



Eritrea's Next Gold Miner



RIU Resources Round-up

May 2011

www.chalicegold.com

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- This presentation may contain value references and "forward looking statements" which are subject to various risks and uncertainties that could cause actual results and future events to differ materially from those expressed or implied by such statements. Investors are cautioned that such statements are not guarantees of future performance and results.
- This presentation does not include all available Information on Chalice Gold Mines Limited and should not be used in isolation as a guide to investing in the Company. Any potential investor should also refer to Chalice Gold Mines Limited Annual Reports and to ASX releases and take independent professional advice before considering investing in the Company.
- For further information about Chalice Gold Mines Limited, visit the website at www.chalicegold.com
- The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Chartered Professional Geologist. Dr Jones has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.
- The Mineral Resource estimate was prepared by Mr. John Tyrrell who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Tyrrell is a full time employee of AMC and has sufficient experience in gold resource estimation to act as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)'. Mr. Tyrrell consents to the inclusion of this information in the form and context in which it appears.
- The information in this statement of Ore Reserves is based on information compiled by Mr David Lee who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of AMC. Mr Lee has sufficient relevant experience to be a Competent Person as defined in the JORC Code. Mr Lee consents to the inclusion of this information in the form and context in which it appears.

Chalice Gold Mines – Project Overview

- A gold exploration & development company focused in Eritrea
- Value underpinned by the high-grade, low cost Zara Gold Project
 - *Feasibility completed, permitting underway*
 - *Open pit - 760,000oz Ore Reserve @ 5.1g/t Au*
 - *Average annual project production of 104,000oz over 7 year mine life*
 - *Low cash operating costs US\$338/oz*
 - *Eritrean Government to acquire 40% interest (30% contributing)*
- Significant exploration upside
 - *Located in the highly prospective and underexplored Arabian-Nubian Shield*
 - *1437 km² of granted tenements*
 - *Drilling underway to test IP targets in 'mine corridor'*
 - *Major regional exploration program underway*
 - *Extensive regional tenement applications*



Corporate Snapshot and Capability

ASX: CHN; TSX: CXN

Capital Structure

Share price	A\$0.41
Shares on issue	218 million
Market capitalisation	~A\$90 million
Options on issue	7 million
Debt	-
Cash	~A\$4 million

Share Price Movement



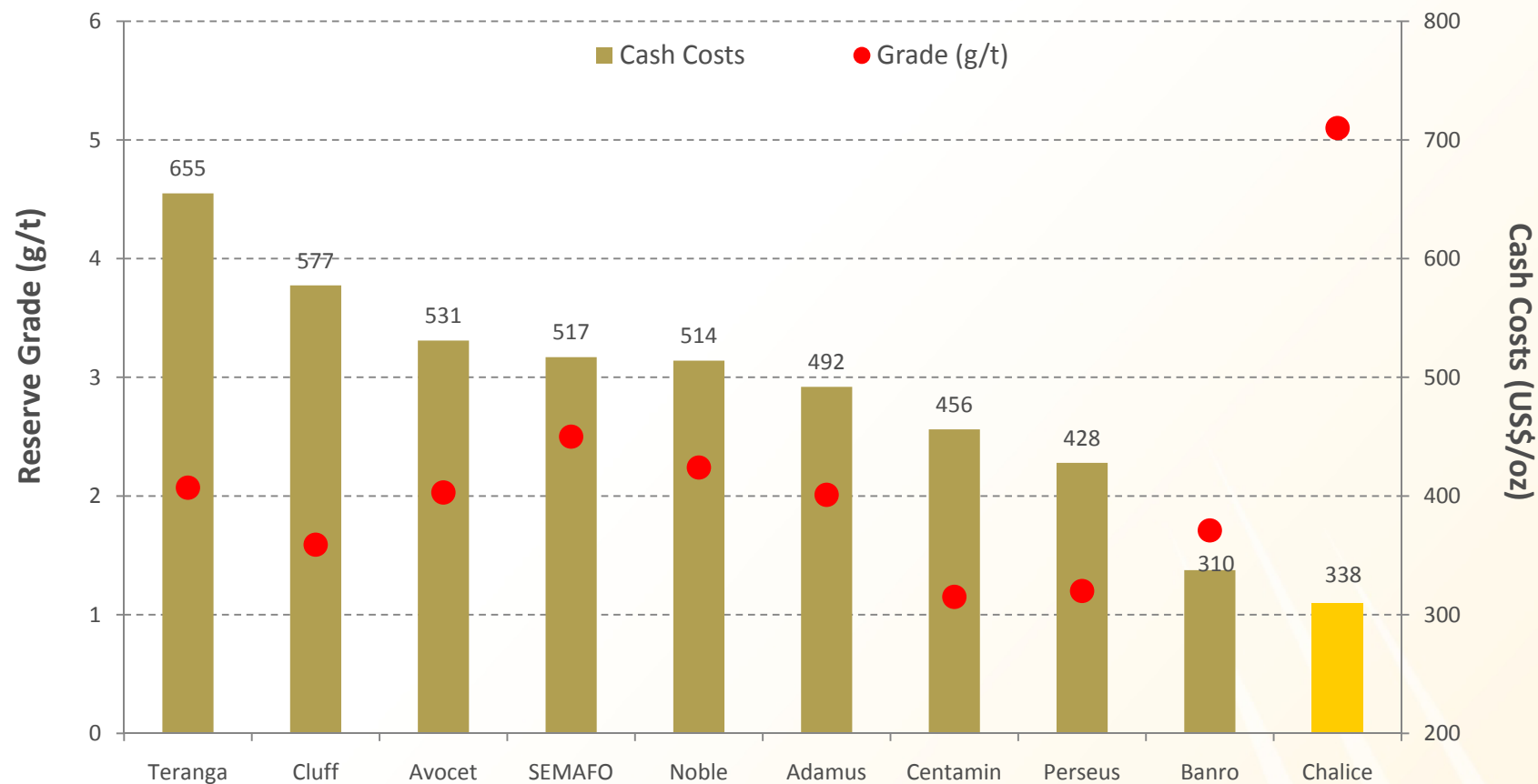
Board

- Tim Goyder *Executive Chairman*
- Dr Doug Jones *Managing Director*
- Mike Griffiths *Executive Director*
- Anthony Kiernan *Non-Executive*
- Stephen Quin *Non-Executive*

