ASX ANNOUNCEMENT

Chalice to commence trading on TSX

Chalice Gold Mines Limited ABN 47 116 648 956 25 November 2010

Chalice Gold Mines Limited ("Chalice" or "Company") **(ASX:CHN, TSX:CXN)** is pleased to announce that it has received conditional approval to list on the main board of the Toronto Stock Exchange ("TSX"). All conditions have been fulfilled and the Company expects to list in the next few days under the symbol "**CXN**".

Executive Chairman Tim Goyder said: *"We believe the high grade, low cost Koka Gold Deposit and surrounding exploration potential in Eritrea will generate significant interest in Canada, particularly as the Company's profile increases in the North American investment community."*

The Company's ordinary shares will continue to be listed on the Australian Securities Exchange ("ASX") under the symbol "**CHN**". Existing shareholders can trade their shares on the TSX, however, prior to trading on the TSX, shareholders will need to transfer their shares onto the Canadian share register and establish an account with an appropriate stock broker.

For further details on such procedures please contact the Computershare Global Transaction Unit on **1300 731 056**.

Attached is the Company's Annual Information Form ("AIF") for the year ended 30 June, 2010 which has been prepared in conjunction with the Company's TSX listing. The Company has also filed a Technical Report on its Koka Gold Deposit in accordance with Canadian National Instrument 43-101 (released to the ASX on 8 October 2010). The AIF and the Technical Report and other Company filings are also available for review under Chalice's profile on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at sedar.com.

DOUG JONES
Managing Director

INVESTMENT HIGHLIGHTS

Feasibility study completed

Permitting process underway

Medium term production potential

Large underexplored ground position with potential for discovery of additional resources

www.chalicegold.com

For further information, please contact:

Mr Tim Goyder, Executive Chairman
Dr Doug Jones, Managing Director
Chalice Gold Mines Limited – Telephone (+618) 9322 3960

Investor Relations (North America):

Dr Toni Davies
Chalice Gold Mines Limited – Telephone +1 416 5664378

For media inquiries, please contact:

Nicholas Read
Read Corporate
Telephone: (+618) 9388 1474

CHALICE GOLD MINES LIMITED

ANNUAL INFORMATION FORM

November 22, 2010

GLOSSARY

Symbols

-	Nil	Mt	million tones
g	grams	oz	ounces
g/t Au	grams per tonne of gold	t	tonne
kg	kilograms	t/m	tonnes per metre
km	kilometres	V	volts
m	metres	kV	kilovolts
mm	millimetres		

Equivalent values

	kg	lb
kg	1	2.204662
t	1,000	2,204.62

Definitions

"A$"	Australian dollar
"AIF"	this Annual Information Form
"AMC"...	AMC Consultants Pty Ltd
"AMMTEC"	Australian Metallurgical and Mineral Testing Consultants
"AngloGold"	AngloGold Ashanti Australia Limited
"ASTC Rules"...	the settlement operating rules of the ASX
"ASX"	ASX Limited
"ASX Listing Rules"...................................	the listing rules of the ASX
"Atlas"	Atlas Iron Limited
"Authors"	Dean Carville and David Lee of AMC and David Gordon of Lycopodium, authors of the Technical Report
"Avoca"	Avoca Resources Limited
"AWR"	Africa Wide Resources Ltd.
"BLEG"	bulk leach extractable gold
"Bonus Issue"..	the issuance of Shares to Shareholders by way of capitalization of profits or reserves
"Bonus Shares"	Shares which would have been issued upon the Bonus Issue
"Bullion Minerals"	Bullion Minerals Limited

"C$"	Canadian dollar
"Chalice Annual Financial Report"...........	the Company's annual financial report for the year ended June 30, 2010
"CIL"	carbon in leach
"CIM Definition Standards"	CIM Definition Standards on Mineral Resources and Mineral Reserves prepared by the CIM Standing Committee on Reserve Definitions 2005
"Company" or "Chalice"............................	Chalice Gold Mines Limited and its subsidiaries on a consolidated basis, except where otherwise noted or the context otherwise indicates
"Constitution"...	the constitution of Chalice
"Corporations Act"	*Corporations Act 2001* (Cth), as amended
"CRM"...	certified reference material
"De Grey"...	De Grey Mining Limited
"Debra Keyih"	a prospect that has yet to be studied
"Debra Tsaeda"	a prospect that has yet to be studied
"Dragon Mining"...	Dragon Mining Limited
"Elababu Shear Zone"	zone in Zara South that is comprised of mylonitized volcanosedimentary assemblage
"Eligible Persons"..	persons eligible to participate in the Option Plan
"Fah North"	an artisanal working in the Fah Prospect
"Fah Prospect"...	a gold prospect that sits outside the Koka Gold Deposit but within the Zara Exploration License package
"Fah South"	an artisanal working in the Fah Prospect
"Genalysis"...	Genalysis Laboratory Services Pty Ltd
"Gnaweeda Gold Project"	a project in Australia that is not yet considered material to the Company
"Higginsville Project"..................................	a project in Australia sold to Avoca in 2007

"JORC Code"	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code 2004 Edition, effective December 2004, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
"Kent"	Kent Exploration Inc.
"Koka East"	a gold prospect running parallel to the Koka Gold Deposit and forming part of the Zara Project
"Koka Gold Deposit"	Koka gold deposit that is part of the Zara Project in Eritrea, East Africa
"Koka South"...	a gold prospect located 200 metres to 500 metres to the south and along strike of the Koka Gold Deposit and forming part of the Zara Project
"Konate Prospect".......................................	a prospect that sits outside the Koka Gold Deposit but within the Zara Exploration License package
"London Africa"..	London Africa Limited
"Lycopodium"..	Lycopodium Minerals Pty Ltd
"Named Executive Officer"	each of the following individuals: (i) the CEO of the Company; (ii) the Chief Financial Officer of the Company; (iii) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000 for that financial year; and (iv) each individual who would be a Named Executive Officer under (iii) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year-end
"NI 43-101"	National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*
"NI 71-102"	National Instrument 71-102 – *Continuous Disclosure and Other Exemptions relating to Foreign Issuers*
"Option Plan"	the Stock Option Plan approved by Shareholders on November 28, 2008
"Ore Reserve"..	as defined under the JORC Code
"Other Zara Properties"............................	collectively, the Koka South Project, Konate Prospect, Fah Prospect, Debra Tsaeda, Debra Keyih, Zara North and the Zara South

"SEDAR"...	the System for Electronic Documents Analysis and Retrieval maintained by the Canadian Securities Administrators
"Share"...	ordinary share of the capital of the Company
"Sub-Sahara"..	Sub-Sahara Resources NL
"Teck"...	Teck Resources Limited
"Technical Report".....................................	Technical report on the Koka Gold Project, Eritrea dated July 27, 2010
"TSX"..	Toronto Stock Exchange
"US$"	United States dollar
"Wilga Gold Project"	an Australian project sold to Anglogold in December 2009
"Yandeearra Project"	a project in Australia that is not yet considered material to the Company
"Zara Exploration License".......................	the license granted by the Eritrean Government in regard to the Zara Project
"Zara Project"	a project consists of six contiguous granted licenses granted to Chalice covering an area totalling 615 km^2 situated in northern Eritrea, approximately 160 km northwest of Eritrea's capital, Asmara.
"Zara North"	a Prospecting License comprising approximately 113 km^2 which forms part of the Zara Project
"Zara South"...	a Prospecting License comprising approximately 352 km^2 which forms part of the Zara Project

PRESENTATION OF INFORMATION

In this annual information form, the terms the "Company" and "Chalice" mean Chalice Gold Mines Limited and its subsidiaries on a consolidated basis, except where otherwise noted or the context otherwise indicates.

Unless otherwise noted, the financial information contained in this Annual Information Form ("**AIF**") is given at or for the year ended June 30, 2010. Where material changes have occurred subsequent to June 30, 2010 and are otherwise not disclosed in the Chalice Annual Financial Report, separate disclosure is provided in this AIF; in particular, under the heading "Recent Developments".

FORWARD-LOOKING INFORMATION

This AIF contains "forward-looking information" which may include, but are not limited to, statements with respect to the future financial or operating performance of Chalice, its subsidiaries, affiliated companies, joint ventures, its projects, the future price of gold, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, revenues, margins, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, foreign exchange risks, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “targets”, “aims”, “anticipates” or “believes” or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and a variety of material factors, many of which are beyond the Company’s control which may cause the actual results, performance or achievements of Chalice, its subsidiaries, affiliated companies and/or joint ventures to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Readers are cautioned that forward-looking statements may not be appropriate for other purposes than outlined in this AIF. Such factors include, among others, future prices of gold; general business, economic, competitive, political and social uncertainties; the actual results of current exploration and development activities; conclusions of economic evaluations and studies; fluctuations in the value of the Australian dollar relative to the local currencies in the jurisdictions of the Company’s key projects; changes in project parameters as plans continue to be refined; possible variations of ore grade or projected recovery rates; accidents, labour disputes or slow downs and other risks of the mining industry; climatic conditions; political instability, insurrection or war, civil unrest or armed assault; labour force availability and turnover; delays in obtaining financing or governmental approvals or in the completion of exploration and development activities; as well as those factors discussed in the section entitled “Risk Factors” in this AIF. The reader is also cautioned that the foregoing list of factors is not exhausted of the factors that may affect the Chalice’s forward-looking statements.

Although Chalice has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this AIF and, except as required by applicable law, Chalice disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES

Unless otherwise indicated, references in this AIF to “C$” are to Canadian dollars, references to “US$” are to U.S. dollars and references to “A$” are to Australian dollars.

All financial information in the AIF is derived from the Company’s financial statements which were prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 (Cth) (the “**Corporations Act**”). In accordance with Accounting Standard AASB 101 Presentation of Financial Statements, compliance with the Australian equivalents to International Financial Reporting Standards ensures that financial information complies with International Financial Reporting Standards.

EXCHANGE RATES

Canadian Dollars per Australian Dollar

The following table sets out the high and low rates of exchange in Canadian dollars for one Australian Dollar during the periods noted, the average rates of exchange during such periods and the rates of exchange at the end of such periods.

	C$ per A$			
Calendar Year Ended	High	Low	Average Rate	End Rate
June 30, 2010	0.9822	0.8633	0.9304	0.8993
June 30, 2009	0.9833	0.7568	0.8633	0.9303
June 30, 2008	0.9824	0.8439	0.9054	0.9722

On November 19, 2010, the exchange rate provided by the Bank of Canada was C$1.0050 = A$1.00.

Canadian Dollars per US Dollar

The following table sets out the high and low rates of exchange in Canadian dollars for one U.S. dollar during the periods noted, the average rates of exchange during such periods and the rates of exchange at the end of such periods.

	C$ per US$			
Calendar Year Ended	High	Low	Average Rate	End Rate
June 30, 2010	1.1655	0.9961	1.0555	1.0606
June 30, 2009	1.3063	0.9973	1.1651	1.1560
June 30, 2008	1.0868	0.9057	1.0107	1.0111

On November 19, 2010, the noon rate provided by the Bank of Canada was C$1.0208 = US$1.00.

HISTORICAL GOLD PRICES

The following table shows the average gold prices during each of the calendar years noted below.

Year	Average Gold Price (US$/oz)
2010 year to October	1,194
2009	974
2008	872
2007	696
2006	604
2005	445

On November 19, 2010 the AM rate for the gold price was US$1,357/oz.[1]

BASIS OF PRESENTATION

All references to mineral reserves or mineral resources are references to the gross mineral reserves or mineral resources per property, unless reference is made to "attributable" mineral reserves or mineral resources which refers only to Chalice's attributable portion of the mineral reserves and/or mineral resources at its Zara Project in Eritrea. All information with respect to mineral reserves or mineral resources is reported in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("**NI 43-101**") and the CIM Standards and "kg" refers to kilograms, "g" refers to grams, "g/t Au" refers to grams per tonne of gold, "Mt" refers to million tonnes, "m" refers to metres, "t" refers to tonnes, "t/m" refers to tonnes per metre, "mm"

[1] Source: London Bullion Market Association PM Gold Fix

refers to millimetres, “km” refers to kilometres, “V” refers to volts, “kV” refers to kilovolts and “oz” refers to ounces.

DESIGNATED FOREIGN ISSUER STATUS

Upon listing on the Toronto Stock Exchange (“**TSX”**), Chalice will become a reporting issuer in the province of Ontario. However, in accordance with National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (“**NI 71-102”**), Chalice will be a “designated foreign issuer” (as is defined in NI 71-102) for the balance of the current financial year and until such time as it ceases to satisfy the requirements to be a designated foreign issuer. As such, the Company will not be subject to the same ongoing reporting requirements as most other reporting issuers in Canada. Generally, Chalice will comply with Canadian ongoing reporting requirements if it complies with the regulatory requirements of ASX Limited (“**ASX”**), which is a “foreign regulatory authority” (as defined in NI 71-102) and files any documents required to be filed with or furnished to ASX on the Canadian System for Electronic Document Analysis and Retrieval (“**SEDAR**”).

