

Quarterly Report – December 2010

31 January 2011



ASX Code: CHZ

Company Information

Capital Structure	Jan 2011
Shares on Issue	111.0M
Options (unlisted)	10.1 M
Fully Diluted	118.4 M
Market Cap.	\$126M
Cash	\$6 M
Debt	Nil
Enterprise Value	\$120 M

Company Directors & Management

Stephen Evans	Chairman
Rick Valenta	Managing Director
Simon O'Loughlin	Non-Exec Director
Simon Taylor	Non-Exec Director
Creagh O'Connor	Non-Exec Director
Kerry Angel	Company Secretary
Cem Yuceer	Exploration Manager

Top Shareholders

Management
Gryphon Partners
Geologic Resource Partners
Baker Steel
Top 40 ≈ 52%

Company Highlights

Chesser is an Australian-based exploration company, exploring for gold and base metals in Turkey. The Kestanelik epithermal gold project, 10 km from the Dardanelles in NW Turkey, has high-grade gold mineralisation. Karaayi is being explored for a porphyry-style gold-copper mineralisation. Sisorta in NE Turkey has 303Koz Au resource (91Koz Indicated & 212K oz Inferred).



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Highlights

Exploration

Kestanelik

- The Phase 3 drill program of 80 RC and diamond holes for 10,000 metres continued over the entire quarter
- Excellent drill-hole assay results were reported to the market in November and December, including:
 - **10.5m @ 8.3g/t gold** from 68 metres including **3.8m @ 20.9g/t gold** in KED-14
 - **11.5m @ 13.5 g/t gold** including **9.6m @ 16.0 g/t gold** in KED-17
 - **KED-22 intersected a 19 metre-wide zone of high grade gold mineralisation separated by historical underground workings comprising:**
 - **5.5m @11.0 g/t gold**, then **2.2 metres of underground workings**
 - **2.8m @13.4 g/t gold** then **1.4 metres of underground workings** and
 - **7.1 m @8.6 g/t gold**
 - **9.3m @ 9.6g/t gold** in KED-04

Karaayi

- Interpretation and targeting completed using new geophysics, geochemistry and geological mapping, resulting in the identification of a number of drill targets – drill permit applications submitted

Sisorta

- Work continued on legal and environmental permits and studies following on from the operating permit granted in 2009.

Corporate

- Options 1 and 2 exercised over Kestanelik property – expenditure required to vest 100% complete as of 31 December 2010
- Cash \$ 5.8 million as at 31 December 2010.

Activities for March Quarter 2011

Kestanelik

- Complete the RC and diamond drilling in the Phase 3 drilling program.
- Carry out further metallurgical testing on drill-core
- Plan for larger drill program to commence in Q2 2011
- Exercise third option to vest 100% ownership of property

Karaayi

- Advance planning for Q2 2011 drill program

Sisorta

- Continued discussions with potential development partners

EXPLORATION

KESTANELIK, Turkey Gold

(Chesser earning up to 100%, Turkish Partner 100%)

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

Phase 3 Drilling & Exploration Program

Drilling continued on the Kestanelik property during the entire quarter. The Company received positive drill results and reported these results in releases dated 5 October, 20 October, 11 November and 3 December. Significant results reported are summarised in Table 1.

Two drill rigs - a dual purpose RC and diamond drill rig and a conventional diamond drill rig - were employed for the Phase 3 drilling program, which is still ongoing in the March 2011 quarter. Phase 3 consists of approximately 90 holes of mixed Reverse Circulation and Diamond drilling. As of the 31st of December, 80 holes had been completed for approximately 9,013 metres of drilling (4,383m RC and 4,630m diamond) with results from 56 holes received and released to the ASX. The Phase 3 program is expected to be completed during the March quarter 2011.

