

Quarterly Report – September 2010

29 October 2010



7.1ASX Code: CHZ

Company Information

Capital Structure	Oct 2010
Shares on Issue	108.3 M
Options (unlisted)	10.1 M
Fully Diluted	118.4 M
Market Cap.	\$114M
Cash	\$7 M
Debt	Nil
Enterprise Value	\$107 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 commenced
- Excellent drill-hole assay results were reported to the market in October – including 20m @ 5.8g/t Au from 9 metres in KED-01
- Field follow-up of previously completed resistivity survey confirms the presence of up to 18 kilometres of veins under cover.
- Rock chip and float sampling confirms the widespread occurrences of gold over the buried veins
- Initial metallurgy points to good gold recoveries
- JORC resource estimate - expected Q1 2011

Karaayi

- Ground magnetic and IP-resistivity surveys carried out over main target area, with a number of new anomalies detected.
- Soil and rock-chip sampling extended over target areas

Sisorta

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

Corporate

- Cash \$ 7.1 million as at 30 September 2010.

Activities for December Quarter 2010

Kestanelik

- Complete the 10,000 metres of RC and diamond drilling in the Phase 3 drilling program.
- Carry out further metallurgical testing on drill-core
- Complete surface follow-up surveys of interpreted vein positions

Karaayi

- Integrating Ground-mag, IP-Resistivity and surface geochem and geological information.
- Application for drill permits prior to making a drill decision.

Sisorta

- Continued low-level scoping studies
- Intensify search for 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 28 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 Vera Nancy in Queensland (North Queensland Metals) and the Eureka project in Argentina (Andean Resources).

Phase 3 Drilling & Exploration Program

In early August, Chesser received permits from the Turkish Department of Environment and Forestry for 135 drill sites and access roads on the Kestanelik property (Fig 1). The Company began access preparation immediately and the Phase 3 drilling program, for a planned 10,000 metres of RC and diamond drilling, commenced in mid-August. Phase 3 was designed to initially focus on step-outs from existing high-grade intersections on the Karakovan and K3 veins, as well as to drill test previously untested areas of strong surface gold results, such as the K2 vein. Drilling initially was focused on the first 100 metres below surface, except in areas such as Kara Tepe, where existing drill results and vein textures suggested that good grades were likely to be at greater depths (up to 200 metres). Some drilling was designed to take place on new veins detected from the geophysics, once they had been prioritised through surface follow-up and geochemical sampling, a program that was also carried out and completed in the quarter (Fig 2).

Chesser employed two drill rigs for the Phase 3 drilling program, which is still ongoing in the current quarter. This program consists of approximately 80 holes of mixed Reverse Circulation and Diamond drilling. The Company has employed two drill rigs on this program - a dual purpose RC and diamond drill rig and a conventional diamond drill rig. As of 18th October, 47 holes have been completed for approximately 4,900 metres of drilling (2,830m RC and 2,070m diamond) with results received from 30 holes and released to the ASX on 5th & 20th October 2010. The Phase 3 program is expected to be completed by December 2010.

The Company also completed field-checking of all the areas where the geophysics had suggested the presence of additional veins. Two field programs aimed at following up the resistivity anomalies interpreted to represent poorly-outcropping veins of the same type that carry high-grade gold in outcrop on the property were carried out in the quarter. This survey returned a number of high-grade gold results, providing further evidence of the potential for Kestanelik to host a large epithermal vein field. A large number of the results showed strongly anomalous gold and silver. Composite chip sampling of a new and previously unrecognised 500 metre-long zone of high resistivity and chargeability to the south of the Karakovan vein system returned gold values of up to 10.15 g/t gold and 4.70 g/t silver, in poorly exposed epithermal vein outcrops showing veins up to 2.5 metres wide (Fig 3). The majority were grab samples of outcrop or float material, because of the poor exposure of most of the areas. The information gained from these field-exploration follow-up surveys was used to prioritise the exploration drilling on the more than 21 kilometres of detected veins in the Phase 3 drilling program.

The Company also received the results of a detailed soil survey over the eastern part of the Kestanelik area (Fig 4). Soil surveys in this area returned a number of geochemically anomalous samples with

greater than 100 ppb gold, and a maximum value of 917 ppb gold and 300 ppb silver.

As previously mentioned the results of these field follow-up surveys will be used to prioritise the drilling being carried out in the Phase 3 drilling program (Fig 2).

Metallurgical testing

During the period initial metallurgical tests were carried out on two representative samples of RC chips from the Karakovan and K3 veins. A standard cyanide leach test of two composite samples at a nominal grind size of 80% passing 75 µm for 48 hours produced a low gold grade in residues and recovered about 95% of the gold to solution. Reagent consumption was relatively low. The ores are considered "free milling" and amenable to a direct cyanide leach process. No gravity recovery is warranted. Due to the nature and type of samples produced from RC drilling, it is recognised that the metallurgical data and physical results from the test programme are not definitive and are not suitable for feasibility or process design purposes. A more comprehensive program of metallurgical test work will be commenced in the December quarter.

