

## ASX Announcement & Media Release

4 August 2015



### DISPATCH OF SHAREHOLDER BOOKLET IN RELATION TO PROPOSED EQUAL ACCESS BUY BACK

Chesser Resources Limited (ASX:CHZ) is pleased to advise that the Shareholder Booklet in relation to the proposed equal access buy back was dispatched to the Company's shareholders on 3 August 2015.

A copy of the Shareholder Booklet comprising the Notice of Meeting, an Independent Expert's Report and sample Proxy Form is attached to this announcement.

The Company's Chairman, Mr Frank Terranova said that the equal access buy back, provides a superior outcome for all shareholders and that the Company's Independent Directors have unanimously recommended that shareholders vote **FOR** resolution 1 in the attached Shareholder Booklet.

"The equal access buy back provides shareholders the choice of crystallising the value of their shares at a premium to the recent market price, or continuing to hold some or all of their shares and participating in the future plans for the Company as they develop," commented Mr Terranova.

The extraordinary general meeting of shareholders to consider the equal access buy back will be held at 10.00am on Friday 4 September 2015.

Further information is available at: [www.chesserresources.com.au](http://www.chesserresources.com.au) or by calling:

**Stephen Kelly, Company Secretary**  
**+61 7 3844 0613**

## About Chesser Resources Limited

Company Directors & Management		Company Information
Frank Terranova	Non-Executive Chairman	<b>ABN:</b> 14 118 619 042 <b>Address:</b> 96 Stephens Road South Brisbane Qld 4101 Australia <b>Telephone:</b> +61 7 3844 0613 <b>Contact:</b> <a href="mailto:info@chesserresources.com.au">info@chesserresources.com.au</a> <b>Chesser Website:</b> <a href="http://www.chesserresources.com.au">www.chesserresources.com.au</a>
Simon O'Loughlin	Non-Executive Director	
Simon Taylor	Non-Executive Director	
Philip Amery	Non-Executive Director	
Gabriel Radzynski	Non-Executive Director	
Stephen Kelly	Executive Director/Company Secretary	

**CHESSER RESOURCES LIMITED**

**ACN 118 619 042**

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**SHAREHOLDER BOOKLET**

**in relation to**

**Extraordinary General Meeting and**

**Offer to participate in an equal access off-market share buy back**

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**Date of Meeting**

Friday, 4 September 2015

**Time of Meeting**

10.00 am (Brisbane time)

**Place of Meeting**

McCullough Robertson Lawyers

Level 11, 66 Eagle Street

Brisbane QLD 4000

**THIS BOOKLET IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE  
ATTENTION.**

The Booklet should be read in its entirety. If Shareholders are in doubt as to how they should deal with the information contained in this Booklet, they should seek advice from their accountant, solicitor or other professional adviser prior to taking any action.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

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Notice is hereby given that an extraordinary general meeting (EGM) of the Shareholders of Chesser Resources Limited ACN 118 619 042 (**Company** or **Chesser**) will be held as follows:

**Date:** Friday, 4 September 2015  
**Time:** 10.00 am (Brisbane time)  
**Venue:** McCullough Robertson Lawyers,  
Level 11, 66 Eagle Street,  
Brisbane, Queensland, 4000

Registration will commence immediately prior to the EGM.

This Notice of EGM incorporates, and should be read together with the Explanatory Memorandum, Independent Expert's Report and Proxy Form (collectively the **Shareholder Booklet**). Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of EGM and the Explanatory Memorandum.

### **SPECIAL BUSINESS**

#### **Resolution to approve equal access off-market buy back**

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

*"That for the purposes of Section 257C of the Corporations Act 2001 (Cth) and for all purposes, the Shareholders of the Company authorise and approve the Company to undertake an equal access off-market buy back of up to 220,636,120 of the Company's issued ordinary shares on the terms described in the Explanatory Statement."*

Note: Voting exclusions apply to this Resolution.

DATED 3 August 2015

**BY ORDER OF THE BOARD**

**CHESSER RESOURCES LIMITED**

**STEPHEN KELLY**

**COMPANY SECRETARY**

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## 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 Share Register at 7.00pm (Brisbane time) on Wednesday, 2 September 2015 shall, for the purposes of the EGM, be entitled to attend and vote at the EGM.

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

### Voting exclusion statement

The Company will disregard any votes cast on the Resolution by Sandon Capital Pty Ltd and its associates. However, the Company will not disregard a vote if:

- it is cast by Sandon Capital Pty Ltd or its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the EGM as proxy for a person entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of the Resolution. If you wish to vote “against” or “abstain” you should mark the relevant boxes in the attached proxy form.

### Voting at the EGM

The Buy Back Resolution is an ordinary resolution.

Ordinary resolutions require the support of more than 50% of the votes cast. No special resolutions have been proposed for this EGM.

The passing of the Buy Back Resolution 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 Company’s constitution.

### Voting by proxy

A Shareholder who is entitled to attend and vote at this EGM may appoint a proxy to attend and vote on their behalf. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the EGM, 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 10.00am (Brisbane Time) on Thursday, 3 September 2015, being 24 hours prior to the commencement of the EGM.

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](http://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;

- (ii) complete and lodge the Proxy Form at the Share Registry:

by post at the following address:

Computershare Investor Services Pty Limited  
GPO Box 242  
MELBOURNE VIC 3001

OR

by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);

- (iii) enter [www.investorvote.com.au](http://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
- (iv) for Intermediary Online subscribers only (custodians), cast the Shareholder's vote online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on the Buy Back Resolution by marking either "**For**", "**Against**" or "**Abstain**" on the Proxy Form for the Buy Back Resolution.

### **Undirected proxies**

Please note that if the Chair of the EGM is appointed as your proxy (or becomes your proxy by default), you expressly authorise the Chair to exercise your proxy on the Buy Back Resolution. If you appoint the Chair as your proxy you can direct the Chair to vote "for" or "against" or, to "abstain" from voting on, the Buy Back Resolution by marking the appropriate box on the Proxy Form.

The Chair intends to vote undirected proxies **FOR** the Buy Back Resolution.

### **Voting by corporate representative**

A Shareholder or proxy that is a corporation and entitled to attend and vote at the EGM 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 EGM or at the registration desk on the day of the EGM.

### **Voting by attorney**

A Shareholder entitled to attend and vote at the EGM is entitled to appoint an attorney to attend and vote at the EGM 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 EGM.

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## **PART B: EXPLANATORY MEMORANDUM AND OFFER**

### **1. Introduction**

#### **1.1. This Explanatory Memorandum and offer**

This Shareholder Booklet includes an Explanatory Memorandum and the Notice convening the EGM of Shareholders to be held on Friday, 4 September 2015 at 10.00am (Brisbane time). This Explanatory Memorandum is to assist Shareholders in understanding the background to, reason for, and the legal and other implications of, the Buy Back. This Shareholder Booklet also comprises and accordingly constitutes an offer to Eligible Shareholders to participate in the Buy Back on the terms and conditions set out in Section 8.

An Independent Expert's Report accompanies the Explanatory Memorandum and forms part of the Shareholder Booklet.

The Shareholder Booklet should be read in its entirety before Shareholders decide:

- (i) how to vote on the Buy Back Resolution; and
- (ii) if the Buy Back Resolution is passed, whether to participate in the Buy Back.

Under the Corporations Act, a company undertaking a share buy back must ensure that invitations to participate in a buy back are accompanied by all information known to the Company that is material to the decision whether to participate in the buy back. The Company is not permitted to omit information because it has been previously provided to shareholders.

This Shareholder Booklet may therefore include information that has already been made available to you. Regardless of this, you are encouraged to read the Shareholder Booklet carefully and in its entirety before voting on the Buy Back Resolution and deciding whether to participate in the Buy Back.

#### **1.2. Defined terms**

Throughout the Shareholder Booklet, certain capitalised words and phrases have the defined meanings. Their definitions can be found in the Glossary.

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

#### **1.3. Forward looking statements**

This Shareholder Booklet contains both historical and forward-looking statements based on current expectations about future events. These forward looking statements are subject to inherent risks and uncertainties as they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of the Company.

Such risks, uncertainties and other important factors include, among other things, the risks described in Section 7.2, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes.

As a result of these inherent risks and uncertainties actual results, performance achievements or outcomes may differ materially from the anticipated results, performance, achievements or outcomes which are expressed, projected or implied by these forward looking statements. None of the Company, its officers, advisors or any other person involved in the preparation of the Shareholder Booklet makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any

forward-looking statement, or any results, values, performance or achievement expressed or implied in any forward looking statement, except to the extent required by law.

The forward-looking statements in the Shareholder Booklet are made only as at the date of the Shareholder Booklet.

#### **1.4. No investment advice**

The information contained in this Shareholder Booklet is not financial product or investment advice and is general information only. The information has been prepared without reference to the investment objectives, financial situation or particular needs of individual Shareholders. The Shareholder Booklet should not be relied on as the sole basis for any investment decision in relation to the Buy Back Resolution or participation in the Buy Back. You should read the Shareholder Booklet and related information in its entirety and consider what is appropriate in light of your particular investment needs, objectives and financial circumstances, with or without the assistance of a financial adviser. If you are unsure about what you should do, you should consider consulting your investment, financial, taxation or other professional adviser before taking any action.

#### **1.5. Responsibility for information**

Other than as set out below, this Shareholder Booklet has been prepared by Chesser and is the responsibility of Chesser.

Sandon Capital Pty Ltd (**Sandon**) is responsible for the information regarding Sandon and its intention in relation to Chesser in Section 5.8 of this Shareholder Booklet, but does not assume responsibility for the accuracy or completeness of any other part of this Shareholder Booklet. None of Chesser, its related bodies corporate and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information regarding Sandon.

Grant Thornton Finance Pty Ltd has prepared the Independent Expert's Report in relation to the Buy Back as set out in Annexure A and is responsible for that report. You are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of assessment, the sources of information and the assumptions made.

#### **1.6. Opportunity to ask questions**

This Shareholder Booklet provides information relating to the Buy Back Resolution that is the only item of business to be considered at the EGM. Shareholders will have a reasonable opportunity to ask questions or make comments on the item of business at the EGM.

#### **1.7. Regulatory information**

Copies of the Shareholder Booklet were provided to ASIC in accordance with section 257C of the Corporations Act and to ASX. Neither ASIC, ASX nor any of their officers takes any responsibility for the contents of the Shareholder Booklet.

#### **1.8. Privacy**

If it is approved by Shareholders, the Company will carry out the Buy Back in accordance with the Corporations Act. This will include the collection of personal information contained in the Buy Back Acceptance Forms required to participate in the Buy Back. If you do not provide this information, the Company may not be able to process your acceptance.

The personal information collected by the Company will only be disclosed to the Share Registry to a print and mail service provider, to the Company's advisors in relation to the Buy Back and to financial



institutions in respect of payments to you in connection with the Buy Back as authorised or required by law.

If you wish to access the personal information collected by the Company, please contact Computershare Investor Services Pty Limited via the address set out in the Buy Back Acceptance Form.

### 1.9. Date of this Shareholder Booklet

This Shareholder Booklet is dated 3 August 2015.

## 2. Important dates

Time and date	Event
Dates for EGM	
3 August 2015	Despatch of this Shareholder Booklet to Shareholders.
7.00 pm on 2 September 2015	Record Date for EGM – time and date on which entitlement of a Shareholder to vote at the EGM will be determined.
10.00 am on 3 September 2015	Closing date and time for receipt of completed Proxy Forms for the EGM
10.00am on 4 September 2015	Date of EGM – date on which Shareholders vote on the Buy Back Resolution.
If the Buy Back Resolution is approved	
7.00 pm on 10 September 2015	Ex-entitlement date for the Buy Back
7.00 pm on 14 September 2015	Buy Back Record Date (date for determining entitlement to participate in the Buy Back)
17 September 2015	Despatch of Buy Back Acceptance Forms
17 September 2015	Buy Back Offer Period opens
7.00pm on 6 October 2015	Buy Back Offer Period closes – date by which Eligible Shareholders must return their Buy Back Acceptance Form if they wish to participate in the Buy Back.
9.00am on 7 October 2015	Announcement of Buy Back acceptances received.
9 October 2015	Transfer to the Company of Shares bought back and cancellation of those shares.
15 October 2015	Buy Back Consideration distributed to Shareholders participating in the Buy Back.

All dates and times are indicative only and may be revised as determined by the Company in accordance with the Corporations Act and the ASX Listing Rules. Any changes to the above timetable will be announced to the ASX.

All times are referenced to the time in Brisbane, except where stated otherwise.

### **3. Key Shareholder Actions**

#### **3.1. Read the Shareholder Booklet in full**

You should read this Shareholder Booklet in full before making any decision on how to vote at the EGM and whether to participate in the Buy Back.

If you have any questions about any matter in the Shareholder Booklet, please contact Stephen Kelly (Company Secretary) on + 61 7 3844 0613 or by email [skelly@chesserresources.com.au](mailto:skelly@chesserresources.com.au).

If you are unsure about what you should do, you should consider consulting your investment, financial, taxation or other professional adviser before taking any action.

#### **3.2. Vote on the Buy Back Resolution**

Subject to the voting exclusions set out in Section 3.3, Shareholders who are registered on the Share Registry on the EGM record date (being, 7.00pm on 2 September 2015) may vote at the EGM at 10.00 am at McCullough Robertson Lawyers, Level 11, 66 Eagle Street Brisbane, Queensland on Friday, 4 September 2015.

It is important that you vote on the Buy Back Resolution. The Buy Back Resolution affects your investment in Chesser and your vote at the EGM is important in determining whether the Buy Back will proceed. The Buy Back will not proceed unless the Buy Back Resolution is approved by the required majority. Information explaining the Buy Back is set out in this Shareholder Booklet.

If you are unable to attend the EGM you may appoint a proxy to vote on your behalf. To record a valid proxy vote, Shareholders need to take 1 of the following steps so that their proxy vote is received by the Share Registry by no later than 10.00 am on 3 September 2015:

- (i) cast the Shareholder's vote online by visiting [www.investorvote.com.au](http://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; or
- (ii) complete and lodge the Proxy Form at the Share Registry, Computershare Investor Services Pty Limited:  
  
by post at the following address:  
Computershare Investor Services Pty Limited  
GPO Box 242  
MELBOURNE VIC 3001  
  
OR  
  
by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- (iii) enter [www.investorvote.com.au](http://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
- (iv) for Intermediary Online subscribers only (custodians), cast the Shareholder's vote online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

#### **3.3. Voting exclusion statement**

The Company will disregard any votes cast on the Resolution by Sandon Capital Pty Ltd and its associates.

However, the Company will not disregard a vote if:

- (i) it is cast by Sandon Capital Pty Ltd or its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the EGM as proxy for a person entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of the Resolution. If you wish to vote “against” or “abstain” you should mark the relevant boxes in the attached proxy form.

### **3.4. Eligible Shareholders nominate their preferred level of participation in the Buy Back**

If the Buy Back Resolution is approved and you are eligible, and wish to participate in the Buy Back you need to return your Buy Back Acceptance Form by 7.00 pm on 6 October 2015 in accordance with the instructions on the Buy Back Acceptance Form. Buy Back Acceptance Forms will be sent to Eligible Shareholders on 17 September 2015.

Implementation of the Buy Back is subject to Shareholders approving the Buy Back Resolution at the EGM on 4 September, 2015.

Shareholders who wish to retain their Shares do not need to do anything.

If the Buy Back Resolution is approved, the Company expects to distribute to Participating Shareholders their respective:

- (i) Buy Back consideration (being an amount equal to the number of their Share bought back multiplied by the Buy Back Price) on 15 October 2015; and
- (ii) new holding statements on or around 9 October 2015.

*To participate in the Buy Back you must return your completed Buy Back Acceptance Form to the Share Registry by no later than 7.00pm on 6 October 2015.*

### **3.5. Participating Shareholders: register your bank account details and tax file number with the Share Registry**

Payments to Participating Shareholders are expected to be made on or about Thursday, 15 October 2015.

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

The Company advises Participating Shareholders to complete the Tax File Number (TFN) and Direct Credit Form enclosed with the Shareholder Booklet to provide their Australian bank account details to the Share Registry if they wish to receive their proceeds from the Buy Back distribution by direct credit transfer.

Australian resident Shareholders who have received the Shareholder Booklet 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).

## 4. Overview of the Buy Back

### 4.1. The Proposal

At the EGM, Shareholders will be asked to consider the proposed Buy Back, the details of which are summarised below. Please refer to Section 8 for further details of the terms and conditions on which the Company proposes to undertake the Buy Back.