K2 Vein

On the K2 vein, drilling was carried out to test an outcropping vein zone with an associated artisanal working. Both drillholes intersected strong gold mineralisation (see table 1). In drillhole KED-04, grades of up to 29 g/t gold were associated with late-stage black sulphidic brecciation of epithermal vein material. KED-04 is the first drillhole in which high grades are clearly associated with sulphidic breccias. These breccias are very similar in texture to the iron-oxide bearing vein breccias that carry the highest grades in outcropping veins on the property.

Karakovan Vein

Early drilling on the Karakovan vein was aimed at obtaining a diamond drill intersection from the area of known high-grade mineralisation along the vein. The high grades in drillholes KED-01 and KED-02 are associated with late-stage ferruginous oxide matrix breccias with clasts of epithermal vein material. Subsequent drilling along the Karakovan vein system was aimed at building-up a regular coverage of drillhole pierce points along the vein. Drilling of the Karakovan veins is now nearly complete, and a number of strong results were returned along the length of the vein system.

K3 Vein

On the K3 vein, drilling has continued to add pierce points along the vein. KED-14 was the first diamond drillhole reported from the K3 vein drilling program, and returned strong results in three separate intervals at downhole depths up to 114 metres. As previously observed in the K2 vein, the better results were spatially associated with polyphase sulphide-bearing silica-matrix breccias. These breccias are very similar in texture to the iron-oxide bearing vein breccias that carry the highest grades in outcropping veins on the property, but the intersections in KED-14 are in sulphide and therefore likely to be representative of primary mineralisation. At the northeast end of the vein, a number of high grade

results were returned. Of these, KED-17 returned the highest result, and for the first time on the Project returned a narrow interval containing visible gold. KED-15 intersected the K3 vein at more than 100 metres below surface and returned a robust high-grade interval with a maximum assay of 18.9 g/t Au. A number of strong results were also returned at the southwest end of the vein. Of these, KED-22 returned the most significant result, intersecting a 19 metre-wide zone comprising three high grade gold intervals separated by cavities interpreted to be underground workings (see Table 1 for details). Drillholes KED-22 and 23 represent further 50 metre stepouts to the southwest from previous drilling on the K3 vein, and the vein remains open to the southwest, northeast and at depth.

Kara Tepe Drilling

Results were received from three deep holes drilled under the Kara Tepe vein to the northeast of the Karakovan zone (Figure 1, grid reference C-1 and D-1). Gold results were generally low for the first two holes, and the third hole (KED-21) returned a 4 metre interval of anomalous gold and silver - and gold: silver ratios and vein textures suggest that it may be necessary to drill deeper on this zone. Further work will be carried out to evaluate the characteristics of veining intersected in these holes, prior to planning of any further drilling on the Kara Tepe target.

Scout RC Drilling

Results were received from a number of scout holes, though the amount of scout drilling to date has been minor. Significant results include:

- The intersection in KERC-38 of 4 metres at 4.93 g/t gold including 1 metre at 18.45 g/t gold was from a hole designed to test the Meydan North zone where there are strong soil anomalies and subsequent sampling has returned abundant vein float with gold grades greater than 10g/t.
- Scout drilling of previously untested geophysical anomalies in holes KED-24 and KED-26 returned significant widths of anomalous gold associated with epithermal vein intervals. This provides encouragement for continued drilling of these targets.

Chesser can earn a 100% interest in the Kestanelik property by spending US\$2.8 million on exploration over three years and issuing 1,000,000 shares to the property owner, at which point the property owner will retain a 2.5% Net Smelter Return royalty. Chesser's minimum expenditure before withdrawal was US\$250,000.

As at 31 December 2010, Chesser Resources Limited had exercised the first and second options in the agreement to acquire 100% interest in the Kestanelik project. All the Mineral Operating Licences of the project were transferred to Chesser when the Agreement was signed. The consideration was a payment US\$10,000 and the issue of 100,000 ordinary shares in the Company, with provision in the Agreement that the Operating Licenses would be returned to the underlying owner in the event that the expenditure related to the Agreement was not completed.