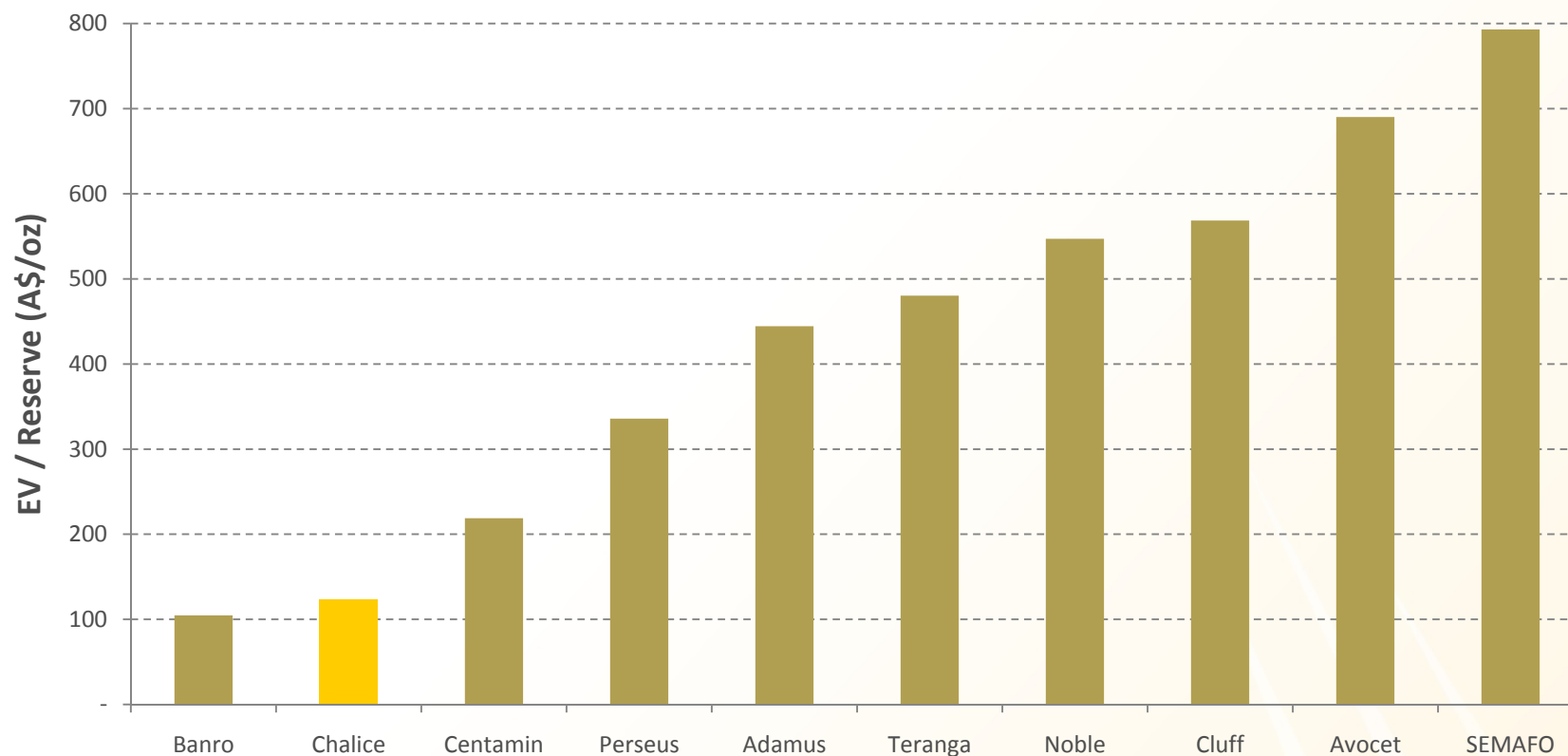
Substantial Shareholders

- Franklin Resources 14.8%
- Directors & Management 12.8%
- Lujeta Pty Ltd 7.4%
- Acorn Capital 4.7%
- City Securities 3.0%

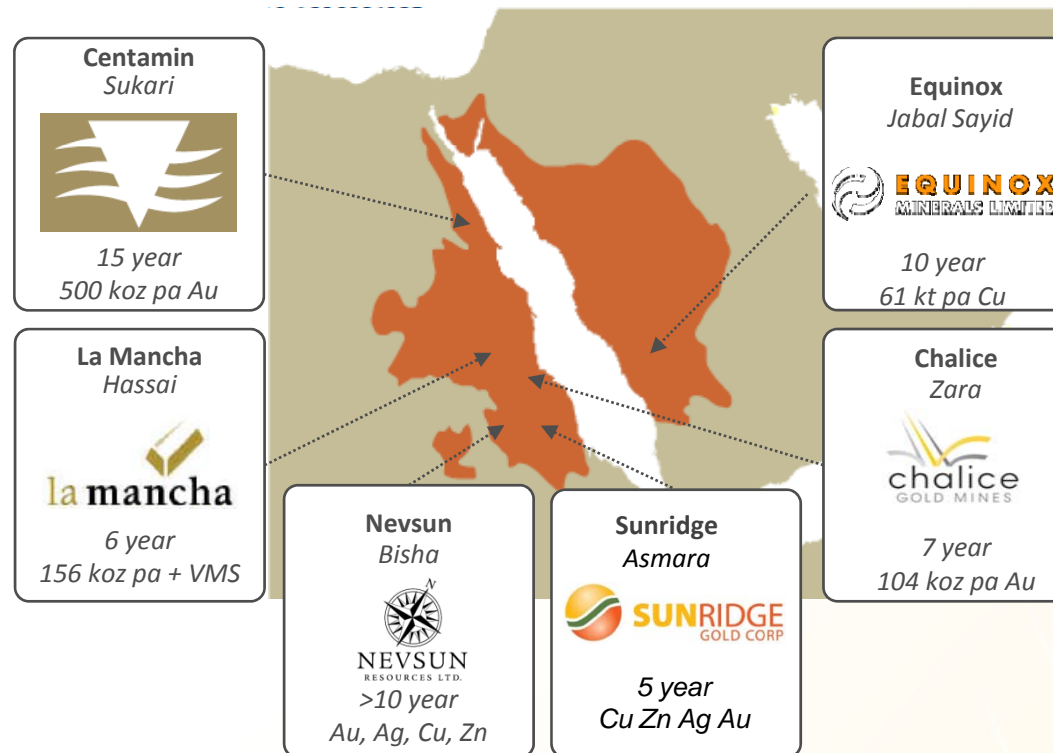
The Opportunity – by cash cost



Current Comparative Market Valuation

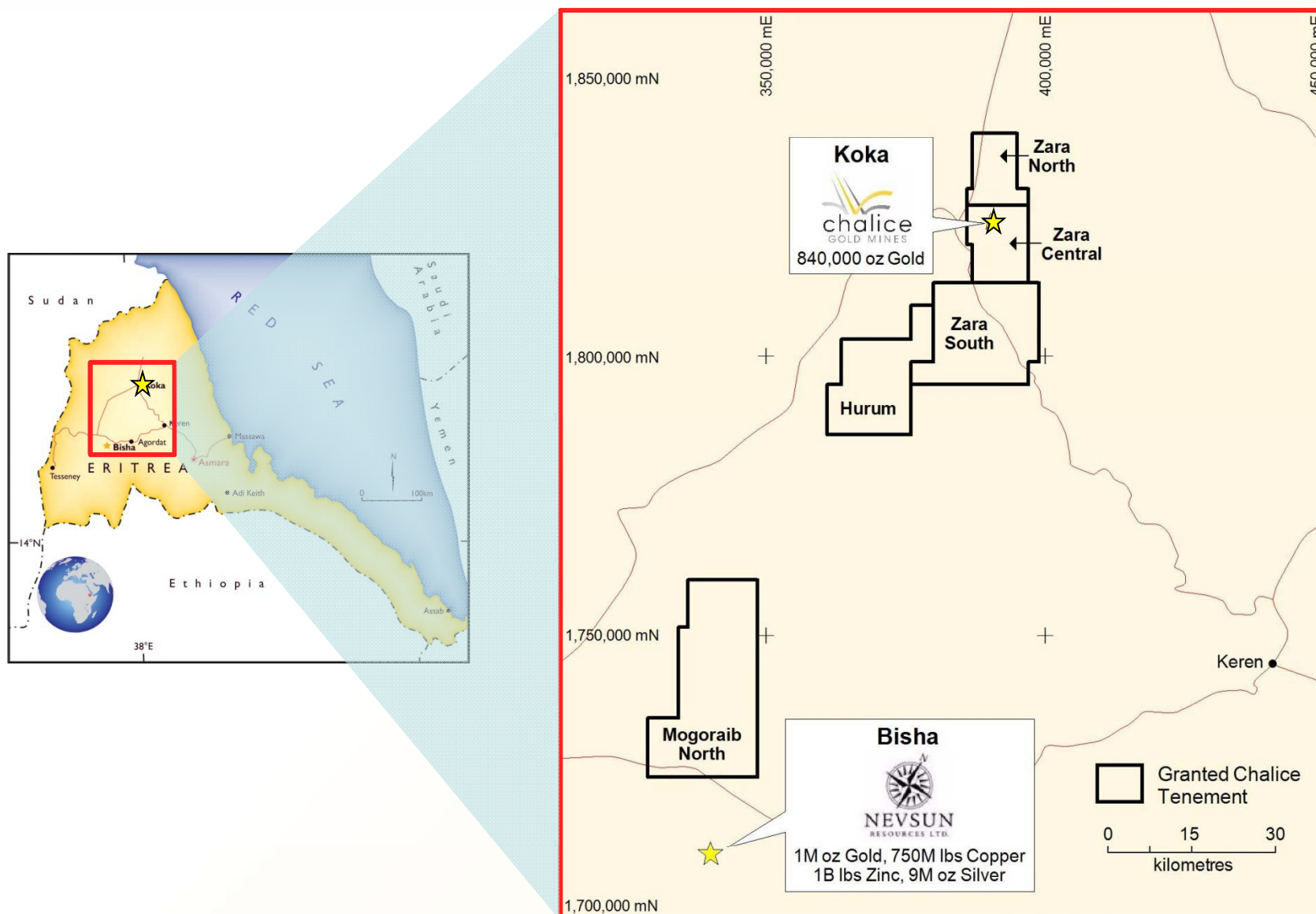


The Arabian-Nubian Shield



- The Zara Project is located within southern Arabian-Nubian Shield
 - **Current resources +20Moz gold**
 - **Over 1,000 recorded ancient copper and gold mines**
 - **Minimal modern exploration**
- World-class projects now being developed