Term	Description
Buy Back Price	\$0.0343 per Share
Condition Precedent	The proposed buy-back is conditional on Shareholders approving the Buy Back Resolution at the EGM scheduled to be held on 4 September 2015.
Eligibility to participate	<p>Shareholders who are not Ineligible Foreign Shareholders (Eligible Shareholders) may accept the Buy Back Offer in relation for some or all of the Shares held by them on the Buy Back Record Date (being 7.00pm 14 September 2015).</p> <p>Participation in the Buy Back is voluntary. An Eligible Shareholder may elect not to participate in the Buy Back with respect to some or all of their Shares.</p> <p>Shares acquired on or after the Ex-Entitlement Date (currently expected to be 7.00pm on 10 September 2015) will not be registered in the new Shareholder's name in time for the Buy Back Record Date, so will not confer an entitlement to participate in the Buy Back.</p> <p>The Buy Back is not being offered to Ineligible Foreign Shareholders.</p>
Buy- Back Limit	<p>The maximum number of Shares that may be purchased under the Buy Back is 220,636,120 Shares or 99.8% of Chesser's issued Share capital (<b>Buy Back Limit</b>). At the Buy Back Price, the maximum amount of Chesser's cash reserves that will be used to implement the Buy Back is \$7.57 million.</p> <p>The Buy Back Limit does not necessarily represent the actual number or percentage of Shares that will be bought back by the Company if the Buy Back is approved. This will depend on the number of acceptances that are received from Eligible Shareholders.</p> <p>See Section 5.2 for details of the potential impact on the Company's issued capital, Sections 5.3 - 5.7 for details of the financial impact of the Buy Back and Section 5.8(a) for a discussion of the potential control impact on the Company.</p>
Sandon's intention	<p>The Company has been advised by the Company's largest shareholder, Sandon Capital Pty Ltd (<b>Sandon</b>), that it will not participate in the Buy Back with respect to all of its Shares and will retain a holding of between 371,041 and 21,989,500 Shares. Gabriel Radzynski, is a Director of both the Company and Sandon.</p> <p>Sandon retaining a minimum stake of 371,041 Shares allows Participating Shareholders to offer up to 100% of their Shares into the Buy Back.</p> <p>The Buy Back could result in Sandon controlling Chesser. The level of Sandon's control will depend on (a) the number of Shares retained by Sandon following the Buy Back and (b) the total number of Shares still on issue following the Buy Back. Further details regarding the control implications of the Buy Back, Sandon and its intentions in relation to the Buy Back are provided in Section 5.8(a) of this</p>

Term	Description
	Shareholder Booklet.
Offer and acceptance process	<p>This Shareholder Booklet comprises and, subject to Shareholder approval of the Buy Back Resolution, constitutes an offer to Eligible Shareholders to participate in the Buy Back on the basis set out in Section 8 (<b>Buy Back Offer</b>).</p> <p>If the Buy Back is approved by Shareholders at the EGM and Buy Back Acceptance Forms will be despatched to Eligible Shareholders on 17 September 2015.</p> <p>Eligible Shareholders will have until the end of the Buy Back Offer Period to accept the Buy Back Offer in respect of some or all of their Shares. When the Company receives a Buy Back Acceptance Form from an Eligible Shareholder, a contract to buy back the number of Shares set out in the form on the terms and conditions set out in Section 8 will immediately be formed.</p> <p>You can withdraw or amend your acceptance by lodging a Withdrawal / Amendment Form before 7.00pm on 6 October 2015 (the Closing Date), in accordance with the instructions set out in Section 8.13 and on the Withdrawal / Amendment Form.</p> <p>The Company reserves the right to withdraw the Buy Back Offer if the Board determines it is necessary to do so.</p>
Trading or dealing with your Shares after completing and returning your Buy Back Acceptance Form	<p>You will be unable to sell your Shares accepted into the Buy Back on the ASX (or otherwise dispose of them), unless:</p> <ul style="list-style-type: none"> <li>(i) you have validly withdrawn or amended your acceptance in accordance with the terms set out in this Shareholder Booklet before the close of the Buy Back Offer Period; or</li> <li>(ii) the Company withdraws the Buy Back Offer.</li> </ul>
Payment for Shares bought back under the Buy Back	Payment for Shares purchased under the Buy Back will be made by way of cheque in Australian dollars or paid by electronic funds transfer in Australian dollars into the bank account lodged with the Share Registry and despatched or paid on or around 15 October 2015.
Brokerage and handling fees	Participating Shareholders will not have to pay any handling or brokerage fees on sales of Shares into the Buy Back.
Cancellation of shares sold into the Buy Back	All Shares bought back by the Company will be cancelled upon being bought back. This will reduce the number of Shares on issue. See Section 5.2 for details of the potential impact on the Company's issued capital and Section 5.8 for a discussion of the potential control impact on the Company.
Control impact of the Buy Back	<p>As a consequence of the cancellation of the Shares bought back under the Buy Back, the percentage shareholding and voting power of Shareholders who do not participate in the Buy Back, or only participate with respect to some of their Shares, will increase.</p> <p>Importantly, the Company's largest Shareholder Sandon has indicated to the Company that it will not participate fully in the Buy Back and will retain a holding of between 371,041 and 21,989,500 Shares following completion of the Buy</p>

Term	Description
	<p>Back. Accordingly the Buy Back may materially alter the ownership of the Company.</p> <p>At this point, it is not possible to determine the precise extent to which the ownership make-up of the Company will change, as that will be dependent on Buy Back acceptances. Section 5.8 for a discussion of the potential control impact on the Company (including Sandon's intentions should it acquire different levels of control following the Buy Back).</p>
Source of funds for the Buy Back	The Buy Back Price will be paid out of the Company's existing cash reserves. No part of the Buy Back Price will be paid out of the profits of the Company, nor constitute a dividend. See Sections 5.1 and 5.3 – 5.7 for details of the financial impact on the Company of the Buy Back.

## 4.2. Recommendation of Chesser Directors

### (a) Independent Directors

ASIC Regulatory Guide 110 recommends that a commentary be provided by independent directors of a company undertaking a significant share buy back. The ASX Corporate Governance Principles and Recommendations list being an officer of a substantial shareholder of a company or an officer of, or otherwise associated directly with, a substantial shareholder of the company as factors to consider when determining the independent status of a director. The Company considers each of Mr Frank Terranova, Mr Simon O'Loughlin, Mr Simon Taylor, Mr Philip Amery and Mr Stephen Kelly to be Independent Directors.

Mr Gabriel Radzynski is a director of Sandon which has voting power over 19.9% of the Shares. Sandon has advised that it supports the Buy Back Resolution. As at the date of this Booklet, Sandon is yet to determine the level of its participation in the Buy Back. Sandon has informed the Company that it intends to retain a holding of between 371,041 and 21,989,500 Shares.

As a result of his relationship with Sandon, Mr Radzynski has advised the Board that he does not consider himself an independent director of Chesser and does not consider it appropriate to make a recommendation to Shareholders in respect of the Buy Back.

### (b) Recommendation to vote in favour

The Independent Directors consider that the Buy Back is in the best interest of the Company and its Shareholders. The Buy Back responds to what the Board understands to be the different objectives of Shareholders. Given the size of the Buy Back and possible control impact, the Board engaged Grant Thornton to provide the Independent Experts Report. The Independent Expert concluded: "*the Buy Back is Fair and Reasonable to Shareholders as a whole*". The Independent Directors recommend that Shareholders vote in favour of the Buy Back Resolution.

In making this recommendation the Independent Directors had regard to:

- The reasons for the Buy Back which are set out in Section 4.3.
- The advantages and disadvantages associated with the Buy Back as described in Section 6.
- The risk factors set out in Section 7.



- The opinion of the Independent Expert as presented in the Independent Expert's Report included as Annexure A to this Shareholder Booklet.

Although the Independent Directors recommend that Shareholders vote in favour of and approve the Buy Back Resolution, they make no recommendation to Shareholders as to whether they should participate in the Buy Back. Such a decision is a matter for each Shareholder to determine having regard to their own individual circumstances and if appropriate or required, after taking into account appropriate accounting, legal, taxation and other advice and the contents of this Shareholder Booklet including the accompanying Independent Expert's Report.

#### **4.3. Why is Chesser proposing the Buy Back?**

As at the date of the Shareholder Booklet the Company has not identified new investments to pursue. Following implementation of the Buy Back, Chesser will recommence a strategic review of the options and investment opportunities available to it. The strategic review will take into consideration the Company's cash reserves after the Buy Back is completed and the level of concentration of ownership of Shares following implementation of the Buy Back.

The Board of Chesser is aware that certain Shareholders may wish to receive cash for their investment, rather than:

- (i) retain their Shares in light of current uncertainty in respect of the types of investments Chesser may seek to make and length of time it may take to for Chesser to complete the strategic review and identify new investment opportunities; or
- (ii) participate in new investment opportunities when they are identified.

At the same time the Board understands that some Shareholders may wish to remain exposed to the Company whilst it considers new investment opportunities. One such Shareholder is Sandon. For this reason Sandon will not participate in the Buy Back with respect to all of its Shares.

The Board believes that the structure of the Buy Back will allow Shareholders to choose an option that best reflects their individual investment criteria.

Eligible Shareholders who want to exit their investment can select to participate in the Buy Back and receive an immediate cash return at a premium to both:

- (i) the Share price before the Buy Back was announced on 6 March 2015 (being \$0.032); and
- (ii) the proposed Further Capital Return of \$0.0275 proposed by the previous Board.

At the same time, Shareholders can choose to retain their investment in the Company and participate in any future activities undertaken by the Company. There can be no guarantee that the Company will identify new investment opportunities within a period of time, if at all. If following the strategic review no investment opportunities have been identified, the Company may consider alternatives including returning all remaining capital to shareholders

#### **4.4. Buy Back alternatives considered by the Board**

On 24 October 2014, Chesser completed the sale of its 100% interest in its flagship Kestanelik Gold Project. 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, including restricted cash of \$1.8 million, as at 31 December 2014.

Following the Prior Return of Capital, the previous Board 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 potential returns for Shareholders.

In January 2015, the previous Board announced a Further Return of Capital of \$0.0275 per Share.

In February 2015, there were a number of resignations from, and appointments to the Board. The new Board comprising Frank Terranova, Simon O'Loughlin, Simon Taylor, Philip Amery, Gabriel Radzynski and Stephen Kelly considered the Company's capital management options and various ways to return capital to Shareholders including dividends, off-market buy backs, on-market buy backs, pro-rata capital returns and winding up. The Board concluded that an equal access off-market buy back was the most efficient means of returning capital to those Shareholders wanting to exit the Company at a price above the prevailing market price. See Section 6.2 for further details.

The Board considers that as the Company's future investments and operations remain uncertain, it is in the best interests of the Company and its Shareholders as a whole that Shareholders be given the opportunity to decide:

- (i) whether they will approve the Buy Back and give Eligible Shareholders the ability to sell all or some of their Shares; and
- (ii) assuming they are Eligible Shareholders and the Buy Back Resolution is approved, the extent of their participation in the Buy Back (potentially for up to 100% of their Shares).

In considering the price at which the Buy Back will be conducted, Directors had regard to the ability of the Company to continue to operate and remain solvent for a minimum of 12 months from the date the Buy Back is effected. See Section 5.1 for details of the funding the Buy Back and Sections 5.3-5.7 for details of the financial impact of the Buy Back.

#### **4.5. Independent Expert's Report**

To assist Shareholders in their consideration of the Buy Back, the Board commissioned the Independent Expert to prepare an Independent Expert's Report and express an opinion as to whether the Buy Back is fair and reasonable to all Shareholders.

The Company is not required under the Corporations Act to obtain an Independent Expert's Report on the proposed Buy-back, however ASIC policy recommends obtaining an Independent Expert's Report and the Board also considered it appropriate to do so to enable Shareholders to make a fully informed decision as to whether to approve the Buy Back.

The Independent Expert's Report is set out in Annexure A to the Shareholder Booklet.

In summary the Independent Expert determined that the Buy Back is "Fair and Reasonable" to Shareholders as a whole.

#### **4.6. Chesser Directors' interest in Shares**

Chesser Directors and their respective Associates will be entitled to participate in the Buy Back and may do so at their discretion and having regard to their own particular circumstances.

Refer to Section 9.2 for the Relevant Interest of each Chesser Director in Chesser Securities.

Gabriel Radzynski is a director of both the Company and its largest shareholder Sandon. As indicated above, Sandon has indicated that it will not participate in the Buy Back with respect to 100% of its Shares. Following the Buy Back Sandon will retain between 317,041 and 21,989,500 Shares (subject only to the



exceptions set out in Section 5.8). See Section 5.8 for details of the potential control impact of the Buy Back in light of Sandon's intentions.

#### **4.7 Potential changes in composition of the Board of Directors if Buy Back is approved by shareholders**

If the Buy Back is approved by shareholders it is anticipated that there will be a significant reduction in the Company's cash balances. The Board considers that in this instance a Board comprising six Directors cannot be justified.

Should the Buy Back be approved by shareholders it is intended that Mr Terranova, Mr Amery and Mr Kelly will resign as Directors on or before the date on which payment is made to participating shareholders. It is proposed that Mr O'Loughlin, Mr Taylor and Mr Radzynski will continue in office as Directors.

If the Buy Back is not approved by shareholders it is intended that the current Directors will remain in office pending the Board undertaking a review of the Company's strategic options.

## 5. Effect of the Buy Back

### 5.1. Funding of the Buy Back

The Buy Back will be funded from the Company's existing cash reserves. No part of the Buy Back will be paid out of the profits of the Company, nor constitute a dividend.

The Board considers that the Buy Back Limit appropriately balances the funding requirements of the Company to pursue new investment opportunities and the stated desire of a number of Shareholders to be given the opportunity to exit their holdings in the Company. Following the completion of the Buy Back the Company should have sufficient liquidity to fund corporate costs, meet any contingencies and pursue business development opportunities.

### 5.2. Effect on issued capital

#### (a) Effect on Share Capital

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

All of the Shares bought back under the Buy Back will be cancelled in accordance with the Corporations Act. Consequently, the Buy Back will reduce the total number of Shares on issue. See Section 5.2(c) for further details.

#### (b) Effect on unlisted options

The Company also has 7,100,000 unlisted options on issue (**Options**) as at the date of this Shareholder Booklet. Optionholders cannot participate in the Buy Back with respect to their Options.

Optionholders who wish to participate in the Buy Back must exercise their options and complete and return an Application Form by the Record Date.

#### (c) Illustration of potential capital structure following the Buy Back

The table below illustrates the impact the Buy Back will have on the Company's issued capital assuming different levels of participation in the Buy Back. All Shares that the Company buys back will be cancelled. See Section 5.8 for a discussion on the potential control impact of the Buy Back.

Illustration of potential outcomes at varying levels of Shareholder participation in the Buy Back					
Buy Back Limit	220,636,120	220,636,120	220,636,120	220,636,120	220,636,120
Percentage of eligible shares participating	0%	25%	50%	75%	100%
Number of Shares bought back	0	55,159,030	110,318,060	165,477,090	220,636,120
Total issued shares post Buy Back	221,007,161	165,848,131	110,689,101	55,530,071	371,041
Total Options post Buy Back	7,100,000	7,100,000	7,100,000	7,100,000	7,100,000

### **5.3. Effect of the Buy Back on the Company's ability to pay its creditors**

Having regard to the Company's current, anticipated and contingent financial requirements, the Directors have assessed that the Buy Back 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.

### **5.4. Impact of the Buy Back on the Company's franking account**

The Company does not currently have any available franking credits. The Company does not consider the Buy Back to be a factor in the Company's ability to pay franked dividends in the future.

### **5.5. Financial effect of the Buy Back**

All Shares that are bought back under the Buy Back will be cancelled in accordance with section 257H(3) of the Corporations Act.

Assuming that the Buy Back Limit is reached, the Buy Back will reduce the Company's cash reserves by \$7.57 million.

A Pro Forma Abridged Consolidated Statement of Financial Position is set out below to demonstrate the financial position of the Company after the Buy Back has been completed.

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

- (i) the starting position is derived from the reviewed financial statements of the Company for the half-year ended 31 December 2014 (as reported in the Company's ASX release dated 13 March 2015);
- (ii) reflecting the sale of the Company's 51% interest in the Sisorta Project for \$162,092 cash consideration. The sale completed on 27 March 2015;
- (iii) reflects the lifting of restrictions on cash amounts totalling \$1,800,488 and the reclassification of those amounts from other financial assets to cash and cash equivalents;
- (iv) reflecting the position if the proposed Buy Back had been completed on 31 December 2014 and assuming the Buy Back Limit was reached; and
- (v) reflecting the estimated, unaudited financial effect of other transactions during the period 1 January 2015 to 29 May 2015 on cash and cash equivalents.

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

- (i) 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.
- (ii) 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.

## PRO FORMA ABRIDGED

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2014 (Reviewed)	Sale of the Sisorta Project (Unaudited)	Effect of financial transactions 1 January 2015 to 31 May 2015 (Unaudited)	Effect of Proposed Buy Back (Unaudited)	Pro-forma 31 December 2014 (Unaudited)
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7,142,018	(4,831)	730,002	(7,567,189)	300,000
Trade and other receivables	73,862	(22,158)	-	-	51,703
Other financial assets	1,800,488	-	(1,800,488)	-	-
Other current assets	112,517	(64,698)	-	-	47,819
<b>TOTAL CURRENT ASSETS</b>	<b>9,128,885</b>				<b>399,522</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	15,000	-	-	-	15,000
Property, plant and equipment	61,732	-	-	-	61,732
Exploration and evaluation assets	491,369	(491,369)	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>568,101</b>				<b>76,732</b>
<b>TOTAL ASSETS</b>	<b>9,696,986</b>				<b>476,254</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	524,781	(270,499)	(254,282)	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>524,781</b>				<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>524,781</b>				<b>-</b>
<b>NET ASSETS</b>	<b>9,172,205</b>				<b>476,254</b>
<b>EQUITY</b>					
Issued capital	9,325,822	-	-	(7,567,189)	1,758,633
Accumulated losses	(2,153,758)	2,036,362	(816,204)	-	(933,600)
Reserves	(348,778)	-	-	-	(348,778)
Parent interests	6,823,286				476,254
Non-controlling interest	2,348,919	(2,348,919)	-	-	-
	9,172,205				476,254

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 half-year ended 31 December 2014 (released on ASX on 13 March 2015) and other Company announcements and reports which can be accessed on the Company's website at [www.chesserresources.com.au](http://www.chesserresources.com.au).

The Pro Forma Abridged Consolidated Statement of Financial Position assumes that the Buy Back Limit is reached. If the Buy Back Limit is not reached, the Company's cash reserves and issued capital will be reduced by a smaller amount.

The table below sets out the pro forma cash balance, number of Shares on issue and cash per Share at varying levels of participation in the Buy Back.

Illustration of potential outcomes at varying levels of Shareholder participation in the Buy Back					
Buy Back Limit	220,636,120	220,636,120	220,636,120	220,636,120	220,636,120
Percentage of eligible shares participating	0%	25%	50%	75%	100%
Total issued capital post Buy Back	221,007,161	165,848,131	110,689,101	55,530,071	371,041
Cash and cash equivalents post Buy Back	\$7,877,999	\$5,986,044	\$4,094,090	\$2,202,135	\$310,180
Cash backing per share post Buy Back	\$0.0356	\$0.0361	\$0.0370	\$0.0397	\$0.8360

Shareholders should note that the cash backing of the Company's Shares post Buy Back as presented in the above table does not take into account:

- (i) the Company's current liabilities;
- (ii) the requirement for the Company to fund its ongoing corporate costs; and
- (iii) the requirement for the Company to provide for any contingent liabilities.

## 5.6. Restricted cash

The Company's balance sheets as at 31 December 2014 included Other Financial Assets totalling \$1,800,488 representing cash balances held by the Company that are subject to restrictions and are not available to be freely utilised by the Company. The restrictions on the cash were removed in May 2015.

## 5.7. Effect on the Company's investment activities, business and growth opportunities

Chesser has historically invested in the natural resources sector with an emphasis on investment in base and precious metals. Following the sale of its Kestanelik Project in October 2014, the sale of its 51% interest in the Sisorta Project in March 2015 and the termination of the Catak Option Agreement in

February 2015 the Company does not, at the date of this Shareholder Booklet, have any investments in the resources sector.

As of the date of this Shareholder Booklet, the Company has not identified new investments to pursue following the implementation of the Buy Back.

Following implementation of the Buy Back, Chesser will recommence a strategic review of the options and investment opportunities available to it. The strategic review will take into consideration both the Company's cash reserves and the level of concentration of ownership of Shares following implementation of the Buy Back.

Until Completion of this strategic review, Shareholders will be unable to evaluate:

- (i) the manner in which the Company will invest following the Buy Back; and
- (ii) the economic merits of any investments that the Company may make.

Furthermore, the time required to complete the strategic review and once complete, implement the identified strategy, is currently unknown. Extended delays in making investments after the Buy Back may adversely affect the financial performance of the Company and the value of an investment in the Company.

In addition, it is currently unknown whether the Company will remain listed on the ASX.

The Company has been asked by ASX to demonstrate that its business operations are at a level that warrants the continued quotation of Shares and its continued listing on the ASX in satisfaction of Listing Rule 12.1. ASX will suspend the Company's securities from official quotation following completion of the Buy Back until such time as the Company can demonstrate it satisfies Listing Rule 12.1. See Section 5.9 for further details.

The Board will keep Shareholders up to date with respect to investment opportunities and future business operations. While the Company is admitted to the Official List, any proposal that would constitute a significant change to the nature of scale of Chesser's activities will be subject the Shareholder and ASX approval requirements imposed by the ASX Listing Rules.

## **5.8. Effect on control of the Company**

As a consequence of the cancellation of the Shares bought back under the Buy Back, the percentage shareholding and voting power of Shareholders who do not participate in the Buy Back, or only participate with respect to some of their Shares, will increase. This may materially alter the ownership of the Company.

