHESSER RESOURCES LIMITED



STEPHEN KELLY

COMPANY SECRETARY

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 (Sydney time) on Tuesday, 10 March 2015 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 Resolution 1 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 determined in accordance with the Constitution.

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, 11 March 2015, 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:

- (a) 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 Resolution 1 by marking either **For**, **Against** or **Abstain** on the voting form for Resolution 1.

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 Resolution 1. If you appoint the Chair as your proxy you can direct the Chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the Proxy Form.

The Chair intends to vote undirected proxies FOR Resolution 1.

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.

EXPLANATORY MEMORANDUM

IMPORTANT NOTICE

This Explanatory Memorandum forms part of the Notice convening the Extraordinary General Meeting of Shareholders of Chesser Resources Limited to be held on Thursday, 12 March 2015 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 Resolution 1. Both documents should be read in their entirety and in conjunction with each other.

If you are in doubt about what to do in relation to Resolution 1, 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 5 February 2015.

BACKGROUND TO THE RESOLUTIONS

Resolution 1 – Approval of Further Return of Capital

1.1 *Background*

At the Company's Annual General Meeting on 20 November 2014 (**2014 AGM**), Shareholders approved a return of capital of \$0.15 per share or \$33,151,074 which was completed on 12 December 2014 (**Prior Return of Capital**). Following the Prior Return of Capital and after allowing for transaction costs and operating costs, the Company had cash balances of approximately \$8.9 million as at 31 December 2014. Following the Prior Return of Capital, management of the Company completed an exhaustive examination of more than 100 potential project acquisitions for redeployment of available capital, but was unable to identify a project with an acceptable risk profile that provided sufficiently attractive returns for Shareholders.

Consequently, and in accordance with the previously stated strategy of the Company, the majority of the directors of Chesser Resources, comprising Robert Reynolds, Morrice Cordiner and Peter Lester (**Majority Directors**), have formed the view that a further return of capital, of 2.75 cents per share, should be paid to all Shareholders (**Further Return of Capital**). Chesser therefore has convened a meeting of Shareholders to be held on 12 March 2015 to consider the Further Return of Capital.

The Further Return of Capital will be effective immediately from the passing of Resolution 1, if Resolution 1 is approved by Shareholders. 25 March 2015 is the current proposed date of payment of the Further Return of Capital (if Resolution 1 is approved). Up until the time when Resolution 1 is passed, whether the Resolution is put to Shareholders remains at the discretion of the directors in office at the time.

One of the Company's recently disclosed major shareholders, Sandon Capital Investments Ltd (**Sandon**), has requisitioned a general meeting of shareholders to be held on 26 February 2015 to seek the removal of three directors - Robert Reynolds, Morrice Cordiner and Peter Lester, being the Majority Directors. Sandon is also seeking the appointment of one of its employees, Gabriel Radzynski, as a Director of Chesser. The future intentions of Sandon remain unclear and Chesser has not received any communication from Sandon indicating whether it supports the Further Return of Capital proposed by the Majority Directors.

Two Chesser directors, Simon O'Loughlin and Simon Taylor (**Minority Directors**) do not support the Further Return of Capital as currently proposed. The Minority Directors have stated that they would support a similar capital return if it were to be proposed after the General Meeting of shareholders to be held on 26 February 2015.

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

1.2 *Terms of proposed Further Return of Capital*

(a) *Further Return of Capital*

The Company proposes to make a cash payment to each Shareholder of \$0.0275 per Share as a Further Return of Capital. This equates to a reduction of share capital by approximately A\$6.1 million based upon the Company's 221,007,161 Shares currently on issue.

The Record Date for determining entitlements to receive the Further Return of Capital is 6:00 pm (Brisbane time) on Wednesday, 18 March 2015.

(b) *Payment details*

If the Further Return of Capital under this Resolution is approved by Shareholders, payments are expected to be made no later than 25 March 2015.

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

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

Shareholders who have received their Meeting Materials electronically can obtain a TFN and Direct Credit Form by contacting the Share Registry on 1300 368 218 (within Australia) or + 61 3 9415 4615 (outside of Australia).

(c) *Tax treatment*

Please refer to section 1.6 below for information about the tax implications of the Further Return of Capital for Shareholders.