There are three options to be exercised under the Agreement to acquire the 100% interest.

1. Option 1 has now been exercised, as Chesser has spent US\$1.3 million and issued 400,000 shares in the Company.
2. Option 2 has now been exercised, as Chesser has spent an additional US\$750 thousand and issued a further 250,000 shares in the Company.
3. Option 3 may be exercised by issuing a further 250,000 shares in the Company after spending an additional US\$750,000 and granting a 2.5% NSR (net smelters returns royalty). As of 31 December 2010, Chesser had completed the Option 3 Expenditure commitment and subsequent to the end of the

quarter, had served notice for the exercise of the third option to the property owner.

KARAAYI, Turkey Gold/ Copper

(Chesser earning up to 100%, Turkish Partner 100%)

During the December quarter, work progressed on integrating the Ground-mag, the IP-Resistivity and the surface geochemical surveys with the previously mapped geological information, resulting in the identification of a number of high priority drill targets. Chesser has applied for drill permits and intends to carry out a short exploration drill program in the second quarter of 2011.

SISORTA, Turkey Gold

(Chesser 51%, Eurasian 49%)

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

TURKEY REGIONAL

Gold/ Copper

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

CORPORATE

Cash \$5.8 million, as at 31 December 2010.

About Chesser Resources Limited

Chesser is an Australian-based ASX-listed exploration company (ASX: CHZ), exploring for gold and base metals in Turkey. The Company is currently conducting an aggressive, but focused, exploration program on its Kestanelik epithermal gold project. The Kestanelik property is situated in western Turkey, some 10 kilometres southeast of the Dardanelles, and enjoys good access together with excellent infrastructure. It hosts low sulphidation epithermal quartz veining with identified high-grade gold mineralisation and bonanza grades. The Company is also pursuing exploration programs at the Karaayi property on a porphyry-style stockwork system prospective for gold-copper mineralisation and has declared a 303,000 oz gold resource (91,000 oz Indicated and 212,000 oz Inferred) on its Sisorta project in north-eastern Turkey. The Board and management of Chesser, backed by the Company's major shareholders, are committed to unlocking value from this highly prospective portfolio of projects and the Company is committed to advancing its existing portfolio while continuing to seek new advanced opportunities.

Further information is available at: www.chesserresources.com.au

The exploration data and results contained in this report are based on information reviewed by Dr Rick Valenta, a Fellow of the Australian Institute of Mining and Metallurgy. He is Managing Director of the Company and has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Dr Valenta has consented to the inclusion in this release of the matters based on his information in the form and context in which it appears.,