Significant Ground Position



The Mine Site



Zara Valley



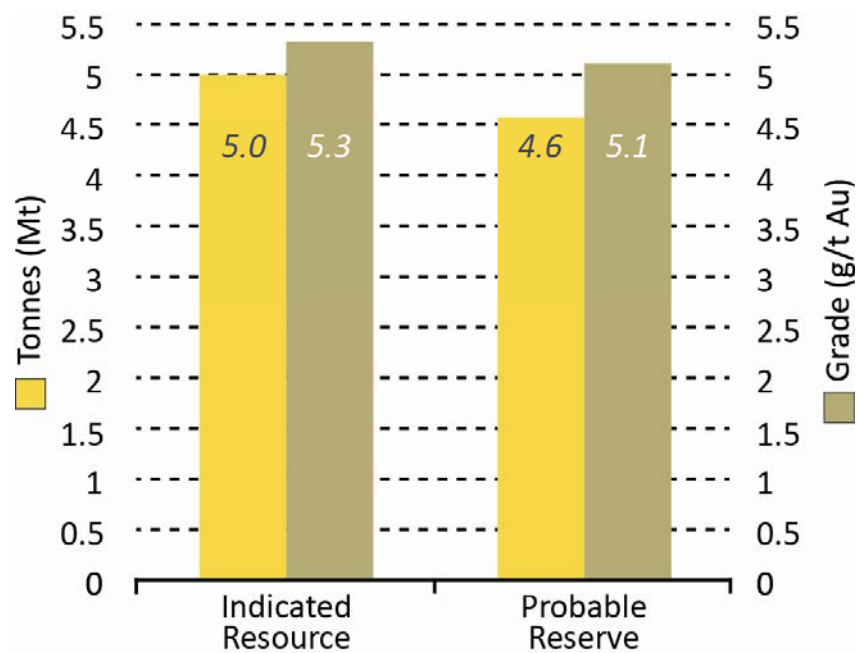
Exploration Camp



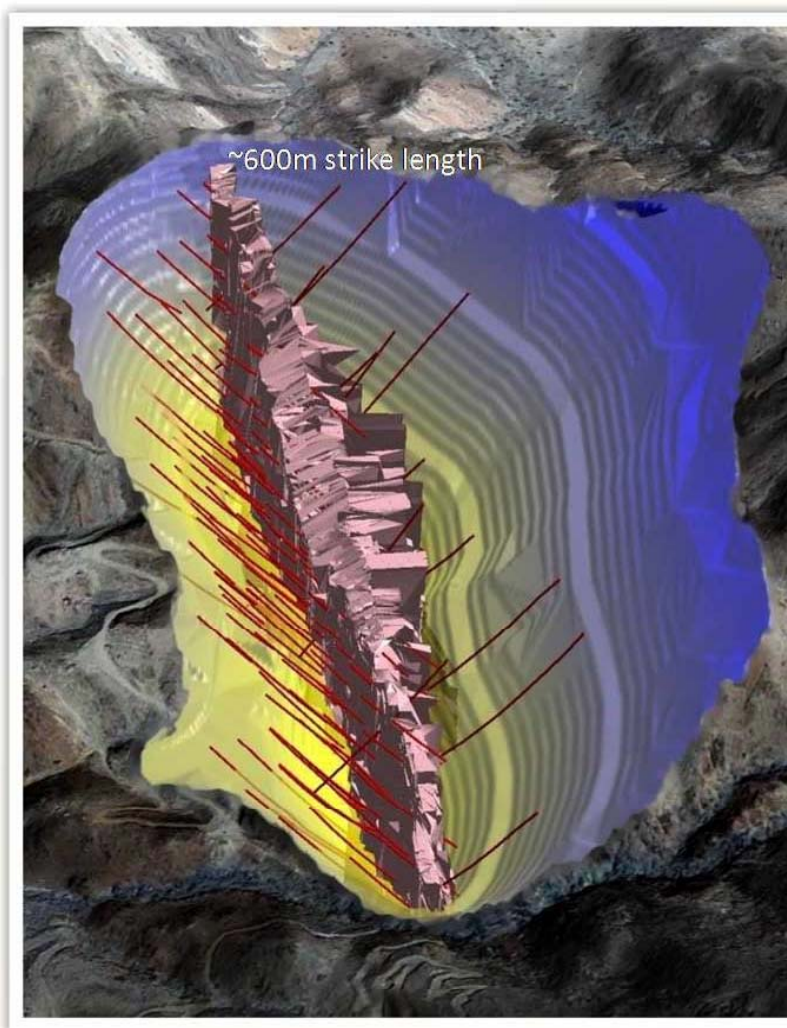
Exploration drilling at Koka Deposit

Koka Gold Deposit

- Indicated Resource of contained gold 840,000 Oz
- Probable Reserve of contained gold 760,000 Oz (within resource)



*Both based on 1.2 g/t cut-off



Koka Generates Significant Cash for Chalice (60%)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	
Revenue	31	113	100	83	73	61	62	61	585
Cash Costs	(19)	(23)	(23)	(22)	(23)	(17)	(16)	(8)	(150)
Royalties	(2)	(6)	(5)	(4)	(4)	(3)	(3)	(3)	(29)
Taxes	0	(15)	(18)	(13)	(18)	(16)	(17)	(20)	(116)
Total Net Chalice Cashflows (60%)	11	69	54	44	29	26	26	31	290

Assumptions:

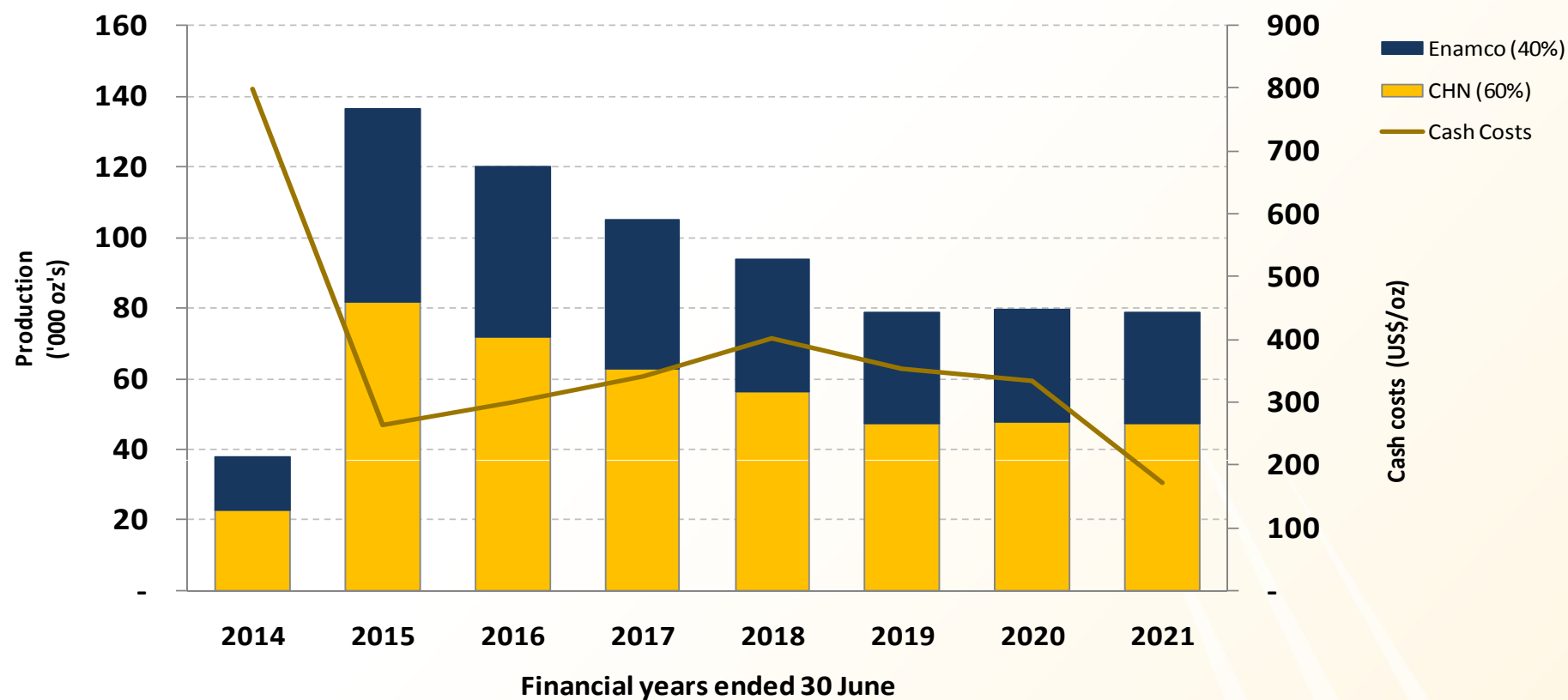
Chalice 60% share of cash flows

US\$ 1300 gold price

Uses 2010 Koka Feasibility Study

Financial years ended 30 June

Koka – Feasibility Study Production Profile

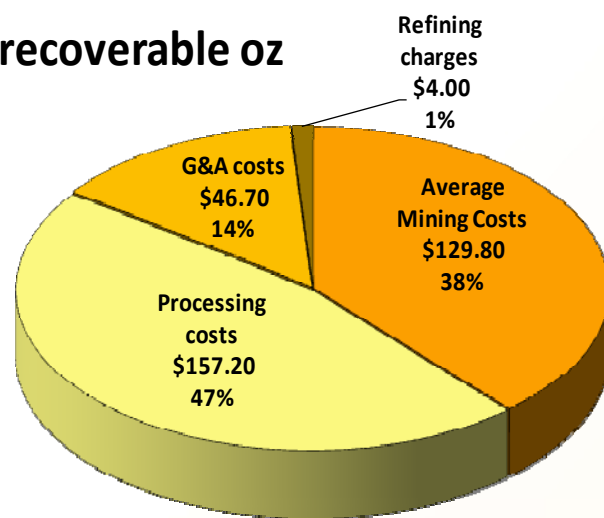


Koka – Feasibility Study Cost Profile

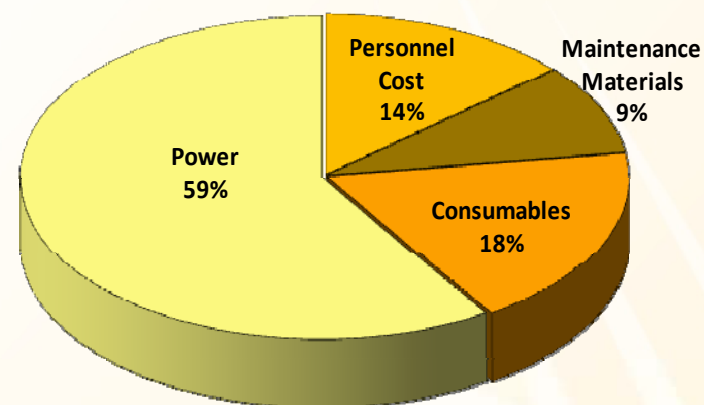
Operating Cost Estimates

Average mining costs (incl. pre-strip)	\$/t mined	2.01
Processing cost	\$/t milled	24.78
General and administration	\$/t milled	7.36
Refining charges	\$/t milled	0.63