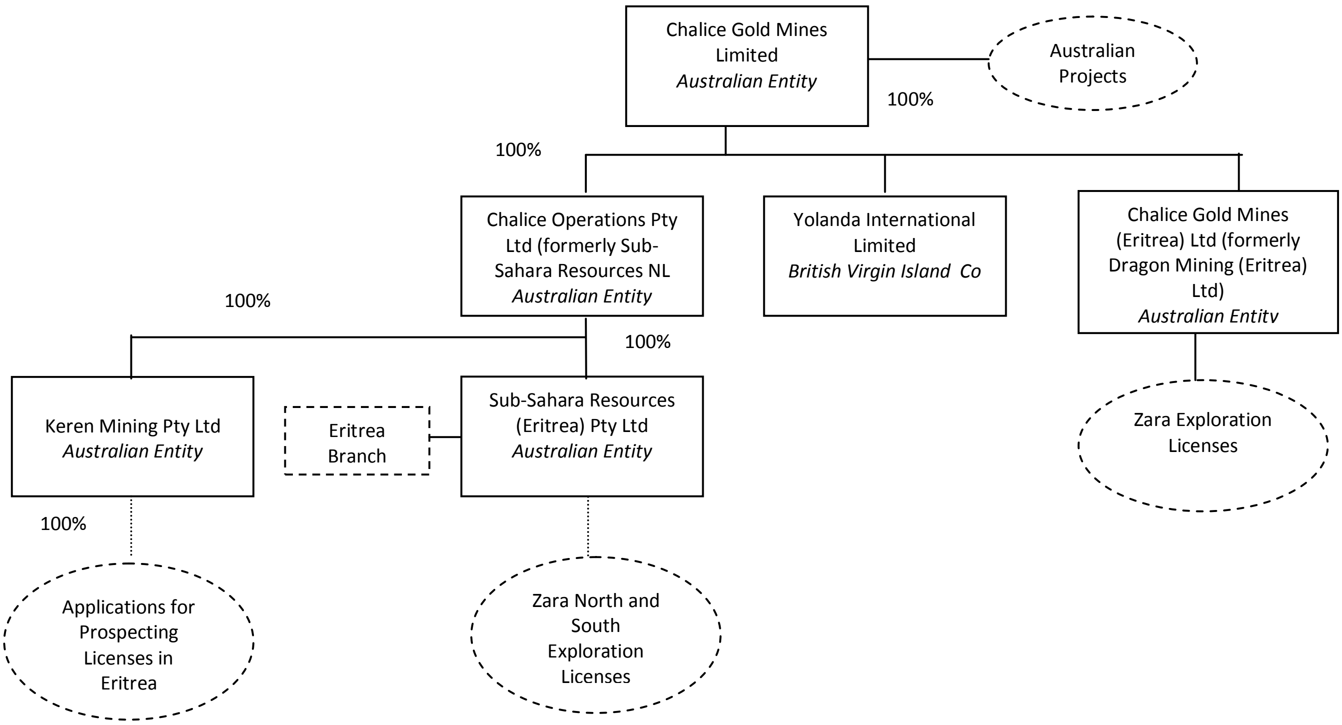
CORPORATE STRUCTURE

Name, Address and Incorporation

Chalice Gold Mines Limited was incorporated on October 13, 2005 under the Corporations Act under registration number ACN 116 648 956. On March 24, 2006, the Company was listed on the ASX.

The head and registered office of the Company is located at: Level 2, 1292 Hay Street, West Perth, Western Australia 6005, Australia, telephone: +(618) 9322 3960, facsimile: +(618) 9322 5800.

Inter-corporate Relationships



BUSINESS OF THE COMPANY

Overview

Chalice, which was listed on ASX on March 24, 2006, is an exploration and development company focused on exploration, discovery and development of gold and base metal projects in Eritrea, East Africa and, to a lesser extent, Australia.

Based in Perth, Western Australia, Chalice is principally involved in advancing the Koka Gold Deposit, part of the wholly owned Zara Project in Eritrea, East Africa. In addition to its interests in the Zara Project, Chalice has also made application for five prospecting licenses and one exploration license in Eritrea in its own right which at the date of this AIF have not been granted.

As noted below, the Eritrean Government has rights of participation upon an application for a mining lease being granted.

In relation to the Zara Project, the focus has been on the Koka Gold Deposit which currently hosts a JORC compliant Indicated Resource of 5.0Mt @ 5.3g/t Au for 840,000 oz and an Ore Reserve of 4.6Mt @ 5.1g/t Au for 760,000 oz and upon which a feasibility study was completed and delivered to the Eritrean Government in July 2010.

The Eritrean Government has advised its intention to purchase, at fair value, a 30% paid participating interest in the Koka Gold Deposit through the Eritrean National Mining Corporation (ENAMCO). This paid participating interest is in addition to ENAMCO's 10% carried interest.

The method and timing of the valuation to determine the fair value is expected to follow the precedent set by the Bisha Project, held 60% by Nevsun Resources Limited (TSX:NSU) and 40% by ENAMCO. In the event the Company and ENAMCO are unable to agree the fair value, a mutually acceptable independent valuer will be appointed to determine the fair value. ENAMCO will be required to contribute its proportionate share of project development and capital expenditure.

Chalice also has projects in Australia, including the Gnaweeda Gold Project and the Yandeearra Project, which are not yet considered to be material to the Company. The financial commitment of holding these projects is not significant. The Board is currently assessing its options in relation to the Yandeearra Project which may include the withdrawal from the project.

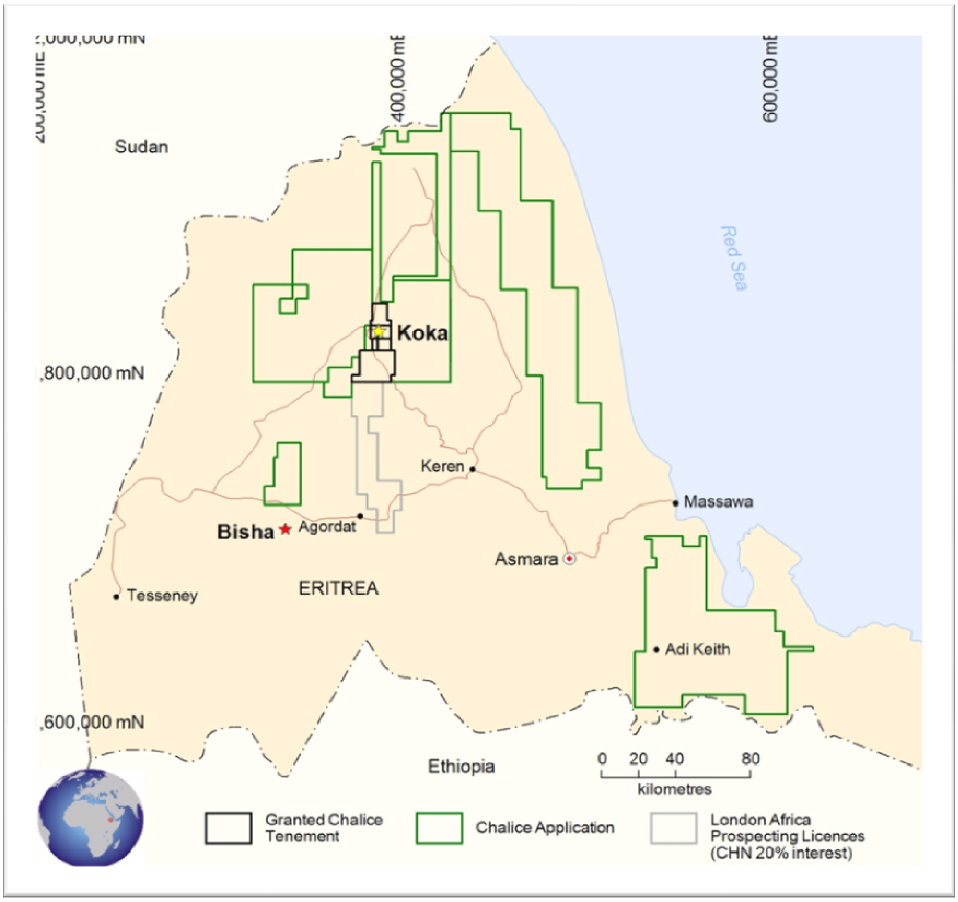


Figure 1: Chalice project locations in Eritrea

Further details on the Zara Project can be found at page 3 of this AIF.

Development of the Business

Year to Date for Fiscal Year Ending June 30, 2011

On November 9, 2010, Chalice received conditional listing approval from the TSX to have its Shares listed for trading on the TSX.

On November 15 2010, the Eritrean Government has advised its intention to purchase, at fair value, a 30% paid participating interest in the Koka Gold Deposit through the Eritrean National Mining Corporation (ENAMCO). This paid participating interest is in addition to ENAMCO's 10% carried interest.

The method and timing of the valuation to determine the fair value is expected to follow the precedent set by the Bisha Project, held 60% by Nevsun Resources Limited (TSX:NSU) and 40% by ENAMCO. In the event the Company and ENAMCO are unable to agree the fair value, a mutually acceptable independent valuer will be appointed to determine the fair value. ENAMCO will be required to contribute its proportionate share of project development and capital expenditure.

In September 2010, Chalice completed a fully underwritten pro-rata entitlements issue of 30,172, 269 on the basis of one new share for every six shares held and at an issue price of A$0.42 to raise approximately A$12.7 million before the costs of issue.

In July 2010, Chalice completed a feasibility study for the Koka Gold Deposit. Details of the feasibility study were announced to ASX on July 13, 2010. Further details of the Koka Gold Deposit are provided on page 15.

Fiscal Year ended June 30, 2010

In June 2010, Chalice exercised an option to acquire all the shares in Dragon Mining (Eritrea) Limited which held a 20% interest in the Zara Project. Exercise of this option took Chalice's interest in the Zara Project to 100% (subject to Eritrean Government project participation rights). The consideration paid to acquire Dragon Mining's interest was A$8 million and 2 million ordinary shares in Chalice. The Chalice shares are subject to a 12 month escrow. There is a further payment of A$4 million upon delineation of a 1 million oz gold mineral reserve directly within the Zara Project.

In May 2010, Chalice placed 21,613,080 Shares at an issue price of A$0.42 per Share to sophisticated and institutional investors to raise gross proceeds of A$9.1 million.

In May 2010, Chalice acquired an additional 8.2% interest in London Africa Limited ("**London Africa**") taking the total holding to 20%. The Executive Chairman of Chalice Gold, Timothy Goyder, was appointed to the Board of London Africa in that month which holds approximately 1,168 km^2 of prospective ground under an exploration license in the Akordat-Orota region of central Eritrea. London Africa is an unlisted United Kingdom public company.

In March 2010, Chalice placed 20,000,000 Shares at an issue price of A$0.36 per Share to sophisticated and institutional investors to raise gross proceeds of A$7.2 million.

In February 2010, Chalice was granted an option (expiring June 30, 2010) to acquire Dragon Mining's 20% interest in the Zara Project. Upon exercise of the option, Chalice would hold 100% of the Zara Project, subject to the Eritrean government participation rights. As noted above, the option was exercised in June 2010.

In December 2009, Chalice agreed to sell its interest in the Wilga joint venture to AngloGold Ashanti Australia Limited ("**Anglogold**") for A$20,000.

In December 2009, Teck Resources Limited ("**Teck**") advised that it had earned a 70% interest in the Gnaweeda Gold Project by incurring expenditure of A$1.5 million in accordance with a previously granted option agreement. Due to the new strategic focus on Eritrea, Chalice elected to dilute its 30% interest in this project by not contributing to the proposed exploration program to be undertaken in 2010. As noted below in the summary of business for the fiscal year ended June 30, 2009, Kent Exploration Inc. ("**Kent**") entered into an agreement with Teck pursuant to which Kent had the right to earn 100% of Teck's 70% interest in the Gnaweeda Gold Project.

In October 2009, Chalice completed a scoping study for the Koka Gold Deposit within the Zara Project. Details of the scoping study were announced to ASX on October 30, 2009. As well as completing the feasibility study, Chalice has been undertaking additional exploration on the Zara Joint Venture property aimed at targeting near-mine opportunities at Koka East and Koka South. This exploration will remain a key focus of Chalice's activities in-country in addition to completion of the feasibility study.

In September 2009, Chalice placed 16,300,000 Shares at an issue price of A$0.27 cents per Share to sophisticated and institutional investors to raise gross proceeds of A$4.4 million.

In August 2009, Chalice merged with Sub-Sahara Resources NL ("**Sub-Sahara**"), holder of a 69% interest in the Zara Project, through a scheme of arrangement which provided that shareholders of Sub-Sahara received one Chalice share for every 10.73 Sub-Sahara shares held by them. Sub-Sahara shareholders collectively gained an interest of approximately 39% in the merged group. Sub-Sahara became a wholly-owned subsidiary of Chalice and was de-listed from the ASX.

At the time of the merger with Sub-Sahara, Chalice acquired a further 11.12% interest in the Zara Project for A$1.2 million from Africa Wide Resources Ltd. ("**AWR**"). The acquisition of this further interest, coupled with the 69% interest acquired through the merger with Sub-Sahara, resulted in Chalice having an 80% interest in the Zara Project.

In December 2009 the Company acquired an 11.8% interest in London Africa.

Fiscal Year ended June 30, 2009

In June 2009, Teck, as Chalice's joint venture partner in the Gnaweeda Gold Project entered into an agreement with TSX Venture Exchange listed company Kent which gave Kent the right to earn 100% of Teck's 70% interest in the Gnaweeda Gold Project by expenditure on the Project of A$3 million, subject to Teck retaining the right to claw-back a 75% interest in that which could be earned by Kent.

In March 2009, De Grey Mining Limited ("**De Grey**") notified Chalice that it would withdraw from the Yandeearra Project joint venture. In addition, Atlas Iron Limited ("**Atlas**") also advised that it would not exercise the previously granted option to acquire the iron ore rights at the Yandeearra Project.

In September 2008 Chalice entered into an agreement with AngloGold, whereby AngloGold had the right to earn a 75% interest in Chalice's Wilga Gold Project by the expenditure of A$2 million within four years.

Fiscal Year ended June 30, 2008

During this fiscal year, Teck earned a 51% interest in the Gnaweeda Gold Project joint venture, by meeting expenditure of A$750,000. Teck then advised it would exercise its right to increase its interest to 70% by further expenditure of A$750,000, taking its total expenditure to achieve the 70% to A$1.5 million.

Chalice entered into a joint venture agreement with De Grey whereby De Grey had the right to earn an 80% interest in all minerals over tenements covering the southeast portion of the Yandeearra Project, other than iron ore and uranium by spending A$1.67 million over three years.

Chalice granted an option to Atlas to acquire the iron ore rights over the Yandeearra Project for an exercise payment of A$1.25 million. The option was granted on payment of A$250,000 by Atlas (which was satisfied by the issue of ordinary shares in Atlas).

Chalice sold 3.5 million Avoca Resources Limited ("**Avoca**") shares for net proceeds of A$6.9 million. In addition, Chalice exercised 2 million A$1.79, 3-year unlisted Avoca options and realized the shares thereby acquired for net proceeds of A$1.5 million.

From ASX Listing in March 2006 to June 30, 2007

Chalice listed on the ASX in March 2006 following an initial public offering raising A$7.5 million by issuing 37.5 million Shares at A$0.20. Prior to listing on ASX, the gold projects, including the Higginsville Project, the Yandeearra Project, the Wilga Project and the Gnaweeda Project were vended into Chalice from Bullion Minerals Limited (now named Uranium Equities Limited) ("**Bullion Minerals**") in consideration for 35 million shares in Chalice. A pro rata in-specie distribution to the shareholders of Bullion Minerals of 35 million Shares was then undertaken.