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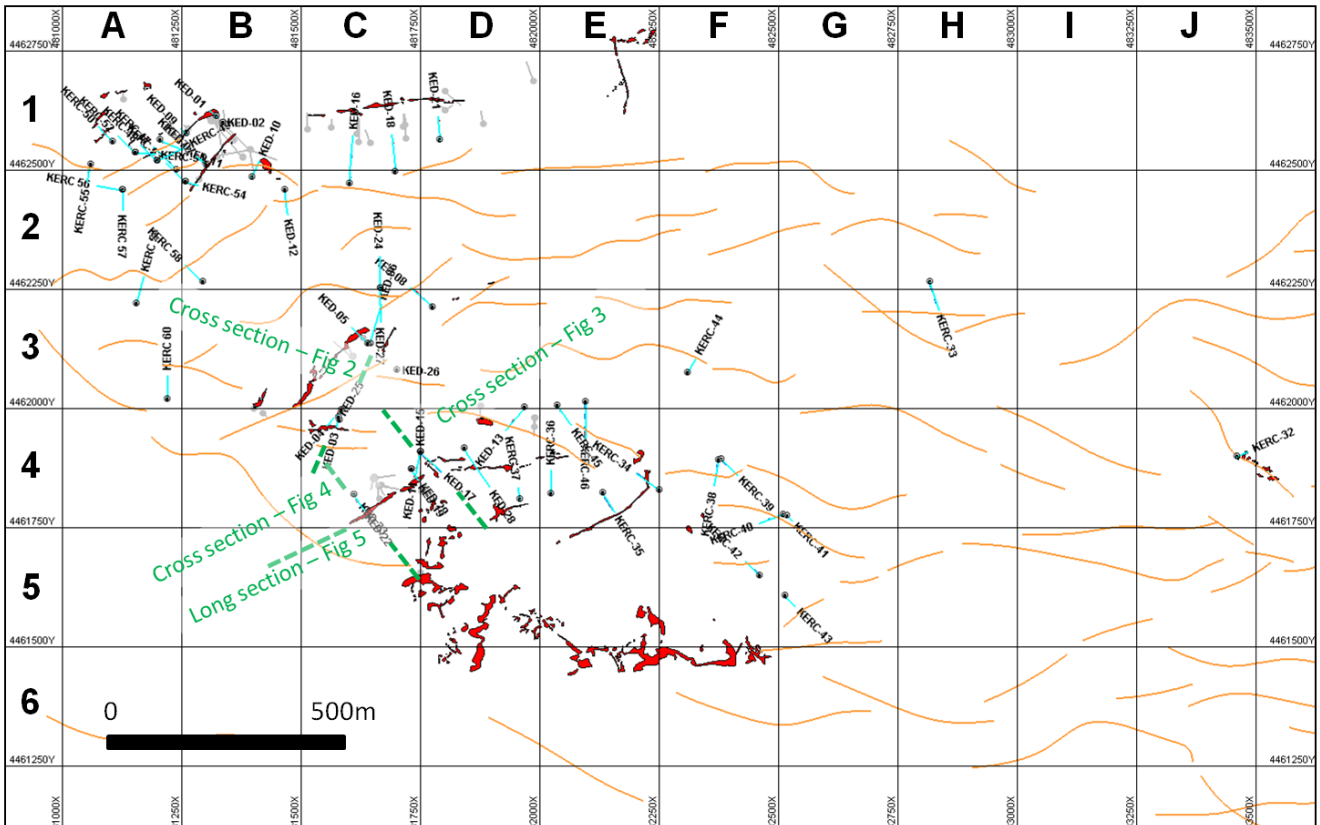


Figure 1. Location map for completed drillholes. Figure 1 also shows locations of sections in Figures 2 to 5.