Shareholders should note that the Share Register is relatively concentrated, with the Top 20 Shareholders holding approximately 55.78% of all issued Shares as at 28 May 2015. Accordingly, the control impact of the Buy Back will be material if 1 or more of the Company's substantial Shareholders does not participate in the Buy Back and Shares equal to the Buy Back Limit are bought back.

At this point, it is not possible to determine the precise extent to which the ownership make-up of the Company will change, as that will be dependent on Buy Back Acceptances.

Shareholders should however take into account the following considerations:

### *(a) Position of Sandon Capital Pty Limited*

The Company's largest Shareholder, Sandon, has advised the Company that it will not participate fully in the Buy Back and will retain between 371,041 and 21,989,500 Shares after the Buy Back. The table below

illustrates the potential outcomes for Sandon in terms of ownership percentage and voting power assuming:

- (i) that Sandon elects to retain 21,989,500 Shares after the Buy Back (that is, Sandon retains the maximum number of Shares that it has stated it may retain); and
- (ii) different levels of participation in the Buy Back by other Shareholders.

**Illustration of potential post Buy Back ownership percentage of Sandon at varying levels of Shareholder participation in the Buy Back**

Percentage of eligible shares participating	0% of shareholders	25% of shareholders	50% of shareholders	75% of shareholders	100% of shareholders
Shares bought back					
Non Sandon Shareholders	-	44,257,040	88,514,080	132,771,121	177,028,161
Sandon	21,989,500	21,989,500	21,989,500	21,989,500	21,989,500
<b>Total</b>	<b>21,989,500</b>	<b>66,246,540</b>	<b>110,503,580</b>	<b>154,760,621</b>	<b>199,017,661</b>
Total issued capital post Buy Back	199,017,661	154,760,621	110,503,581	66,246,540	21,989,500
Number of Sandon Shares post Buy Back	21,989,500	21,989,500	21,989,500	21,989,500	21,989,500
Sandon percentage of post Buy Back Shares and voting power	11.0%	14.2%	19.9%	33.2 %	100%

Notes:

- The total number of Shares on issue before the Buy Back is 221,007,161. The maximum eligible shares for the purposes of this table is 177,217,161 shares representing total shares on issue less Sandon's holding of 43,979,000 shares.
- 100% of Shareholders represents the maximum number of Shares which be bought back under the Buy Back excluding Sandon's shareholding
- It is assumed that Sandon retains 21,989,500 shares and offers, 21,989,500 shares into the Buy Back. Sandon has indicated that it will retain between 371,041 and 21,989,500 Shares after the Buy back.

Accordingly in deciding how to vote on the Buy Back, Shareholders should consider the information below regarding Sandon.

### About Sandon

Sandon is boutique investment management and advisory firm. Sandon also provides advisory services to shareholders seeking to implement activist strategies.

Sandon's directors, and their qualifications and experience, are:

Mr Gabriel Radzyninski BA (Hons), MCom. Gabriel is the founder and managing director of Sandon. He is portfolio manager of the Sandon Capital Activist Fund, a fund targeting underperforming companies. Gabriel also holds directorships in Sandon Capital Investments Limited, Future Generation Investment Fund Limited and Mercantile Investment Company Limited.

### ***Sandon's intentions***

In view of the potential increase in Sandon's percentage shareholding and voting power in Chesser following implementation of the Buy Back, the Company has sought confirmation from Sandon regarding its intentions in the event the Buy Back is implemented.

This Section sets out the present intentions of Sandon as communicated to the Company. The present intentions of Sandon set out below may change as a consequence of the passage of time or a change in the circumstances of the Company or Sandon.

### ***Sandon's intentions if it holds 90% or more of the Shares after the Buy Back***

This Section sets out Sandon's current intentions if following completion of the Buy Back it holds 90% or more of the Shares and is entitled to proceed to compulsory acquisition of the outstanding Shares.

- *No Intention to compulsorily acquire:* If it becomes entitled to do so under the Corporations Act, Sandon does not presently intend to proceed with compulsory acquisition of the remaining Shares in accordance with the Corporations Act, including any outstanding options.
- *Sandon's investment strategy:* If following completion of the Buy Back Sandon holds more than 90% of the issued share capital in Chesser, it is proposed that Chesser will undertake the strategic review described in Section 5.7.

Sandon has not identified any specific investment opportunities to be put to Chesser as at the date of this Booklet.

- *Operations and employees:* The Company currently has one employee. Sandon intends to terminate the employment of the employee and utilise Sandon employees to manage the Company's affairs.
- *Chesser's Board:* Sandon will replace all members of the Board that are not Sandon nominee directors with its own nominees, which may include current Sandon directors.

### ***Sandon's intentions if it holds more than 50% but less than 90% or more of the Shares after the Buy Back.***

This section sets out Sandon's intentions if following completion of the Buy Back Sandon were to gain effective control of Chesser, but was not to become entitled to compulsorily acquire the outstanding Shares.

- *Sandon's investment strategy:* If following completion of the Buy Back Sandon holds more than 50% but less than 90% of the issued share capital in Chesser and is not entitled to any compulsory acquisition of the Shares, it is proposed that Chesser will undertake a review of the strategic options available to it. Sandon has not identified any specific investment opportunities to be put to Chesser as at the date of this Booklet.
- *Chesser's Board:* Following completion of the Buy Back, Sandon will undertake a review of the composition of the Board. Whether or not Sandon seeks to replace any of the existing Directors or seeks to have additional nominee directors appointed to the Board, will depend on the level of its shareholding in Chesser following implementation of the Buy Back and the results of the strategic review.



Whilst potential Board replacements have not been identified, it is likely that the candidates who will be considered by Sandon for appointment to the Board will be executives or officers with appropriate experience, qualifications and skills for Chesser and its business and to implement the Company's new strategy identified by the review.

- *Operations and employees:* The Company currently has one employee. It is anticipated that depending on the level of participation in the Buy Back and the results of Chesser's strategic review following implementation of the Buy Back, the Company will need to recruit and retain staff and management personnel and pay directors' fees to all directors. This will result in increased costs for the Company.
- *ASX Listing:* Whether Sandon will support Chesser's continued listing on the ASX will depend on the concentration of share ownership following implementation of the Buy Back.

Following implementation of the Buy Back, Sandon may support Chesser's delisting from the ASX if ownership of the Shares is significantly concentrated and the costs and regulatory burdens associated with retaining its ASX listing outweigh the advantages of remaining listed.

Sandon may also support Chesser's delisting if Chesser has not identified new investments following completion of the strategic review. See Section 5.7.

- *Intentions to inject further capital into Chesser:* Sandon has no intention to inject further capital into Chesser.
- *Financial and dividend policies:* Sandon does not believe it is appropriate for the Company to commit to a dividend policy at this time. Sandon believes it would be preferable for the Board to determine the Company's dividend policy from time to time having regard to the Company's financial position and investment plans.

Sandon does not otherwise have any intention of seeking any change in Chesser's financial policies.

- *Intention to increase shareholding:* Owing to the size of its shareholding, Sandon's ability to substantially increase its voting power through further purchases of Shares will be subject to the limitations imposed by the Corporations Act and would require any increase to occur by way of a control transaction such as a takeover or scheme of arrangement or pursuant to an exception such as the ability to increase its ownership interest by no more than three percent every six months.

(b) *Position of other substantial shareholders*

As at the date of this Shareholder Booklet, the Company had received substantial Shareholder notices from the following Shareholders.

Shareholder	Ownership percentage	Intentions regarding the Buy-back
Sandon Capital Pty Ltd	19.9%	Refer section 5.8

In light of the above, at the date of the Shareholder Booklet, it is not possible to determine the precise extent to which the ownership make-up of the Company will change as a result of the Buy-Back.

## 5.9. Impact on the liquidity of the Shares and ASX spread requirement

As noted in Section 5.8(a), the Buy Back may have the effect of significantly concentrating the ownership of Shares, including a concentration of up to 100% of Shares being held by Sandon alone.

The cancellation of Shares under the Buy Back, combined with the potential for a significant concentration of share ownership, may reduce the liquidity of the remaining Shares.

As a consequence of the outflow of funds under the Buy Back, the market capitalisation of the Company is likely to fall after the implementation of the Buy Back. This may lead to a reduction in the level of investor interest in the Company and may further reduce the liquidity of the remaining Shares.

Under ASX Listing Rule 12.4.1, the Company must maintain a spread of Shareholders which, in the opinion of the ASX, is sufficient to ensure that there is an orderly and liquid market in its securities. As described above, there is a risk of the Buy Back significantly concentrating share ownership. If this occurs, the Company's ability to satisfy the ASX's spread requirements may be effected.

If, following the Buy Back, the ASX determines that Chesser does not have a sufficient Shareholders spread, Chesser will notify Shareholders. In these circumstances, the Board will have a minimum of 3 months to obtain the spread required under the ASX Listing Rules. In those circumstances, the Company may take actions with a view to ensuring that it achieves the spread of Shareholders required by the ASX which may include the issue of new Shares. Alternatively the Company may elect to de-list rather than trying to meet the ASX spread requirements.

If the Company is unable to achieve the required level of spread, the ASX will exercise its discretion to suspend quotation of the Shares and may de-list the Company, both of which could materially adversely affect the ability of Shareholders to buy and sell Shares.

If the ASX exercises its discretion to de-list Chesser, or the Company elects to de-list, remaining Shareholders may experience the following difficulties:

- (i) trading liquidity in Shares would be materially adversely affected with Shares only capable of sale by private transaction; and
- (ii) the ASX Listing Rules will no longer apply to Chesser and Shareholders would forgo the protections inherent in the ASX Listing Rules including those relating to disclosures, restrictions on share issues and making significant changes to Chesser's activities. Provided Chesser has 100 Shareholders following the Buy Back, Chesser would remain subject to the continuous disclosure requirements in the Corporations Act.

#### **5.10. General taxation implications for the Company**

No adverse taxation consequences are expected to arise for the Company as a result of effecting the Buy Back.

The Buy Back may impact upon the Company's ability to utilise prior year tax losses against future taxable income of the Company. These implications are discussed in further detail at section 5.11.

#### **5.11. Taxation implications for carry forward tax losses**

Historically, the Company has not recognised a deferred tax asset in respect of carry forward tax losses as it is not probable that future taxable profit will be available against which the Company can utilise the carry forward tax losses.

As at 30 June 2014, the Company reported unrecognised deferred tax assets totalling \$6,244,907. Tax losses do not expire under current tax legislation. The ability of the Company to utilise these tax losses in the future is dependent on the Company:

- (a) satisfying the applicable requirements of the tax legislation in relation to the ability of the Group to carry forward tax losses, including the continuity of business and ownership tests; and

- (b) generating future taxable profit against which the deferred tax assets can be utilised.

If the Company (i) became a wholly-owned subsidiary of another entity, (ii) was incorporated into a tax consolidated group and (iii) satisfied the applicable requirements of the tax legislation at all relevant times (including the continuity of ownership test and, if applicable, the continuity of business test), the tax consolidated group of which the Company becomes a member may be able to utilise a proportion of the Company's tax losses.

## 5.12. General taxation implications for Shareholders

The tax consequences for Shareholders of participating in the Buy Back may vary depending on each Shareholder's specific circumstances.

The following is a general description of the Australian capital gains tax (CGT) consequences of Shareholders participating in the Buy Back and does not constitute tax advice. 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 pursuant to the Buy Back. 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. On 30 March 2015 the ATO issued a determination that deemed an amount of \$0.01 per Share of the \$0.15 per Share return of capital payment to be a dividend for taxation purposes. The Company does not intend to apply for a class ruling from the ATO for shareholders who participate in the Buy Back.

**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) *Capital loss if cost base of a Share is more than Further Return of Capital amount*

If the amount of the Shareholder's cost base in a Share exceeds the Buy Back Price, a capital loss will arise to the extent to which the cost base exceeds the Buy Back Price.

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

If the amount of the Buy Back Price exceeds the Shareholder's cost base in a Share, a capital gain will arise to the extent to which the Buy Back Price exceeds the cost base.

#### (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<sup>1</sup>/<sub>3</sub>% 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 Buy Back Price.

(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 less any amounts received by the Shareholder as a return of capital in relation to that share.

(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.

Shareholders who are not residents of Australia for taxation purposes should seek specific advice in relation to the taxation consequences arising from the Buy Back under the laws of their country of residence.

(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 Buy-Back, 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 Buy Back 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. On 30 April 2015 the ATO issued a determination that deemed an amount of \$0.01 per Share of the \$0.15 per Share return of capital payment to be a dividend for taxation purposes. The Company does not presently intend to apply for a class ruling from the ATO for shareholders who participate in the Buy Back.

## 6. Advantages and disadvantages of the Buy Back for Shareholders

### 6.1. Overview

Set out below is a discussion of the advantages and disadvantages of the Buy Back for Shareholders as identified by the Board. A discussion of the advantages and disadvantages associated with the Buy Back is also set out in the Independent Expert's Report at page 4.

Ineligible Foreign Shareholders will not be able to participate in the Buy Back if it is approved. In addition, participation in the Buy Back is optional for Eligible Shareholders. The advantages and disadvantages of the Buy Back will therefore differ amongst Shareholders (depending on their participation in the Buy Back).

You should read this Shareholder Booklet in full before making any decision on how to vote at the EGM and whether to participate in the Buy Back. The information set out in this section does not purport to be, nor should it be construed as representing, an exhaustive summary of all matters that Shareholders should consider when determining whether to participate in the Buy Back.

The Board considers that the Buy Back is advantageous to all Shareholders relative to other alternatives considered by the Board for the following reasons:

*(a) More flexibility than the previous Board's proposed Further Return of Capital*

If the Further Return of Capital proposed by the previous Board had been put to Shareholders and approved, all Shareholders would be bound by the decision of the majority, whether they supported the Further Return of Capital or not.

The Buy Back provides Shareholders with choice both as to whether:

- to vote for the Buy Back Resolution and allow the Buy Back to proceed; and
- assuming the Buy Back is approved and they are Eligible Shareholders, whether to participate in the Buy Back.

*(b) Ability to rebalance*

Further to 6.1(a) above, the Buy Back allows Eligible Shareholders to rebalance their investment in the Company by participating in the Buy Back for some, but not all, of their Shares. This gives Eligible Shareholders the opportunity to benefit from the liquidity offered by the Buy Back in respect of some of their Shares but to retain some exposure to Chesser's future activities.

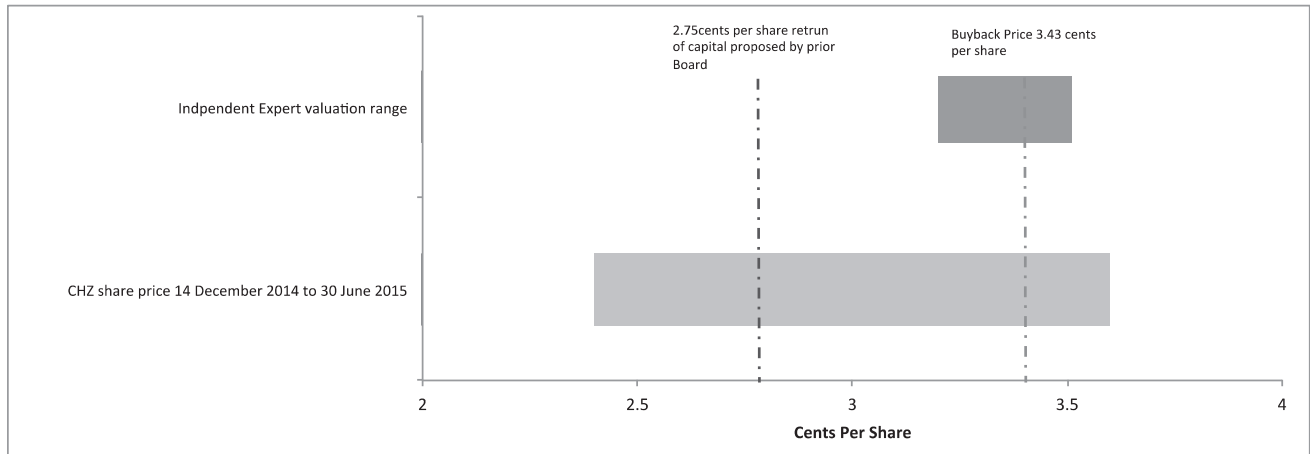
### 6.2. Advantages of the Buy Back for Participating Shareholders

*(a) The Buy Back Price provides a certain cash price and is set at a premium to market price*

The Buy Back provides Shareholders who wish to sell some or all of their Shares the opportunity to receive \$0.0343 for each Share sold into the Buy Back. The amount of \$0.0343 represents a 7.0% premium to the 30-day VWAP of Shares prior to the announcement of the Buy Back on 6 March 2015.

The graph below shows:

- (i) the Independent Expert's valuation range;
- (ii) the Buy Back Price;
- (iii) the Share price performance of Chesser from 12 December 2014 to 30 June 2015; and
- (iv) the previous Board's proposed Further Return of Capital.



*(b) Ability to realise all or a portion of your investment in the Company*

Participating Shareholders will be able to sell up to 100% of their Shares at a premium to recent trading prices. See Section 8 for further details.

There is no guarantee that Shareholders could achieve such a level of liquidity (in terms of Share numbers and Share price) if the Buy Back does not proceed. As described in Sections 5.10 and 7.3(d) it is possible that liquidity in the Shares following the completion of the Buy Back may be reduced due to a potential increase in the concentration in the ownership of the Shares.

*(c) No brokerage*

Participating Shareholders will not pay brokerage or other fees under the Buy Back. Conversely, Shareholders may have to pay brokerage fees if they sell Shares on the ASX.

*(d) Reduced exposure to the Company's business*

Participating Shareholders will cease to be exposed (if they sell 100% of their Shares) or reduce their exposure (if they participate with respect to only some of their Shares) to the risks associated with the Company's ongoing activities. See Sections 5.8 and 5.9 for details of the Company's future activities following the Buy Back. Section 7 provides a summary of the material risks associated with retaining Shares in the Company after the implementation of the Buy Back.

### **6.3. Disadvantages of the Buy Back for Participating Shareholders**

*(a) Buy Back Price is inferior to the current cash backing of Shares*

The Buy Back Price of \$0.0343 is less than the current cash backing of Shares, which at 31 July 2015 is estimated to be \$0.0357 per Share.

However Shareholders should note that the current cash-backing of Shares does not take into account the following:

- (i) the Company's current liabilities;
- (ii) the requirement for the Company to fund its ongoing corporate costs; and
- (iii) the requirement for the Company to provide for any contingent liabilities.

Further, it is possible that some Shareholders will not participate in the Buy Back and that Chesser will retain more cash than required for actual and contingent liabilities. If this occurs, it is possible that the resulting cash backing after actual liabilities per Share may be greater than the Buy Back Price.



*(b) Exit price*

The Buy Back may allow non-participating Shareholders to significantly increase their voting power in Chesser and potentially acquire a level of control over Chesser. As outlined in Section 5.8, the Buy Back may result in Sandon controlling the Company.

In that event, Shareholders may consider that the consideration of \$0.0343 per Share under the Buy Back does not include a sufficient premium for their Shares. The Independent Expert has concluded that the Equal Access Buy Back is fair and reasonable to shareholders.