(d) *Indicative timetable*

Set out below is an indicative timetable for the Further Return of Capital (if Resolution 1 is approved by Shareholders):

Event	Date*
Latest date for lodgement of proxies	11:00 am (Brisbane time), Wednesday, 11 March 2015
Date of Extraordinary General Meeting of Shareholders to approve the Further Return of Capital	11:00 am (Brisbane time) Thursday, 12 March 2015
Effective date of Further Return of Capital	Immediately from the passing of Resolution 1 at the Extraordinary General Meeting
Trading in Shares on an 'ex Further Return of Capital basis' (Ex Date)	Monday, 16 March 2015
Record Date for determining entitlement to participate in the Further Return of Capital	6:00 pm (Brisbane time) Wednesday, 18 March 2015
Anticipated date of distribution of funds and distribution statements to Shareholders	Wednesday, 25 March 2015

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

1.3 *Reasons for the Further Return of Capital*

As noted above under section 1.1, the Further Return of Capital is being proposed by the Majority Directors of the Company following an unsuccessful search for a new resource project to redeploy the Company's capital following the sale of the Kestanelik Project. The proposed Further Return of Capital is in accordance with the previously stated strategy of the Company, and is considered by Majority Directors to be the most appropriate utilisation of capital given the changed operating and financial circumstances of the Company.

The Majority Directors have therefore determined that an immediate further return of capital to shareholders of 2.75 cents per share is in the best interests of the Company's shareholders.

1.4 *Financial effects and capital structure*

(a) *Amount and source of Further Return of Capital*

The Further Return of Capital is to be effected by the Company reducing its share capital by returning \$0.0275 per Share to Shareholders – this equates to an aggregate reduction of share capital by approximately A\$6.1 million based upon the Company's 221,007,161 Shares currently on issue.

The funds required to effect the Further Return of Capital will be sourced from the proceeds the Company received from the sale of the Kestanelik Project after allowing for transaction costs, the Prior Return of Capital that was completed on 12 December 2014 and operating costs in the period subsequent to 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 Further Return of Capital. Accordingly, the number of Shares held by each Shareholder will not change as a consequence of the Further Return of Capital.

The Company also has 7,205,000 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 Further Return of Capital (unless of course their Options are exercised before the Record Date) and no Options will be cancelled or reorganised.

However, if the Further Return of Capital is approved by Shareholders, in accordance with Listing Rule 7.22.3, the exercise price for the Options will be reduced by \$0.0275.

For example, a holding of 1000 Options with an exercise price of \$0.50 each prior to the Further Return of Capital would result in a holding of 1000 Options with an exercise price of \$0.4725 each after the Further Return of Capital (assuming a Further Return of Capital at \$0.0275 per Share).

(c) Effect on Shareholders

If Resolution 1 is approved, the Further 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 Further Return of Capital in proportion to their Shareholding in the Company as at the Record Date;
- (ii) enable a cash amount equal to \$0.0275 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 at 1.2(d); 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 Majority Directors have assessed that the Further 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 the Company's investment activities, business and growth opportunities

As stated in the Explanatory Memorandum to the notice of the 2014 AGM and other ASX releases issued by the Company, the Board considered that the Prior Return of Capital of \$0.15 per Share placed the Company in a strong position to pursue strategic investment opportunities in the resources sector at a time when a number of projects are available at attractive valuations.

If the Further Return of Capital is approved, the future plans and intentions of the current Directors regarding the Company's activities will change from those previously held and announced to the market. These changes shall include, but may not be limited to:

- (i) The reduction in cash balances that will occur if the Further Return of Capital is approved will reduce the range of investments that the Company will be in a position to pursue in the absence of the Company raising additional debt or equity financing. The Company's cash balance, if the Further Return of Capital proceeds, will be approximately \$2.1 million. Whilst consistent with the Board's previously disclosed strategy, to use the Company's retained cash balances to strategically position the Company to take advantage of the current market

in which there are numerous high quality project acquisition opportunities available at attractive valuations, as noted above, the range of investments available to the Company is reasonably expected to reduce commensurate to its reduced cash balance should Resolution 1 be approved.