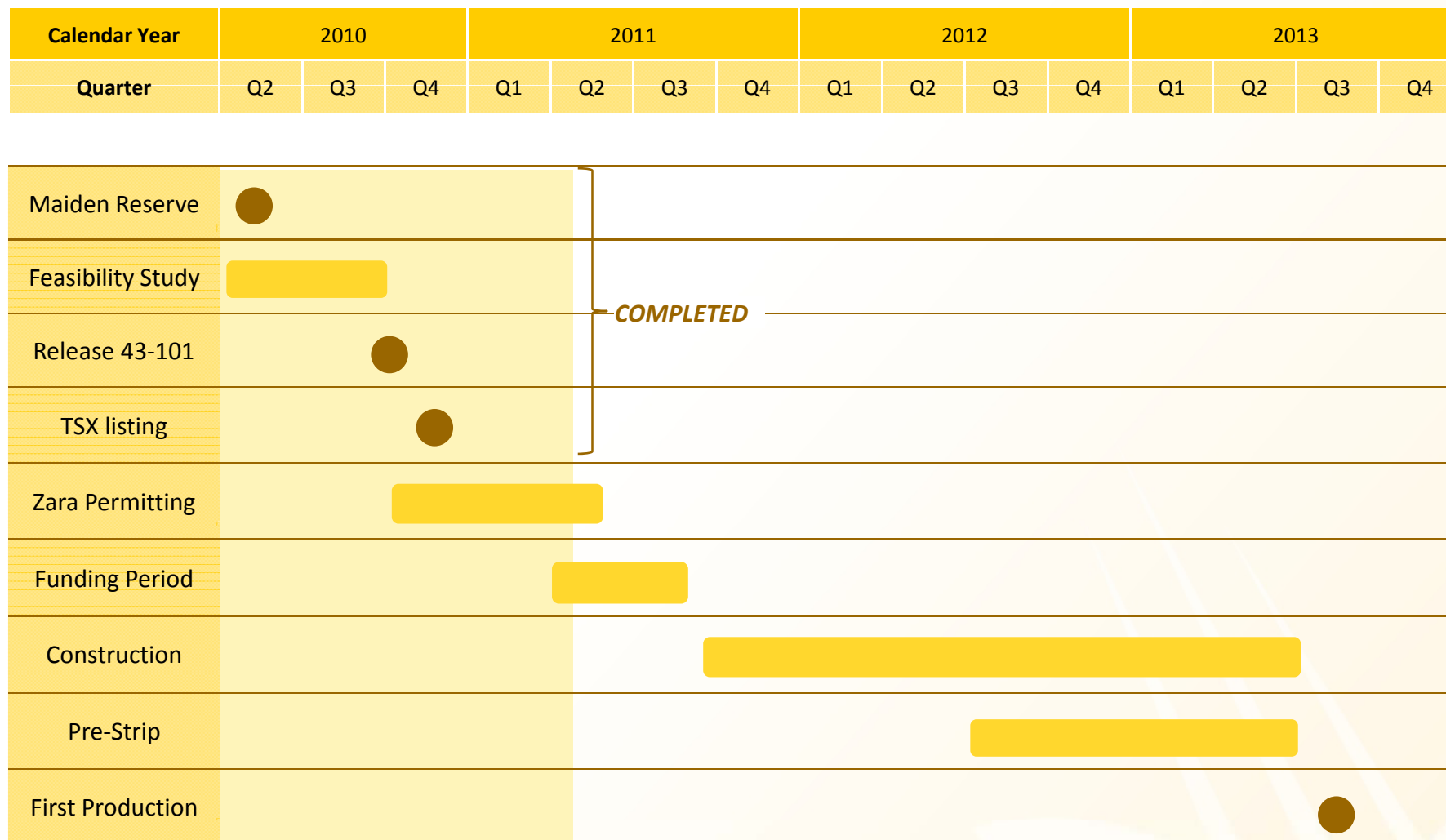
\$/recoverable oz



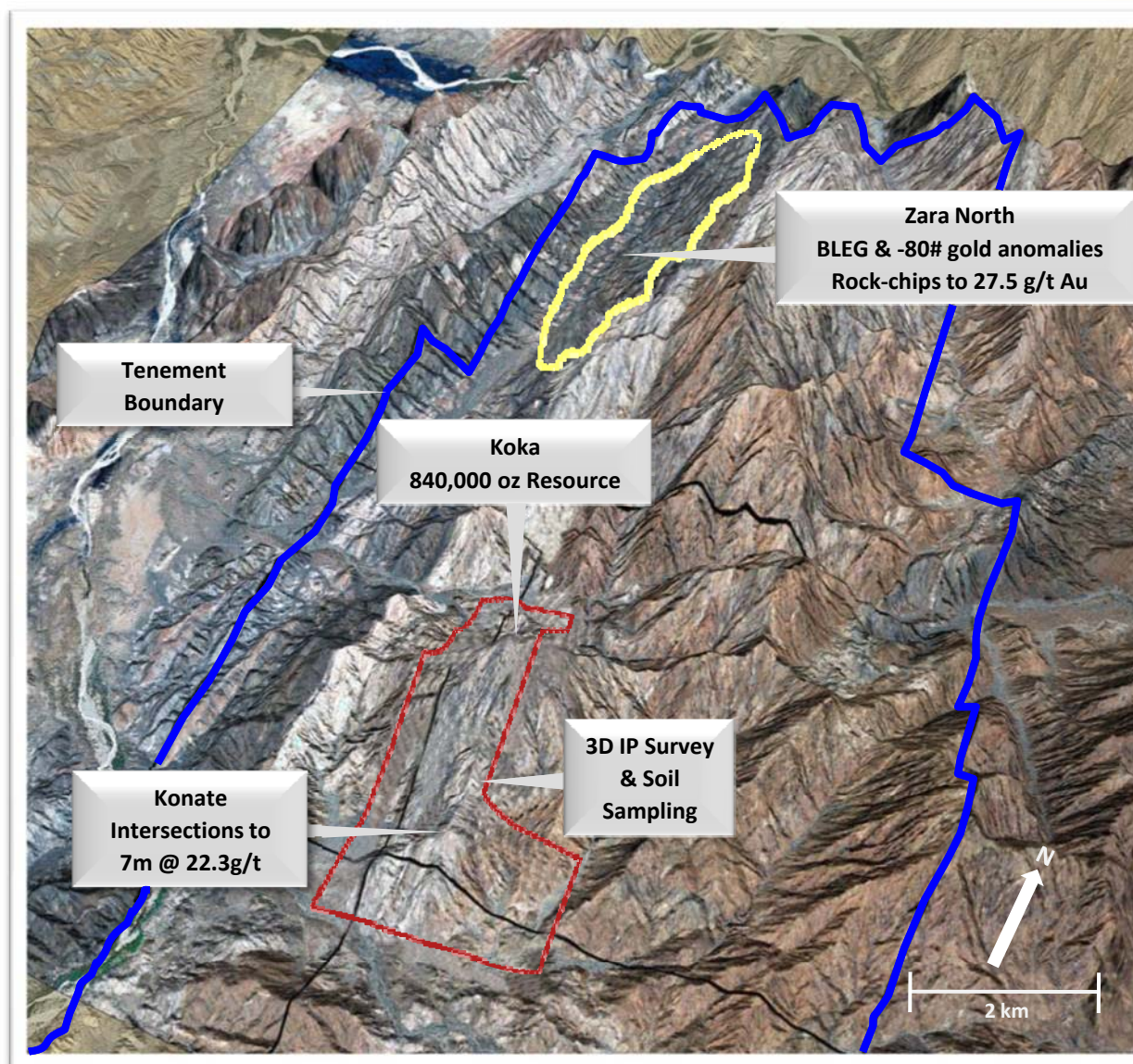
Processing costs (\$/t milled)



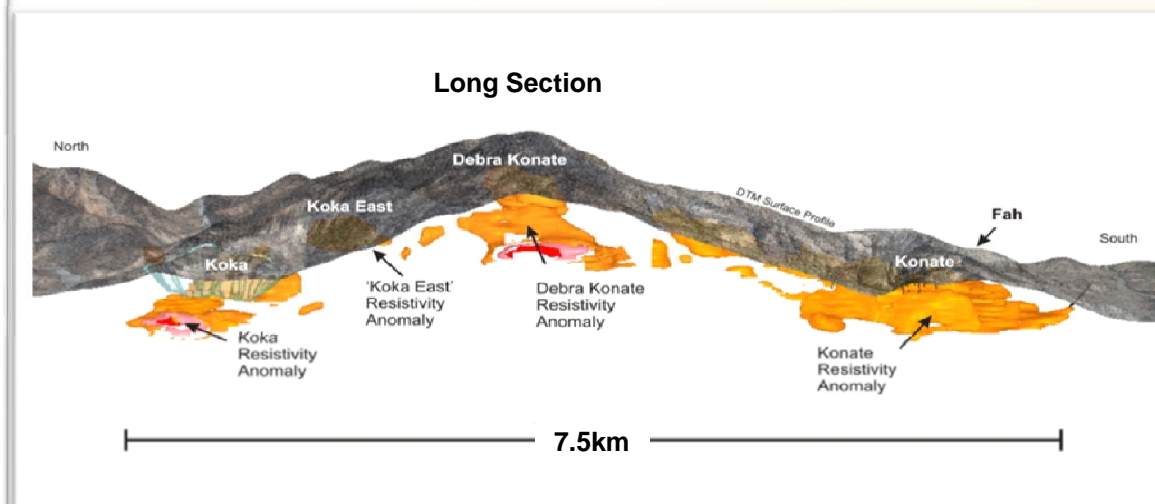
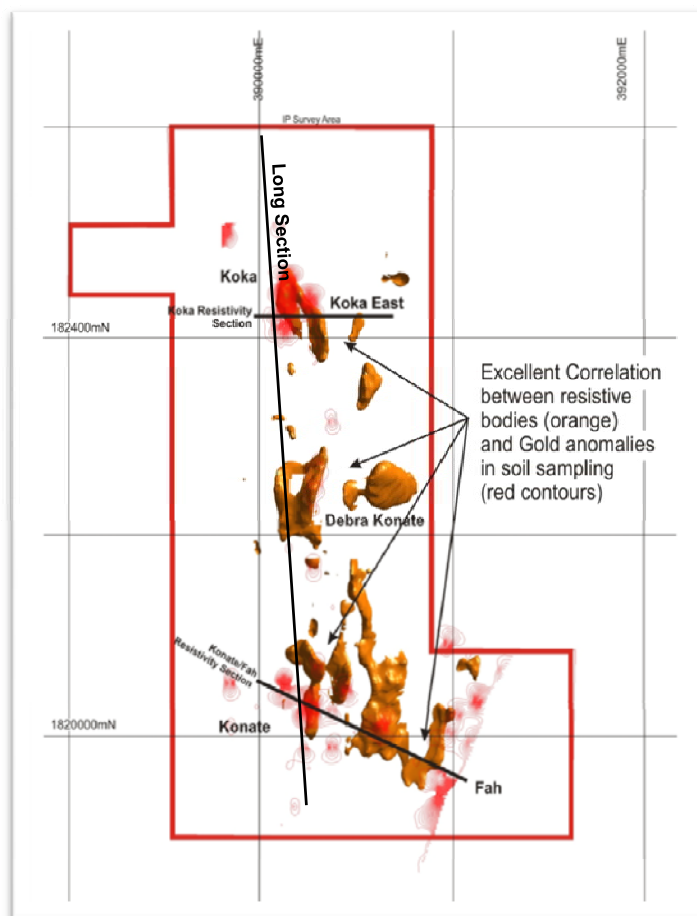
Koka Development Schedule