Any increase in voting power and control following implementation of the Buy Back will depend on the level of participation in the Buy Back.

*(c) You cannot sell any of your Shares which are accepted into the Buy Back*

If you participate in the Buy Back you will be unable to sell your Shares accepted into the Buy Back on the ASX (or otherwise dispose of them), unless you subsequently amend or withdraw your acceptance with respect to those Shares. The price at which you may have been able to sell your Shares on the ASX after you have submitted your Buy Back Acceptance Form up until the time of completing the Buy Back may be higher or lower than the Buy Back Price.

*(d) Potential tax consequences of the Buy Back*

If you participate in the Buy Back there may be tax consequences, including tax payable on any gain on disposal of your Shares. General information on the Australian taxation considerations associated with the Buy Back is set out in Section 5.12. Shareholders should seek their own professional advice regarding the individual tax consequences applicable to them.

*(e) Loss of potential benefits*

Shareholders who sell their Shares under the Buy Back will forgo (to the extent they sell down their shareholding) any benefits of remaining a Shareholder.

#### **6.4. Advantages of the Buy Back for Shareholders who retain some or all of their Shares**

*(a) The current and potential cash backing of Shares may be greater than the Buy Back Price*

The current cash backing of Chesser shares, which at the date of this Shareholder Booklet is estimated to be \$0.0357 per share is greater than the Buy Back Price of \$0.0343.

However Shareholders should note that the current cash-backing of Shares does not take into account the following:

- (i) the Company's current liabilities;
- (ii) the requirement for the Company to fund its ongoing corporate costs; and
- (iii) the requirement for the Company to provide for any contingent liabilities.

Further, it is possible that some Shareholders will not participate in the Buy Back and that Chesser will retain more cash than required for actual and contingent liabilities. If this occurs, it is possible that the resulting cash backing after actual liabilities per Share may be greater than the Buy Back Price. Please refer to the table in Section 5.5 for an illustration of the potential increase in cash per Share depending on different levels of participation in the Buy Back.

*(b) Increase in voting power*

The cancellation of Shares bought back pursuant to the Buy Back will have the effect of increasing the percentage shareholding, and voting power, of Shareholders who do not participate in the Buy Back. Importantly, it is possible that Sandon will have voting power of 50% or more following completion of the Buy Back. The extent of the increase will depend on the number of Shareholders who participate and the total number of Shares bought back under the Buy Back.

*(c) Flexibility*

Implementation of the Buy Back does not prevent a Shareholder from deciding in the future that they would like to sell their Shares in the Company (subject to the comments in Section 5.9 regarding the potential impact of the Buy Back on the liquidity of the Company's Shares).

*(d) Continued exposure to Chesser's business*

Shareholders who chose not to accept some or all of their Shares into the Buy Back will continue to:

- (i) own some or all of their Shares and retain exposed to Chesser and its business;
- (ii) benefit from any value which may result from any new investment activities undertaken by the Company.

There can be no guarantee that the strategic review will be successful or completed in a timely manner. In addition, the Company's ability to implement a new strategy may be constrained by the Company's reduced cash reserves following the Buy Back.

Not participating in the Buy Back may therefore appeal to any Shareholders who consider there is an opportunity for value enhancement in respect of any recommencement of Chesser's investment activities.

Subject to the results of a strategic review to be conducted following implementation of the Buy Back, Chesser may adopt an investment strategy that differs from Chesser's current strategy. See Section 5.8 and 5.9 for further details. Shareholders may consider the potential that Chesser may pursue a new investment approach an advantage of remaining invested in the Company.

Shareholders should refer to Section 7 which provides a summary of the material risks associated with retaining Shares in the Company after the implementation of the Buy Back.

## **6.5. Disadvantages of the Buy Back for Shareholders who retain some or all of their Shares**

*(a) Future cash backing of Shares is uncertain*

Other than with respect to Sandon's intention to retain a minimum holding of Shares disclosed above, Chesser cannot predict with certainty how many Shareholders will participate in the Buy Back and the extent to which certain contingent liabilities may arise. Each of these are dependent on a number of factors, many of which are outside the Company's control.

The Buy Back Price has been set at an amount aimed to provide Chesser with sufficient cash reserves to meet its actual and contingent liabilities and corporate costs even if there is a full acceptance of the Buy Back. If the actual liabilities and corporate costs are higher than those provisioned for, this may adversely effect Shareholders who do not participate in the Buy Back.

*(b) Reduction in cash reserves to fund future investment activities*

Implementation of the Buy Back will result in a reduction in the Company's cash reserves. The amount of the reduction will depend on the number of Shares bought back. Please refer to the table in Section 5.5 for an illustration of the potential increase in cash per Share depending on different levels of participation in the Buy Back.



In the initial period following the implementation of the Buy Back, the Company's ability to execute a strategy of recommencing investment activities may be constrained by its reduced cash reserves.

Sandon has no present intention to invest further capital into the Company (see Section 5.8 for details). The Company may need to raise additional funds from debt or equity markets to make investments, which may be more expensive than would be the case had cash not been distributed to Shareholders pursuant to the Buy Back.

*(c) Potential impact on liquidity*

Taken together, the impact of:

- (i) Chesser's reduced cash;
- (ii) Chesser's reduced capital base;
- (iii) The potential for share ownership concentration in the event that Sandon and other large Shareholders choose not to participate in the Buy Back; and
- (iv) Chesser's reduced market capitalisation,

may materially adversely affect the trading liquidity in the Shares following the implementation of the Buy Back and consequently adversely affect the trading price of Shares. In addition, depending on the number of Shares bought back, the Company may no longer have sufficient spread of Shareholders at completion of the Buy Back. As explained in Section 5.10, the Company may be required to delist from the ASX if this were to arise. Ceasing to be listed on the ASX may have a material adverse effect on the Share liquidity and Share prices.

*(d) Potential for Shares to trade below the Buy Back Price*

If Shareholders do not participate in the Buy Back, their Shares may trade at prices below the Buy Back Price.

*(e) A small number of Shareholders may gain effective control of the Company*

If there is high participation by Shareholders in the Buy Back, the Buy Back will have the effect of significantly concentrating the ownership of Chesser and may result in Sandon increasing its voting power from 19.9% to above 50%. See Section 5.8 for details of Sandon's voting power at completion of Buy Back assuming different participation levels.

If Sandon were to obtain a 50% or greater stake in the Company, it would obtain effective control of the Company and have the ability to determine the outcome of ordinary resolutions put to Shareholders. The interest of Sandon may be different to other Shareholders. Sandon's intentions with respect to the Company following implementation of the Buy Back are set out in Section 5.8. If Sandon acquires voting power over 90% it does not currently intend to compulsorily acquire the remaining Shares. As a result non-participating Shares would become minority Shareholders in an unlisted public company.

A significant increase in Sandon's stake in the Company may also have the effect of deterring takeover bids being made, potentially depriving the remaining Shareholders of the benefit of any control premium that an acquirer may be willing to pay for the Company.

*(f) Exposure to ongoing investment activities*

Shareholders will remain exposed to the potential risks associated with the Company as set out in Section 7. Shareholders should carefully review Section 7 before making a decision as to how to vote on the Buy Back Resolution and whether to participate in the Buyback.

## **7. Risk Factors**

### **7.1. Overview**

This section describes what are considered to be the material risks in relation to the Buy Back. Individually or in combination, these risks may adversely affect the future financial position, performance or prospects of Chesser and the value of an investment in Chesser.

The information set out in this section does not purport to be, nor should it be construed as presenting, an exhaustive summary of all possible risks that Shareholders should consider when determining whether to participate in the Buy Back.

### **7.2. General risks**

#### *(a) Dependence on general economic conditions*

Changes in Australian and international economic conditions may adversely affect Chesser's financial performance, financial position or prospects, or the value or price of the Shares. These general conditions may impact of the availability of new investment opportunities, the availability, terms and cost of funding and the Company's operating costs.

#### *(b) Share market conditions*

There are risks associated with an investment in Shares that are listed on a stock exchange. Share price movements can affect the value of an investment in Chesser. The value of listed Shares can be expected to fluctuate depending on a number of general factors including changes in international and domestic share markets, changes in economic conditions, inflation, interest rates, exchange rates, government fiscal, monetary and regulatory policies and investor perceptions. These risk factors are unpredictable and may have implications for the price or value of shares that are unrelated or disproportionate to the operating performance of Chesser.

#### *(c) Government or regulatory actions*

The Company's operations could be affected by government actions in the countries or jurisdictions in which it has interests. The possible extent of introduction of additional legislation, regulations, standards (including accounting standards), guidelines or amendments to existing legislation that might affect the Company's business is difficult predict. Any such government action may require increased capital or operating expenditures and could prevent or delay the execution of the Company's plans or have a material adverse effect on the Company's business and financial condition.

#### *(d) Taxation*

The Company and its investee entities are and will be subject to taxation and other imposts in Australia and any other jurisdictions in which they operate. Future changes in taxation laws in those jurisdictions, including changes in interpretation or application of existing laws by the courts or taxation authorities in those jurisdictions, may affect the tax liabilities of Chesser or its investee entities, or the taxation treatment of holding or disposing of Shares.

#### *(e) Disputes and litigation*

Disputes or litigation may arise from time to time in the course of Chesser's business activities. There is a risk that material or costly disputes or litigation which the Company may become party to, or be required to assist with, could adversely affect financial performance. The Company takes out insurance to cover certain risks where the Company considers it appropriate to do so. To the extent that any such claims are not covered by insurance, the costs of responding to the claim and any adverse outcome from the claim, may materially adversely affect the Company's financial position.

### **7.3. Risks specific to the Company**

#### *(a) Effect of the Buy Back on the control of Chesser*

If there is high participation by Shareholders in the Buy Back, the Buy Back may have the effect of significantly concentrating the ownership of Chesser. Consequently, the voting power of a small number of Shareholders may increase and potentially give those Shareholders greater control of Chesser.

Shareholder attention is drawn to the table in Section 5.8 which illustrates the potential outcomes for Sandon in terms of ownership percentage and voting power at different levels of participation in the Buy Back by other Shareholders. If Sandon were to obtain a shareholding of more than 50%, Sandon would obtain effective control of the Company and the ability to determine the outcome of ordinary resolutions put to shareholders. In the circumstances, Sandon would also have the ability to block the passage of special resolutions. The interest of Sandon may be different from those of other Shareholders. Shareholders should consider Sandon's intentions following implementation of the Buy Back as set out in Section 5.8.

A significant concentration of shareholding following implementation of the Buy Back may also have the effect of deterring takeover bids for the Company from being made and may deprive Shareholders of the potential benefit of any control premium that an acquirer may be willing to pay for the Company.

#### *(b) The Company has not identified new investments in which to invest its funds*

As of the date of this Shareholder Booklet, the Company has not identified new investments to pursue following the implementation of the Buy Back.

As a result, Shareholders cannot at this point evaluate the manner in which the Company will invest following the Buy Back, nor the economic merits of any investments that the Company may make. Furthermore, delays in making investments after the Buy Back may adversely affect the financial performance of the Company and the value of an investment in the Company.

The Company cannot provide any assurance that it will be able to identify investments that meet its investment objectives or that the investments it makes will generate a positive return. The Company may be unable to make investments following the implementation of the Buy Back on acceptable terms or at all, which could adversely affect the performance of the Company.

As described in Section 5.7 Chesser has historically invested in the natural resources sector with an emphasis on investment in base and precious metals. Following the sale of its Kestanelik Project in October 2014, the sale of its 51% interest in the Sisorta Project in March 2015 and the termination of the Catak Option Agreement in February 2015 the Company does not, at the date of this Shareholder Booklet, have any investments in the resources sector.

Subsequent to the Company announcing the disposal of the Sisorta Project on 6 March 2015, the Company has been advised by the ASX that the Company's Shares will be suspended from official quotation following the Buy Back until the Company can satisfy the ASX that the level of the Company's operations are sufficient to warrant the continued quotation of the Company's shares and its continued listing on the ASX.

Any proposal by the Company to make a significant change to the nature or scale of its activities will be subject to the disclosure and Shareholder and ASX approval requirements imposed by the ASX Listing Rules.

(c) *Delisting of Chesser*

It is possible that following the implementation of the Buy Back, ASX will suspend quotation of the Company's Shares and ASX may require the Company to delist or the Company may elect to delist for the reasons described in Sections 5.7 and 5.9.

If the ASX exercises its discretion to delist Chesser, or the Company elects to de-list, the remaining Shareholders may experience the following difficulties:

- (i) Trading liquidity in Chesser shares would be materially adversely affected with Shares only capable of sale by private transaction; and
- (ii) The ASX Listing Rules will no longer apply to Chesser and Shareholders would forgo the protections inherent in the ASX Listing Rules including those relating to disclosures, restrictions on share issues and making significant changes to Chesser's activities.

(d) *Liquidity risk*

Section 5.9 describes the factors which may materially adversely affect the trading liquidity in the Shares following the implementation of the Buy Back. A material adverse effect on liquidity in the Shares may adversely affect the trading prices of the Shares.

(e) *Potential for Shares to trade below Buy Back Price or NAV*

Following implementation of the Buy Back, Shares may trade at prices below the Buy Back Price.

(f) *Possibility of cash constraints and funding risk*

Under the Buy Back there will be a reduction in the overall cash in the Company. Although the Directors are satisfied that the Company will retain an appropriate amount of cash reserves, there is a risk that unforeseen developments may occur which place unexpected demands on those reserves. This would inhibit the Company's investment activities.

If the Company is required to raise additional funding, it may be more expensive than would have been the case had cash not been distributed as part of the Buy Back. If funding cannot be obtained, or cannot be obtained on appropriate terms, this may adversely affect the Company's ability to maximise the value of its existing investment and generate returns by making new investments.

If the Company obtains debt funding, this will expose the Company to the risk of movement in interest rates. An increase in interest rates would make it more expensive for the Company to use debt or other senior securities to finance the Company's future operations, which in turn may adversely affect the Company's profitability.

(g) *Recruitment and retention of key personnel*

The Company currently has one employee. It is anticipated that depending on the level of participation in the Buy Back and the results of the Company's strategic review following implementation of the Buy Back, the Company will need to recruit and retain staff and management personnel. This will result in increased costs to the Company.

The Company's future performance is significantly dependent on the talents and efforts of skilled individuals able to identify and implement value accretive transactions, and manage investments which are potentially in a variety of industries. The Company's future ability to operate effectively will depend on its ability to recruit, retain and motivate employees. The Company's financial performance may be adversely affected if it is unable to recruit, train and motivate management and investment professionals.

## **8. Terms on which the Buy Back will be undertaken and offer to participate in the Buy Back**

### **8.1. Introduction**

The Buy Back will only proceed if the Buy Back Resolution is approved by Shareholders at the EGM. In that event, Chesser will undertake the Buy- Back following the EGM on the basis described in this Section 8.

### **8.2. Offer**

This Shareholder Booklet comprises and accordingly constitutes an offer to Eligible Shareholders to participate in the Buy Back on the basis set out in this Section 8 (**Offer**).

### **8.3. Buy-back process**

- (i) If the Buy Back Resolution is approved, the Company will be able to proceed with the Buy Back and Buy Back Acceptance Forms will be despatched to Shareholders.
- (ii) Eligible Shareholders may accept the Offer in respect of some or all of their Shares on and from 17 September 2015 (**Opening Date**), by completing and returning the Buy Back Acceptance Form in accordance with the instructions on that form and set out in this Section 8.
- (iii) Eligible Shareholders will have until the end of the Buy Back Offer Period to accept the Buy Back Offer in respect of some or all of their Shares.
- (iv) When the Board receives your Buy Back Acceptance Form, a contract to buy back your Shares on the terms and conditions of the Buy Back Offer will immediately be formed.
- (v) You can withdraw or amend your acceptance by lodging a Withdrawal/Amendment Form before 7.00pm on 6 October 2015 (**Closing Date**), in accordance with the instructions set out in Section 8.13 and on that form.

This process is described in more detail in the following paragraphs.

### **8.4. Shareholders who will be entitled to participate in the Buy Back**

Shareholders (other than Ineligible Foreign Shareholders) who are listed on the Register on the Buy Back Record Date (currently expected to be 7.00pm on 14 September 2015) will be eligible to participate in the Buy Back. Shareholders entitled to participate in the Buy-Back are referred to in this Shareholder Booklet as Eligible Shareholders.

### **8.5. Participation is not compulsory**

Participation in the Buy Back will be optional. If an Eligible Shareholder does not wish to participate, they will not need to do anything.

Shareholders who do not participate in the Buy Back will continue to hold their Shares. Shareholders who do not believe they will participate in the Buy Back should carefully consider Sections 6.4, 6.5 and 7, which set out considerations relevant to, and the risks associated with, remaining a Shareholder in these circumstances.

### **8.6. Shares that may be accepted into the Buy Back**

An Eligible Shareholder (other than Sandon) may accept the Offer in respect of some or all of the Shares held by them on the Buy Back Record Date, provided that at 7.00pm (Brisbane time) on the Closing Date

(currently expected to be 6 October 2015), they hold at least as many Shares as they accept into the Offer. See Section 8.14 in relation to restrictions on trading accepted Shares. The maximum number of Shares Sandon can accept into the Offer is 43,607,959 Shares.

Shares acquired on or after the Ex-Entitlement Date (currently expected to be 10 September 2015) will not be registered in the transferee's name by the Buy Back Record Date (currently expected to be 7.00pm on 14 September 2015) and therefore will not carry an entitlement to participate in the Buy Back.

If an Eligible Shareholder purports to accept the Offer in respect of more Shares than they are the registered holder of at the Buy Back Record Date, the Company may, in its absolute discretion and without prejudice to its other rights or remedies, reject the acceptance or treat the acceptance as relating to the maximum number of Shares the Eligible Shareholder is the registered holder of on the Buy Back Record Date.

Shareholders should note that it will be a term of the Buy Back that they warrant to Chesser that:

- (i) any of their Shares accepted into the Offer will, at the date of the transfer to Chesser, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, including any restrictions on transfer;
- (ii) they have full power and capacity to sell and transfer their Shares to Chesser; and
- (iii) they are a person who may lawfully participate in the Buy Back.

Please see Section 8.11 for further details.

#### **8.7. Buy-back Price**

The price Chesser will pay for each Share bought back is \$0.0343 per Share.

#### **8.8. Maximum limit of the Buy Back**

The maximum number of Shares that may be purchased under the Buy Back is 220,636,120 Shares or 99.8% of Chesser's issued Share capital (**Buy Back Limit**). At the Buy Back Price of \$0.0343 per Share, the maximum amount of Chesser's cash reserves that will be used to implement the Buy Back is \$7.57 million.

The Buy Back Limit does not necessarily represent the actual number or percentage of Shares that will definitely be bought back, as this will depend on the number of acceptances that are received from Shareholders.

#### **8.9. How will I know how many of my Shares have been bought back?**

Chesser expects to send all Eligible Shareholders who have accepted Shares into the Buy Back a statement notifying them of the number of their Shares that have been bought back by no later than 9 October 2015.