- (ii) The Company has determined not to proceed with any further investment in the Catak Project and is proceeding with the arrangements necessary to return the Catak Project to its underlying owner.
- (iii) The Company is in negotiations to sell its 51% interest in the Sisorta Project.
- (iv) The Company will continue to focus on cost reduction in its Australian and Turkish operations, including the closure of its Turkish corporate offices. The Company has already made significant cost reductions through substantial staff redundancies in Australia and Turkey, sharing its office space in Australia and is well advanced in taking the steps required to be taken for the closure of its corporate offices in Turkey. The Company anticipates that it will have completed its exit from Turkey prior to 30 June 2015.

(f) Share price impact

If the Further 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 Further Return of Capital not been implemented, reflecting the outflow of funds (represented by the Further 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 Further Return of Capital.

Given that the Company's Share price is likely to be below \$0.20 following the Further Return of Capital, a waiver to 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 Further Return of Capital.

(g) Impact on Consolidated Financial Position

A post-Further 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 Further 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 sale of the Company's Kestanelik Project for US\$40,000,000 cash consideration applying an AUD:USD exchange rate of 0.88. The sale completed on 24 October 2014;
- (iii) reflecting the Prior Return of Capital of \$0.15 per share (A\$33,151,074) that was completed on 12 December 2014;
- (iv) reflecting the position if the proposed Further Return of Capital of \$0.0275 per Share had been completed on 30 June 2014;
- (v) reflecting the estimated, unaudited financial effect of other transactions during the period 1 July 2014 and 31 December 2014 on cash and cash and equivalents; and
- (vi) included in the pro forma cash balance as at 31 December 2014 is restricted cash of \$1,626,545.

The Pro Forma Abridged Consolidated Statement of Financial Position do not reflect the following:

- (i) the financial effect of transactions that impacted cash balances or were otherwise entered into after 1 January 2015;

(ii) contingent assets including :

- an Australian research and development tax rebate of approximately \$200,000 that the Company anticipates receiving in the March 2015 quarter;
- contingent assets arising from the sale of the Kestanelik and Karaayi Projects including Turkish VAT refunds and refundable tenement and other deposits. The timing and quantum (if any) of these contingent assets is dependent on a number of factors including the receipt of relevant Turkish government approvals that are currently subject to significant delays.

(iii) contingent liabilities in relation to the Company's past operations including warranties and representations provided by the Company pursuant to the agreements to sell the Karaayi and Kestanelik Projects. Those warranties and representations were normal for transactions of that type. At the time of issuing this Explanatory Memorandum the Company was not aware of any actual, pending or threatened claims arising in relation to the Kestanelik or Karaayi Projects.

(iv)

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

	Audited 30 June 2014	Transactions in the period 1 July 2014 to 31 December 2014 (Unaudited)	12 December 2014 Prior Return of Capital Adjustments (Unaudited)	Proposed Further Return of Capital (Unaudited)	Pro-forma 31 December 2014 (Unaudited)
CURRENT ASSETS					
Cash and cash equivalents	1,070,536	41,012,230	(33,151,074)	(6,077,696)	2,853,996 ¹
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				3,114,222
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				8,292,062
CURRENT LIABILITIES					
Trade and other payables	948,994	(668,990)	-	-	280,004
TOTAL CURRENT LIABILITIES	948,994				280,004
TOTAL LIABILITIES	948,994				280,004
NET ASSETS	24,395,943				8,012,058
EQUITY					
Issued capital	42,476,896	-	(33,151,074)	(6,077,696)	3,248,126
Accumulated losses	(18,485,795)	20,023,788	-	-	1,537,993
Reserves	(1,687,941)	2,821,097	-	-	1,133,156
Parent interests	22,303,160				5,919,275
Non-controlling interest	2,092,783				2,092,783
	24,395,943				8,012,058

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.

¹ Includes restricted cash of \$1,626,545

(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 Further 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 Further Return of Capital.

1.5 Requirements for the Further Return of Capital

Section 256 of the Corporations Act

(a) An equal Further 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 Further 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 Further 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 Further 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 Further Return of Capital. Refer also to the Pro Forma Abridged Consolidated Statement of Financial Position in section 1.4 (g) above.