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 is US\$250,000.

As at 30 September 2010, Chesser had expended US\$0.725 million under the terms of this agreement. Chesser expects that it will have vested a 100 percent interest in the Kestanelik Project on completion of the Phase 3 drilling program.

KARAAYI, Turkey Gold/ Copper

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

During the quarter, IP-Resistivity and Ground Magnetics geophysical surveys were completed. Soil and rock geochemical surveys were extended throughout the target areas. Some geological background studies for the drill target delineation were also completed.

During the December quarter, work will progress on integrating the Ground-mag, the IP-Resistivity and the surface geochemical surveys with the previously mapped geological information, which will refine exploration targeting. Chesser will apply for drill permits with the intention of making a drill decision in the December quarter.

SISORTA, Turkey Gold

(Chesser 51%, Eurasian 49%)

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

In early July, Chesser completed the placement of 14,421,667 shares at \$0.30 per share to raise \$4,326,500.10, as approved by shareholders at the General Meeting held on 8 July 2010. This placement was the second tranche of the two-tranche placement announced on 28 May 2010 and completed the placement of a total of 26,666,667 shares at \$0.30 per share raising total funds of \$8.0 million, before costs.

Taylor Collison Limited and Investec Bank (Australia) Limited acted as Joint Lead Managers to the placement.

Cash \$7.1 million, as at 30 September 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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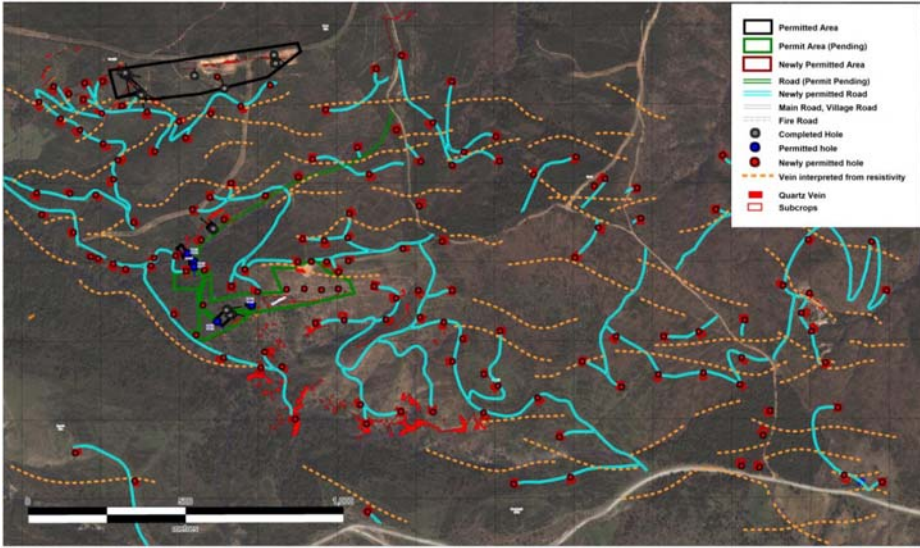


Figure 1 – Drill access and drill location plan showing vein locations

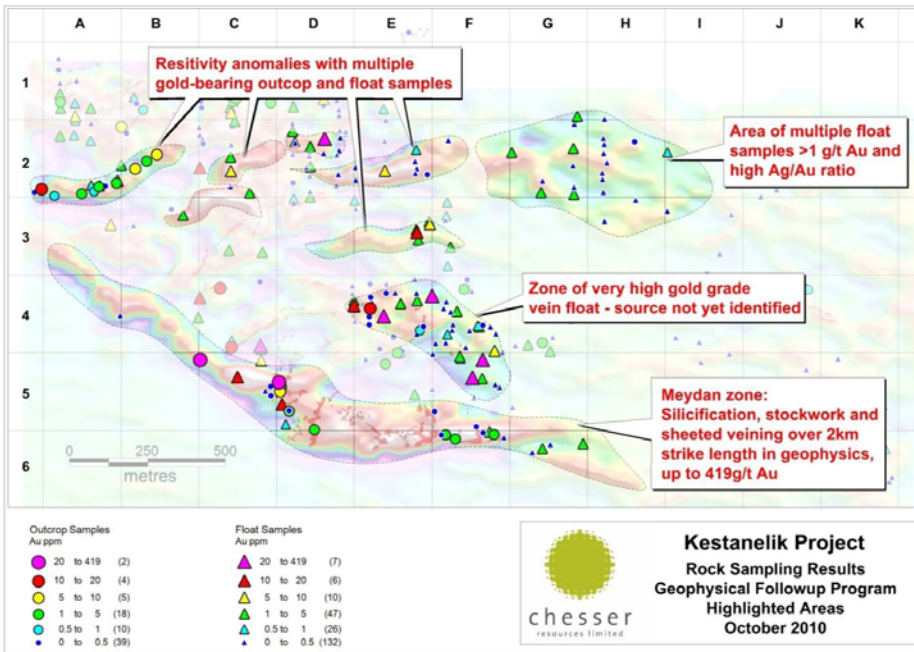


Figure 2 – Resistivity image showing high priority areas of interest from follow-up rock-chip and float sampling.