Shareholders may also enquire by telephoning the Registry on 1 800 783 447 (within Australia) or +61 9473 2555 (outside Australia)

#### **8.10. Buy Back Offer Period**

The Buy Back Offer Period is currently scheduled to open on the Opening Date. Shareholders may accept the Offer at any time from that date until 7.00pm on the Closing Date. The Company may reschedule, withdraw or extend the Buy Back Offer Period, but does not currently plan to. If the Closing Date is changed, the change will be announced to ASX.



You will be taken to have submitted your acceptance when the Registry receives your validly signed and completed Buy Back Acceptance Form. If you have an issuer sponsored holding or, if you have a CHESSE Holding, your acceptance is processed by your controlling participant through CHESSE.

When the Board receives your Buy Back Acceptance Form, a contract to buy back your Shares will be immediately formed.

#### **8.11. The effect of accepting the Offer**

The Buy Back Acceptance Form contains detailed instructions for how to accept the Offer.

The effect of participating in the Buy Back is that you will accept the Offer to buy your Shares on the terms and conditions set out below.

An Eligible Shareholder who submits a Buy Back Acceptance Form will be agreeing to sell to the Company the number of Shares nominated in the Buy Back Acceptance Form, or such lesser number of Shares as may result from the application of any adjustment to the number of Shares accepted into the Offer, contemplated by Sections 8.10, 8.11 or Section 8.13, on the following basis:

- (i) the Buy Back Price is \$0.0343 per Share;
- (ii) a contract to buy back your Shares will be formed upon the Board receiving your Buy Back Acceptance Form and posting an announcement on its website, and the purchase of the relevant Shares is taken to occur at that point (the date being referred to in this Shareholder Booklet as the **Buy- Back Date**);
- (iii) Chesser posting an announcement on its website is an effective communication by the Company of the agreement to buy back your Shares;
- (iv) you waive any requirement to receive further notice or communication from the Company of the agreement to buy back your Shares;
- (v) you warrant to the Company that:
  - (A) you are the registered holder of the Shares and that all your Shares (including any rights and entitlements attaching to those Shares) that are transferred to the Company under the Buy Back will, at the date of the transfer of them to the Company, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
  - (B) you have full power and capacity to sell and to transfer the Shares together with all rights attaching to such shares; and
  - (C) you are a person to whom the Offer may lawfully be made, can receive the proceeds of the sale of your Shares and whose participation in the Buy Back is permitted under the laws of the jurisdiction in which you are resident;
- (vi) you authorise the Company (and its officers, agents, contractors and advisers) to correct any error in or omission from your Buy Back Acceptance Form and your Withdrawal/Amendment Form, and to insert any missing details;
- (vii) you undertake not to sell or offer to sell Shares to any other person if, as a result, you will at any time after you submit your Buy Back Acceptance Form until the Buy Back Date hold fewer Shares than the number of Shares you have accepted into the Buy Back;
- (viii) you authorise the Company to procure the number of Shares accepted into the Buy Back to be transferred to a subposition on the Register which will prevent them from being dealt with the

following receipt of your Buy Back Acceptance Form otherwise than in accordance with the Buy Back;

- (ix) you acknowledge that neither the Company nor any other party involved in the Buy Back has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buy- Back;
- (x) you authorise the Company to make payment by cheque mailed to your address shown on the Register at 7.00pm (Brisbane time) on the Closing Date, and:
  - (A) you will be taken to have accepted the risk associated with the form of payment; and
  - (B) the despatch of cheques to addresses as shown on the Register at 7.00pm on the Closing Date will satisfy the Company's obligation to pay Eligible Shareholders for any Shares bought back;
- (xi) you accept the responsibility for fully observing the laws and regulatory requirements of the relevant jurisdiction(s) that apply to you in connection with this Shareholder Booklet and the Buy Back, including the obtaining of any governmental, exchange control or other consents, the making of any filings that may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction;
  - (A) you recognise damages are not an adequate remedy for breach of these covenants, undertakings, agreements, representations and warranties;
  - (B) you undertake that if you breach any of these covenants, undertakings, agreements, representations or warranties you will indemnify the Company for all its costs or losses arising from the breach; and
  - (C) any obligation of the Company to buy back Shares from you is conditional on your compliance with the covenants, undertakings, agreements, representations and warranties listed above.

#### **8.12. Payment for Shares acquired under the Buy Back**

Despatch of cheques is expected to be completed within six Business Days after the announcement of the outcome of the Buy Back.

#### **8.13. Withdrawing or amending acceptances**

Set out below are the procedures for withdrawing or amending your acceptance. The effect of withdrawing or amending one or more of your acceptances will be to withdraw those acceptances, and, in the case of an amendment, to replace the relevant acceptances with new acceptances.

Withdrawals or amendments made in accordance with these procedures may not take immediate effect. You should take this into account if you wish to sell any Shares which you have accepted into the Buy Back.

##### *(a) Issuer sponsored holdings*

To withdraw or amend an acceptance that has been received by the Registry, you will need to complete and submit a Withdrawal/Amendment Form, using the procedures set out on the back of the Withdrawal/Amendment Form.



You will need to submit your form to the address noted on the form, so that it is received by no later than 7.00pm (Brisbane time) on the Closing Date. Any forms received after this time will not be effective for withdrawing or amending your acceptance.

A copy of the Withdrawal/Amendment Form is available by telephoning the Registry on 1 800 783 447 (within Australia) or +61 9473 2555 (outside Australia).

*(b) CHESSE Holdings*

If you have a CHESSE Holding, you will need to instruct your controlling participant in sufficient time for them to process your withdrawal or amendment by 7.00pm (Brisbane time) on the Closing Date.

If you have a CHESSE Holding, you should NOT send a Withdrawal/Amendment Form to the Registry.

After your controlling participant has withdrawn or amended your acceptance, you will be sent written confirmation from CHESSE of the withdrawal/amendment made in relation to your holding by your controlling participant. Irrespective of its wording, this confirmation is not an acceptance by Chesser of the withdrawal or amendment of your acceptance.

#### **8.14. Restriction on trading accepted Shares**

Shares accepted into the Buy Back at any time during the Buy Back Offer Period must not be sold or otherwise transferred to any other person unless they have first been withdrawn from the Buy Back pursuant to a withdrawal or amendment made in accordance with the procedures described above.

The number of Shares in respect of which an Eligible Shareholder accepts the Offer will be removed from their holding and placed in a "subposition" in the Register. The Eligible Shareholder will not be able to deal with those Shares until they have been released from the subposition. For the Shares to be released from that subposition, the Eligible Shareholder must withdraw or amend their acceptance in accordance with the procedures described above.

If an Eligible Shareholder sells Shares after submitting an acceptance such that at the Buy Back Date they do not hold at least the number of Shares they successfully accepted into the Buy Back, the Company may, in its absolute discretion and without prejudice to its other rights and remedies, reject their acceptance in its entirety or treat the acceptance as if they had accepted the Offer in respect of the number of Shares held by them at 7.00pm on the Closing Date.

#### **8.15. The Company's right to vary dates and times or to terminate the Buy Back**

While the Company does not presently anticipate changing any of the dates and times in relation to the Buy Back (including the Closing Date and the Buy- Back Date), it reserves the right to vary them where lawful to do so.

Any change in date or time will take effect from the time it is authorised by the Board and will be publicly announced on the ASX as soon as practicable following the Board's authorisation. Any such change will be taken to amend this Shareholder Booklet (and the Buy Back Acceptance Form and/or Withdrawal/Amendment Form) accordingly.

The Company may also decide not to proceed with the Buy Back. Without limitation, the Company reserves the right to terminate the Buy Back at any time prior to the date on which the Company enters into the contracts to buy- back its shares, by making an announcement to the ASX to that effect.

#### **8.16. The Company's right to adjust or reject acceptances**

The Company may, in its absolute discretion and at any time, deem any acceptance it receives to be a valid acceptance, disregard or not accept any acceptance. It may do each of these things in relation to some, all or any number of acceptances it receives.

#### **8.17. Cancellation of bought back Shares**

In accordance with the Corporations Act, all Shares bought back under the Buy Back will be cancelled.

#### **8.18. Unsuccessful acceptances**

Shares that are accepted into the Buy Back but are not bought back will be released to Shareholders' holdings as soon as processing of the Buy Back has been completed after the Closing Date.

#### **8.19. Governing law**

Contracts under which the Company buys back certain of its Shares, and the Buy Back generally, will be governed by the laws of Queensland.

## 9. Additional information

### 9.1. Recent financial information

The Company released its Financial Report for the financial year ended 30 June 2014 to the ASX on 30 September 2014. A copy is contained in the 2014 Annual Report, which was made available to Shareholders on 20 October 2014.

The Company also released its half year financial report for the period ended 31 December 2014 to the ASX on 13 March 2015 and its quarterly activities report and quarterly cash flow report for the period ended 31 March 2015 to the ASX on 30 April 2015.

### 9.2. Directors' interests

The Chesser Directors are entitled to participate in the Buy Back and may do so according to their own personal circumstances.

No Director will receive any payment or benefit of any kind as a consequence of Buy Back.

As at the date of this Shareholder Booklet, the Directors either directly or indirectly, have interests in Shares as follows:

Director	Direct	Indirect	Total Chesser shares	Intention regarding participation in the Buy Back
Frank Terranova	-	3,000,000	3,000,000	Intends to fully participate.
Simon O'Loughlin	375,000	1,250,000	1,625,000	Intends to retain all shares
Simon Taylor	-	1,500,000	1,500,000	Intends to retain all shares
Philip Amery	-	-	-	Not applicable
Gabriel Radzysinski	-	43,979,000	43,979,000	Refer Section 5.8.1
Stephen Kelly <sup>1</sup>	-	1,268,319	1,268,319	Intends to fully participate.

Note:

1. Mr Kelly also holds 600,000 Unlisted Options expiring on 4 February 2016 with exercise prices ranging from \$0.20 to \$0.30 per share.

### 9.3. ASIC relief

As the Buy Back is not being offered to Ineligible Foreign Shareholders, the Buy Back does not technically comply with the requirements under the Corporations Act for an equal access buy back. Chesser has applied for and received an exemption under section 257D(4) of the Corporations Act. This exemption permits Chesser to conduct the Buy Back in substantially the same manner as an equal access buy back in accordance with Division 2 of Part J of the Corporations Act provided that certain conditions are met, including:

- (i) The terms of the Buy Back offers made to eligible Shareholders are the same except for the number of Shares which Chesser is offering to Buy Back from any eligible Shareholder who accepts the offer.
- (ii) The Buy Back Price is less than the value of the net tangible assets of Chesser per Share as at the Buy Back Record Date and as at the close of the Buy Back Offer Period.
- (iii) The Buy Back Resolution is approved by Shareholders at a general meeting before the Buy Back Agreements are entered into or any Buy Back Agreements entered into are conditional on such approval.

## PART C: GLOSSARY

### 1. Definitions

Term	Meaning
A\$ or \$	<i>Australian dollars</i>
Buy Back Acceptance Form	<i>means the personalised acceptance form provided to Eligible Shareholders with this Shareholder Booklet.</i>
ASIC	<i>Australian Securities and Investments Corporation</i>
ASX	<i>the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires</i>
ASX Listing Rules	<i>the listing rules of the ASX</i>
ASX Settlement Operating Rules	<i>the operating rules of ASX Settlement Pty Limited ACN 008 504 532</i>
Board	<i>the board of Directors of the Company.</i>
Business Days	<i>has the meaning given to that term in the ASX Listing Rules</i>
Buy Back	<i>the proposed equal access off-market buy back, of up to 220,636,120 Shares at \$0.0343 per Share, as described in the Explanatory Memorandum</i>
Buy Back Agreement	<i>the agreement that Chesser and each Participating Shareholder will be deemed to enter into at the end of the Buy Back Offer Period, subject to the satisfaction of the Buy Back Conditions, to buy back from that Shareholder the number of Shares nominated by them in the Buy Back Acceptance Form, and subject to any valid Amendment/Withdrawal Form received, on the terms in this Shareholder Booklet.</i>
Buy Back Conditions	<i>the conditions to completion of the Buy Back and that apply to the Buy Back Agreement, as described in Section 8.</i>
Buy Back Date	<i>the date that your Shares accepted into the Buy Back are bought back from you under the terms of the Buy Back, which is expected to be 6 October 2015</i>
Buy Back Limit	<i>the limit of the amount available to spend on the Buy Back being \$7.3 million.</i>
Buy Back Offer Period	<i>period during which the Buy Back is open for acceptance, being 9.00am on 17 September 2015 to 7.00 pm on 6 October 2015</i>
Buy Back Price	<i>\$0.0343 per Share</i>
Buy Back Record Date	<i>7.00pm on 14 September 2015</i>
Buy Back Resolution	<i>the ordinary resolution to approve the Buy Back that will be considered at the EGM</i>

Term	Meaning
Chair	<i>means the Chairman of the EGM</i>
CHESS	<i>the Clearing House Electronic Sub-register System</i>
CHESS Holding	<i>a holding of Shares on the CHESS sub-register of Chesser</i>
CHESS Sponsored Holder	<i>a holder of Shares on the CHESS sub-register of Chesser</i>
Closing Date	<i>means the last day of the Buy Back Offer Period, currently expected to be 6 October 2015.</i>
Company or Chesser	<i>means Chesser Resources Limited ACN 118 619 042</i>
Computershare or Registry	<i>Computershare Investor Services Pty Limited ACN 078 279 277</i>
Constitution	<i>means the constitution of the Company in effect at the time of the EGM</i>
Corporations Act	<i>the Corporations Act 2001 (Cth)</i>
Directors	<i>means directors of the Company as at the date of this Shareholder Booklet being Frank Terranova, Simon O'Loughlin, Simon Taylor, Philip Amery, Gabriel Radzynski and Stephen Kelly.</i>
EGM or Extraordinary General Meeting	<i>means the extraordinary general meeting of Shareholders, convened for 10 am on 4 September 2015</i>
EGM Record Date	<i>means the time and date for determining Shareholders eligible to attend and vote at the EGM, being 7:00 pm on 2 September 2015.</i>
Eligible Shareholders	<i>means a person who is a registered holder of Shares on the Buy Back Record Date and who is not an Ineligible Shareholder.</i>
Ex-Entitlement Date	<i>means the date the Shares commence trading without an entitlement to participate in the Buy Back, currently expected to be 10 September 2015.</i>
Further Return of Capital	<i>means the \$0.0275 return of capital as proposed in the notice of meeting dated 5 February 2015 and that was withdrawn by the Board on 2 March 2015.</i>
Independent Expert	<i>Grant Thornton Corporate Finance Pty Ltd, being the independent expert engaged by Chesser to prepare the Independent Expert Report.</i>
Independent Expert's Report	<i>the report prepared by the Independent Expert in accordance with ASIC Regulatory Guides 111 and 112 to provide an opinion as to whether the Buy Back Price is fair and reasonable to all Shareholders, a copy of which is included at Annexure A of the Shareholder Booklet.</i>
Ineligible Foreign Shareholder	<p><i>any person who</i></p> <p>(a) <i>holds Shares to whom Chesser would be prohibited from paying money pursuant to any act, rule or regulation of Australia that prohibits Chesser from making payments to foreign persons;</i></p> <p>(b) <i>is (or who is acting on behalf of or for the account of a person who</i></p>

Term	Meaning
	<i>is) in the United States or a US Person;</i>
	(c) <i>does not have a registered address in Australia or New Zealand and who;</i>
	(d) <i>holds Shares and resides in a jurisdiction where it would be illegal under the laws of the jurisdiction to permit Shareholders residing in that jurisdiction to participate in the Buy Back;</i>
	(e) <i>is acting on behalf of or for the account of a person who holds Shares and resides in a jurisdiction where it would be illegal under the laws of the jurisdiction to permit Shareholders residing in that jurisdiction to participate in the Buy Back;</i>
	(f) <i>holds Shares and resides in a jurisdiction in respect of which Chesser determines that compliance with the Laws of that jurisdiction relating to the Buy Back would not be practical; or</i>
	(g) <i>is acting on behalf of or for the account of a person who holds Shares and resides in a jurisdiction in respect of which Chesser determines that compliance with the Laws of that jurisdiction relating to the Buy Back would not be practical.</i>
Maximum Buy Back Pool	<i>means the maximum sum that the Company will spend to buy back Shares under the Buy Back (if approved), being \$7,567,819, equivalent to 220,636,120 Shares at the Buy Back Price of \$0.0343 per Share (representing 99.8% of Shares currently on issue).</i>
NAV	<i>means net asset value per Share as reported by the Company from time to time.</i>
Notice of EGM	<i>means the notice of extraordinary general meeting dated 3 August 2015, found in Part A of this Shareholder Booklet.</i>
Offer	<i>means the offer set out in the Shareholder Booklet to Eligible Shareholders to participate in the Buy Back on the terms contained in Section 8 subject to Shareholder approval at the EGM.</i>
Offer Period	<i>means the period for accepting the Offer to participate in the Buy Back, as described in Section 6.9.</i>
Opening Date	<i>means the first day of the Buy Back Offer Period, currently expected to be 17 September 2015.</i>
Part	<i>means a part of this Shareholder Booklet.</i>
Participating Shareholder	<i>a Shareholder who nominates to participate in the Buy Back for some or all of their Shares by returning a valid Buy Back Acceptance Form in accordance with the instructions on that Buy Back Acceptance Form.</i>
Record Date	<i>means 7.00pm on 14 September 2015</i>
Register	<i>means the register of members of the Company maintained by or on behalf of the Company in accordance with section 168(1) of the Corporations Act.</i>

Term	Meaning
Resolution	<i>the ordinary resolution to be voted on by shareholders at the EGM.</i>
Restricted Cash	<i>means the cash at bank balances totalling \$1,800,488 that were not able to be freely utilised by the Company and which were included as Other Financial Assets in the Company's Balance Sheet as at 31 December 2014. The restrictions on these balances were removed on 28 May 2015.</i>
Sandon	<i>means Sandon Capital Pty Ltd ACN 130 853 691</i>
Section	<i>relates to the section numbering within a Part of this Shareholder Booklet.</i>
Shareholder	<i>means a registered holder of Shares.</i>
Shareholder Booklet	<i>means the Notice, Explanatory Memorandum and accompanies Independent Expert's Report.</i>
Share Registry	<i>means Computershare Investor Services Pty Ltd.</i>
Shares	<i>means fully paid ordinary shares in the Company.</i>
VWAP	<i>means volume-weighted average price.</i>
Withdrawal / Amendment Form	<i>means a form to withdraw or amend a Buy Back Acceptance Form</i>

## 2. Interpretation

The following rules apply in interpreting this Booklet, except where the context makes it clear that a rule is not intended to apply.

- (i) Headings are for convenience only, and do not affect interpretation.
- (ii) A singular word includes the plural, and vice versa.
- (iii) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (iv) If an example is given of anything (including a right, obligation, or concept), such as by saying it includes something else, the example does limit the scope of that thing.
- (v) Unless the context indicates otherwise, a reference to time is a reference to Brisbane time.
- (vi) The postal acceptance rule does not apply to your acceptance to participate in the Buy Back.