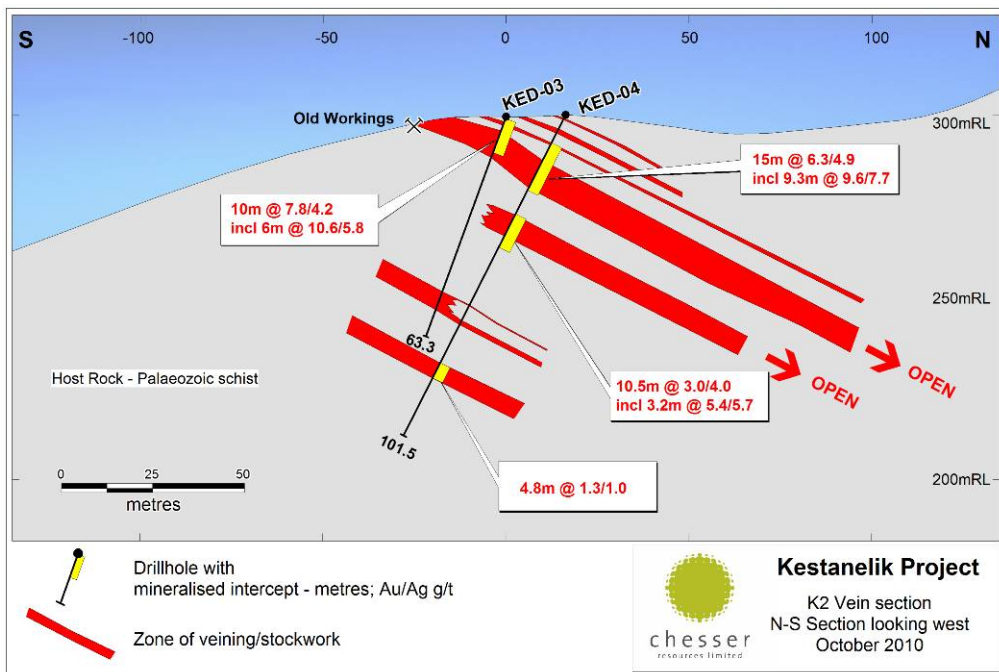


Figure 2. N-S Cross section through previously undrilled K2 vein.
See Figure 1 for section location



Figure 3. NW-SE Cross section through K3 vein. See Figure 1 for section location

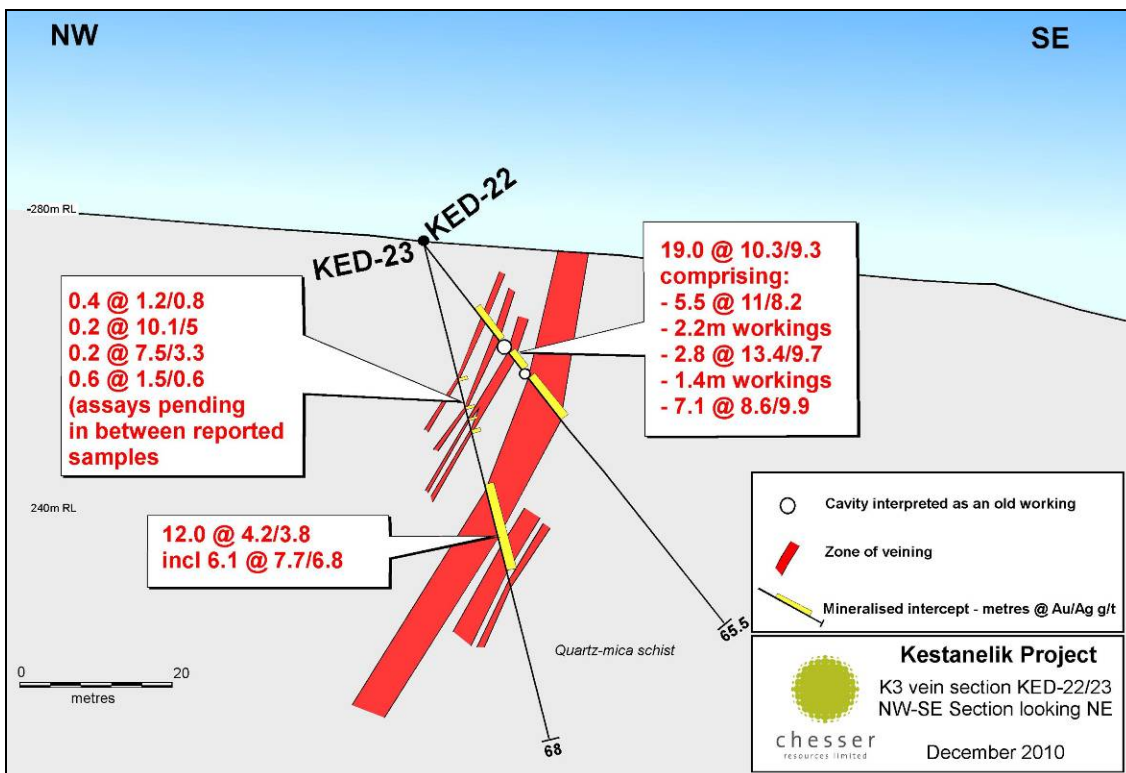


Figure 4. NW-SE Cross section through K3 vein. See Figure 1 for section location. The broader interval displayed for KED-22 assumes that the workings have gold and silver grades equivalent to the average grade of the surrounding assayed interval