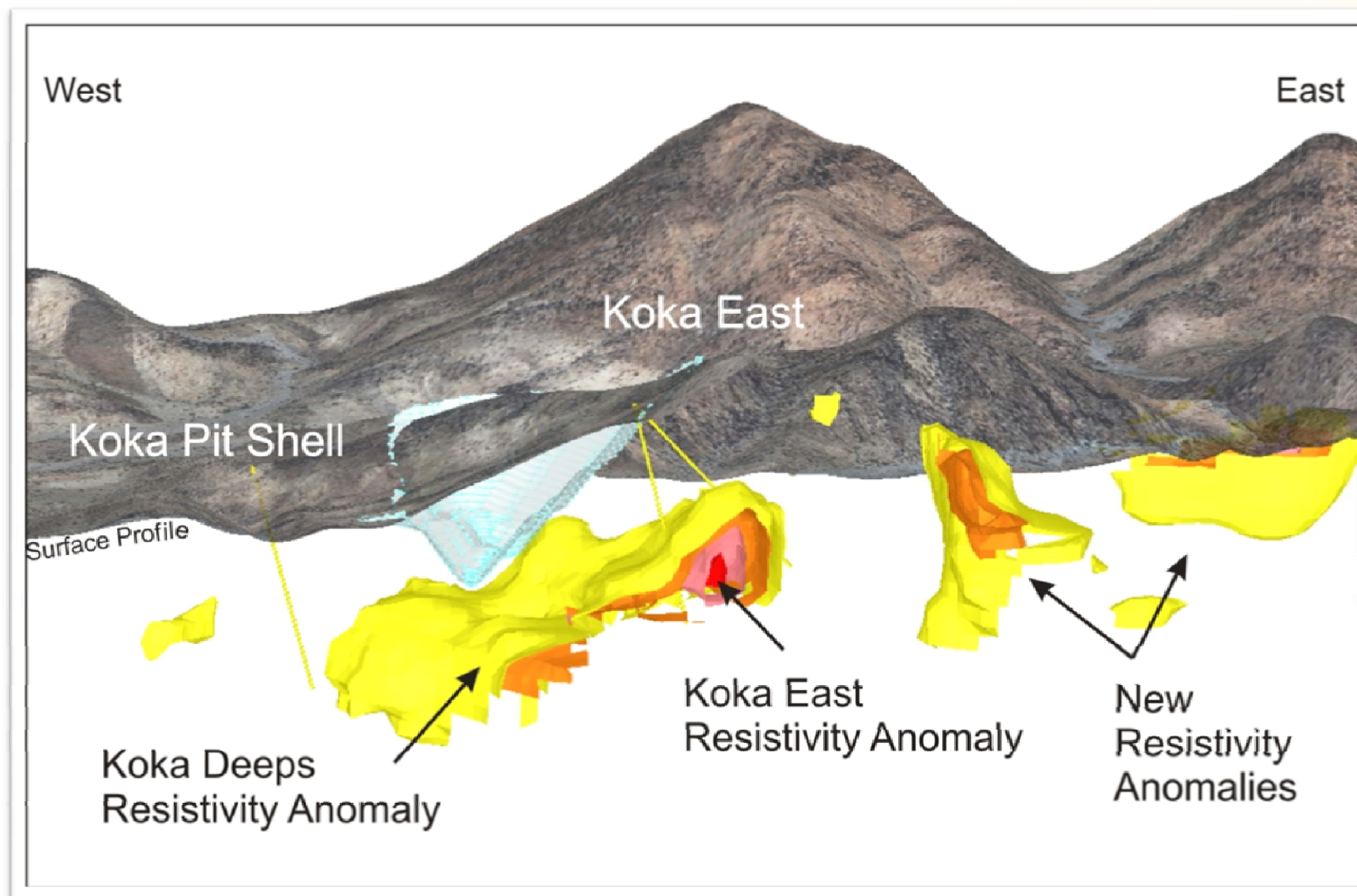
Exploration Potential



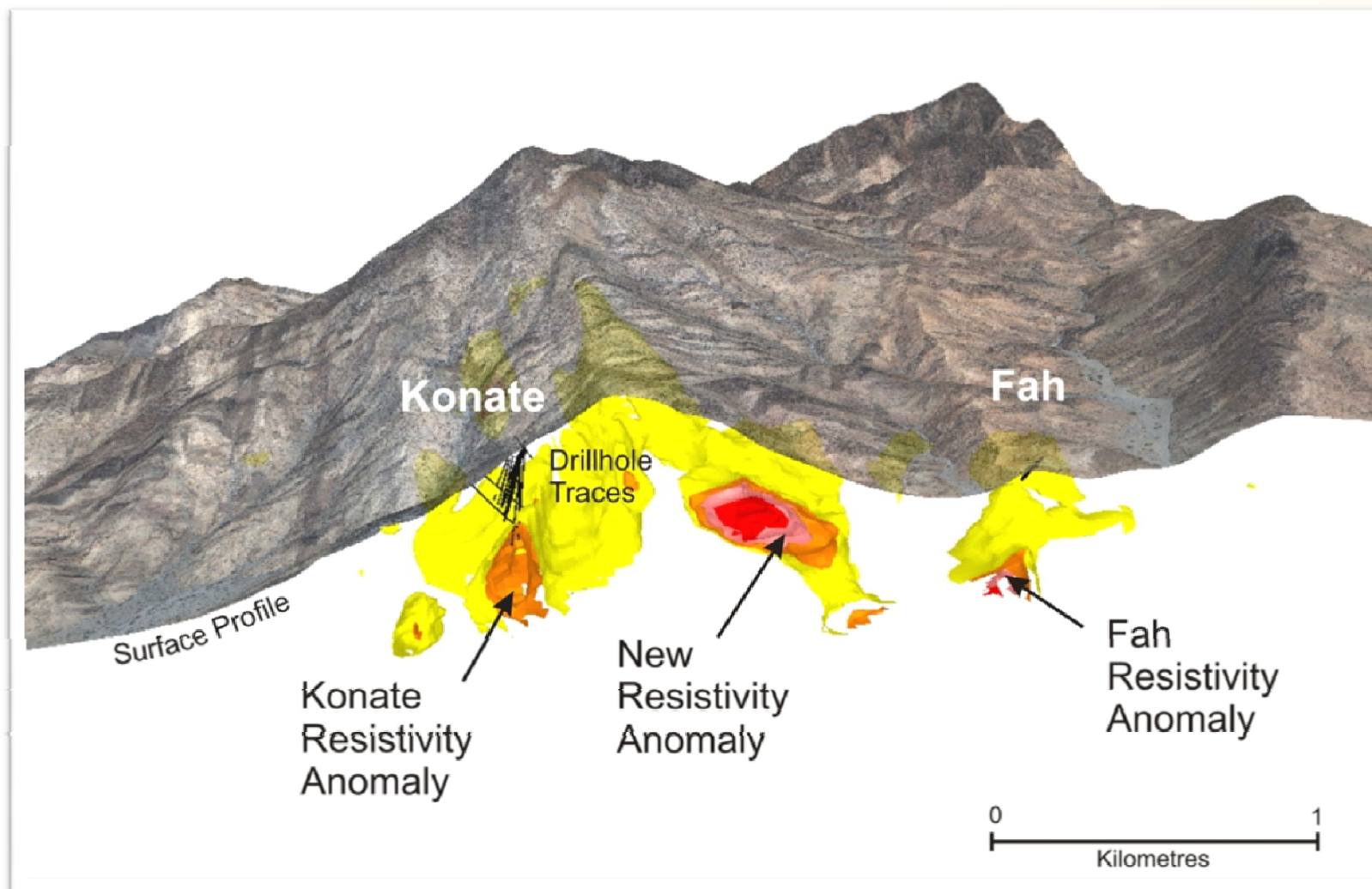
Koka 3D IP – Near Mine Targets



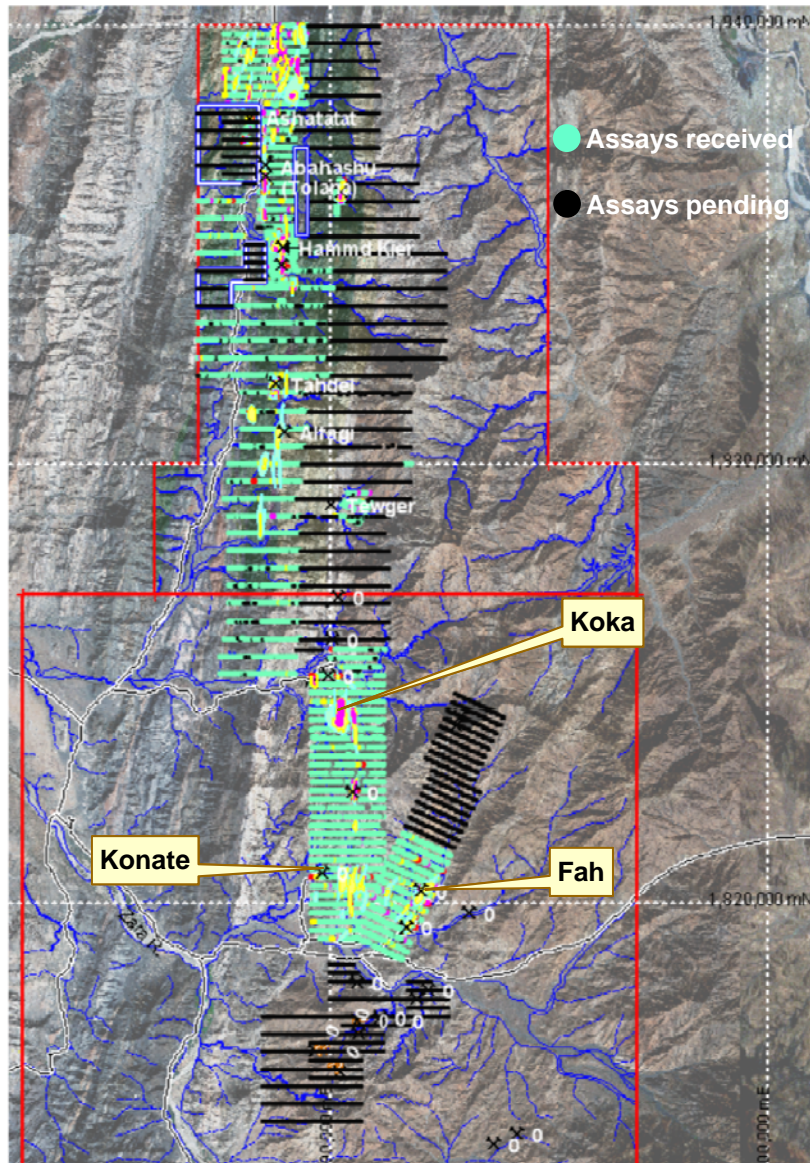
Koka 3D IP – Priority Targets Koka & Koka East