**Annexure A**

Independent Expert's Report



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# Chesser Resources Limited

Independent Expert's Report and Financial Services Guide

30 June 2015



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The Independent Directors  
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**Attn: Stephen Kelly**

30 June 2015

Dear Independent Directors

## **Independent Expert's Report and Financial Services Guide**

### **Introduction**

Chesser Resources Limited ("CHZ" or the "Company") is an Australian public company listed on the Australian Securities Exchange ("ASX"). The Company's primary asset is its cash balance of approximately A\$7.8 million as at 25 June 2015 and it has a market capitalisation of approximately A\$7.3 million as at 25 June 2015. The Directors of CHZ ("the CHZ Directors") have been considering various investment and realisation strategies to provide the shareholders of CHZ ("the CHZ Shareholders") with an opportunity to realise all or part of their investment.

On 5 June 2015, the Board of Directors announced a proposal to undertake an off market equal access buyback ("Equal Access Buyback") of shares in CHZ ("CHZ Shares") at 3.43 cents per share ("Buyback Price"). Under the Equal Access Buyback, the Company will seek to buy back up to a maximum of 220,636,100 shares (equivalent to 99.8% of the issued capital of CHZ) at a total cost of up to approximately A\$7.6 million.

The Company's largest shareholder, Sandon Capital Pty Limited ("Sandon")<sup>1</sup> has confirmed its intention to vote in favour of the Equal Access Buyback. Sandon has indicated that it will not participate in the Equal Access Buyback in respect of up to half of its holding of 43,979,000 shares (that is Sandon would sell at least 21,989,500 shares into the Equal Access Buyback and retain up to 21,989,500 shares after the completion of the Equal Access Buyback).

Sandon's intention not to fully participate in the Equal Access Buyback will provide the opportunity for other CHZ Shareholders ("Participating Shareholders") to sell 100% of their shareholding in the

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<sup>1</sup> Sandon currently holds 19.9% of the outstanding CHZ Shares.



Equal Access Buyback. The Equal Access Buyback will be open to all CHZ Shareholders on an equal basis and participation by CHZ Shareholders is entirely voluntary.

The Company currently has 221,007,161 fully paid ordinary shares on issue. If all CHZ Shareholders other than Sandon accept the Equal Access Buyback the number of CHZ Shares on issue will be reduced by 220,636,100 to 371,061. All CHZ Shares bought back will be cancelled by the Company.

If all the CHZ Shareholders fully participate in the Equal Access Buyback except for Sandon, CHZ will be left with a cash balance of A\$0.3 million. CHZ will undertake a strategic review of the potential investment activities with the remaining target cash balance. The results of the strategic review and the investment activities eventually undertaken by CHZ will be influenced by the level of Sandon shareholding following the Equal Access Buyback.

The percentage shareholding and voting power of CHZ Shareholders who do not participate in the Equal Access Buyback will increase. This may materially alter the ownership structure of the Company. If all CHZ Shareholders other than Sandon participate in the Equal Access Buyback, Sandon will increase its shareholding in the Company from 19.9% to 100%.

Set out in the table below is Sandon's Shareholding in the Company in conjunction with different levels of participation into the Equal Access Buyback.

Percentage of eligible shares participating	0% of shareholders	25% of shareholders	50% of shareholders	75% of shareholders	100% of shareholders
<b>CHZ Shares bought back</b>					
Non Sandon Shareholders <sup>(1)</sup>	Nil	44,257,040	88,514,081	132,771,121	177,028,161
Sandon <sup>(2)</sup>	21,989,500	21,989,500	21,989,500	21,989,500	21,989,500
<b>Total CHZ Shares bought back</b>	<b>21,989,500</b>	<b>66,246,540</b>	<b>110,503,581</b>	<b>154,760,621</b>	<b>199,017,661</b>
Total issued capital after Buy-Back	199,017,661	154,760,621	110,503,581	66,246,540	21,989,500
Number of CHZ Shares held by Sandon after Buy-Back	21,989,500	21,989,500	21,989,500	21,989,500	21,989,500
<b>Sandon percentage of after Buy-Back Shares and voting power in CHZ</b>	<b>11.0%</b>	<b>14.2%</b>	<b>19.9%</b>	<b>33.2%</b>	<b>100.0%</b>

<sup>(1)</sup> The total number of CHZ Shares on issued before the buyback is 221,007,161. The maximum eligible shares for the purposes of this table is 177,028,161 shares representing total shares on issue less Sandon's holding of 43,979,000

<sup>(2)</sup> It is assumed that Sandon offers to sell half of its holding or 21,989,500 shares into the Buy-back. Sandon's level of participation may be higher than this

Source: CHZ Management and GTCF calculations

Sandon has advised that on the basis that it obtains control over the Company in the event that all other shareholders participate fully in the Equal Access Buyback, Sandon has not formed any intentions regarding the operations, employees or strategy of CHZ following completion of the Equal Access Buyback.



The Independent Directors<sup>2</sup> recommend that CHZ Shareholders vote in favour of the Equal Access Buyback, however the Independent Directors make no recommendation to CHZ Shareholders as to whether they should accept the offer for their CHZ Shares under the Equal Access Buyback.

### **Purpose of the report**

The Independent Directors of CHZ have requested Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) to prepare an independent expert’s report stating whether, in our opinion, the Equal Access Buyback Price is fair and reasonable to CHZ Shareholders in accordance with the requirements of Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 110 “Share buy-backs” (“RG 110”).

### **Conclusion**

**Grant Thornton Corporate Finance has concluded that the Equal Access Buyback is fair and reasonable to CHZ Shareholders.**

### ***Fairness of the Equal Access Buyback***

In forming our opinion on the fairness of the Equal Access Buyback, Grant Thornton Corporate Finance has compared the fair market value of CHZ Shares on a control basis with the Buy-Back Price as summarised below:

Chesser Resources Limited	Section	Low	High
Assessment of fairness	Reference	cents	cents
Fair market value of CHZ shares	5.3	3.20	3.51
Buyback Price	1.2	3.43	3.43
<b>Differences</b>		<b>0.23</b>	<b>(0.08)</b>
<b>Variance (%)</b>		<b>7.2%</b>	<b>(2.3)%</b>

*Source: Grant Thornton Corporate Finance calculations*

The Buy-Back Price is within our assessment of the valuation range of CHZ on a control basis. Accordingly, we conclude that the Equal Access Buyback is fair to CHZ Shareholders.

### ***Reasonableness of the Equal Access Buyback***

As the Equal Access Buyback is fair to the CHZ Shareholders, the Equal Access Buyback is also reasonable in accordance with ASIC Regulatory Guide 111 “Content of experts reports”) (“RG

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<sup>2</sup> The Directors of the Company excluding Mr Gabriel Radzynski (who is a nominee and director of Sandon)



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111”). Nonetheless, we have summarised below some of the relevant factors associated with the Equal Access Buyback.

## ***Advantages for Participating Shareholders***

*Opportunity for shareholders who are seeking to realise their investment in CHZ to do so via an off-market transaction*

Management of CHZ (“Management”) have advised that some CHZ Shareholders have indicated a desire for a return of capital. The Equal Access Buyback, if it proceeds, will be an opportunity for all CHZ Shareholders to exit part or all of their investment through an off-market transaction at a premium to the recent trading prices of CHZ shares.

*Ability to realise their investment in CHZ*

The Equal Access Buyback provides an opportunity to minority CHZ Shareholders to exit their investment in CHZ at a premium to current trading prices<sup>3</sup> which is unlikely to be available in the absence of the Equal Access Buyback.

*No transaction costs*

CHZ Shareholders participating in the Equal Access Buyback will be able to do so without incurring brokerage costs.

## ***Disadvantages for participating shareholders***

*Potential for relative increase in interest for CHZ’s largest shareholder*

The Equal Access Buyback may provide CHZ’s largest shareholder, Sandon, with the ability to increase its influence on the Company without paying a premium for control. Should the Equal Access Buyback go ahead there is the potential for Sandon’s relative interest in CHZ to increase from 19.9% to 100%, assuming that all CHZ Shareholders except for Sandon participate in the Equal Access Buyback.

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<sup>3</sup> As at 25 June 2015, the share price of CHZ was \$0.033.



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## *Potential for future benefits from reinvestment opportunities*

CHZ Shareholders who elect to participate in the Equal Access Buyback will not be able to share in any potential benefits of CHZ's reinvestment opportunities in the future.

## ***Other factors***

### *Decrease in number of shares on issue and potential impact on liquidity*

Should the Equal Access Buyback be approved and should CHZ Shareholders participate in full, there will be a reduction of up to 220.6 million, or approximately 99.8%, in the number of CHZ shares on issue. The substantial decrease of the shares on issue expected after implementation of the Equal Access Buyback will further reduce the free float and attractiveness of CHZ shares to investors which may result in decreased liquidity of its shares for those remaining shareholders.

### *Tax liability*

CHZ Shareholders who participate in the Equal Access Buyback, should it be approved, may incur a tax liability. Participating CHZ Shareholders should consult their tax advisors in relation to their personal circumstances.

### *Ability to pay its creditors*

We have been advised that the Company is using its existing cash reserves to fund the Equal Access Buyback and it will retain sufficient cash reserves to meet its obligations which are mainly trade creditors as well as to identify future potential opportunities. Please refer to Section 5.3 of the Explanatory Memorandum for further details. We note that the Company does not have any interest bearing debt or other financial facilities as at the date of this Report.

### *Share price of CHZ in the absence of the Equal Access Buyback*

If the Equal Access Buyback is not approved, CHZ will remain as a listed shell company with a cash balance of A\$7.8 million as at 25 June 2015. Unless Management can identify investment opportunities shortly, we consider that retaining such a cash balance is not efficient from a portfolio allocation perspective as the cash balance is currently generating relatively low returns. Accordingly, the share price of CHZ may fall from the current levels as the Company continues incur administrative expenses whilst seeking to find alternative strategic options.

### *Board recommendation*

Directors of CHZ unanimously recommend CHZ Shareholders to vote in favour of the Equal Access Buyback.





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## *Reasonableness conclusion*

Based on the qualitative factors identified above, it is our opinion that the Equal Access Buyback is reasonable to the CHZ Shareholders.

## **Other matters**

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Equal Access Buyback is a matter for each CHZ Shareholder to decide based on their own views of value of CHZ and expectations about future market conditions, CHZ's performance, risk profile and investment strategy. If CHZ Shareholders are in doubt about the action they should take in relation to the Equal Access Buyback, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN  
Director

PHILLIP RUNDLE  
Director



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30 June 2015

## **Financial Services Guide**

### **1 Grant Thornton Corporate Finance Pty Ltd**

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Chesser Resources Ltd (“CHZ” or the “Company”) to provide general financial product advice in the form of an independent expert’s report in relation to the equal access buyback of shares in CHZ (the “Equal Access Buyback”).

This report is included in the Notice of Meeting and Explanatory Memorandum outlining the Equal Access Buyback.

### **2 Financial Services Guide**

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### **3 General financial product advice**

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### **4 Remuneration**

When providing the report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from CHZ fees in the order of A\$30,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.



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Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

## 5 Independence

Grant Thornton Corporate Finance is required to be independent of CHZ in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with CHZ (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Equal Access Buyback.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."*

## 6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West  
Melbourne, VIC 8007  
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance.



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Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## **6 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.



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## **1 Outline of the Equal Access Buyback**

### **1.1 Background**

As discussed in the Executive Summary, CHZ's primary asset is its cash balance of approximately A\$7.8 million as at 25 June 2015. CHZ was previously involved in gold and base metal exploration and development activities in Turkey. As at the date of this Report, CHZ has disposed all of its operating projects together with the projects' mining permits, mining assets and other related assets.

On 5 June 2015, the Board of Directors proposed an Equal Access Buyback involving the purchase of CHZ Shares at the Buyback Price subject to the approval by CHZ Shareholders. Under the Equal Access Buyback, CHZ proposes to acquire up to 220,636,100 CHZ shares (equivalent to 99.8% of the issued capital of CHZ) at the Buyback Price amounting to approximately A\$7.6 million.

We note that all CHZ Shares bought back will be cancelled and in addition, participation in the Equal Access Buyback is voluntary.

The Company's largest shareholder, Sandon<sup>4</sup> has confirmed its intention to vote in favour of the Equal Access Buyback. Sandon has indicated that it will not participate in the Equal Access Buyback in respect of up to half of its holding of 43,979,000 shares (that is Sandon would sell at least 21,989,500 shares into the Equal Access Buyback and retain up to 21,989,500 shares after the completion of the Equal Access Buyback).

The CHZ Directors have recommended that CHZ Shareholders vote in favour of the Equal Access Buyback. However, the Independent Directors make no recommendation to CHZ Shareholders as to whether CHZ Shareholders should participate in the Equal Access Buyback.

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<sup>4</sup> Sandon currently holds 19.9% of the outstanding CHZ Shares



## 2 Purpose and scope of the report

The following section sets out the purpose of our report as applicable to the Equal Access Buyback.

### 2.1 Purpose

Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 110 “Share buy-backs” (“RG 110”) sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for the purposes of a buyback offer.

RG 110.18 states:

*If a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:*

- *A report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and*
- *An independent expert’s report with a valuation of the shares.*

Further, RG 110.20 states:

- *It is usually appropriate for shareholders to have the benefit of independent advice on whether to vote for a buy-back.*

Accordingly, the Independent Directors of CHZ have appointed Grant Thornton Corporate Finance to prepare an independent expert’s report stating whether in our opinion, the Equal Access Buyback is fair and reasonable to CHZ Shareholders.

### 2.2 Basis of assessment

Whilst the Corporations Act, 2001 (the “Corporations Act”) does not provide a definition as to the meaning of fair and reasonable, ASIC Regulatory Guide 111 “Content of expert’s report” (“RG 111”) provides some guidelines as to what independent experts should consider and how ‘fair and reasonable’ should be interpreted for a range of transactions.

In forming our opinion as to whether the Equal Access Buyback is fair and reasonable to the CHZ Shareholders, Grant Thornton Corporate Finance has had regard to the following:

- The overall terms of the Equal Access Buyback.
- The underlying fair market value of the shares to be acquired under the Equal Access Buyback in comparison with the Buyback Price.
- The trading history of CHZ shares on ASX.





- The potential impact of the Equal Access Buyback upon CHZ's cash and investment position, Net Tangible Asset ("NTA") per share, share structure and control of CHZ.
- The likely implications for the Company if the Equal Access Buyback is not implemented.

### **2.3 Independence**

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Equal Access Buyback with reference to the ASIC Regulatory Guide 112 "Independence of Experts" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Equal Access Buyback other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Equal Access Buyback.

### **2.4 Consent and other matters**

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 31 July 2015 in which this report is included, and is prepared for the exclusive purpose of assisting the CHZ Shareholders in their consideration of the Equal Access Buyback. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Equal Access Buyback to CHZ Shareholders as a whole. We have not considered the potential impact of the Equal Access Buyback on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Equal Access Buyback on individual shareholders.

The decision of whether or not to approve the Equal Access Buyback is a matter for each CHZ Shareholders based on their own views of value of CHZ and expectations about future market conditions, CHZ's performance, risk profile and investment strategy. If CHZ Shareholders are in doubt about the action they should take in relation to the Equal Access Buyback, they should seek their own professional advice.

### **3 Profile of Chesser Resources Ltd**

#### **3.1 Company overview**

CHZ was incorporated on 2 March 2006 and has been listed on the ASX since May 2007. CHZ's head office is located in Brisbane, Queensland.

Since incorporation, CHZ has been involved in the exploration of a number of gold, copper, nickel and uranium projects located in South Australia covering a total area of 2,604 km. In 2009, CHZ focused on the exploration and development of gold and base metal projects located in Turkey, namely the Kestanelik Project<sup>5</sup>, the Sisorta Project<sup>6</sup> and the Catak Project<sup>7</sup>.

On 25 July 2014, CHZ announced its intention to sell off the Kestanelik Project to Nurol Holdings A.S. ("Nurol")<sup>8</sup> for a cash consideration of US\$40.0 million followed by a capital return of up to A\$0.15 per share subject to shareholder approval ("Prior Return of Capital"). The Prior Return of Capital was equivalent to a share capital reduction of approximately A\$33.2 million. The remaining balance of the cash consideration was retained by CHZ with the primary intention to provide working capital and other funding requirements for the Catak Project and the Sisorta Project, as well as the investment in other early stage gold and copper-gold projects in Australia and internationally.

On 3 September 2014, CHZ officially entered into a conditional agreement for the sale of the Kestanelik Project. On 27 October 2014, the sale of Kestanelik Project was completed and the US\$40.0 million (A\$45.45 million<sup>9</sup>) cash consideration was received. On 20 November 2014, approximately 97% of CHZ shareholders approved the Prior Return of Capital at A\$0.15 per share.

We have been advised that since completion of the Prior Return of Capital, Management of CHZ investigated more than 100 potential project acquisitions. However, no proposed transactions met the Company's investment criteria. As a result on 30 January 2015, CHZ announced its intention to provide a further return of capital of 2.75 cents per share ("Further Return of Capital") subject to shareholder's approval.

On 18 February 2015, Mr Gabriel Radzynski representing Sandon was appointed to CHZ's Board of Directors and on 2 March 2015, Mr Gabriel Radzynski has confirmed Sandon's intention to vote against the Further Return of Capital which led to the Board's consideration of alternative options of returning cash to CHZ Shareholders. On 5 June 2015, CHZ announced that

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<sup>5</sup> The Kestanelik Project is a gold-silver project located in northwest Turkey. It was acquired by CHZ in March 2009 (with a maximum earn-in ownership interest of up to 100% achieved in March 2011). On 27 October 2014, the Kestanelik Project was sold to Nurol.

<sup>6</sup> The Sisorta Project is a gold project located in North Eastern Turkey where CHZ had 51% interest since 27 October 2007. As at 4 March 2015, CHZ completed the sale of its 51% interest to Eurasian Minerals Inc ("Eurasian") for A\$162,092 in cash.

<sup>7</sup> The Catak Project is a gold project located in the Eastern Pontides, 70km south of the Black Sea coastal town of Fatsa and 70km northwest of the Sisorta Project. As at 30 January 2015, Management decided to terminate its investment in the Catak Project.

<sup>8</sup> A Turkish industrial conglomerate focusing on the construction and contracting, defence and security products manufacturing, trading and service, finance, and tourism businesses in Turkey and internationally

<sup>9</sup> Based on an foreign exchange rate of A\$1.00 = US\$0.88 as at 27 October 2014

the Company's Directors have unanimously recommended the Equal Access Buyback at the Buyback Price (3.43 cents per share).