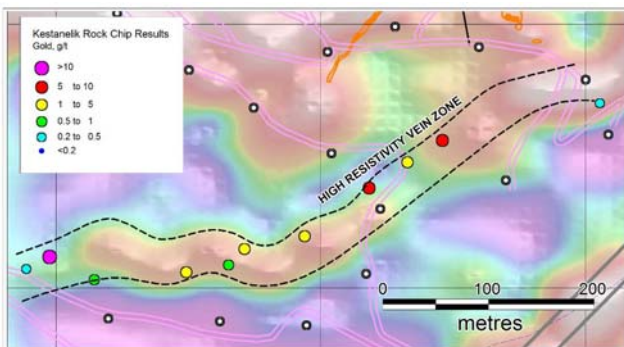


Figure 3 – Resistivity image of area south of Karakovan veins (see figure 2 grid reference A2 and B2 for location) showing the vein zone interpreted from geophysics along with new rock chip results. White dots represent recently permitted drillhole locations.

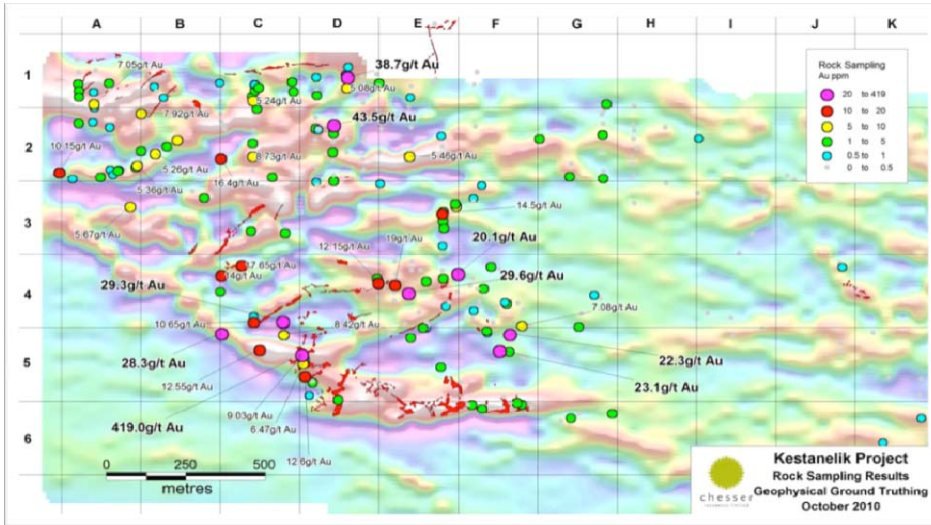


Figure 4 – Field follow-up survey showing rock and float sampling on resistivity plan

APPENDIX 5B
Mining exploration entity quarterly report

CHESSER RESOURCES LIMITED

ACN 118 619 042

Quarter ended

30-Sep-10

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(938)	(938)
(b) development		
(c) production		
(d) administration	(407)	(407)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	42	42
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - Management & JV reimbursement		
Net Operating Cash Flows	(1,304)	(1,304)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
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	0	0
1.13 Total operating and investing cash flows (carried forward)	(1,304)	(1,304)

1.13 Total operating and investing cash flows (brought forward)	(1,304)	(1,304)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc	4,327	4,327
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)	(238)
Net financing cash flows	4,089	4,089
Net increase (decrease) in cash held	2,785	2,785
1.20 Cash at beginning of quarter / year to date	4,303	4,303
1.21 Exchange rate adjustments to item 1.20	(7)	(7)
1.22 Cash at end of quarter	7,081	7,081
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	68	
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	1,700
4.2 Development	-
4.3 Administration	190
Total	1,890

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	325	553
5.2 Deposits at call	6,756	3,750
5.3 Bank overdraft		
5.4 Other (provide details) - 30 and 60 day term deposits		
Total: cash at end of quarter (item 1.22)	7,081	4,303

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 (description)	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	108,300,417	108,300,417		Fully Paid
7.4 <i>Changes during quarter</i> (a) Increases through issues (b) Decreases through returns of capital, buy-backs	14,421,667	14,421,667	30 cents	Fully Paid
7.5 Convertible debt securities (description) 7.6 <i>Changes during quarter</i> (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	2,000,000 3,000,000 1,500,000 500,000 500,000 277,500 2,200,000 130,000		<u>Exercise price</u> 0.35 0.25 0.25 0.3 0.35 0.4 0.40 0.18	<u>Expiry date</u> 28/05/2011 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				
7.10 Cancelled during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

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: 29/10/2010

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.