Following exploration at the Company's gold projects in Western Australia, Chalice sold the projects to Avoca, a company with significant interests in the Higginsville region of Western Australia, for A$5.8 million satisfied by 3,979,838 shares in Avoca and 2 million unlisted options over ordinary shares in Avoca.

RECENT DEVELOPMENTS

Material Events Subsequent to Preparation of the Chalice Annual Financial Report

In relation to a contingent liability for a potential tax liability in Eritrea as set out in Note 21 to the Chalice Annual Financial Report, a prospectus dated August 17, 2010 and a supplementary prospectus dated August 25, 2010, it has become apparent from discussions with the Eritrean Government that the Government will seek to impose a profits tax liability on the acquisition by Chalice from Dragon Mining Limited of its subsidiary, Dragon Mining, and its 20% interest in the Zara Project.

Discussions have been on going with the Eritrean Government and in August 2010 the Company accepted that a liability for profits tax had arisen in relation to the acquisition. The Company and the Eritrean Government have commenced negotiations in relation to the profits tax liability, with particular reference to the quantum and timing of that liability. The directors of the Company expect that the quantum of the liability will be approximately US$3 million.

ZARA PROJECT

Overview

Chalice's material asset is the Koka Gold Deposit, within its Zara Project in Eritrea.

The Zara Project, as well as comprising the Koka Gold Deposit, includes the following prospects and licenses which are briefly described below namely:

- Koka South Prospect
- Konate Prospect
- Fah and Debra/Tsaeda/Keyih Prospect
- Zara North Prospecting License
- Zara South Prospecting License

which prospects and licenses are collectively referred to as the "Other Zara Properties". The Other Zara Properties are not considered material to Chalice.

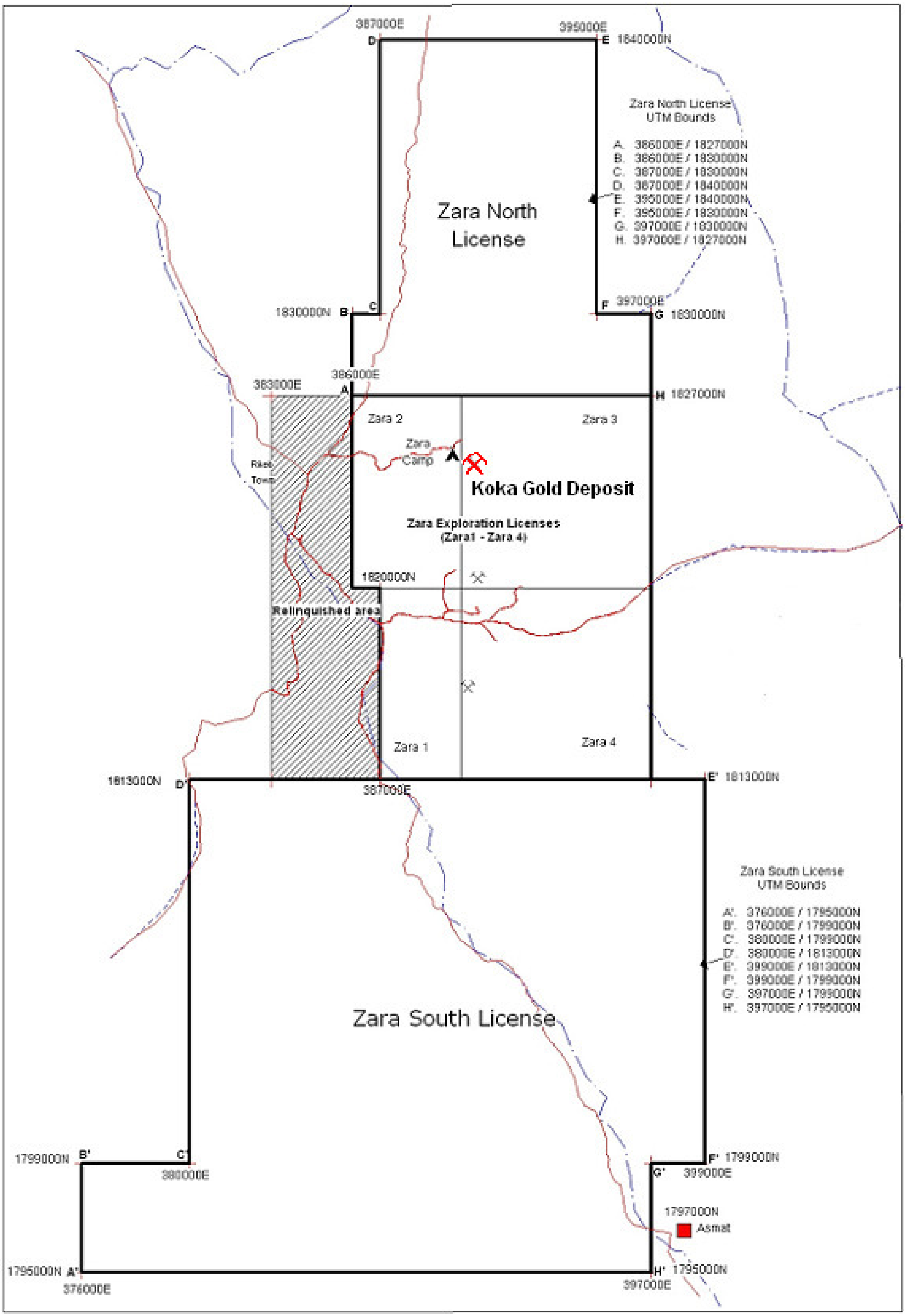


Figure 2: Exploration and Prospecting License Boundaries

The technical information in this section regarding the Koka Gold Deposit (but not the Other Zara Properties) is summarized or extracted from the technical report on the Koka Gold Project, Eritrea dated July 27, 2010 (the "**Technical Report**") prepared by Dean Carville and David Lee of AMC Consultants Pty Ltd and David Gordon of Lycopodium Minerals Pty Ltd (the "**Authors**"), each of whom are independent "qualified persons" as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). The summary of the Koka Gold Deposit has been prepared with the consent of the Authors. Portions of the information on the Koka Gold Deposit within the summary are based on assumptions, qualifications and procedures which are described in the Technical Report but which are not fully described in this AIF. In addition, certain technical terms are described in the Glossary to the Technical Report. Reference should be made to the full text of the Technical Report which is incorporated by reference in its entirety into this AIF and is available for review on the System for Electronic Documents Analysis and Retrieval (SEDAR) located at www.sedar.com and on the Company's website, www.chalicegold.com.

The summary of the Other Zara Properties is that of Chalice and not the Authors of the Technical Report.

The Koka Gold Deposit

Koka contains an Indicated Mineral Resource as listed in Table 1.1. The Indicated Resource category referred to in the JORC Code[2] is directly comparable to the Indicated Resource category defined in the CIM Definition Standards[3] and referred to in NI 43-101. NI 43-101 allows the use of Mineral Resource categories of the JORC Code in a Technical Report if reconciliation with CIM Definition Standards is disclosed.

Table 1.1 Koka Gold Deposit Mineral Resource Reported at 1.2 g/t Au Cut-Off

Category	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (oz)
Indicated Resource	5.0	5.3	840,000

The Mineral Resource estimate was completed by AMC in June 2010. A scoping study was completed by Lycopodium in October 2009 based on a May 2009 Mineral Resource estimate. A feasibility study was completed by Lycopodium in July 2010 with the Mineral Resource and Ore Reserve estimates and geotechnical and mining sections of the study completed by AMC. The scoping study concluded that open pit operation was financially more attractive and a lower risk option than underground mining and only open pit mining was investigated for the feasibility study. The feasibility study was based on the June 2010 Indicated Resource and Ore Reserves[4] that were estimated and reported to the ASX on 4 June 2010. The Ore Reserve estimate at 1 June 2010 is listed in Table 1.2.

Table 1.2 Koka Gold Deposit Ore Reserve

Category	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (oz)
Probable Reserve	4.6	5.1	760,000

The Zara Project is situated approximately 165 km northwest of Asmara, the capital of the State of Eritrea in northeast Africa. Exploration rights are held under four exploration licenses and two prospecting licenses covering a total of 606 km2. The licenses are currently in good standing and are subject to annual renewal.

There had been no previous exploration tenure over the Koka Gold Deposit nor any recorded exploration activity by a previous owner or operator. There are no historic Mineral Resource estimates for the Koka gold deposit.

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[2] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code 2004 Edition, effective December 2004, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).
[3] CIM Definition Standards on Mineral Resources and Mineral Reserves prepared by the CIM Standing Committee on Reserve Definitions 2005
[4] The term Ore Reserves as defined in the JORC Code is equivalent to the term Mineral Reserve as applied in the CIM Standards. NI 43-101 allows the use of JORC Code terms if reconciliation with the CIM Definition Standards is disclosed.

The Zara Project is situated within rocks of the Nakfa and Adobha Abiy neo-Proterozoic metamorphic terrains and to a flexure in the Elababu Shear Zone. The eastern and central parts of the Zara exploration licenses are underlain by meta-volcanic and metasedimentary rocks metamorphosed to greenschist facies, together with post-tectonic granitoids. The western part is underlain by predominantly siliciclastic rocks, together with minor meta-chemical sedimentary rocks, basalt and syn-tectonic granitoids.

The Koka mineralised zone has a total strike length of more than 650m and lies adjacent to the sheared and altered contact between a sequence of meta-sedimentary and meta-basaltic rocks in the west (footwall) and a meta-volcanic and metavolcaniclastic sequence, intruded by granitoid bodies, to the east (hangingwall). The rocks have been subject to lower greenschist facies metamorphism and at least two stages of deformation.

The main zone of mineralisation is hosted within competent microgranite on the western margin of the Koka shear zone. This unit has been strongly silicified and brecciated and is cut by a stockwork of quartz veins. There are five alteration types associated with gold mineralisation. The main hydrothermal alteration can be recognised as one or multiple phases of carbonate, sericite, silica, chlorite or pyrite alteration.

The Koka Gold Deposit represents a greenschist facies, lode gold deposit in which most of the gold is hosted by quartz-sulphide veins in altered microgranite, with minor gold associated with the altered wall rocks. Gold occurs as free gold and in pyrite in quartz veins.

The first drilling at the Koka discovery commenced in August 2005 and resulted in the confirmation of gold mineralisation beneath the artisanal workings. The drilling consisted of four diamond drillholes about 150m apart, returning significant gold mineralisation in all four holes. A systematic diamond drilling programme covering the known strike of artisanal workings commenced in January 2006 and has been completed in a number of campaigns as listed in Table 1.3.

Table 1.3 Numbers of Drillholes and Year Drilled

Drillhole Number	Year Drilled
ZARD001 to ZARD004	2005
ZARD005 to ZARD026	2006
ZARD027 to ZARD111	2007
ZARD112 to ZARD127	2008
ZARD128 to ZARD157	2009-2010

All drilling has been diamond drilling. A total of 127 drillholes were completed by 2008 and 137 drillholes totalling 20,839m were used for the 2010 Mineral Resource estimate. Drillhole spacing over the strike length of the deposit is mainly 40m x 20m with the central core of the deposit drilled at about 20m x 20m spacing. Eight drillholes for 1,078m completed for metallurgical testwork have no associated assays. Drilling has been completed over a strike length of about 610m and to an average depth of about 165m below surface.

Drillhole collars were surveyed using differential global positioning system and downhole surveys completed about every 30m. Core recovery ranges from 88.5% to 99.7%, averaging 95%. Core recovery is poorer from moderate to highly weathered units and highly fractured and brecciated zones. There is no apparent correlation between gold grade and reduced core recovery.

Each drillhole was logged using standardised logging format and geological codes and core was geotechnically logged. Drill core was sampled over the full length of intersections of the altered microgranite that hosts the gold mineralisation. Competent core was cut with an electric diamond core saw with a sample length mainly of 1m.

The drillholes are distributed over the length and depth extent of the mineralised zone and drilling has been executed following acceptable industry practice supported by assay quality control protocols. The drillhole spacing and sampling provides good representation of the mineralised zone over its strike and depth extent.

Sample preparation of the core samples was conducted in Asmara by Eritrean company Africa Horn Laboratory. The sample preparation laboratory is a joint venture with Genalysis Laboratory Services Pty Ltd ("**Genalysis**") which is a commercial mineral industry laboratory accredited with the National Association of Testing Laboratories, Australia.

Most gold assaying has been completed using a lead collection 50g fire assay method with an atomic absorption spectroscopy finish. A blank sample is introduced every 20 to 25 routine samples. Four certified reference materials ("**CRM**") are submitted with all sample batches with two standards submitted at the start and end of each batch. The CRMs are disguised from the laboratory. The CRMs contain low, medium and high gold grades to reflect the grade distribution of the deposit. Five percent of the returned coarse reject samples are routinely submitted to the umpire laboratory to test the analytical precision of the principal laboratory. Five percent of all returned pulps are submitted to the principal laboratory (2.5%) and umpire laboratory (2.5%) to monitor the precision of the principal laboratory.

For drilling prior to 2009, the CRMs show good replication of the certified value. Splits of sample pulps submitted to an umpire laboratory returned results with very good correlation to the original assay. Laboratory pulp duplicates displayed marginally acceptable precision.

Assay quality control data were reviewed by an independent consultant that concluded that CRMs performed very well and sample preparation and laboratory pulp check assays had an overall negative bias with repeats tending to be lower than their original assays. The bias is weighted by the very high grade range and results for these repeats in general correlate very well. The laboratory repeats correlate very well, with no appreciable bias observed.

AMC has reviewed the evaluation of assay quality control data and has concluded that the procedures follow common industry practice and support the data to be used for Mineral Resource estimation.

There has been little exploration in the area surrounding the Zara exploration licenses and Zara North and Zara South prospecting licenses to determine the existence or otherwise of any significant mineral occurrence.

A metallurgical testwork programme initiated and supervised by Lycopodium was conducted on primary mineralised samples at the laboratory of Australian Metallurgical and Mineral Testing Consultants ("**AMMTEC**") in Perth, Western Australia in 2009. The samples came from intercepts in seven diamond drill holes completed for this purpose. An earlier preliminary testwork programme was completed on about 30 kg of drillcore sample in 2007.

The detailed testwork programme was undertaken for the feasibility study with the following objectives:

- select the most suitable processing route;
- determine the optimum plant operating parameters;
- evaluate the variability in metallurgical performance for the primary material source; and
- obtain data required for plant design.