### 3.2 Financial information

#### 3.2.1 Financial Performance of CHZ

The audited consolidated income statements of CHZ for the year ended 30 June 2013 ("FY13"), for the year ended 30 June 2014 ("FY14") and for the half-year period ended 31 December 2014 ("HY15") are set out in the table below:

Chesser Resources Limited	FY13	FY14	HY15
	Audited	Audited	Reviewed
Consolidated statement of financial performance	A\$'000	A\$'000	A\$'000
<b>Revenues</b>			
Interest revenue	200	77	140
Gain / (Loss) on sale of financial assets	-	290	-
Foreign exchange gains	-	-	180
Other revenues	154	-	38
<b>Total revenues</b>	<b>355</b>	<b>367</b>	<b>358</b>
<b>Expenses</b>			
Impairment of exploration and evaluation assets	(575)	(6,500)	(5,107)
Other exploration related expense	(712)	(518)	(365)
Employee benefits expense	(1,105)	(1,410)	(629)
Depreciation expense	(29)	(31)	(24)
Share options expense	(788)	(27)	(21)
Professional fees	(279)	(487)	(300)
Auditors remuneration	(70)	(76)	(15)
Rental expense for office lease	(69)	(74)	(46)
Share registry fees	(115)	(61)	(66)
Fair value adjustment on financial assets at fair value through profit or loss	-	-	(70)
Other expenses	(816)	(950)	(232)
<b>Total expenses</b>	<b>(4,557)</b>	<b>(10,133)</b>	<b>(6,875)</b>
<b>Loss before income tax from continuing operations</b>	<b>(4,203)</b>	<b>(9,766)</b>	<b>(6,517)</b>
Less: Income tax	-	-	-
<b>Loss from continuing operations</b>	<b>(4,203)</b>	<b>(9,766)</b>	<b>(6,517)</b>
Profit from discontinued operations	-	-	21,430
<b>Profit / (Loss)</b>	<b>(4,203)</b>	<b>(9,766)</b>	<b>14,913</b>

Source: CHZ Annual Report for FY14 and Half-year Report for HY15

We note the following in regards to the consolidated statement of comprehensive income of CHZ.

#### **FY13**

- The Impairment of exploration and evaluation assets balance amounting to approximately A\$575,000 relates to the Karaayi Project<sup>10</sup> (which was sold towards the end of FY13). The amount represents the excess of capitalised exploration and evaluation expenditure over the consideration receivable under the sale agreement net of selling costs.

#### **FY14**

- The 'Gain on sale of financial assets' balance of A\$290,000 includes one-off unrealised gains of A\$131,055.
- Impairment charges increased substantially to A\$6.5 million in FY14 from A\$575,000 in FY13 is driven by the Sisorta Project<sup>11</sup>. We note the impairment was calculated based on recent transactions for exploration stage gold projects comparable to the Sisorta Project.

#### **HY15**

- The fair value adjustment on sale of financial assets of A\$70,000 relates to adjustments of fair value of the third and final shares tranche of Pilot Gold Inc ("Pilot Gold") (listed in the Toronto Stock Exchange) paid to CHZ when the Karaayi Project was sold to Pilot Gold in September 2013<sup>12</sup>.
- Impairment losses of A\$5.1 million primarily relates to the Sisorta Project. We note that on 4 March 2015, Management disclosed that CHZ has disposed its 51% ownership interest in the Sisorta Project for a cash consideration of A\$162,092. In addition, an impairment loss balance of A\$403,053 was attributed to the Catak Project<sup>13</sup> (which was sold in January 2015).
- The profit from discontinued operations of A\$21.4 million relates to the disposal of the Kestanelik Gold Project.

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<sup>10</sup> The Karaayi Project was one of CHZ's previous mining projects located approximately 40 km to the southwest of the Kestanelik Project. The Karaayi Project is a gold-copper project and was added to CHZ's portfolio of mining assets since March 2009 (the same time with the Kestanelik Project). Right after achieving 100% ownership of the Karaayi Project, Management sold it to Orta Truva Madencilik Sanayi Ve Ticaret A.S. in September 2013 for US\$300,000 and 1.25 million Pilot Gold shares (listed on the Toronto Stock Exchange).

<sup>11</sup> See footnote 6

<sup>12</sup> See footnote 10

<sup>13</sup> See footnote 7

### 3.2.2 Financial Position of CHZ

The consolidated balance sheets of CHZ as at 30 June 2014 and as at 31 December 2014 are set out in the table below:

Chesser Resources Limited	30-Jun-14	31-Dec-14
	Audited	Reviewed
Consolidated statement of financial position	A\$'000	A\$'000
<b>Current assets</b>		
Cash and cash equivalents	1,071	7,142
Trade and other receivables	401	74
Financial assets at fair value through profit and loss	454	-
Other financial assets	85	1,800
Other current assets	203	113
<b>Total current assets</b>	<b>2,214</b>	<b>9,129</b>
<b>Non-current assets</b>		
Trade and other receivables	15	15
Property, plant and equipment	160	62
Exploration and evaluation assets	22,956	491
<b>Total non-current assets</b>	<b>23,131</b>	<b>568</b>
<b>Total assets</b>	<b>25,345</b>	<b>9,697</b>
<b>Current liabilities</b>		
Trade and other payables	949	525
<b>Total current liabilities</b>	<b>949</b>	<b>525</b>
<b>Total liabilities</b>	<b>949</b>	<b>525</b>
<b>Net assets</b>	<b>24,396</b>	<b>9,172</b>

Source: CHZ's Annual Report for FY14 and Half-year Report for HY15

We note the following in relation to the consolidated balance sheets:

- Cash and cash equivalent increased substantially to A\$7.1 million as at 31 December 2014 compared from A\$1.1 million as at 30 June 2014 primarily due to the cash received from the sale of the Kestanelik Project net of the Prior Return of Capital.
- Financial asset at fair value through profit or loss balance of A\$454,000 as at 30 June 2014 related to the fair value shares in Pilot Gold (312,500 shares). These shares were disposed of during the half year which reflects in the A\$Nil balance as at 31 December 2014.
- The increase in the 'Other financial assets' balance to A\$1.8 million as at 31 December 2014 relates to the cash consideration associated with the sale of the Kestanelik Project being held in escrow and subject to the satisfaction of certain conditions associated with the completion of the legal transfer. Management negotiated the accelerated release of this cash in June 2015 net of a release fee of US\$210,000 (excluding Turkish Value Added Tax ("VAT")).

- ‘Other current assets’ relates to prepayments including environmental permitting, insurance, and other corporate payments. We note that the A\$113,000 balance included A\$64,698 that was associated with the Sisorta Project.
- We note that A\$270,499 of ‘Trade and other payables’ balance is related to the trade and payables of the Sisorta Project.

### 3.3 Capital Structure

As at the date of our report, CHZ has the following securities on issue:

- 221,007,161 fully paid listed ordinary shares (“CHZ Shares”).
- 7,100,000 unlisted options (“CHZ Options”).

#### 3.3.1 CHZ Shares

The following table sets out the top ten shareholders of CHZ as at 25 June 2015:

Top Shareholder as at 24 June 2015	Number of shares	% of total
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	32,702,226	14.8%
UBS NOMINEES PTY LTD	18,145,447	8.2%
NATIONAL NOMINEES LIMITED	11,276,774	5.1%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	6,482,128	2.9%
JETOSEA PTY LTD	4,819,481	2.2%
CPO SUPERANNUATION FUND PTY LTD <C & P O'CONNOR S/F A/C>	4,600,839	2.1%
TALLINVALE PROPRIETARY LIMITED <THE TALLINVALE FAMILY A/C>	4,600,000	2.1%
MR DAVID ROSS HANNON	4,515,644	2.0%
CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON A/C>	4,061,134	1.8%
BISHOPSTONE PROPRIETARY LIMITED <THE BISHOPSTONE NO 2 A/C>	3,812,157	1.7%
<b>Top 10 shareholders</b>	<b>95,015,830</b>	<b>43.0%</b>
Other shareholders	125,991,331	57.0%
<b>Total</b>	<b>221,007,161</b>	<b>100.0%</b>

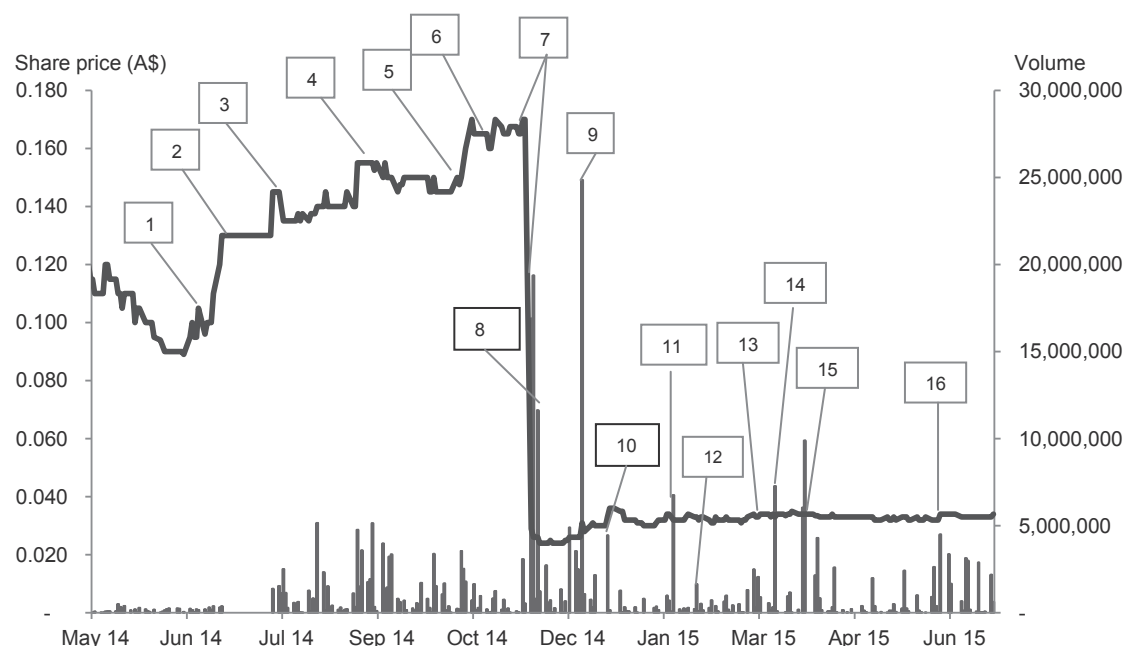
Source: CHZ

The following table sets out the substantial shareholders as at 25 June 2015:

Shareholder	No of shares	% held
Sandon Capital Pty Ltd	43,979,000	19.90%

Source: CHZ

The daily movements in CHZ's share price and volumes for the period from May 2014 to June 2015 is set out below:



Source: Capital IQ

We note the following with regard to the share price history since June 2014:

Event	Date	Comments
1	25 Jun 2014	CHZ announced final Kestanelik sample results with significant gold intersections and near completion on pre-feasibility studies anticipating a JORC updated expected next month. The share price closed at A\$0.10.
2	3 Jul 2014	CHZ requested security suspension pending the sale of the Kestanelik Project. The share price closed at A\$0.13.
3	25 Jul 2014	CHZ announced a proposed sale of the Kestanelik Project for US\$40 million to Nurol Holdings Inc. The official quotation was also reinstated following the announcement. The share price closed at A\$0.13.
4	3 Sep 2014	CHZ executed the agreement for sale of the Kestanelik Project subject to shareholder approval. The share price closed at A\$0.16.
5	22 Oct 2014	CHZ released an update on the sale of the Kestanelik Project note that it had received the required shareholders and regulatory approval. The share price closed at A\$0.15.
6	27 Oct 2014	CHZ announced completion of the sale of the Kestanelik Project after capital payment of US\$40 million was received. The share price closed at A\$0.17.
7	20 Nov 2014	CHZ announced approval by shareholders to return capital of A\$0.15 per share to be distributed on 12 December 2014. The share price closed at A\$0.17.
8	24 Nov 2014	The Ex-Return date for the Capital Return. The share price closed at A\$0.024.
9	18 Dec 2014	CHZ responded to a price query of its increasing share price. The trend was attributed to the recently completed capital return, with shares trading at a discount due to a potential value opportunity evident to investors. The share price closed at A\$0.031.
10	29 Dec 2014	CHZ announced that it had received a request to call a general meeting to consider the removal of Mr Robert Reynolds, Mr Morrice Cordiner and Mr Peter Lester as Directors of CHZ and the appointment of Mr Garbriel Radzyminski as a director of CHZ. The share price closed at A\$0.033.
11	30 Jan 2015	CHZ proposed additional capital return totalling A\$6.1 million on the 30 January 2015. The share price closed at A\$0.032.
12	12 Feb 2015	Substantial shareholder, Novabank Pty Ltd, requested a general meeting to consider removal of Mr O'Loughlin and Mr Taylor as Directors while also seeking to appoint one of its own directors, Mr Frank Terranova. The share price closed at A\$0.033.
13	13 Feb 2015	CHZ announced the resignation of Mr Reynolds, Mr Cordiner and Mr Lester as directors of the Company and the appointment of Mr Terranova, Mr Amery and Mr Kelly to the Board effective immediately. The share price closed at A\$0.033.





Event	Date	Comments
14	4 Mar 2015	CHZ announced the sale of 51% ownership in Sisorta Gold Project to 49% owner Eurasian Minerals. The share price closed at A\$0.032.
14	6 Mar 2015	CHZ directors endorsed the proposed Equal Access Buyback of the Company's shares at a price of A\$0.0353 per share. The share price closed at A\$0.033.
15	7 Apr 2015	CHZ announced ATO decision on A\$0.15 per share capital return that CHZ paid on 12 December 2014. Out of which, A\$0.01 per share is deemed to be an unfranked dividend for income tax purposes and the remaining A\$0.14 per share of this dividend would be treated as a distribution of capital for income tax purposes.
16	5 Jun 2015	CHZ announced the updated terms for the proposed Equal Access Buyback at A\$0.0343 per share with a maximum number of shares to be bought back of 220.6 million shares (which implies a A\$7.57 million cash payment). The share price closed at A\$0.034.

Source: CHZ's ASX announcements

Set out below is the share price performance of CHZ:

Chesser Resources Limited	Share Price			Average weekly volume '000'
	High A\$	Low A\$	Close A\$	
<b>Month ended</b>				
Jun 2014	0.120	0.087	0.120	833
Jul 2014	0.160	0.120	0.135	1,763
Aug 2014	0.145	0.135	0.145	3,688
Sep 2014	0.165	0.140	0.150	8,059
Oct 2014	0.170	0.143	0.165	5,197
Nov 2014	0.175	0.023	0.024	14,341
Dec 2014	0.036	0.023	0.036	11,264
Jan 2015	0.036	0.030	0.032	2,939
Feb 2015	0.034	0.031	0.032	1,867
Mar 2015	0.035	0.031	0.034	4,202
Apr 2015	0.034	0.033	0.033	6,264
May 2015	0.034	0.032	0.033	1,806
Jun 2015	0.035	0.032	0.034	6,049
<b>Week ended</b>				
13 Mar 2015	0.034	0.033	0.034	5,785
20 Mar 2015	0.034	0.033	0.034	8,430
27 Mar 2015	0.035	0.034	0.035	2,188
3 Apr 2015	0.034	0.034	0.034	16,121
10 Apr 2015	0.034	0.033	0.033	7,464
17 Apr 2015	0.034	0.033	0.033	3,177
24 Apr 2015	0.033	0.033	0.033	445
1 May 2015	0.033	0.033	0.033	586
8 May 2015	0.033	0.032	0.032	2,474
15 May 2015	0.033	0.032	0.032	846
22 May 2015	0.034	0.032	0.032	3,040
29 May 2015	0.033	0.032	0.033	1,186
5 Jun 2015	0.035	0.032	0.034	8,472
12 Jun 2015	0.034	0.033	0.034	5,052
19 Jun 2015	0.034	0.033	0.033	7,130
26 Jun 2015	0.033	0.033	0.033	3,137

Source: Capital IQ

The following table summarises the monthly trading volume of CHZ since April 2014:

Month end	Volume traded ('000)	Monthly VWAP (A\$)	Total value of shares traded (A\$'000)	Volume traded as % of total shares
Apr 2014	1,622	0.1252	203	0.7%
May 2014	3,250	0.1079	351	1.5%
Jun 2014	3,501	0.0991	347	1.6%
Jul 2014	8,110	0.1405	1,139	3.7%
Aug 2014	15,490	0.1382	2,141	7.0%
Sep 2014	35,459	0.1524	5,406	16.0%
Oct 2014	23,907	0.1519	3,632	10.8%
Nov 2014	57,363	0.0431	2,472	26.0%
Dec 2014	51,816	0.0282	1,463	23.4%
Jan 2015	12,346	0.0327	404	5.6%
Feb 2015	7,470	0.0323	242	3.4%
Mar 2015	18,489	0.0337	623	8.4%
Apr 2015	27,564	0.0336	926	12.5%
May 2015	7,586	0.0329	249	3.4%
Jun 2015	26,615	0.0331	880	12.0%
<b>Min</b>				<b>0.7%</b>
<b>Max</b>				<b>26.0%</b>
<b>Average</b>				<b>9.1%</b>
<b>Median</b>				<b>7.0%</b>

Source: Capital IQ and GTCF calculations

We note that the liquidity of CHZ shares have been relatively high over the past few months, especially between September 2014 and December 2014. We note that this higher level of liquidity has been driven by the sale of the Company's flagship project, the completion of the Prior Capital Return and the exit of previous shareholders including substantial shareholders as the Company no longer met their investment criteria.

### 3.3.2 CHZ Options

The following table summarises the unlisted options issued by CHZ:

Number of Options	Grant date	Expiry Date	Exercise Price (A\$)
500,000	14-Dec-12	13-Dec-16	\$0.35
1,000,000	14-Dec-12	13-Dec-16	\$0.40
1,500,000	14-Dec-12	13-Dec-16	\$0.45
1,000,000	14-Dec-12	13-Dec-16	\$0.50
1,000,000	14-Dec-12	13-Dec-16	\$0.55
1,000,000	14-Dec-12	13-Dec-16	\$0.60
200,000	01-Feb-13	31-Jan-17	\$0.20
200,000	01-Feb-13	31-Jan-17	\$0.25
200,000	01-Feb-13	31-Jan-17	\$0.30
500,000	24-Nov-14	31-Dec-16	\$0.11
<b>7,100,000</b>			

Source: CHZ Annual Report for the 12-month period ended 30 June 2014

Note (1): The exercise price has been reduced by 15 cents as a result of the Prior Capital Return



### 4 Valuation methodologies

#### 4.1 Introduction

Grant Thornton Corporate Finance has assessed the value of CHZ using the concept of fair market value. Fair market value is commonly defined as:

*“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

#### 4.2 Valuation methodologies

RG111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.



## 4.3 Methodology selected to value CHZ

Grant Thornton Corporate Finance has selected the market value of net assets (in an orderly realisation scenario) and the quoted price of securities as the primary methods to assess CHZ's equity value as detailed below:

- *Market value of net assets on an orderly realisation basis* – the market value of net assets is based on CHZ's unaudited actual balance sheet as at 25 June 2015. In assessing the fair market value of CHZ, Grant Thornton Corporate Finance has aggregated:
  - Contingent assets and liabilities of CHZ.
  - The estimated redundancy costs in relation to the Equal Access Buyback if the liquidation scenario occurs.
  - The transaction costs payable in relation to the Equal Access Buyback.
  - CHZ's carrying forward tax losses available.
  - Value of listed shell company associated with CHZ.
  - Realisation costs.
- *Quoted price of securities* – the quoted price of listed securities method is based on the Efficient Market Hypothesis ("EMH") which states that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. With regards to this, we note that CHZ complies with the full disclosure regime required by the ASX and has a reasonable level of liquidity (discussed in more detail in Section 3.3). As a result, the market is fully informed about the performance of CHZ.

## 5 Valuation assessment of CHZ

As outlined in Section 4.3, Grant Thornton Corporate Finance has adopted the market value of net assets (under an orderly realisation scenario) and quoted price of securities methodologies to assess the equity value of CHZ. For further details in relation to our valuation summary please refer to Section 5.3.