Koka 3D IP – Priority Targets Konate & Fah



Soil Sampling – northern Zara Tenements

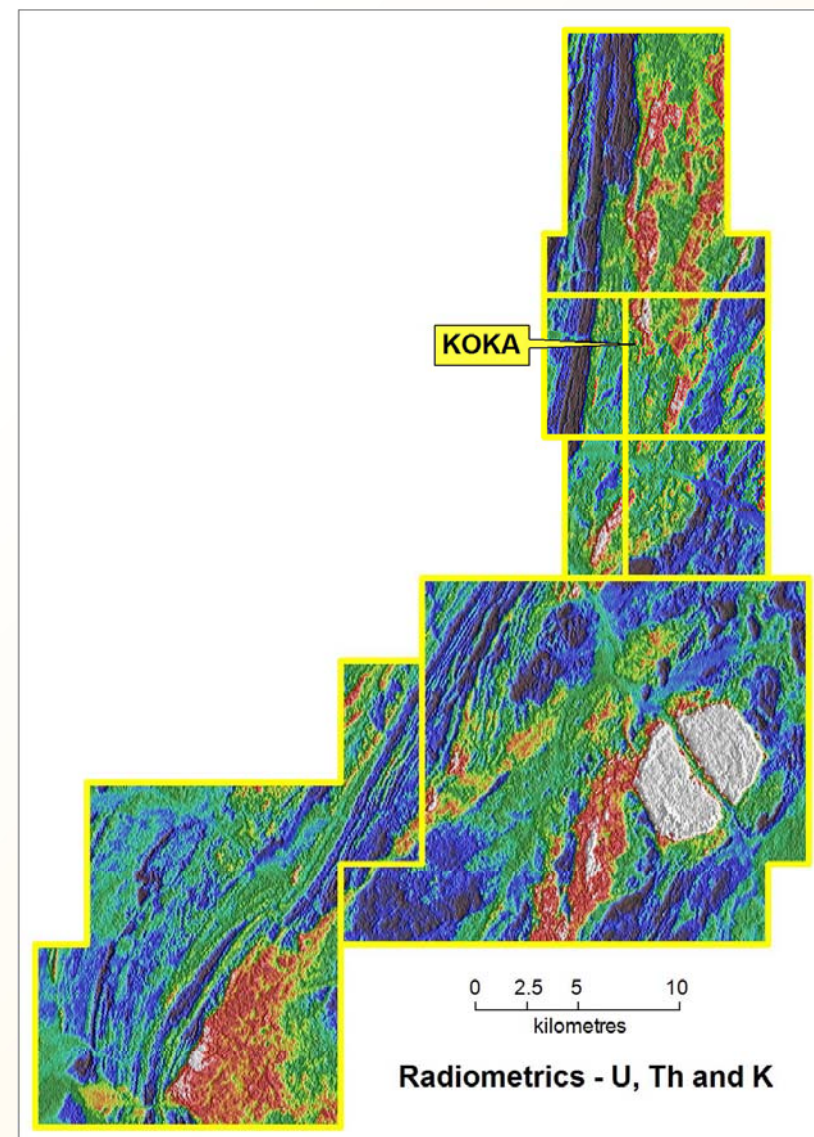
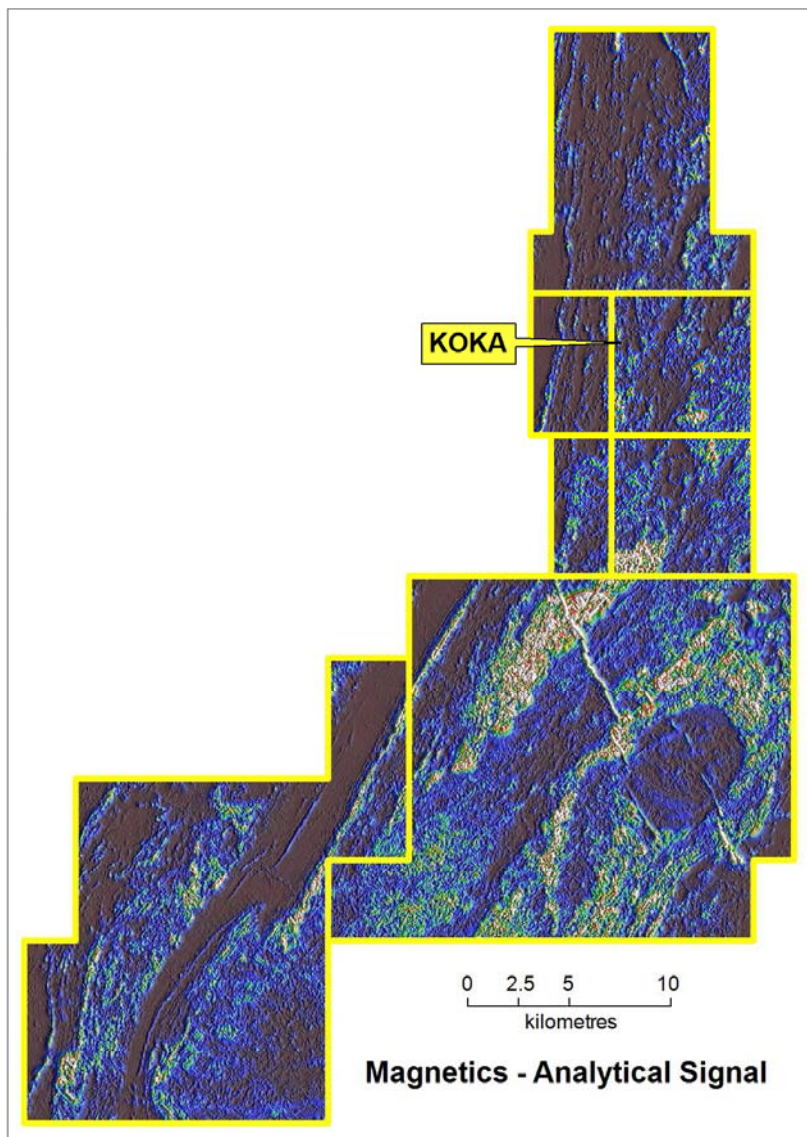


- Extensive drainage gold anomalism identified on Zara North & Central EL's - gold values up to 876ppb
- Regional-scale high-strain zone with carbonate-sericite alteration and quartz veining
- Soil sampling coverage progressively extended over gold-anomalous trends
- Gold anomalism defined over both known mineralized zones and newly identified prospects
- Numerous targets identified for trenching and/or drill follow-up