Outcomes of the metallurgical and comminution testwork are:

- The mineralised rock is moderately competent and abrasive with above average comminution energy requirements.
- The mineralised rock is 'free-milling' (non-refractory) with a high gravity recoverable free gold component and high gold extraction from the gravity tails by cyanidation leach with low reagent consumption.
- Anticipated lime and cyanide consumption are low and are typical of operations conducted with good quality water treating clean free milling primary ores.
- Gravity gold recoveries were moderate to high and ranged from 45% to 72%.
- Overall gold extractions were excellent and ranged from 95.3% to 99.2% for gold head grades ranging from 2.33 g/t Au to 14.51 g/t Au.
- Lime consumption was low at 0.33 kg/t (60% available CaO basis).
- Cyanide consumption was low at 0.29 kg of sodium cyanide per tonne.

The overall process flowsheet has been based on the results of the detailed metallurgical testwork program. The flowsheet selected is based on industrially proven unit processes and presents low technical risk. The major unit processes incorporated in the flowsheet are as follows:

- Single stage jaw crushing circuit.
- Single stage semi-autogenous grind mill in closed circuit with hydro cyclones.
- Gravity concentration circuit treating a portion of cyclone feed. The gravity circuit will comprise a centrifugal gravity concentrator and an intensive cyanidation and electrowinning module for recovery of gold from the gravity concentrate.
- Pre-leach thickening.
- Seven stage carbon in leach ("**CIL**") circuit.
- Zadra elution circuit for recovery of gold on carbon.
- Three-stage counter current decantation circuit to treat CIL discharge slurry.

The Mineral Resource estimate was developed by AMC based on interpretation of the host microgranite and within that interpretation of overlapping gold and sulphide-bearing domains reflecting the association of gold with sulphide mineralisation. A probability model was used to assist with the interpretation of mineralisation continuity. The probability model was created by assigning an indicator to sample intervals where gold grade was above 0.3 g/t Au and total sulphide content exceeded 1%. The indicator values were estimated into a model within the microgranite envelope. The gold and sulphide domains were combined into one mineralisation domain for grade estimation.

Assays within the domains were selected and composited to 2m. A topcut of 200 g/t Au was applied to the composites within mineralisation domains.

Gold grade was estimated using ordinary kriging with parameters based on a study of variography. The block model parent cell dimensions were 10m in easting and northing directions and 5m in RL. Grades were estimated into parent cells, with all subcells receiving the same grade as its parent. The maximum number of composites allowed for each estimate was 30, with estimation of most cells within the mineralisation domain completed with 30 composites.

A dry bulk density of 2.74 t/m^3 was applied to the model based on averaging of bulk density measurements from drillcore.

The Mineral Resource estimate has been classified as Indicated Resource in accordance with the JORC Code.

AMC considers that the Mineral Resource estimate has been prepared using common industry practices and has been appropriately classified as Indicated Resource in compliance with the JORC Code. AMC is satisfied that the estimate is of a suitable standard for reporting under NI 43-101.

The Mineral Resource model was used as the basis for the Ore Reserve estimation. Only Indicated Resources have been used for the ore reserve estimate. The impact of mining on the anticipated ore tonnage and grade was analysed by considering the impact of reblocking the resource model at the selective mining unit size suitable for the equipment being considered. A minimum block size of 5m in easting and northing directions and 2.5m in RL was used for a 120t type excavator. The result of the dilution and ore loss process was to add 15% dilution material and 5% ore loss.

The slope angles used in the Ore Reserve estimation were based on work by AMC that used core logging information collected from exploration and geotechnical diamond drillholes as well as material property data collected from laboratory tests. The overall slope angles vary between 45º and 48º.

The pit limits for the open pit were selected through analysis using the Whittle Four-X implementation of the Lerchs Grossman algorithm.

The following ore related parameters were used in the optimisation:

- Process and administration cost of US$33.49/t processed assuming a 0.5 Mtpa processing rate.
- A metallurgical recovery of 96.2%.
- A gold price of US$900/oz.
- A government royalty of 5% of revenue.
- The treatment plant breakeven cut-off grade was estimated as 1.26 g/t Au.

The processing and administration cost was developed by Lycopodium as part of the scoping study completed in 2009.

The Ore Reserve is the contents of a pit design, above a cut-off grade of 1.26 g/t Au that was developed based on the optimisation results.

All the Indicated Mineral Resources intersected by the open pit mine design were classed as Probable Ore Reserves after consideration of all mining, metallurgical, social, environmental, statutory and financial aspects of the Koka project. Ore Reserves are included in the Mineral Resource estimate.

Lycopodium completed a feasibility study for Chalice in July 2010 using the June 2010 Ore Reserve estimate. The project schedule is governed by the twelve months of mine pre-stripping activities required to develop the mine and a further six months of mine production ramp-up before sufficient ore can be produced for the process plant to be commissioned. The process plant and remaining infrastructure will be constructed during the mine pre-stripping operations.

The project capital cost has been estimated for the feasibility study at an accuracy of ±15% in first half 2010 costs. Mining, processing and administration costs estimated using costs are considered to have an accuracy of ±15%.

The overall economic viability of the Koka Gold Project has been evaluated using simple cash flow techniques. Results of the financial analysis for the feasibility study base case are presented in Table 1.4. The base case is evaluated at a gold price of US$900 per ounce.

Table 1.4 Base Case Financial Analysis Item Unit

Item	Unit	Value
Total Mined	Mt	52.94
Ore Milled	Mt	4.63
Strip Ratio	-	10.4
Gold Grade	g/t Au	5.10
Contained Gold	ounces	758,900
Recovery Gold	%	96.3
Recovered Gold	Ounces	730,780
Gold Price	US$ per ounce	900
Revenue from Gold Sales	**US$M**	**657**

Item	US$M	US$/oz Sold	US$/t Processed I	US$/t Mined
Mining Cost	94.7	129.8	20.5	1.92
Process Cost	114.8	157.2	24.8	2.33
Smelting and Refining Charges	2.88	4.00	0.62	0.06
G&A Cost	34.09	46.69	7.36	0.69
Cash Operating Costs	**246.5**	**337.7**	**53.23**	**5.00**
Other (including royalties)	29.7	40.7	6.41	0.60
Total Cash Costs	**276.2**	**378.4**	**59.64**	**5.60**
Depreciation and Amortisation	131.3	-	-	-
Total Production Costs	**407.5**	**-**	**-**	**-**
Earning Before Interest Taxes (EBIT)	249.5	-	-	-
Income Tax Expense	94.8			
Net Profit After Tax	**154.7**	**-**	**-**	**-**
NPV (5.0%)	**99.0**	**-**	**-**	**-**
IRR	**22%**			

Koka South Prospect

The following summaries are those of Chalice and not the Authors of the Technical Report. Dr Douglas Jones, a qualified person, has revised these summaries on behalf of Chalice.

The Koka South prospect, which sits outside the Koka Gold Deposit but within the Zara Exploration License package, is an occurrence of gold-mineralised quartz veins that occur along strike from the Koka Gold Deposit mineralisation and are contained within a deformed microgranite host of similar composition to that hosting Koka Gold Deposit. The zone is associated with a strong IP resistivity anomaly similar to and along strike from that associated with the Koka Gold Deposit mineralisation; this is believed to reflect hydrothermal silicification accompanying the gold mineralising event. The microgranite is generally less than 10 metres wide, hosted in the same volcanosedimentary assemblage as the Koka Gold Deposit, and the western contact is a metre-wide mylonite zone. The intrusion is tabular and pinches out up-dip to the south. Sericite-albite-carbonate alteration is present in the overlying volcanosedimentary rocks.

The strike extent of the mineralisation is unknown and drilling to date has been hampered by steep, rugged topography that has hampered access. Gold is associated with sulphides, principally pyrite and galena, and best grades from rock chips suggest a strong spatial association between galena and gold. Limited drilling on the northern extremity of this zone has revealed narrow widths of high grade gold mineralisation of up to 92 g/t over 1m.

The veins have low dips and are commonly subhorizontal. Uncommon exceptions occur as contact parallel veins on the margins of the microgranite. Both the microgranite and the veins are deformed. Veins display pinch-and-swell geometries with local folding of relatively thinner (up to several centimetres wide) veins evident. The artisanal miners have exploited several of the larger veins, which are generally 10's of centimetres to a metre wide. The extent of the artisanal excavations, combined with the localised occurrence of relatively thicker, sulphide-bearing veins, suggest a restricted RL range of approximately 30m over which gold has been deposited. This is yet to be tested, however, because of difficulty of drilling.

Konate Prospect

The Konate prospect, which sits outside the Koka Gold Deposit but within the Zara Exploration License package, has been mined by artisanals since 1997. Konate is located four kilometres along strike from the Koka Gold Deposit and the Koka South Prospect within the same north-south striking, steeply east-dipping, volcanosedimentary assemblage. Konate mineralisation is similar to Koka in that mineralised quartz(±carbonate) veins are hosted within an elongate tabular microgranite intrusion that has intruded a layered sequence of rocks comprising conglomeratic metasandstones, fine-grained metavolcaniclastic sedimentary rocks, quartz-sericite schists, coarse sandstone, rhyolite and lenses of dolerite-basalt dykes.

The microgranite intrusion is hydrothermally altered and the alteration assemblage comprises sericite-albite-carbonate±pyrite. Strong fracturing of the microgranite has enabled emplacement of a stockwork of quartz(±carbonate) veins from millimetre-scale to several meters thick. The quartz veins are weakly deformed and locally host pyrite and uncommon chalcopyrite. Gold mineralisation displays an intimate spatial association with the sulphides and is interpreted to be of the same paragenetic age. In contrast to veins at the Koka Gold Deposit, galena is typically absent. Veins display two near-orthogonal principal orientations that are similar to veins at Koka, namely 1) steeply dipping, NE-SW striking and 2) steeply dipping approximately, NW-SE striking.

A paragenetic history for Konate has been established from field mapping and core examination. The paragenesis has been integrated with the local geological-deformation history for the prospect and indicates gold deposition occurred at the same time at both Koka and Konate. The same deformation history applies to both prospects and the movement histories for structures at both deposits is the same.

Diamond drilling is currently in progress at Konate. Visual logging of the holes and available assays for the holes indicates mineralisation is associated with sulphide (dominantly pyrite) in veins on the steeply east-dipping hangingwall side of the microgranite. Initial results from this drilling confirmed that the Konate prospect has potential to develop into a new gold discovery, with best intersections to date of 3m @ 12.79g/t gold from 120m (drill hole ZARD 177) and 4m @ 11.65g/t gold from 109m (drill hole ZARD 185) within broader zones of lower grade gold mineralisation.

Fah and Debra/Tsaeda/Keyih Prospects

The Fah prospect which sits outside the Koka Gold Deposit but within the Zara Exploration License package, comprises two sets of artisanal workings, Fah North and Fah South, within an altered granitoid. The Debra Keyh and Debra Tsaeda prospects are hosted in the syenitic porphyry portion of a composite syenite-diorite intrusion. Fah North occurs approximately two kilometres east of Konate and Fah South is located approximately two kilometres southeast of Konate. Fah North and Fah South are interpreted as hosted by an approximately NE-SW structure that also links the Debra Tsaeda and Debra Keyh artisanal gold workings to the south of Konate. They lie within a ~4km long x 0.8km wide zone of intense carbonate-sericite alteration with widespread quartz veining.

Little work has been done by Chalice on the Fah occurrences to date, with the exception of geological mapping. Artisanal miners at both Fah North and Fah South have focused on two sulphide-bearing quartz vein populations that have strikes at high angles to one another. The vein sets exhibit similar orientations to those at Koka and Konate and are interpreted to be the same structural age. Veins are generally decimetres in width but locally achieve three metres. Sulphides are dominantly pyrite. The Debra Tsaeda and Debra Keyih occurrences are yet to be studied.

Zara North

The Zara North Prospecting License comprises approximately 113 square kilometres and adjoins the northern end of the Zara Exploration License package. The western half of Zara North is dominated by an approximately N-S striking package of layered volcanosedimentary lithologies, many of which are limestones or carbonate-rich units. The layered rocks have accommodated significant shearing strain and represent a portion of the country-scale Elababu Shear Zone. The eastern portion of Zara North contains intrusion-dominated lithologies and the along-strike extension of the volcanosedimentary assemblage that hosts Koka and Konate.

Regional reconnaissance mapping and BLEG stream sediment sampling has identified a number of gold anomalies, principally in the eastern portion of Zara North. A number of small artisanal workings, typically shallow pits, have been identified in the vicinity of the anomalies but additional sampling and mapping is required to resolve the sources that have generated the anomalies.

An application to convert the Zara North Prospecting Licence to an exploration licence has been lodged with the Eritrean Government.

Zara South

The Zara South Prospecting License comprises approximately 352 square kilometres and adjoins the southern end of the Zara Exploration License package. The Elababu Shear Zone changes orientation from N-S striking in Zara North through to NE-SW striking in the northeastern corner of Zara South. The Elababu Shear Zone in Zara South comprises the same mylonitized volcanosedimentary assemblage as at Zara North.

The geology of Zara South is dominated by intrusions and volcanic assemblages. An ovoid granitoid intrusion, with a long axis of approximately six kilometres, dominates the geology of the central eastern portion of Zara South. This intrusion is wrapped by a NE-SW to N-S striking sequence of volcanic and sedimentary rocks on its eastern margin and these lithologies host the Jani VHMS prospect at the southern end of the intrusion. Several NE-SW shear zones cut across Zara South, locally following lithological contacts.

Mapping, rock chip sampling, gravity surveys at Jani identified a dense body associated with gossanous stratigraphy but a follow-up Audio Magneto Telluric (AMT-EM) survey failed to reveal any conductors indicative of possible massive sulphides.

An application to convert the Zara South Prospecting Licence to an exploration licence has been lodged with the Eritrean Government.

Other Eritrean Projects

The Company has a 20% interest in London Africa which holds two Exploration Licenses in Eritrea, the location of which are shown on Figure 1 in this AIF. These exploration licenses are subject to an agreed work program with the Government of Eritrea.

Chalice, through its wholly owned subsidiary Keren Mining, has also made application for five prospecting Licenses and two exploration licenses. It should be noted that Chalice's applications for these licenses have not been granted at the date of this AIF.

Australian Exploration Projects

Chalice also has projects in Australia including the Gnaweeda Gold Project and the Yandeearra Project, which are not yet considered to be material to the Company. The Board is currently assessing its options in relation to the Yandeearra Project which may include the withdrawal from the project.