### 5.1 Market value of net assets

#### 5.1.1 Financial position as at 25 June 2015

We have been provided with the unaudited actual balance sheet of CHZ as at 25 June 2015 which we have adopted as a base to determine the market value of net assets as set out below:

Chesser Resources Limited	Section	25-Jun-15 balance
Adjusted other assets and liabilities	Reference	A\$'000
<b>Current assets</b>		
Cash and cash equivalents		7,756
Trade and other receivables		40
Other current assets		15
<b>Total current assets</b>		<b>7,811</b>
<b>Non-current assets</b>		
Property, plant and equipment		34
<b>Total non-current assets</b>		<b>34</b>
<b>Total assets</b>		<b>7,845</b>
<b>Current liabilities</b>		
Trade and other payables		43
<b>Total current liabilities</b>		<b>43</b>
<b>Total liabilities</b>		<b>43</b>
<b>Net assets</b>		<b>7,802</b>
<b>Total other assets and liabilities</b>		<b>7,802</b>
Add: Turkish VAT refund received after the transfer of Karaayi tenement	Note 1	123
<b>Total adjusted other assets and liabilities</b>		<b>7,924</b>

Source: Management and GTCF calculations

**Note 1** – The amount relates to the VAT in relation to the transfer of the Karaayi tenement which has been approved for a tax refund by the Turkish tax authorities of approximately A\$123,000<sup>14</sup> in March 2015. Management expects that the Company will receive this amount in July 2015.

<sup>14</sup> Original amount is TRY 262,701 converted using a foreign exchange rate of 1 TRY = 2.13 AUD as at 25 June 2015



### 5.1.2 Contingent assets and liabilities

#### Contingent assets

Management have advised that the Company previously made deposits with the Mines Department in Turkey amounting to approximately A\$200,000 in relation to the Karaaya and Catak tenements which have now been sold. We understand from discussions with Management that these deposits are refundable upon the transfer or surrender of the tenements, however the Mines Department in Turkey may decide to withhold some or all of the deposits for various reasons. Accordingly, the timing and quantum of the refund amount is currently uncertain. Based on legal advice received by the Company, Management has assessed a probability factor of 50% on the recovery of the deposits.

Based on the above, we have incorporated a contingent assets balance in the range of approximately A\$100,000 to A\$200,000 in our valuation assessment.

#### Contingent liabilities

Management have advised that they have received tax and legal advice in relation to the winding up of operations in Australia and Turkey. Whilst Management are not aware of any actual, pending or threatened claims against the Company, based on the tax and legal advice received, Management have considered a number of potential contingent liabilities amounting to approximately A\$240,000. We note that the contingent liabilities considered includes A\$150,000 of unknown liabilities which may relate to future claims against the Company.

In assessing the potential contingent liability range, Management noted that the activities on the mining tenements in Turkey have been limited to low impact exploration drilling on government owned forestry land. All the drilling was undertaken from specifically permitted drilling sites and there are no tailings stacks or tailing ponds that may cause future contamination. Accordingly, Management has assessed a low range of A\$150,000.

We have reviewed a summary of the tax and legal advice received by the Company and for the purposes of our valuation, we have incorporated a contingent liabilities balance in the range of A\$125,000 to A\$250,000.

In our opinion, the contingent liabilities should still be included for valuation purposes as a potential *willing but not anxious* purchaser would adjust the price they are willing to pay for CHZ to reflect the risks attached to these potential liabilities.

### 5.1.3 Value of listed shell company

For the purposes of our assessment of CHZ, we have considered whether there is any potential value attributed to the company “shell” which could be extracted through a possible back-door listing transaction. During favourable share market conditions it is possible for shareholders in companies in the position of CHZ to generate additional value by approving the acquisition of businesses/ assets, resulting in a change of control of the company.

The share market conditions conducive to the use of CHZ as a possible back-door listing vehicle do not currently prevail. Since the global financial crisis there has been a general lack of interest and support from the investment community in initial public offerings (“IPOs”). Further, the Directors of CHZ announced that none of the potential investment opportunities that were presented to, or identified by, the Company were considered to represent a compelling reinvestment opportunity with the potential to enhance shareholder value.

In the circumstances, we consider that any value that might attach to the backdoor listing potential of CHZ in the current market conditions would be nominal.

#### 5.1.4 Value of options

CHZ currently has approximately 7.1 million CHZ Options on issue as set out in section 3.3.2 with different exercise prices and expiry dates. We have undertaken a valuation of the CHZ Options using the Binomial Model.

The assumptions adopted in our valuation assessment of the CHZ Options are set out below:

- Risk free interest rate – 3.39% based on the corresponding Australian Government bond yields.
- Dividend Yield – Nil.
- Volatility – 90%.
- Exercise price – various as per the terms of the CHZ Options.
- Share price - A\$0.034 as per CHZ closing share price as at 30 June 2015.
- Expiry Period – various as per the terms of the CHZ Options.

Based on our calculations the CHZ Options have nominal value as the CHZ Options are significantly out of the money. The following table sets out the details on the CHZ Options:

Number of Options	Valuation date	Vesting date	Expiry Date	Remain life (Years)	Volatility (%)	Interest rate (%)	Exercise Price (\$)	Option price (\$)	Option value (\$)
500,000	30-Jun-15	14-Dec-12	13-Dec-16	1.45	90%	3.39%	\$0.35	\$0.0007	\$332
1,000,000	30-Jun-15	14-Dec-12	13-Dec-16	1.45	90%	3.39%	\$0.40	\$0.0005	\$502
1,500,000	30-Jun-15	14-Dec-12	13-Dec-16	1.45	90%	3.39%	\$0.45	\$0.0004	\$582
1,000,000	30-Jun-15	14-Dec-12	13-Dec-16	1.45	90%	3.39%	\$0.50	\$0.0003	\$305
1,000,000	30-Jun-15	14-Dec-12	13-Dec-16	1.45	90%	3.39%	\$0.55	\$0.0002	\$244
1,000,000	30-Jun-15	14-Dec-12	13-Dec-16	1.45	90%	3.39%	\$0.60	\$0.0002	\$198
200,000	30-Jun-15	01-Feb-13	31-Jan-17	1.58	90%	3.39%	\$0.20	\$0.0023	\$462
200,000	30-Jun-15	01-Feb-13	31-Jan-17	1.58	90%	3.39%	\$0.25	\$0.0016	\$323
200,000	30-Jun-15	01-Feb-13	31-Jan-17	1.58	90%	3.39%	\$0.30	\$0.0012	\$236
500,000	30-Jun-15	n/a	31-Dec-16	1.50	90%	3.39%	\$0.11	\$0.0048	\$2,413
<b>7,100,000</b>									<b>\$5,596</b>

Source: Capital IQ, Morningstar, Hoadley and GTCF calculations





### 5.1.5 Orderly realisation expenses

We have adjusted the realisable value of net assets assessed above for expected costs associated with the notional realisation and the wind-up of CHZ assessed in the range of A\$200,000 and A\$300,000. These costs include:

- Estimated compliance costs including statutory financial reporting, audit and tax compliance reporting costs.
- Liquidator's fees and costs and legal costs in Australia and Turkey.
- Overheads and other administrative expenses during a reasonable realisation period. This includes staff costs in relation to the handling of legacy issues which may arise from former employees, shareholders, creditors and other regulatory bodies.
- Directors and Officers run off insurance expenses.

In relation to the wind-up costs, we note the following:

- They are based on an indicative assessment undertaken by the current Directors.
- Grant Thornton's recovery and reorganisation team has reviewed the estimates and they do not believe they are unreasonable. However, as outlined above, they have indicated that there is always a material degree of uncertainty and subjectivity in the estimate of the potential contingencies, in particular for a company like CHZ which had significant operating activities and was widely held in the past.

### 5.1.6 Transaction costs associated with the Equal Access Buyback

For the purposes of our valuation assessment, we have allowed for cost associated with the Equal Access Buyback including legal costs, fees for independent expert and other expenses related to the costs associated with the Equal Access Buyback (including allowance for unforeseen expenses). We note that parts of these costs were paid prior to 25 June or have been included in the Payables balance as at 25 June 2015.

For valuation purposes, we have adopted the transaction costs associated with the Equal Access Buyback to be A\$31,000.

### 5.1.7 Tax losses

As at 30 June 2014, CHZ had accumulated gross revenue tax losses of approximately A\$7.8 million. The future utilisation of these tax losses is dependent on the ability of CHZ to meet the requirements of the Australian Tax Office ("ATO") in respect of the "continuity of ownership" or "same business" tests. Refer to section 5.11 of the Notice of Meeting and Explanatory Memorandum for Management's explanations.

We have attributed no value to the existing tax losses due to the following:

- After the Equal Access Buyback there are doubts over the ability of the Company to meet the ATO's "continuity of ownership" requirement.
- A hypothetical purchaser would be unlikely to be prepared to pay for the tax losses due to the uncertainty of meeting the requirements of the ATO and the level and timing of potential future taxable profits.
- No tax losses have been recognised in CHZ's latest audited annual financial statement for the period ended 30 June 2014 and reviewed half-year financial statement for the period ended 31 December 2014.

#### 5.1.8 Market value of net realisable assets valuation summary

The following table summarises our valuation assessment of CHZ:

Valuation assessment - Chesser Resources Ltd		Section	Low	High
Stated in A\$'000 unless stated otherwise		Reference	A\$'000	A\$'000
Adjusted net assets and liabilities as at	30-Jun-15	5.1.1	7,924	7,924
Add: Contingent assets		5.1.2	100	200
Less: Contingent liabilities		5.1.2	(250)	(125)
Less: Value of options		5.1.4	(6)	(6)
Less: Estimated liquidation/ wind-up expenses		5.1.5	(300)	(200)
Less: Estimated transaction costs		5.1.6	(31)	(31)
<b>Value of CHZ</b>			<b>7,438</b>	<b>7,763</b>
Number of CHZ ordinary shares ('000s)		3.3	221,007	221,007
<b>Value per share (cents)</b>			<b>3.37</b>	<b>3.51</b>

Source: GTCF calculations

Based on the above, we have assessed the fair market value of CHZ between 3.37 cents and 3.51 cents.

#### 5.2 Quoted price of securities

The following table summarises the monthly trading volume of CHZ Shares since April 2014, including the period following the capital return to shareholders in November 2014:

Month end	Volume traded ('000)	Monthly VWAP (A\$)	Total value of shares traded (A\$'000)	Volume traded as % of total shares
Apr 2014	1,622	0.1252	203	0.7%
May 2014	3,250	0.1079	351	1.5%
Jun 2014	3,501	0.0991	347	1.6%
Jul 2014	8,110	0.1405	1,139	3.7%
Aug 2014	15,490	0.1382	2,141	7.0%
Sep 2014	35,459	0.1524	5,406	16.0%
Oct 2014	23,907	0.1519	3,632	10.8%
Nov 2014	57,363	0.0431	2,472	26.0%
Dec 2014	51,816	0.0282	1,463	23.4%
Jan 2015	12,346	0.0327	404	5.6%
Feb 2015	7,470	0.0323	242	3.4%
Mar 2015	18,489	0.0337	623	8.4%
Apr 2015	27,564	0.0336	926	12.5%
May 2015	7,586	0.0329	249	3.4%
Jun 2015	26,615	0.0331	880	12.0%
<b>Min</b>				<b>0.7%</b>
<b>Max</b>				<b>26.0%</b>
<b>Average</b>				<b>9.1%</b>
<b>Median</b>				<b>7.0%</b>

Source: Capital IQ

Based on the above table, we note the following:

- The monthly volume of shares traded as a percentage of total shares has increased over the last ten months, especially from September 2014 to December 2014 after the sale of CHZ's flagship project, the Kestanelik Project and during the period of the Prior Return of Capital.
- The level of liquidity for CHZ Shares traded has been relatively liquid historically, reflecting an informed market for CHZ Shares.
- The trading share price represents the value at which minority shareholders could realise if they wanted to exit their investment.

Set out below is a summary of the share market prices for CHZ plus the Volume Weighted Average Price (“VWAP”) before and after the Equal Access Buyback was announced on 5 June 2015.

VWAP	Low A\$	High A\$	VWAP A\$
<b>Prior to 5 June 2015 (Equal Access Buyback)</b>			
5-day	0.032	0.033	0.032
10-day	0.032	0.033	0.032
1-month	0.032	0.034	0.033
2-month	0.032	0.034	0.033
3-month	0.032	0.035	0.033
5-month	0.030	0.036	0.033
<b>After 5 June 2015 (Equal Access Buyback)</b>			
5-day	0.033	0.035	0.034
10-day	0.033	0.035	0.034
1-month	0.032	0.035	0.033

Source: Capital IQ, CHZ’s ASX announcements and GTCF calculations

Based on the above, we have assessed the value of CHZ shares in the range of 3.2 cents and 3.5 cents per share under the quoted securities methodology.

We note that the primary asset of CHZ is its cash balance, accordingly we are of the opinion that the value of CHZ on a 100% basis is equivalent to the trading prices of CHZ.

### 5.3 Valuation summary

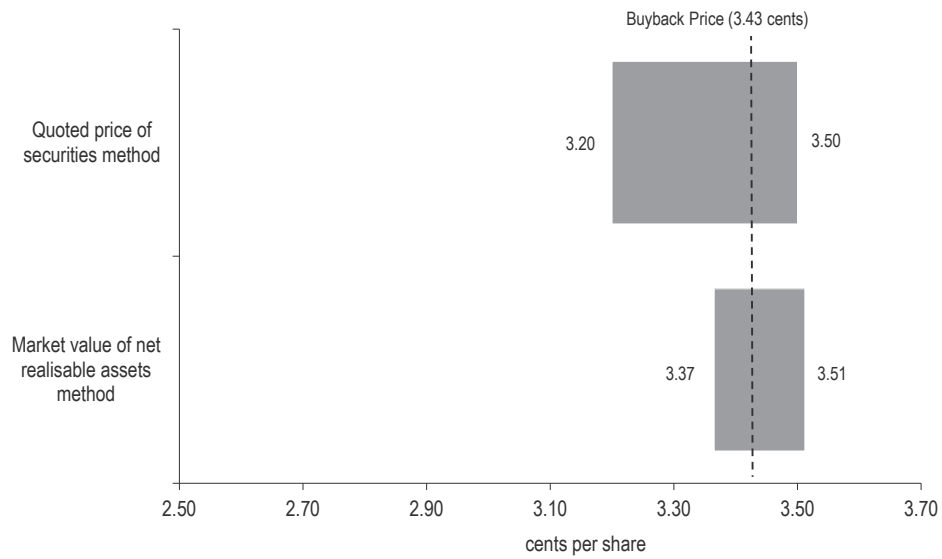
Our valuation assessment of CHZ on 100% basis based on the market value of net assets method and the quoted price of securities method is summarised below:

	Section Reference	Low cents	High cents
Market value of net realisable assets method	5.1.8	3.37	3.51
Quoted price of securities method	5.2	3.20	3.50
<b>Grant Thornton Corporate Finance assessed range</b>		<b>3.20</b>	<b>3.51</b>

Source: Grant Thornton Corporate Finance calculations



As illustrated in the graph below, the Buyback Price is within our valuation assessment of the CHZ.



Source: Grant Thornton Corporate Finance calculations

## **6 Sources of information, disclaimer and consents**

### **6.1 Sources of information**

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of Meeting and Explanatory Memorandum
- Annual reports of CHZ for FY13 and FY14
- Half-year financial report of CHZ for HY15
- Releases and announcements by CHZ on ASX
- Other information provided by CHZ
- Capital IQ
- Hoadley
- Other publicly available information
- Discussions with Management

### **6.2 Qualifications and independence**

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to CHZ and all other parties involved in the Equal Access Buyback with reference to the ASIC Regulatory Guide 112 “Independence of experts” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to CHZ, its shareholders and all other parties involved in the Equal Access Buyback.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with CHZ or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Equal Access Buyback.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Equal Access Buyback, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Equal Access Buyback. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

### **6.3 Limitations and reliance on information**

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by CHZ and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by CHZ through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of CHZ.

This report has been prepared to assist the directors of CHZ in advising the CHZ Shareholders in relation to the Equal Access Buyback. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Equal Access Buyback is fair and reasonable to the CHZ Shareholders.

CHZ has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by CHZ, which CHZ knew or should have known to be false and/or reliance on information, which was material information CHZ had in its possession and which CHZ knew or should have known to be material and which CHZ did not provide to Grant Thornton Corporate Finance. CHZ will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

### **6.4 Consents**

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to the CHZ Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.



## **Appendix A – Valuation methodologies**

### **Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### **Discounted future cash flows**

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the Weighted Average Cost of Capital ("WACC"), is estimated using the Capital Asset Pricing Model ("CAPM").

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### **Orderly realisation of assets**

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

### **Market value of quoted securities**

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.



## **Comparable market transactions**

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

## Appendix B – Glossary

A\$	Australian Dollars
APES 110	Code of Ethics for Professional Accountants
ASIC	Australian Securities Investment Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Buyback Price	The off-market equal access share buyback price at 3.43 cents per share
CAPM	Capital Asset Pricing Model
CHZ or the Company	Chesser Resources Ltd
CHZ Directors	Directors of CHZ
CHZ Options	7,100,000 unlisted options of CHZ
CHZ Shareholders	Shareholders of CHZ
CHZ Shares	221,007,161 fully paid listed ordinary shares of CHZ
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow
EMH	Efficient Market Hypothesis
Equal Access Buyback	On 5 June 2015, the new Board of Directors proposed an off-market equal access buyback of shares in CHZ at 3.43 cents per share to eligible shareholders
Eurasian	Eurasian Minerals Inc
FSG	The Financial Services Guide
Further Return of Capital	Management proposed an additional capital return of 2.75 cents per share after the Prior Return of Capital
FYxx	Financial Year ended 30 June 20xx
Grant Thornton Corporate Finance or GTCF	Grant Thornton Corporate Finance Pty Ltd
HY15	The Half-Year period ended 31 December 2014
IPO	Initial Public Offering
Management	CHZ's Management
NTA	Net Tangible Asset
Nurol	Nurol Holdings A.S.
Participating Shareholders	Shareholders who would like to participate into the Equal Access Buyback
Pilot Gold Inc	Pilot Gold
Prior Return of Capital	With the cash proceeds from the sale of the Kestanelik Project, Management proposed a return of capital at 15 cents per share to eligible shareholders
RG 110	Regulatory Guide 110 Share buy-backs
RG 111	Regulatory Guide 111 Content of expert's report
RG 112	Regulatory Guide 112 Independence of experts
Sandon	Sandon Capital Pty Limited
US\$	US Dollars
VAT	Value-Added Tax
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital





## Lodge your vote:



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## Proxy Form

XX



### Vote and view the notice of meeting online

- Go to [www.investorvote.com.au](http://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 10:00 am (Brisbane time) Thursday 3 September 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](http://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 McCullough Robertson Lawyers, Level 11, 66 Eagle Street, Brisbane QLD at 10:00am (Brisbane time) on Friday 4 September 2015 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.

#### Special Business

1 Resolution to approve equal access off-market buy back

For

Against

Abstain

☐☐☐

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

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Computershare +