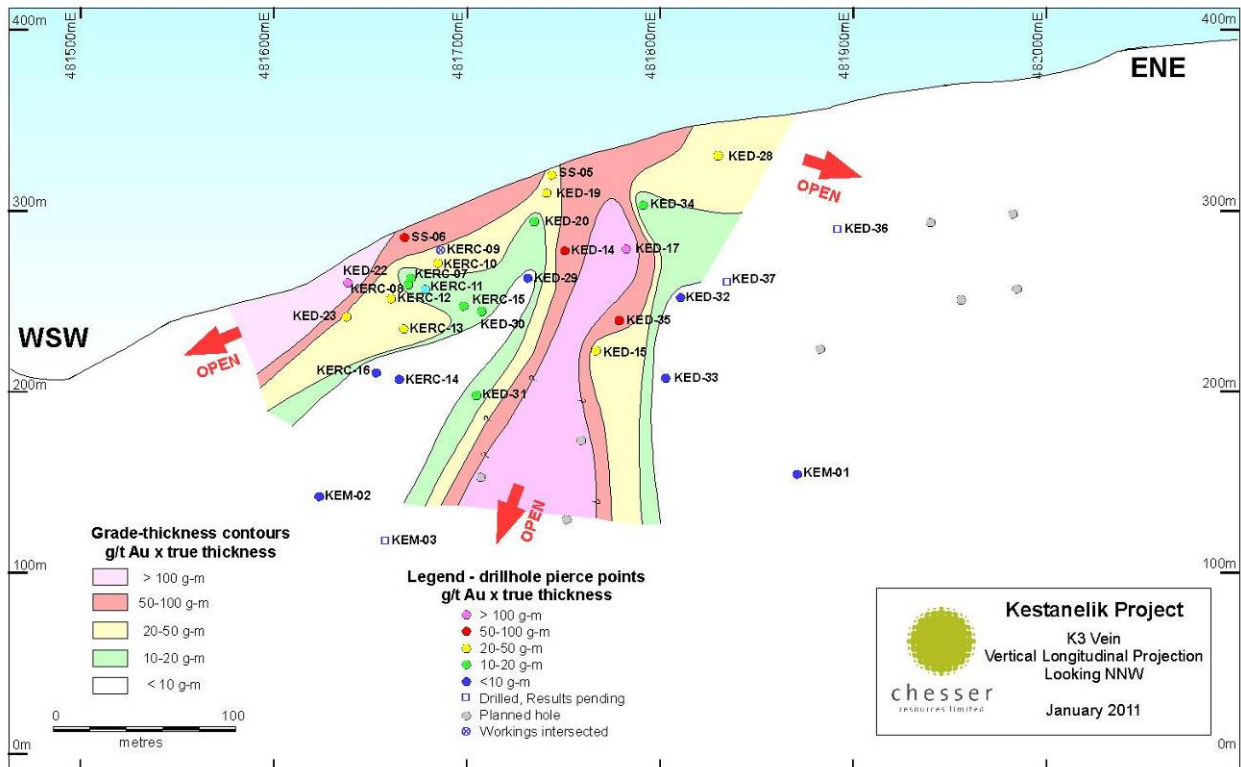


Figure 5. Vertical longitudinal projection along the K3 vein. See Figure 1 for section location. This projection contains the assay results of some holes received after the end of the quarter and released to the ASX on 27 January 2011