Gnaweeda Gold Project (Teck Resources/Kent Exploration 70% : Chalice 30%)

The Gnaweeda Gold Project tenure covers an Archaean greenstone belt in the northern Murchison Province of Western Australia. Chalice initially entered into a joint venture agreement with Teck which gave Teck the right to earn up to a 70% interest in two stages by expenditure of A$1.5 million. This expenditure was made, resulting in Teck earning the 70% interest. Subsequently, Teck entered into an agreement with TSX Venture Exchange listed company Kent pursuant to which Kent had the right to earn 100% of Teck's 70% interest in the Gnaweeda Gold Project by spending A$3 million, subject to Teck retaining a 75% claw-back.

Due to Chalice's strategic focus now being on the Zara Project and in mineral exploration in Eritrea, it has elected to dilute its 30% in the Gnaweeda Project by not contributing to the proposed exploration program to be undertaken in 2010. Based on the proposed 2010 budget for the Gnaweeda Project, it is expected that Chalice will dilute its interest in the Project to approximately 20%.

Yandeearra Project (Chalice 100%)

The Yandeearra Project currently comprises approximately 230 square km in the West Pilbara district of Western Australia. The project straddles the boundary between the Central Pilbara Tectonic Zone and the East Pilbara Granite-Greenstone terrane within the early Archaean Pilbara Block. Chalice entered into a joint venture with De Grey in fiscal year ended June 30, 2009 whereby De Grey had the right to earn an 80% interest in all minerals (except iron ore and uranium) over a number of the tenements within the Yandeearra project by expending A$1.67 million over three years. In 2009 Chalice also entered into an option agreement with Atlas whereby Atlas had the right to acquire the iron ore rights within the Yandeearra Project by certain expenditures over a period of time. Both De Grey and Atlas have withdrawn from these respective joint ventures and at the same time the Company rationalized its tenement holdings. The Yandeearra Project is now 100% owned by Chalice and the Board is currently considering its options in relation to the project, which may include the withdrawal from it.

Employees

As at the date of this AIF, the Company has an aggregate of 69 employees, comprising 60 in Eritrea and 9 in the head office in Perth, Western Australia.

The Company is dependent upon the services of key executives, including the Executive Chairman, Managing Director and a further executive director. See "*Risk Factors – Dependence on Key Personnel*".

Environmental Protection

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. To date, applicable environmental legislation has had no material, financial or operational affects upon the operation of the Company. See also "*Risk Factors – Environmental Risks*".

DIVIDEND POLICY

To date, no dividends have been paid to Shareholders of Chalice. There are no restrictions in Chalice's constating documents that would restrict or prevent Chalice from paying dividends. However, it is not contemplated that any dividends will be paid on the Shares in the immediate future, as it is anticipated that all available funds will be reinvested in Chalice to finance the exploration and development of existing projects and the overall growth of its business. Any decision to pay dividends on the Shares in the future will be made by the board of directors on the basis of the earnings, financial requirements and other conditions existing at such time and will be subject to any restrictions imposed by the terms of any debt facilities or other contractual obligations of Chalice.

DESCRIPTION OF SHARE CAPITAL

As of November 19, 2010 there were 211,455,886 Shares issued and outstanding. All issued Shares are fully paid. As of November 19, 2010 the Company had 12,825,000 options outstanding. Each option entitles the holder thereof to acquire one Share with exercise prices ranging from $0.20 to $0.50 as detailed below:

Grant Date	Expiry Date	Exercise Price	Balance unexercised
April 7, 2010	March 31, 2012	$0.36	1,000,000
November 17, 2009	November 16, 2011	$0.35	2,000,000
March 21, 2006	March 21, 2011	$0.25	5,575,000
November 17, 2009	September 1, 2012	$0.50	750,000
December 1, 2007	December 1, 2012	$0.25	500,000
August 1, 2008	July 31, 2013	$0.20	500,000
November 17, 2009	March 31, 2014	$0.35	1,250,000
November 17, 2009	March 31, 2014	$0.45	1,250,000

Rights Attaching to Shares

General

The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Shareholders. To obtain a more definitive understanding and statement, persons should seek legal advice.

Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each share held by the Shareholder and for each partly paid share held, a fraction of one vote equal to the proportion which the amount paid up bears to the amounts paid or payable on that share. In the case of an equality of votes, the chairperson has a casting vote.

Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the directors resolve but only out of profits of the Company. The directors may determine the method and time for payment of the dividend.

Winding up

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company any surplus must be divided among the Shareholders of the Company in proportion which the amount paid on the shares bears to the total amount paid and payable on the shares of all Shareholders of the Company.

Transfer of Shares

Generally, shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, ASTC Rules, the ACH Clearing Rules and the Corporations Act. The directors may decline to register any transfer of shares but only where permitted to do so by the Corporations Act, stock exchange listing rules, the ASTC Rules, the ACH Clearing Rules or under the Company's Constitution.

Calls on Shares

Subject to the Corporations Act and the terms of issue of a share, the Company may, at any time, make calls on the Shareholders of a share for all, or any part of, the amount unpaid on the share. If a Shareholder fails to pay a call or instalment of a call, the Company may, subject to the Corporations Act and stock exchange listing rules, commence legal action for all, or part of the amount due, enforce a lien on the share in respect of which the call was made or forfeit the share in respect of which the call was made.

Further Increases in Capital

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Rules and the ACH Clearing Rules and any rights attached to a class of shares, the Company (under the control of the directors) may allot and issue shares and grant options over shares, on any terms, at any time and for any consideration, as the directors resolve.

Variation of Rights Attaching to Shares

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Rules and the ACH Clearing Rules and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

General Meeting

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and stock exchange listing rules.

SECURITIES AUTHORISED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has an Employee and Consultant Stock Option Plan (the "**Option Plan**") which was approved by Shareholders on November 28, 2008.

The following table sets out information as of June 30, 2010 with respect to equity securities of the Company which have been and are authorised for issuance as compensation.

Equity Compensation Plan Information			
Plan Category	**Number of securities to be issued upon exercise of outstanding options**	**Weighted-average exercise price of outstanding options (A$)**	**The number of securities available for future issuance will be determined from time to time by taking 15% of the then number of ordinary shares on issue in Chalice and then deducting from that figure the number of outstanding options as at that time**
Equity compensation plans approved by securityholders	9,825,000	-	21,893,383
Equity compensation plans not approved by securityholders	-	-	-
Total	9,825,000	-	21,893,383

In May 2010, subject to Shareholder approval at the Company's next general meeting of shareholders, the board of directors resolved to issue 750,000 options with an expiry date of April 30, 2014, to a director (Mr. Stephen Quin) under the Option Plan with a weighted average exercise price of A$0.675.

The material features of the Option Plan are set out below.

Eligibility

Under the terms of the Option Plan, the board (at its discretion) may offer free options to persons ("**Eligible Persons**") who are full-time or part-time employees (including a person engaged by the Company under a consultancy agreement) or to directors (both executive and non-executive) of the Company or any subsidiary based on a number of criteria, including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the board considers relevant.

Note that under ASX Listing Rules, an issue of options to directors, irrespective of whether made under the Option Plan or not, requires specific Shareholder approval.

Number of options

The maximum number of options issued under the Option Plan at any one time is 15% of the total number of Shares on issue in the Company, provided that the board may increase this percentage, subject to the Corporations Act and stock exchange listing rules.

There are no other restrictions on the maximum percentage of number of options that may be issued to any single person or entity (other than as noted above on an issue of options to directors).

Terms of options

Each option entitles the holder, on exercise, to one Share in the Company.

There is no issue price for the options. The exercise price for the options will be determined by the board of directors in its discretion, provided that the exercise price shall not be less than the weighted average sale price of

Shares sold on ASX during the five business days prior to the date of issue or such other period as determined by the board in its discretion. The expiry date of the options is determined by the board.

Shares issued on exercise of options will rank equally with other Shares of the Company.

Options are personal to the Eligible Persons and may not be transferred other than to a nominee of the Eligible Person. The options may be issued on terms not allowing an exercise until a certain event or fact has taken place, such as a length of time of service or the achieving of a specified event. The board may determine the vesting period (if any).

An option will lapse upon the first to occur of the expiry date, the board of directors making a determination that the Eligible Person has acted fraudulently, dishonestly or in breach of his or her respective obligations to the Company. Options should also be forfeited within 3 months of the employee ceasing to be employed (other than through retirement, permanent illness or incapacity). In the event of retirement, permanent illness or incapacity, the board of directors has discretion to allow a longer period before the prospective options lapse.

If, in the opinion of the board of directors, any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the board, the board may, at its discretion, declare an option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

New Issues

There are no participating rights or entitlements inherent in the options and option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least six business days after the issue is announced. Option holders shall be afforded the opportunity to exercise all options which they are entitled to exercise pursuant to the Option Plan prior to the date for determining entitlements to participate in any such issue.

Bonus Issues

If the Company makes an issue of Shares to Shareholders by way of capitalization of profits or reserves ("**Bonus Issue**"), each option holder holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those options the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the option holder may subscribe pursuant to the exercise of those options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued upon exercise of the options.

Reconstruction of Capital

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each option holder is entitled or the exercise price of his or her options or both or any other terms will be reconstructed in a manner determined by the board which complies with the provisions of the ASX Listing Rules.

Taxation

Under current taxation laws any taxation liability in relation to the options or the Shares issued on exercise of the options will fall on the option holders. The Company will not be liable to fringe benefits tax in relation to options or Shares issued under the Option Plan.

Participation by Directors

Although directors are eligible to be offered options under the Option Plan, any issuance of options to directors will first require specific Shareholder approval due to the requirements of stock exchange listing rules and the Corporations Act.

PRICE RANGE AND TRADING VOLUME OF SHARES

The Shares are currently listed on ASX under the trading symbol "CHN". The following table sets forth the reported high and low sale prices and the trading volume of the Company's Shares for each of the periods indicated.

	High (A$)	Low (A$)	Volume
2010			
November (month to November 19)	0.75	0.65	16,422,200
October	0.78	0.64	7,232,800
September	0.74	0.44	9,079,200
August	0.50	0.38	3,109,700
July	0.49	0.39	5,641,300
June	0.51	0.39	2,816,100
May	0.50	0.40	4,254,800
April	0.52	0.43	5,984,300
March	0.44	0.37	2,550,000
February	0.46	0.32	2,787,000
January	0.53	0.41	5,165,500
2009			
December	0.68	0.44	3,849,400
November	0.60	0.45	6,978,700

PRIOR SALES

The following table summarizes the issuance by the Company of Shares or securities convertible into Shares in the 12-month period prior to the date of this AIF:

Date of Issue	Description	Number of Shares	Price Per Share (A$)
November 11, 2010	Exercise of options	250,000	0.20
September 21 and 23, 2010	Entitlement Issue	30,172,269	0.42
May 31, 2010	Placement	21,613,080	0.42
March 31, 2010	Placement	20,000,000	0.36
September 9, 2009	Placement	16,300,000	0.27

Date of Issue	Description	Number of Options	Expiry Date	Exercise Price Per Option (A$)
November 16, 2009	Employee Share Option Plan	1,250,000	March 31, 2014	0.35
November 16, 2009	Employee Share Option Plan	1,250,000	March 31, 2014	0.45
November 16, 2009	Employee Share Option Plan	750,000	September 1, 2012	0.50
March 31, 2010	Broker Options	1,000,000	March 31, 2012	0.36

ESCROWED SECURITIES

To the knowledge of the Company, the following table summarizes all of the securities of the Company that are held in escrow:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class as of the date hereof
Ordinary	2,000,000	0.9%

(1) The contractual restriction on the transfer of the escrowed Shares ends on June 22, 2011.

PRINCIPAL SHAREHOLDERS

To the best of the knowledge of the directors and executive officers of the Company, except as set out in the table below, there are no persons who, as of the date hereof, are the direct or indirect beneficial owners of, or exercise control or direction over 10% or more of the outstanding Shares.

Name of Shareholder	Designation of Class	Type of Ownership	Number of Shares	Percentage of Class as of the date hereof
Franklin Resources Inc.	ordinary	indirect beneficial	31,107,008	14.71%
Timothy Goyder	ordinary	direct and indirect beneficial(1)	25,118,910	11.89%

(1) The indirect beneficial interest of Timothy Goyder is by way of his control of (i) Plato Prospecting Pty Ltd. (as trustee for the TRB Goyder Superannuation Fund) which has 1,187,675 Shares and (ii) Lotaka Pty Ltd which has 11,667 Shares.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, as at the date of this AIF, the name, province or state and country of residence of each director and executive officer of the Company, as well as such individual's position within the Company principal occupation within the five preceding years and periods of service as a director (if applicable).

Each of the directors of the Company will hold office until the next annual meeting of Shareholders or until such director's successor is elected and qualified or until the director's earlier death, resignation or removal. One-third of the directors (except the Managing Director) are required to retire from office each year and submit themselves for re-election (if they wish) and in any event no director may retain office for more than three years without submitting themselves for such re-election. Re-appointment of directors is not automatic.

As at the date of this AIF, an aggregate 33,115,941 Shares (representing approximately 15.7% of all issued and outstanding Shares as at that date) are beneficially owned or controlled or directed (directly or indirectly) by all of the directors and executive officers of the Company as a group. In addition, directors and officers have an interest in 6,250,000 unlisted share options.