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

Resolution 1 is being put to Shareholders at the Meeting for the purposes of seeking their approval for the Further 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 Majority Directors are of the view that, subject to Shareholders approving this Resolution, the Further 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 Further Return of Capital for the purposes of that section.

(c) *Listing Rule 7.20*

The Further Return of Capital does not require approval of Shareholders under the Listing Rules. However, the following information is provided for the purposes of Listing Rule 7.20:

- (i) the proposed Further 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); and
- (ii) the proposed Further 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 Further Return of Capital (being \$0.0275), in accordance with Listing Rule 7.22.3.

1.6 *Taxation considerations*

The following is a general description of the Australian capital gains tax (CGT) consequences of Shareholders receiving the Further 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 Further 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 (e.g. 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 applied for a class ruling from the ATO for the Prior Return of Capital that was completed on 12 December 2014 but had not received that ruling at the date of this Explanatory Memorandum. The Company will consider whether to apply for a class ruling from the ATO for shareholders who participate in the Further Return of Capital once the ruling for the Prior Return of Capital that was completed on 12 December 2014 has been received.

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 Further 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 Further Return of Capital per Share (i.e. \$0.0275). 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 Further Return of Capital.

(ii) *Capital Gain if Further Return of Capital amount exceeds cost base of a Share*

If the amount of the Further 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 Further 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 $33\frac{1}{3}\%$ 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 Further 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 the Company should not be considered to be 'taxable Australian property' as the Company 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 Further 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 Further Return of Capital payment may be included in the Shareholder's assessable income or be liable to withholding tax.

The Company applied for a class ruling from the ATO for Shareholders who participated in the Prior Return of Capital to confirm that the ATO will not seek to apply the dividend substitution tax provisions to any portion of the Prior 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 Materials to ensure that no TFN withholding tax is required to be deducted from their share of the Further Return of Capital (if such withholding is required under the taxation laws).

1.7 Board Recommendation

The Majority Directors recommend that Shareholders vote FOR Resolution 1.

The Minority Directors do not support the Further Return of Capital. The Minority Directors have stated that they would support a similar return of capital if it were to be proposed after the General Meeting of Shareholders to be held on 26 February 2015.

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

GLOSSARY

In this Explanatory Memorandum and the Notice of Meeting:

2014 AGM means the Company's Annual General Meeting held on 20 November 2014;

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

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

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

Chair means the chair of the Meeting;

Company or **Chesser** 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 as at the date of this Notice of Meeting being, Robert Reynolds, Peter Lester, Simon Taylor, Simon O'Loughlin and Morrice Cordiner;

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

Extraordinary General Meeting or **Meeting** means the extraordinary general meeting of the Company convened by this Notice of Meeting (unless the context otherwise requires);

Further Return of Capital means the Company reducing its share capital by way of an equal capital reduction in accordance with section 256C of the Corporations Act as proposed under Resolution 1, so that an amount of \$0.0275 per Share shall be returned to each Shareholder registered as at the Record Date;

Kestanelik Project means the Company's project approved for disposal at a meeting of the Company's shareholders held on 20 October, 2014;

Listing Rules means the official Listing Rules of ASX;

Majority Directors means the Directors of the Company in office at the date of this Notice that voted in favour of the Further Capital Return and comprises Robert Reynolds, Morrice Cordiner and Peter Lester;

Meeting Materials means the Notice, Explanatory Memorandum, Proxy Form and any other materials which accompany this document;

Minority Directors means the Directors of the Company in office at the date of this Notice that voted against the Further Capital Return and comprises Simon O'Loughlin and Simon Taylor;

Notice of Meeting or **Notice** means the notice of meeting dated 5 February 2015 which this Explanatory Memorandum accompanies and which sets out Resolution 1;

Options means the unlisted options on issue by the Company;

Prior Return of Capital means the return of capital approved at the 2014 AGM, being a return of \$0.15 per Share or \$33,151,074 which was completed on 12 December 2014;

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

Record Date means the date for determining entitlements to receive the Further Return of Capital;

Resolution means the resolution referred to in the Notice of Meeting;

Share means a fully paid ordinary share in the Company;

Shareholder means a holder of Shares; and

Share Registry means Computershare Investor Services Pty Limited.