Drillhole	from	to	width	Au	Ag	Max_Au	m-g	Location Ref Fig 1	Vein
KED-01	9.00	29.00	20.00	5.8	5.5	63.3	115.0	B-1	Karakovan veins
including	10.00	14.00	4.00	2.5	5.3	3.1	21.2		
including	21.50	29.00	7.50	13.3	10.5	63.3	78.6		
including	22.50	27.00	4.50	20.8	14.3	63.3	64.4		
KED-02	11.60	19.30	7.70	1.4	1.3	2.4	11.1	B-1	
AND	38.70	49.20	10.50	1.8	3.7	6.4	38.4		
including	46.20	49.20	3.00	3.7	8.5	6.4	25.4		
KERC-51	9.0	18.0	9.0	3.9	2.5	12.0	35.4	A-1	
including	12.0	16.0	4.0	8.0	4.6	12.0	32.0		
KERC-54	0.0	19.0	19.0	3.4	2.5	8.7	65.4	B-2	
including	0.0	7.0	7.0	5.0	2.9	8.1	35.2		
KED-03	0.00	10.00	10.00	7.8	4.2	15.7	78.2	C-4	
including	4.00	10.00	6.00	10.6	5.8	15.7	63.4		
including	4.00	7.00	3.00	13.6	6.8	15.7	40.9		
KED-04	9.00	24.00	15.00	6.3	4.9	29.3	94.5	C-4	
including	14.70	24.00	9.30	9.6	7.7	29.3	89.7		
including	14.70	22.50	7.80	11.1	8.7	29.3	86.4		
including	17.50	22.50	5.00	14.9	11.5	29.3	74.3		
AND	31.50	42.00	10.50	3.0	4.0	13.8	32.8		
including	31.50	35.50	4.00	3.1	3.1	4.3	12.5		
including	36.50	39.70	3.20	5.4	5.7	13.8	17.4		
AND	78.40	83.20	4.80	1.3	1.0	2.5	6.2		
including	80.50	83.20	2.70	1.8	1.6	2.5	4.2		
KED-14	1.5	10.5	9	3.21	0.96	8.93	28.93		C-4
including	6.6	10.5	3.9	5.80	1.53	8.93	22.62		
AND	68	78.5	10.5	8.32	6.76	51.60	87.36		
including	73.5	77.3	3.8	20.94	16.96	51.60	79.57		
AND	76.2	77.3	1.1	51.60	41.10	51.60	56.76		
AND	114	117.3	3.3	21.34	8.28	36.60	70.42		
including	114	116	2	34.35	13.20	36.60	68.70		
KED-17	8.2	15.0	6.8	7.1	2.7	28.2	48.4	C-4	
including	13.5	15.0	1.5	28.2	8.9	28.2	42.3		
AND	67.2	78.7	11.5	13.5	4.9	108.0	155.1		
including	69.1	78.7	9.6	16.0	5.8	108.0	153.4		
including	75.7	77.3	1.6	56.3	17.5	108.0	87.3		
KED-15	110.0	129.0	19.0	2.4	2.9	18.9	46.2	C-4	
including	120.5	125.0	4.5	7.9	6.4	18.9	35.4		
KED-22	11.5	17.0	5.5	11.0	8.2	35.0	60.3	C-4	
including	15.9	17.0	1.1	35.0	31.1	35.0	38.5		
AND	17.0	19.2	2.2	<i>Intersected workings</i>					
AND	19.2	22.0	2.8	13.4	9.7	27.4	37.5		
AND	22.0	23.4	1.4	<i>Intersected workings</i>					
AND	23.4	30.5	7.1	8.6	9.9	18.6	61.1		
KED-23	33.0	45.0	12.0	4.2	3.8	40.7	50.3		
including	34.2	40.3	6.1	7.7	6.8	40.7	47.1		
including	35.1	36.0	0.9	40.7	26.6	40.7	36.6		
KED-05	22.50	26.60	4.10	2.0	1.4	5.1	8.3	C-3	
AND	34.50	37.70	3.20	1.8	1.8	3.8	5.7		
KED-06	25	29.3	4.3	4.05	2.28	8.55	17.42	C-5	
including	27	29.3	2.3	7.07	5.00	8.55	16.26		
AND	34	47.5	13.5	0.75	0.67	1.46	10.13		
including	40	43	3	1.19	0.51	1.46	3.57		
AND	106	111	5	1.25	0.58	1.90	6.25		
KERC-38	23	27	4.00	4.93	2.25	18.45	19.72	F-4	Scout