Name, Province or State and Country of Residence and position with the Company	Present Principal Occupation if different from office held and Principal Occupation for the past 5 years	Appointed	Number of Shares owned, controlled or directed [(1)]
Timothy Rupert Barr Goyder Perth, Western Australia Executive Chairman[(3)]	Mr. Goyder was initially appointed as a non-executive director in October 2005 and subsequently appointed Executive Chairman in November 2008. During the period 2001 to 2007 Mr. Goyder was the principal and owner of Grimwood Davies Limited which was subsequently acquired by Boart Longyear Limited in January 2008.	October 25, 2005	25,118,910
Dr Douglas Alan Jones Perth, Western Australia Managing Director[(2)]	Prior to being appointed Managing Director in December 2009 Dr Jones was a non-executive director of Chalice and also the Managing Director of Liontown Resources Limited (listed on ASX). Dr Jones remains a director of Liontown Resources Limited.	November 11, 2008	296,278
Michael Richard Griffiths Perth, Western Australia Executive Director	Mr. Griffiths was appointed to the Chalice board as an executive director following the merger in August 2009 with Sub-Sahara Resources NL. Prior to his appointment, Mr. Griffiths was Managing Director of Sub-Sahara Resources NL.	August 26, 2009	600,960
Stephen Paul Quin[(2)(3)] West Vancouver, BC, Canada Non-executive Director	Mr. Quin is currently the President of TSX listed Capstone Mining Corp. In the last five years, Mr. Quin has been President and Chief Operating Officer of Capstone Mining Corp., President and Chief Executive Officer of Sherwood Copper Corporation and Executive Vice-President of Mirimar Mining Corporation.	May 3, 2010	26,321
Anthony William Kiernan [(2)(3)] Perth, Western Australia Non-executive Director	Mr. Kiernan is a lawyer and business consultant	February 15, 2007	1,062,041
Richard Keith Hacker Perth, Western Australia Chief Financial Officer and Company Secretary	Mr. Hacker is Chief Financial Officer and Company Secretary of Chalice.	August 1, 2008	58,334

(1) The information as to Shares beneficially owned or over which any of the directors or executive officers exercises controls or direction (directly or indirectly) not being within the knowledge of the Company has been furnished by the respective director or executive officer individually.
(2) Member of the Audit Committee
(3) Member of the Remuneration Committee

Biographical information for each member of the board of directors and the executive officers of the Company in addition to the information above, is set out below.

Timothy Goyder – Executive Chairman

Mr. Goyder has over 35 years of experience in the resource industry as a prospector, investor, company director and as the owner and operator of a large contract drilling company.

Mr. Goyder has been involved in a range of exploration projects and in the formation and management of various publicly listed companies. He is currently a director of Uranium Equities Limited and Strike Energy Limited and chairman of Liontown Resources Limited, all entities being listed on the ASX.

Dr Douglas Jones, PhD, AusIMM, CPGeo – Managing Director

Dr Jones is a geologist and has 34 years of experience in international mineral exploration, having worked extensively in Australia, Africa (where he was instrumental in the discovery of the Siguiri gold mine in Guinea), the Americas and Europe. His career has covered exploration for volcanic and sediment-hosted zinc-copper-lead, gold in a wide range of geological settings and IOCG style copper-gold. He is also a director of Liontown Resources Limited (listed on ASX) and a director of TSX and AIM listed Minera IRL Limited. Dr Jones was also previously a Director of Moto Gold Mines Limited.

Michael Griffiths, BSc, Dip.Ed, MAusIMM - Executive Director

Mr. Griffiths is a geologist with over 25 years of experience within the minerals exploration sector in Australia and Africa. His exploration experience includes principal involvement in the discovery of significant gold resources in the Tanami Desert region of the Northern Territory of Australia. He is also a director of Currie Rose Resources Inc. (a Canadian listed company) and ASX listed company RTL Corporation Limited. Mr. Griffiths recently held the position of Managing Director of Sub-Sahara Resources NL and joined Chalice following the merger and being appointed as Executive Director at the same time. Mr Griffiths is also a graduate of the Australian Institute of Company Directors.

Stephen Quin – Non-executive Director

Mr. Quin is currently President of TSX listed copper producer Capstone Mining Corp. and has over 30 years of international experience in exploration, mine development and operations and corporate development. Mr. Quin was previously President and Chief Executive Officer of Sherwood Copper Corporation, prior to its merger with Capstone Mining Corp., which he co-founded and was responsible for the feasibility, permitting, financing and on time and on budget start-up of the Minto copper-gold-silver mine in the Yukon, Canada. Prior to joining Sherwood Copper Corporation, Mr. Quin was Executive Vice President of Miramar Mining Corporation, a then-TSX listed gold producer and explorer, where he was responsible for the acquisition and subsequent exploration of the world class Hope Bay Gold Project in Nunavut, Canada. Miramar Mining Corporation was subsequently acquired by Newmont Mining Corporation.

In addition to his management roles, Mr. Quin is a director of a number of public companies including Bear Lake Gold Ltd., Kimber Resources Inc., Mercator Minerals Ltd., Rare Element Resources Ltd. and Troon Ventures Ltd.

Anthony Kiernan, LLB - Non-executive Director

Mr. Kiernan is a solicitor with substantial experience in the administration and operation of listed public companies particularly in the resources sector. In addition to his legal practice Mr. Kiernan provides commercial and corporate advice to various entities, including those in the resources sector. He is chairman of BC Iron Limited, Uranium Equities Limited and Venturex Resources Limited and a director of Liontown Resources Limited, all of which are listed on the ASX.

Richard Hacker, B.Com, ACA, ACIS – Chief Financial Officer and Company Secretary

Mr. Hacker has substantial professional and corporate experience in the energy and resources sector in Australia and the United Kingdom. He has previously worked in senior finance roles with global energy companies including Woodside Petroleum Limited and Centrica Plc. Prior to that he worked with prominent international accounting practices. Mr. Hacker is a Chartered Accountant and Chartered Secretary and is also Company Secretary of Liontown Resources Limited.

Terms of Directors and Executive Officers

No directors of the Company have set terms, although 3 months notice of termination is required for Douglas Jones and Michael Griffiths. As directors of the Company and other than as contractually bound, their respective terms are in part governed by the Constitution of the Company which, as detailed above, requires one-third of the directors (other than the Managing Director) to retire at each general meeting of the Company, and, if they wish, offer themselves for re-election.

Audit Committee

Historically, an Audit Committee of the Company had not been formed, with that function being effectively performed by the full board of directors. Given its size and composition, the board considered that no efficiencies or other benefits would be gained from establishing a separate Audit Committee.

With the further development of the Zara Project and the proposed listing on the TSX, an Audit Committee has now been formed with the following members:

Anthony Kiernan	-	Non-executive Director (Chair)
Stephen Quin	-	Independent Non-executive Director
Douglas Jones	-	Managing Director

Remuneration Committee

Historically, a Remuneration Committee had not been formed, with that function being effectively performed by the full board of directors. Given its size and composition, the board considered that no efficiencies or other benefits would be gained by establishing a separate committee.

With the further development of the Zara Project and the proposed listing on the TSX, a Remuneration Committee has now been formed with the following members:

Anthony Kiernan	-	Non-executive Director (Chair)
Stephen Quin	-	Independent Non-executive Director
Timothy Goyder	-	Executive Chairman

Director Compensation and Discussion Analysis

Compensation Discussion & Analysis

The broad remuneration policy of the Company is to ensure that remuneration levels for executive directors, secretaries, officers and other key management personnel are set at competitive levels to attract and retain appropriately qualified and experienced personnel.

This is particularly important in view of the significant impact that each individual can make within a relatively small executive team for an exploration and development company such as Chalice. The Remuneration Committee undertakes an active role in setting executive remuneration levels; however, the board has not yet established formal objectives and criteria in relation to executive remuneration. Remuneration offered by Chalice is geared to attracting talented employees through a combination of fixed remuneration and long term incentives, calibrated and individually tailored to be competitive in the external market to offer incentive to join and remain with the Company.

Given the stage of development of the Company and the fact that it has not yet attained commercial production, compensation of directors and executives to date has emphasised base salary and meaningful stock option awards. In the event that the Company achieves commercial production in the future, this policy may be re-evaluated to instead emphasise increased base salaries and cash bonuses with a reduced reliance on stock option awards.

Fixed compensation

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any tax charges related to employee benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers the person's responsibilities, expertise, duties and personal performance.

Cash incentives

The Company currently has no formal performance-related remuneration policy which governs the payment of annual cash bonuses upon meeting pre-determined performance targets. Due to the size and nature of the Company, the need to conserve cash is a priority and therefore long term incentives issued under the Option Plan is the preferred method of incentivising directors and executives.

Long-term incentives

Options may be issued at the board's discretion under the Option Plan to directors, employees and consultants of the Company and must be exercised within three months of termination, although directors have discretion to waive this obligation to exercise within three months of termination. The ability to exercise the options is usually based on the option holder remaining with the Company for at least one year; however, the vesting period may be tailored depending on specific circumstances at the discretion of the board. Other than the vesting period which is usually based on a period or service, there is no performance hurdle required to be achieved by the Company to enable the options, which are outstanding, to be exercised. The board of directors, in exercising its discretion, will take into account previous grants when determining the number of options to be issued.

The exercise price for the options is such price as determined by the board provided that the exercise price shall be not less that the weighted average sale price of Shares sold on ASX during the five business days prior to the date of issue or such other period as determined by the board (in its discretion). All options issued have a defined expiry date and if not exercised prior to that date, the options will lapse.

The Company believes that the issue of options aligns the interests of directors, employees and Shareholders alike.

Non-executive directors

The board recognises the importance of attracting and retaining talented non-executive directors and aims to remunerate these directors in line with fees paid to directors of companies in the mining and exploration industry of a similar size and complexity.

As approved by Shareholders, total compensation for the non-executive directors is not to exceed A$150,000 per annum (in the aggregate).

Summary Compensation Table

Information as at the date of this AIF

At the date of this AIF, the following table sets out information concerning the compensation entitlements and interests in option based awards for the Company's executive directors, Chief Financial Officer and, if applicable, its other three most highly compensated executive officers whose salary and bonus exceeds C$150,000 (collectively, the "**Named Executive Officers**").

Name and principal position	Current Salary (A$)	Pension value (Superannuation) (A$)	Total Salary (A$)	Number of Options Issued under the Employee Stock Option Plan	Exercise Price (A$)	Expiry Date
Timothy Goyder (Executive Chairman)	229,358	20,642	250,000	2,000,000	0.25	March 21, 2011
Dr Douglas Jones (Managing Director and Chief Executive Officer)	284,404	25,596	310,000	1,250,000 1,250,000	0.35 0.45	March 31, 2014 March 31, 2014
Michael Griffiths (Executive Director)	275,229	24,771	300,000	750,000	0.50	September 1, 2012
Richard Hacker (Chief Financial Officer)	229,358	20,642	250,000	500,000	0.20	July 31, 2013
Harry Wilhelmij (In-country Manager)	US $200,000	-	US 200,000	-	-	-

Each Named Executive Officer, with the exception of Mr. Wilhelmij, receives monthly instalments equal to 9% of their basic salary for payment into a superannuation fund of their choice. Directors are also entitled to be reimbursed for reasonable expenses (including travel).

Executive directors are not paid any additional fees as a result of their serving as directors of the Company.

Information for the year ended June 30, 2010

The following table sets out information concerning the compensation earned from the Company and any of the Company's subsidiaries during the financial year ended June 30, 2010 by the Company's Named Executive Officers.

The Company was not a reporting issuer in any jurisdiction in Canada during the Company's most recently completed financial year ended June 30, 2010. However, the Company has reported compensation in the table below for the financial year ended June 30, 2010, in accordance with applicable requirements, as the Company believes this discloses all significant elements of the compensation awarded to, earned by, paid to, or payable to Named Executive Officers of the Company.

Name and principal position	Year	Salary (A$)	Share-based awards (A$)	Option-based awards (A$)	Non-equity incentive plan compensation (A$)		Pension value (Superannuation) (A$)	All other compensation (A$)	Total compensation (A$)
					Annual incentive plans	Long-term incentive plans			
Timothy Goyder (Executive Chairman)	2010	137,615	-	-	-	-	12,385	3,062	153,062
Dr Douglas Jones (Managing Director and Chief Executive Officer)[2]	2010	172,018	-	741,062	-	-	15,482	3,062	931,623
Michael Griffiths (Executive Director)	2010	229,357	-	138,127	-	-	20,643	2,584	390,711
Richard Hacker (Chief Financial Officer)	2010	206,422	2,555	-	-	-	18,578	3,256	230,811
Harry Wilhelmij (In-country Manager)[1]	2010	-	-	-	-	-	-	-	-

[1] Mr. Wilhelmij commenced employment on 18 August 2010.

[2] The value of Dr Jones' options has been calculated using a binomial option pricing model at the date of shareholder approval for the award of the options (November 16, 2009). If the options issued to Dr Jones' was valued at the date of the announcement to ASX (as opposed to the actual date of approval) the value would have been $441,536.

Incentive Plan Awards

Outstanding Option-Based and Share-Based Awards

The following table sets out, for each Named Executive Officer, information concerning all option-based and share-based awards outstanding as at June 30, 2010.

	Option-based Awards				Share-based Awards	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price (A$)**	**Option expiration date**	**Value of unexercised in-the-money options (A$)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested (A$)**
Timothy Goyder (Executive Chairman)	2,000,000	0.25	March 21, 2011	280,000	-	-
Dr Douglas Jones (Managing Director and Chief Executive Officer)	1,250,000 1,250,000	0.35 0.45	March 31, 2014 March 31, 2014	50,000	-	-
Michael Griffiths (Executive Director)	750,000	0.50	September 1, 2012	-	-	-
Richard Hacker (Chief Financial Officer and Company Secretary)	500,000	0.20	July 31, 2013	95,000	-	-
Harry Wilhelmij (In-country Manager)	-	-	-	-	-	-

Value Vested or Earned During the Year

The following table sets out, for each Named Executive Officer, information concerning the value of incentive plan awards–option-based and share-based awards as well as non-equity incentive plan compensation vested or earned during the financial year ended June 30, 2010.

Name	Option-based awards – Value vested during the year (A$)	Share-based awards – Value vested during the year (A$)	Non-equity incentive plan compensation – Value earned during the year (A$)
Timothy Goyder (Executive Chairman)	-	-	-
Dr Douglas Jones (Managing Director and Chief Executive Officer)	741,062	-	-
Michael Griffiths (Executive Director)	138,127	-	-
Richard Hacker (Chief Financial Officer and Company Secretary)	2,555	-	-
Harry Wilhelmij (In-country Manager)	-	-	-

Superannuation (Pension Plan) Benefits

The Company pays superannuation benefits of 9% to private superannuation funds for all Australian based employees in accordance with Australian statutory requirements.