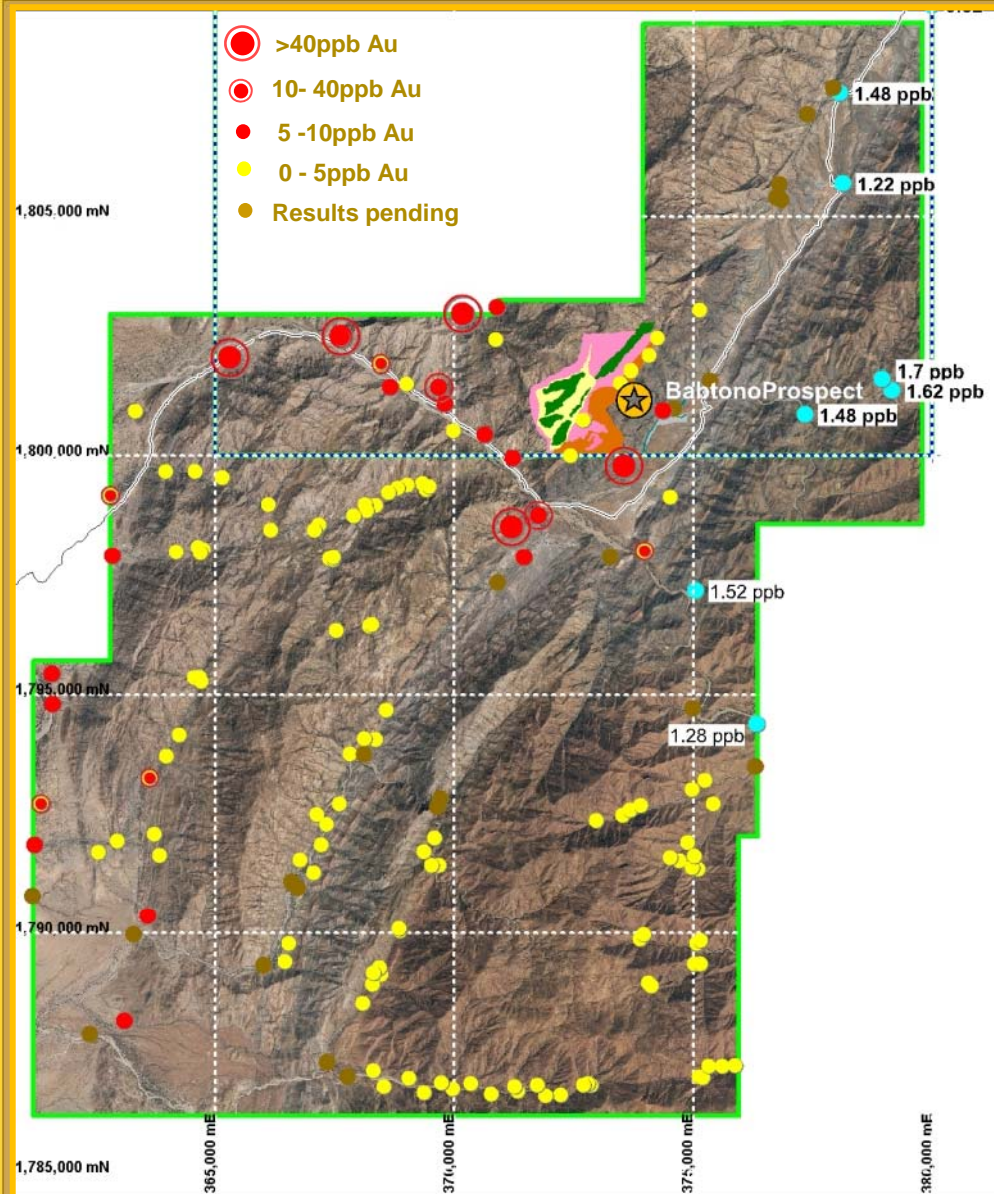
Hammid Kier Prospect



New Data - Aeromagnetics & Radiometrics



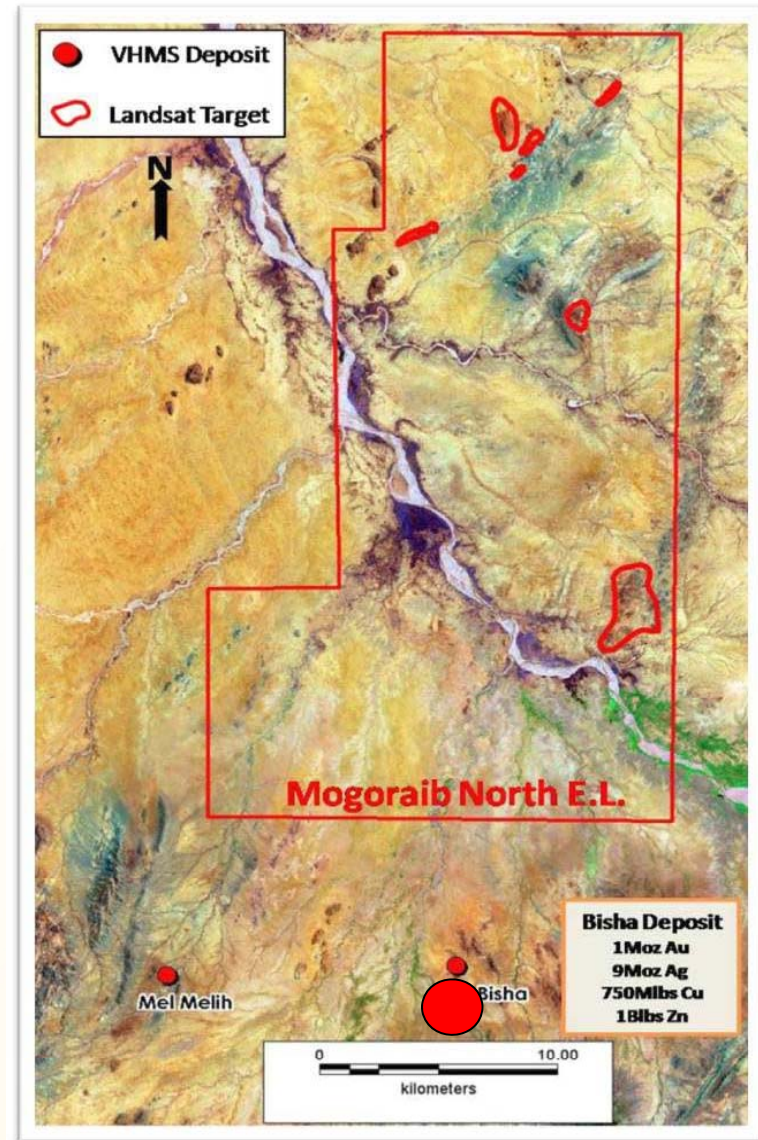
Hurum Exploration Licence



- Hurum EL granted January 2011
- Exploration completed to date:
 - *Airborne Magnetics & Radiometrics*
 - *Stream sediment BLEG & -80# sampling*
 - *Regional geological mapping*
- Babtono Prospect identified
 - *Detailed mapping & soil sampling underway*

Mogoraib North Exploration Licence

- Located ~10 km north of Nevsun's Bisha VHMS Project
- Area 555 sq km
- Geological setting similar to Bisha
- Landsat spectral signatures similar to Bisha
- VTEM survey to commence May 2011
- ~4000 line kilometres



Exploration Timeline

- Exploration program to generate strong news flow
- Exploration program totaling ~\$10M expected

Calendar Year	2011			
Quarter	Q1	Q2	Q3	Q4
Induced Polarisation (IP) Survey				
Aero-Magnetics & Radiometrics				
VTEM				
Geochemical Sampling & Geological Mapping				
Drilling – Koka IP targets	10,000m			
Drilling - Zara North	5,000m			
Drilling – Mogoraib Nth	5,000m			

Summary

- Value of Company underpinned by Koka Gold Deposit
 - *Advanced high grade gold deposit*
 - *Feasibility completed*
 - *Strong economics*
 - *Low technical risk*
 - *Mine permitting in progress*
- Strategic ground position in emerging gold & base metal province
- Aggressive exploration programs underway to expand current resource base
- Experienced Board and Management with extensive expertise in African gold sector
- Currently building development team

Analysts Covering the Chalice Story

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Appendix 1: Eritrea Mining Act Summary

Prospecting licence

One year, not renewable & not transferrable
Maximum size 100km²
Licence fee (US)\$33.33
Annual rental (US)\$3.33/km²

Exploration licence

3 year term
2 renewals for 1 year each - transferrable with approval
One quarter relinquishment of original licence area with each renewal
Maximum size 50km²
Licence fee (US)\$100
Annual rental (US)\$13.30/km²

Mining licence

Maximum of 20 years or life of deposit (whichever is shorter)
Renewable for 10 years
Maximum size 10km²
Licence fee is (US)\$400
Annual rental is (US)\$40/km²

Royalties

5% for precious metals and 3.5% for other metallic minerals

Government Participation

10% free-carried interest at the mining stage
30% participating interest acquired by Government based on fair value

Taxes

Corporate income tax 38%
20% flat tax on expatriate employee earnings
0.5% on all imports of machinery equipment, vehicles and parts
No dividend tax
Straight line depreciation over 4 years with no salvage
The right to carry forward operational losses and deduct them from gross income

Appendix 2: ENAMCO Interest

- The Government of Eritrea, via the Eritrean National Mining Corporation (ENAMCO) has a 10% free-carried interest in the Zara Project.
- In addition, ENAMCO has the right to acquire a further 30% paid participating interest in the project.
- The participating interest is to be acquired at a negotiated “fair value” based on an NPV valuation.
- Under the Mining Code there is a provision to go to external arbitration if the parties cannot agree ‘fair value’.
- Payment of ENAMCO’s equity will occur three months after grant of a Mining Licence.
- ENAMCO will then contribute 33% of capital costs.
- The project will be developed by a joint-stock operating company with capital injected as shareholder loans.