Table 1 – Selected results from Kestanelik phase 3 drill program

APPENDIX 5B
Mining exploration entity quarterly report

CHESSER RESOURCES LIMITED

ACN 118 619 042

Quarter ended

31-Dec-10

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,523)	(2,461)
1.3 Dividends received	(498)	(906)
1.4 Interest and other items of a similar nature received	106	148
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid		
1.7 Other - Management & JV reimbursement		
Net Operating Cash Flows	(1,914)	(3,218)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(71)	(71)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Cash assets of acquired entity		
Net Investing cash flows	(71)	(71)
1.13 Total operating and investing cash flows (carried forward)	(1,985)	(3,289)

1.13 Total operating and investing cash flows (brought forward)	(1,985)	(3,289)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc	700	5,027
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (Share issue costs)	-	(238)
Net financing cash flows	700	4,789
Net increase (decrease) in cash held	(1,286)	1,499
1.20 Cash at beginning of quarter / year to date	7,081	4,303
1.21 Exchange rate adjustments to item 1.20	(17)	(24)
1.22 Cash at end of quarter	5,779	5,779
Payments to directors of the entity and associates of the directors	Current quarter \$A'000	
Payments to related entities of the entity and associates of the related entities		
1.23 Aggregate amount of payments to the parties included in item 1.2	98	
1.24 Aggregate amount of loans to the parties included in item 1.17	-	
1.25 Explanation necessary for an understanding of the transactions		
Directors' fees and payments to entities the directors are associated with.		
Non-cash financing and investing activities		
2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Nil	
2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Nil	

Financing facilities available

- 3.1 Loan facilities
3.2 Credit standby arrangements

Amount available \$A'000	Amount used \$A'000
-	-
-	-

Estimated cash outflows for next quarter

- 4.1 Exploration and evaluation
4.2 Development
4.3 Administration

	\$A'000
4.1 Exploration and evaluation	1,200
4.2 Development	-
4.3 Administration	400
Total	1,600

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	932	325
5.2 Deposits at call	4,847	6,756
5.3 Bank overdraft		
5.4 Other (provide details) - 30 and 60 day term deposits		
Total: cash at end of quarter (item 1.22)	5,779	7,081

Changes in interests in mining tenements

- 6.1 Interests in mining tenements relinquished, reduced or lapsed
6.2 Interests in exploration licenses acquired or increased

Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter

Issued and quoted securities at end of current quarter

7.1 Preference securities <i>(description)</i>	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.2 <i>Changes during quarter</i> (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions				
7.3 Ordinary securities	110,950,417	110,950,417		Fully Paid
7.4 <i>Changes during quarter</i> (a) Increases through issues (b) Decreases through returns of capital, buy- backs	2,000,000 650,000	2,000,000 650,000	35 cents Nil	Fully Paid Fully Paid
7.5 Convertible debt securities <i>(description)</i>				
7.6 <i>Changes during quarter</i> (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	3,000,000 1,500,000 500,000 500,000 277,500 2,200,000 130,000		<u>Exercise price</u> 0.25 0.25 0.30 0.35 0.40 0.40 0.18	<u>Expiry date</u> 30/06/2011 19/09/2011 19/09/2011 19/09/2011 21/02/2013 19/04/2014 2/03/2015
7.8 Issued during quarter				
7.9 Exercised during quarter	2,000,000		0.35	28/05/2011
7.10 Cancelled during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1.0 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2.0 This statement does give a true and fair view of the matters disclosed.

Sign here: 

Company Secretary

Date: 31/01/2011

KERRY ANGEL

Print name:

Notes

- 1.0 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2.0 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3.0 Issued and quoted securities The issue price and amount paid up is not required **in items 7.1 and 7.3 for fully paid securities.**
- 4.0 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5.0 Accounting Standards ASX will accept, for example, the use of International **Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.**