Termination and Change of Control Benefits

The following table outlines the termination and change of control benefits present within each employment agreement for each of the Named Executive Officers of Chalice:

	Termination Benefits	**Change of Control Benefits**
Timothy Goyder (Executive Chairman)	Mr. Goyder' employment agreement may be terminated by the Company or Mr. Goyder upon giving three months notice.	In the event that there is a Change of Control of the Employer that takes place during the Term, the Employer and the Employee shall each have the right to terminate this Agreement and upon such termination (and irrespective of who gives notice of such termination) the Employee shall be entitled to be paid all accrued benefits plus a full 12 months of Annual Salary.
Dr Douglas Jones (Managing Director and Chief Executive Officer)	Dr Jones' employment agreement may be terminated by the Company or Dr Jones upon giving three months notice.	In the event that Chalice is taken over or enters into a scheme of arrangement whereby 100% of its issued capital is held by one party (or a series of parties, persons or entities "associated with each other" as that term is used in the Corporations Act) and if Dr Jones is not offered a position of near equal standing to Dr Jones' position in Chalice in the new entity on terms and conditions generally no less favorable than the existing terms and conditions of Dr Jones' employment with Chalice, then Dr Jones has the election, but not the obligation, to terminate his services to Chalice and by way of severance to receive a payment equal to 12 months salary then applying.
Michael Griffiths (Executive Director)	Mr. Griffiths' employment agreement may be terminated by the Company or Mr. Griffiths upon giving three months notice.	Nil
Richard Hacker (Chief Financial Officer and Company Secretary)	Mr. Hacker's employment agreement may be terminated by the Company or Mr. Hacker upon giving one months notice.	Nil
Harry Wilhelmij (In-country Manager)	Mr. Wilhelmij's employment agreement may be terminated by the Company or Mr. Wilhelmij upon giving three months notice.	Nil

Non-executive Directors

The table below sets forth all annual and long term compensation for services rendered in all capacities to Chalice for the financial year ended June 30, 2009 in respect of the non-executive directors:

Name	Salaries and Fees earned (A$)	Share-based awards (A$)	Option-based awards (A$)	Non-equity incentive plan compensation (A$)	Pension (Superannuation) value (A$)	All other compensation (A$)	Total (A$)
Anthony Kiernan(1)	33,027	-	-	-	2,973	3,062	117,341
Stephen Quin	5,833	-	-	-	-	487	6,320

(1) Mr. Kiernan provided consultancy and legal services to the Company during the year and was paid A$81,000 for such services.

Outstanding Option-Based and Share-Based Awards

The following table sets out, for each non-executive director, information concerning all option-based and share-based awards outstanding as of June 30, 2010.

	Option-based awards				Share-based awards	
Name	Number of securities underlying unexercised options (#)	Option exercise price (A$)	Option expiration date	Value of unexercised in-the-money options (A$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (A$)
Anthony Kiernan (Non-executive Director)	500,000	0.25	March 21, 2011	-	-	-
Stephen Quin (Non-executive Director)	-	-	-	-	-	-

(1) Subject to Shareholder approval, Mr. Stephen Quin (who was appointed to the board on May 3, 2010) will be issued 750,000 options expiring April 30, 2014 as follows:

Tranche 1: 187,500 options with an exercise price of A$0.55, vesting on issue;
Tranche 2: 187,500 options with an exercise price of A$0.65, vesting on April 30, 2011;
Tranche 3: 187,500 options with an exercise price of A$0.75, vesting on April 30, 2012; and
Tranche 4: 187,500 options with an exercise price of A$0.75, vesting on April 30, 2013.

Value Vested or Earned During the Year

The following table sets out, for each non-executive director, information concerning the value of incentive plan awards—option-based and share-based awards as well as non-equity incentive plan compensation—vested or earned during the financial year ended June 30, 2010.

Name	Option-based awards – Value vested during the year (A$)	Share-based awards – Value vested during the year (A$)	Non-equity incentive plan compensation – Value earned during the year (A$)
Anthony Kiernan (Non-executive Director)	-	-	-
Stephen Quin (Non-executive Director)	-	-	-

Additional Information regarding Directors and Executive Officers

Corporate cease trade orders, bankruptcies, penalties or sanctions

To the Company's knowledge, none of the directors or executive officers of Chalice is, or has been within the ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

(i) was subject to a cease trade or similar order or an order that denied such company access to any statutory exemptions under securities legislation, for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade or similar order or an order that denied such company access to any statutory exemptions under securities legislation, for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the Company's knowledge, none of the directors or executive officers of Chalice, or no Shareholder holding a sufficient number of securities of Chalice to affect materially the control of Chalice is, or has been within the ten years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the Company's knowledge, none of the directors or executive officers of Chalice or a Shareholder holding a sufficient number of securities of Chalice to affect materially the control of Chalice, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court, or regulatory body that would likely be considered important to a reasonable investor in making an investment decision with the exception of Mr. Stephen Quin, a director of Bear Lake Gold Ltd., which was party to a settlement agreement that was approved by the Ontario Superior Court of Justice on August 10, 2010. The settlement agreement provides for the settlement, release and dismissal of all claims asserted by the plaintiffs thereto against Bear Lake Gold Ltd. and the individual proposed defendants and does not in any way contain or constitute any admission of liability by Bear Lake Gold Ltd. or its officers, directors or employees.

To the Company's knowledge, none of the directors or executive officers of Chalice or a Shareholder holding sufficient securities of Chalice to affect materially the control of Chalice, or a personal holding company of any such persons has, within the ten years before the date of this AIF become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted and proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

Conflicts of interest

To the best of Chalice's knowledge, there are no known existing potential conflicts of interest among Chalice, its directors, officers or other members of management of Chalice as a result of their outside business interests as at the date hereof. However, certain of the directors, and officers and other members of management serve as directors, officers, and members of management of other public resource companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Chalice. The directors and officers of Chalice have been advised of their obligations to act at all times in good faith in the interest of Chalice and to disclose any conflicts to Chalice if and when they arise.

Indemnification and insurance

The Company has agreed to indemnify all the directors and against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company also pays insurance premiums in respect of directors and officer's indemnity insurance contracts, for current and former directors and officers. The insurance premiums relate to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the Company's directors or executive officers, nor any associate of such director or executive officers is indebted to Chalice or has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by Chalice or any of its subsidiaries**.**

RISK FACTORS

The exploration for and development of natural resources is a speculative activity that involves a high degree of financial risk. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the business, prospects, financial condition and/or operating results of the Company and consequently on the value and/or market price of the Shares. The risks noted below do not necessarily comprise all those faced by the Company.

Mining Risks

Mineral exploration and exploitation involves a high degree of risk, which cannot be fully mitigated, even with a combination of experience, knowledge and careful evaluation. While the discovery of a mineral deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Substantial expenditures may be required to locate and establish mineral reserves and resources, to develop metallurgical processes to extract the metal from the material processed and to construct mining and processing facilities and infrastructure at a particular site. It is impossible to ensure that the exploration programs in progress or planned by the Company or its joint venture partners will result in a profitable commercial mining operation. Even where commercial quantities of ore are discovered, there can be no assurance that a property will be brought into commercial production or that the funds required to exploit mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and metallurgy of the particular ore-body; proximity to infrastructure; metal prices, which can fluctuate widely; currency fluctuations; financing costs; production costs; and government regulations and any further changes thereto, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination of these factors could make a deposit uneconomic and/or may result in the Company not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for, and development and production of gold, including unusual and unexpected geologic formations, formation pressures, seismic activity, rock bursts, fires, power outages, labour disruptions, cave-ins, landslides, flooding, explosions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. In addition, operations could be materially adversely affected by the inability to obtain adequate machinery and parts, equipment or labour.

All of the foregoing factors are beyond the control of the Company. There can be no assurance that the Company's mineral exploration and development activities will be successful and the occurrence of any of the foregoing factors could have a material adverse effect on the Company's business, prospects, financial condition and operating results. In the event that commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

Exploration, Development and Operational Risks

The success of the Company will be dependent on many factors including: the discovery and/or acquisition of mineral reserves and mineral resources; the successful conclusions to feasibility and other mining studies; access to adequate capital for project development and sustaining capital; design and timely construction of efficient mining and processing facilities within capital expenditure budgets; the securing and maintaining of title to tenements; obtaining permits, consents and approvals necessary for the conduct of exploration and potential mining operations; complying with the terms and conditions of all permits, consents and approvals during the course of exploration and mining activities; access to competent operational management and prudent financial administration, including the availability and reliability of appropriately qualified employees, contractors and consultants; the ability of the mining contractors to keep to budget; the ability to procure major equipment items and key consumables in a timely and cost-effective manner; the ability to access full power supply; and the extent and disruption of the rainy season.

The Company's profitability will depend, in part, on the actual economic returns and the actual costs of developing mines, which may differ significantly from the estimates made by the Company. Delays in the construction and commissioning of mining projects or other technical difficulties may result in the Company's current or future projected target dates for production being delayed or further capital expenditure being required. Any delay in the development of a project or cost overruns or operational difficulties once the project is fully developed may have a material adverse effect on the results of the Company.

In common with all new mining operations, there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in laboratory conditions. Feasibility studies derive estimates of expected or anticipated project economic returns. These estimates are based on a number of assumptions including: future gold and other metal prices; anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; anticipated recovery rates of gold and other metals from the ore; anticipated capital expenditure and cash operating costs; and the anticipated return on investment. Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates. The costs, timing and complexities of mine development and construction can increase because of the remote location of many mining properties. New mining operations could experience unexpected problems and delays during development, construction and mine start-up. There can be no assurance that the Company will be able to complete development of any of its mineral projects at all or on time or on budget due to, among other things, and in addition to those factors described above, changes in the economics of the mineral projects, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur, it could have a material adverse effect on the Company's business, prospects, financial condition and operating results.

Uncertainty in the Estimation of Mineral Resources and Mineral Reserves

The inclusion of mineral resource or reserve estimates in this AIF should not be regarded as a representation that these amounts can be economically exploited and no assurances can be given that any resource estimates will be converted into reserves. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that these estimates will be accurate, or that the mineralization could be mined or processed profitably.

There is a degree of uncertainty to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral and reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices and currency exchange rates. The mineral reserve estimates of the Company have been determined based on assumed gold prices, cut-off grades and costs that may prove to be inaccurate. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale tests under on-site conditions or during production.

Fluctuation in gold prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's business, prospects, financial condition and operating results.

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Uncertainty Relating to Production Estimates

The Company intends to prepare estimates of future production and future production costs for particular operations. No assurance can be given that production estimates will be achieved. These production estimates are based on, among other things, the following factors: reserve estimates; assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; and estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes. Failure to achieve production estimates could have a material adverse impact the Company's business, prospects, financial condition and operating results.

Additional Funding and Dilution

The Company makes, and will continue to make, substantial capital expenditures related to exploration activities, development and production. Historically, the Company has financed these expenditures with offerings of its equity securities. The Company will have further capital requirements to the extent it decides to expand its exploration activities, develop future mining operations, or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it or which it may become aware of. In addition, the Company may incur major unanticipated liabilities or expenses. The Company's access to capital is largely determined by the strength of commodity prices, the state of the capital markets, the status of the Company's projects in relation to other resource companies, and its ability to compete for investor support of its projects. In addition, the location of the Company's properties in developing countries may make it more difficult for the Company to obtain debt financing from senior lenders. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner on acceptable terms, if at all. Any failure of the Company to obtain required financing on acceptable terms could have a material adverse effect on the Company's business, prospects, financial condition and operating results and could cause the Company to cancel or postpone planned capital investments, forfeit all or parts of its interest in some or all of its properties or joint ventures and reduce or terminate its operations.

If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of Shareholders in the net assets of the Company may be diluted.

Future Capital Requirements

The estimated capital expenditure requirement for the Zara Project is approximately US$122M. The exact capital expenditure will not be known until further studies have been undertaken.

The Company's continued access to capital, through project financing or through credit facilities or other arrangements with acceptable terms is necessary for the success of its growth strategy. The Company's attempts to secure the necessary capital may not be successful, on favourable terms, or at all. Market conditions and other factors may not permit future project and acquisition financings on terms favourable to the Company. The Company's ability to arrange financing on favourable terms, and the costs of such financing, are dependent on numerous factors, including general economic and capital market conditions, investor confidence, the continued success of current projects, the credit quality of the projects being financed, the political situation in the state in which the project is located and the continued existence of tax laws which are conducive to raising capital. If the Company is unable to secure capital through credit facilities or other arrangements, the Company may have to finance its projects using equity financing which will have a dilutive effect on existing Shares. Any of these alternatives could have a material adverse effect on the Company's growth prospects and financial condition.

Government Regulation

The Company's mineral exploration, development and production activities are subject to various laws and regulations governing prospecting, mining, development, royalties, permitting and licensing requirements, production, taxes, labour standards and occupational health, mine safety, protection of the environment, toxic substances, land use, water use, land claims of local people and other matters. Although the Company's exploration and development activities are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or production.

The mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals, licenses and permits are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company or its joint venture partner from continuing or proceeding with existing or future operations or projects.

Failure to comply with applicable laws, regulations and permitting requirements, even if inadvertent, may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. There can be no assurance that compliance with these laws and regulations or changes thereto or the cost of rehabilitation of site operations which have been closed down or the failure to obtain necessary approvals, permits or licenses or successful challenges to the grant of such approvals, permits or licenses will not materially adversely affect the Company's business, prospects, financial condition, and operating results.

Amendments to current laws and regulations or fiscal tax regimes governing operations or more stringent implementation thereof could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties or reduction in the profitability of operations.

Risks Relating to International Operations

The Company's principal asset, being the Zara Project, is located in Eritrea, East Africa.

The Company and its subsidiaries' only significant assets and operations are subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, expropriation, nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, taxation policies, border disputes, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts of its choice.

The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Eritrea and Political Risk

The Company's activities are subject to sovereign risks, which may impede the Company's activities or result in the impairment or loss of part or all of the Company's interest in the properties. These risks and uncertainties vary from time to time and include such matters as terrorism, hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labor unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

The Company's principal asset is situated in Eritrea, East Africa which has historically been exposed to civil and political unrest. In particular, Eritrea has had a long ongoing border dispute with its neighbouring Ethiopia and more recent disputes with Djibouti and Somalia. The disputes with Djibouti and Somalia have resulted in Eritrea being subject to sanctions imposed by the United Nation's Security Council. In resolutions adopted in January and December of 2009, the Security Council imposed an arms embargo on Eritrea and a travel ban and an assets freeze on Eritrean political and military leaders who violated the embargo or provided support to armed opposition groups.

In 2009 one employee and two sub-contractors to the Company were killed in a roadside ambush some 100 kilometres from the Company's operations at the Zara Project. Chalice is not aware of the reason or reasons for this incident, nor whether a person or group has claimed responsibility.

Changes, if any, in mining or investment policies or shifts in political attitude in Eritrea or any other relevant jurisdiction in which the Company operates may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restriction on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interest. The occurrence of these various factors and uncertainties cannot be predicted and could have an adverse effect on the Company's operations or profitability in varying degrees.

Property Interests

The operations of the Company require licenses, permits and in some cases renewals of existing licenses and permits from various governmental authorities. Management believes that the Company currently holds or has applied for all necessary licenses and permits to carry on the activities that it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that the Company is complying in all material respects with the terms of such licenses and permits. No guarantee can be given that the Company will be in a position to comply with all such conditions and obligations. In addition, the Company's ability to obtain, sustain or renew such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental authorities.

Furthermore, while it is common practice that permits and licenses may be renewed or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed.

There can be no assurance that the Company's rights to its properties are valid and exist as set out in this AIF and will not be challenged by third parties claiming an interest in the property. Any property may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or governmental actions.

Eritrean Government Interest

On November 15 2010, the Eritrean Government has advised its intention to purchase, at fair value, a 30% paid participating interest in the Koka Gold Deposit through the Eritrean National Mining Corporation (ENAMCO). This paid participating interest is in addition to ENAMCO's 10% carried interest.

The method and timing of the valuation to determine the fair value is expected to follow the precedent set by the Bisha Project, held 60% by Nevsun Resources Limited (TSX:NSU) and 40% by ENAMCO. In the event the Company and ENAMCO are unable to agree the fair value, a mutually acceptable independent valuer will be appointed to determine the fair value. ENAMCO will be required to contribute its proportionate share of project development and capital expenditure.

Acquisition of Additional Mineral Properties

If the Company loses or abandons its interest in one or more of its properties, there is no assurance that it will be able to acquire other mineral properties of merit, whether by way of option or otherwise, should the Company wish to acquire any additional properties.

To sustain or increase the current mineral reserves and mineral resources, further reserves and resources must be identified. Any gold exploration program entails risks relating to the location of ore bodies that are economically viable to mine, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, licenses and consents and the construction of mining and processing facilities at any site chosen for mining. No assurance can be given that any exploration program will result in the discovery of new reserves or resources or the expansion of existing reserves or resources will be successful.

In addition, life-of-mine estimates are estimates only and may not be correct. The Company's ability to maintain or increase its annual production of gold in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral reserves at existing mines.

Environmental Regulations

The Company's activities are subject to environmental laws and regulations in the various jurisdictions in which it operates which may materially adversely affect its future operations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste, the protection of different species of plant and animal life, and the preservation of lands. These laws and regulations require the Company to acquire permits and other authorizations for certain activities. There can be no assurance that the Company will be able to acquire such necessary permits or authorizations on a timely basis, if at all. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required.

Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and senior officers, consultants and employees, whose expertise and experience the Company considers to be very valuable. The Company depends on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. In addition, as the Company's business develops and expands, the Company believes that its future success may depend on its ability to attract and retain other highly skilled and qualified personnel, and there can be no assurance that the Company will be able to do so.

The Company requires specialist skills such as geologists, mining engineers, metallurgical engineers, electrical and mechanical engineers, financial accountants, human resource managers and procurement staff to conduct exploration and development at its other properties. At this time there is significant competition for these skills within the mining industry and there can be no assurance that the Company will be able to recruit and retain suitably qualified and experienced personnel.

Conflicts of Interest

Certain directors and officers of the Company are or may become associated with other natural resource companies which may give rise to conflicts of interest. Such other companies may also compete with the Company for the acquisition of mineral property rights. In addition, certain directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers.

Title to Properties

Title to, and the area of, the Company's properties may be challenged or impugned and title insurance is generally unavailable. The Company does not carry title insurance on its properties. No assurances can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration authorizations of the Company and that such exploration authorizations will not be challenged or impugned by third parties. The Company can never be certain that it will have valid title to its mineral properties. While the Company has applied for rights to explore various properties, and may also do so in the future, there is no certainty that such rights will be granted or granted on terms satisfactory to the Company. Local mining legislation of certain countries in which the Company operates requires the Company to grant to the government an interest in the Company's property rights. In addition, the properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law are often complex. A successful claim that the Company does not have title to a property could cause the Company to lose its rights to that property, perhaps without compensation for its prior expenditures relating to the property.

Infrastructure

Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Company's inability to secure adequate water and power resources, as well as other events outside of its control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could materially adversely affect the Company's business, prospects, financial condition, and operating results.

Insurance and Uninsurable Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, rock bursts, ground or slope failures, cave-ins, fires, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes and other environmental occurrences. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with its operations. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect the Company's business, prospects, financial condition, and operating results.

Gold Prices

The development and success of any project of the Company will be primarily dependent on the future price of gold. The Company is exposed to price risk as its future revenues will be based on a contract with a physical off-take partner at prices that will be determined by reference to market prices of gold at the delivery date. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, consumption patterns, sales of gold, forward sales by producers, production, industrial and consumer demand, speculative activities, stability of exchange rates and political and economic conditions. The price of gold has fluctuated widely in recent years, and future price declines could cause any future development of and commercial production from the Company's properties to be impracticable. Depending on the price of gold, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue any development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on gold prices that are adequate to make these properties economic.

Furthermore, reserve calculations and life-of-mine plans using significantly lower gold prices could result in material write-downs of the Company's investment in mining properties and increased amortisation, reclamation and closure charges.

In addition to adversely affecting the Company's possible future reserve estimates and its financial condition, declining gold prices may impact operations by requiring a reassessment of the feasibility of a particular project.

Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Commodity Hedging

The Company's earnings are proposed to be derived from the mining and sale of gold and are therefore related to the market price of gold. The performance of a gold mining company's share price may, but will not necessarily, exhibit a correlation with the price of gold.

Currently the Company does not have a policy to hedge future commodity sales. If put into place, there is no assurance that a commodity hedging program designed to reduce the risk associated with fluctuations in commodity prices will be successful. Hedging may not protect adequately against declines in commodity prices. Although hedging may protect the Company from a decline in gold prices, it may also prevent the Company from benefiting fully from price increases. In addition, the Company may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price for the commodity.

It would be the current intention of the board of directors only to hedge the Company's gold sales, if and to the extent allowed or required by the terms of any current of any future financing arrangements.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies and individuals, including companies possessing greater financial, technical and other resources than itself with respect to the discovery and acquisition of interests in mineral properties, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. As a result, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. There can be no assurance that the Company will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. There is no assurance that the Company will be able to compete successfully with others in acquiring such properties or prospects. If the Company is not able to acquire such interests, this could have a material adverse impact on its business, prospects, financial condition, and operating results.

Recent increases in commodity prices have encouraged increases in exploration, development and construction activities, which have resulted in increased demand for, and cost of, exploration, development and construction services and equipment (including mining fleet equipment). Increased demand for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and could increase potential scheduling difficulties and costs due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs or result in project delays or both. Any such material increase in costs would adversely affect the Company's business, prospects, financial condition, and operating results.

Expected Continued Operating Losses

The Company has a history of losses and there can be no assurance that the Company will ever be profitable. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

The Company expects to continue to incur losses unless and until such time as it increases production, including by commencing production at additional properties, and generates sufficient revenues to fund its continuing operations.

The development of the Company's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that the Company will ever achieve profitability.

No History of Dividends

The Company has never paid a dividend on its Shares and does not expect to do so in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors and will depend upon the capital requirements of the Company, results of operations and such other factors as the board of directors considers relevant.

Share Price Volatility

Securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuation will not affect the price of the Company's securities after the listing, and the market price of the Shares may decline below the listing price.

In addition, in the past, following periods of volatility in the market price of a company's securities, Shareholders have on occasion instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm the Company's profitability and reputation.

Exchange Rate, Exchange Control and Export Restriction Risks

As Chalice's principal project is in Eritrea, the currency exchange rules and regulations of the Eritrean Government may have an impact on not only the repatriation of funds from the Zara Project, but in the overall investment in the country. The Government also controls the flow of plant and equipment into the country and taxation imposts (including customs or import duties) currently existing, may be varied.

As a number of the contracts for the development of the Zara Project are expressed in United States dollars, variations in the exchange rate as between the Australian dollar and the US dollar may have an impact on the costs payable under such contracts. Additionally, as gold is traditionally sold in US dollars this could also impact on the Australian equivalent as received in Australia.

Environmental Risks

Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations involving the protection and remediation of the environment and governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. In addition, there may be unforeseen environmental liabilities, inherent in its activities, such as accidental spills or leaks or other circumstances resulting from mining operations which could subject the Company to extensive liabilities, which may be costly to remedy. The Company cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and its results of operations.

Partner Risks

The Company's business strategy includes continuing to seek new joint venture opportunities where appropriate. In pursuit of such opportunities, the Company may fail to select appropriate joint venture partners or negotiate acceptable arrangements, including arrangements to finance such opportunities or, where necessary, integrate the acquired businesses and their personnel into the Company's operations. The Company cannot assure that it can complete any business arrangement that it pursues, or is pursuing, on favourable terms, or that any business arrangements completed will ultimately benefit the Company's business.

In addition, the Company's joint venture partners may not be willing or able to fulfil their legal obligations or to fund their share of future development. The Company may be materially adversely affected if it is unable to find or replace joint venture partners.

Legal and Litigation Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company may become subject could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Labour Risks

The Company believes that all of its operations have, in general, good relations with their employees. However, there can be no assurance that the Company's operations will not be affected by labour-related problems in the future, such as litigation for pay raises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in local countries of operation) will not materially adversely affect the results of operations or financial condition of the Company.

Risk of Payment Obligations

Under the exploration licenses and certain other contractual agreements to which the Company or its subsidiaries are or may in the future become party, the Company or its subsidiaries are or may become subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by such companies. The Company may not have, or be able to obtain, financing for all such obligations as they arise.

Growth Risks

The Company expects its growth will place significant demands on management and other resources and will require the Company to continue to develop and improve operational, financial and other internal controls. While the Company has in place personnel to manage the strategic, operational and expansion aspects of its operations, there can be no assurance that the Company will be able to continue to provide the necessary resources to support its growth. The Company's potential inability to manage its growth effectively may have a material adverse effect on its results of operations or financial condition.

Differing Rights and Obligations

Chalice is a public limited company incorporated under the laws of Australia. The rights and obligations of holders of Shares are governed by Australian law, including the Corporations Act and by Chalice's Constitution. These rights and obligations differ in certain respects from the rights and obligations of Shareholders in corporations governed by the Canadian federal or provincial statutes.

Enforceability of Civil Liabilities

Most of the Company's directors and officers reside outside of Canada. In addition, all of the assets of such persons, and all of the properties of the Company, are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon such persons and it may also not be possible to enforce against the Company and/or such persons judgements obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not subject to any legal proceedings material to Chalice to which Chalice or any of its subsidiaries is a party or of which any of Chalice's properties is the subject matter and no such proceedings are known to Chalice to be contemplated.

Regulatory Actions

No penalties or sanctions have been imposed against Chalice by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof, no other penalties or sanctions have been imposed by a court or regulatory body against Chalice and Chalice has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or principal holder of securities (as described under "*Principal Shareholders*") or any associate or affiliate of the foregoing has, or has had, any material interest in any transaction prior to the date hereof or any proposed transaction that has materially affected or will materially affect the Company or any of its affiliates, except as disclosed elsewhere in this AIF.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of Chalice is HLB Mann Judd, located at Level 4, 130 Stirling Street, Perth, WA 6000, Australia. HLB Mann Judd was appointed the Auditor of the Company in October 2005 and is independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants in Australia.

The Company's registrar and transfer agent in Australia is Computershare Investor Services Pty Limited , at Level 2, Reserve Bank Building, 45 St. Georges Terrace, Perth, WA 6000, Australia.

The Company's registrar and transfer agent in Canada is Computershare Investor Services Inc. at 100 University Avenue, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company or any of the Company's subsidiaries (i) during the financial year ended June 30, 2010, or (ii) before the beginning of the financial year ended June 30, 2010 but subsequent to December 31, 2001 and which are still in effect, or (iii) subsequent to June 30, 2010:

- joint venture agreement dated January 10, 2006 between Teck Cominco Australia Pty Ltd (now Teck Resources Limited) on the one hand and Bullion Minerals;
- option agreement dated June 17, 2010 between Chalice and Dragon Mining Limited (the "**Option Agreement**") relating to the acquisition by Chalice from Dragon Mining Limited of its wholly owned subsidiary, Dragon Mining, and its right, title and interest to the Zara Project;
- deed of trust dated March 17, 2010 made by Dragon Mining relating to the Zara Project exploration licenses; following the exercise of the Option Agreement, a sale and purchase agreement dated June 17, 2010 between Chalice and Dragon Mining Limited for the acquisition by Chalice from Dragon Mining Limited of its wholly owned subsidiary, Dragon Mining, and its right, title and interest to the Zara Project;

- an agreement between the Government of the State of Eritrea and Sub Sahara Resources (Eritrea) Limited for the grant of prospecting rights and license in Zara North dated August 19, 2009;

- an agreement between the Government of the State of Eritrea and Sub Sahara Resources (Eritrea) Limited for the grant of prospecting rights and license in Zara South dated August 19, 2009; and

- an agreement between the Government of the State of Eritrea and Dragon Mining (Eritrea) Ltd. for the grant of prospecting rights and license in the Zara Project dated April 20, 2000.

The material contracts described above, together with the Technical Report and any other documents regarding Chalice referred to in this AIF may be viewed on the Internet at www.sedar.com.

EXPERTS

The Company's auditor is HLB Mann Judd, who have prepared an independent auditor's report dated August 16, 2010 in respect of the Company's consolidated and parent company financial statements with accompanying notes as at and for the year ended June 30, 2010.

Certain information in this AIF of an economic, scientific or technical nature in respect of the mining projects of the Company are based upon the Technical Report. Each of the authors of the Technical Report is a "qualified person" for purposes of NI 43-101. AMC Consultants Pty Ltd is independent of the Company, as are each of the authors of the Technical Report within the meaning of NI 43-101. The authors of the Technical Report have reviewed the information in the AIF which relates to information contained in the Technical Report and have confirmed to the Company that the information presented is fair and accurate representation of information contained in the Technical Report.

As of the date hereof, to Chalice's knowledge, the experts named in this section beneficially own, directly or indirectly, in the aggregate, less than one percent of the Shares.

ADDITIONAL INFORMATION

Additional financial information is provided in the Company's 2010 Annual Report, which contains the Company's audited annual financial statements for the year ended June 30, 2010. Such documentation as well as additional information, including financial statements, relating to the Company may be found on SEDAR at www.sedar.com.

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