



CHALICE
GOLD MINES LIMITED

ABN 47 116 648 956

Chalice Gold Mines Limited
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West Perth Western Australia 6005
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18 May 2007

Dear Shareholder

On 1 May 2007 Chalice Gold Mines Limited (Chalice Gold Mines or the Company) announced that it had entered into an agreement with Avoca Resources Limited (Avoca Resources) for the sale of the Chalice and Higginsville Gold Projects for consideration valued at approximately \$6.9 million.

The attached Notice of Meeting seeks your approval of the agreement at a meeting of shareholders to be held on 22 June 2007 at the Company's offices.

The decision to sell the Chalice and Higginsville Projects is significant for your Company and was made by your Board after careful consideration. I would like to take this opportunity to outline some aspects of this decision.

Chalice Gold Mines commenced an active exploration program at our Chalice and Higginsville Projects almost immediately after completion of our IPO capital raising and ASX listing in April 2006. The program of work was designed to test the priority targets within the project areas and included basic field work, advanced geophysics programs and over 11,500 metres of drilling.

As I outlined in my letter to you last September in our 2006 Annual Report, whilst this work identified a number of prospective geological settings, it did not however delineate an economic gold resource.

Given this result, our choices in moving forward included:

- continuing self-funded exploration at the Chalice and Higginsville Projects, which was considered likely to necessitate a further capital raising and potential dilution of existing shareholders;
- seeking a joint venture partner to fund future exploration at the projects – again likely to result in a diluted interest; or
- sale of the projects to a third party, thereby disposing of our interest in the projects but recapitalising our balance sheet through the receipt of sales proceeds.

In the end, we have settled on the third outcome, being a sale of the projects, but have also managed to retain some of the benefits of the first two outcomes through the sale to Avoca Resources.

As Avoca Resources shares and options are to be received as consideration for the sale, Chalice Gold Mines will acquire an indirect interest in the future development of the Trident Gold Project (the proximity of which to Chalice Gold Mines' ground position had been an attraction for many of our shareholders), as well as retaining an indirect exposure to future exploration success across the Chalice and Higginsville area.

Additionally, we have a positive view of the development potential of Trident under the Avoca Resources team, and assessed that Avoca Resources is fundamentally well placed to offer competitive value for the project area, given its surrounding ground position and substantial financial commitment to construct a gold treatment plant and associated infrastructure facilities at Higginsville.

The benefits of the sale and other matters to be considered by shareholders are discussed in more detail in the attached Notice of Meeting and Explanatory Statement, which I encourage you to read in full.

Your Board believes that the sale is in the best interests of shareholders, and unanimously recommends that shareholders approve the sale of the Chalice and Higginsville projects to Avoca Resources.

Should shareholder approval be obtained and the sale completed, Chalice Gold Mines will have approximately \$9.5 million of cash, receivables and investments based on proceeds values outlined in the Explanatory Memorandum.

This will enhance our ability to pursue our previously stated aim of acquiring new projects and resource opportunities.

I look forward to your approval of the sale, and on behalf of the Board thank all shareholders for their continuing support of our ongoing business development initiatives.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Abantock', written in a cursive style.

ANDREW BANTOCK
Executive Chairman



CHALICE
GOLD MINES LIMITED

CHALICE GOLD MINES LIMITED

ABN 46 116 648 956

NOTICE OF GENERAL MEETING

TIME: 10.30 am WST

DATE: 22 June 2007

PLACE: Level 2, 1292 Hay Street
West Perth, WA, 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on + 61 8 9322 3960.

CONTENTS

Notice of General Meeting (setting out the proposed resolutions)	4
Explanatory Memorandum (explaining the proposed resolutions)	6
Glossary	15
Proxy Form	16
Appointment of Corporate Representative	18

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

A General Meeting of the Shareholders of Chalice Gold Mines Limited ("Chalice Gold Mines" or the "Company") in relation to this Notice of Meeting will be held at 10.30 am (WST) on 22 June 2007 at:

Level 2, 1292 Hay Street
West Perth WA 6005

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) send the proxy form by post to Chalice Gold Mines Limited, GPO Box 2890, Perth, WA 6001; or
- (b) send the proxy form by facsimile to the Company on + 61 8 9322 5800,

so that it is received no later than 10.30 am (WST) on 20 June 2007.

Proxy forms received later than this time will be invalid.

BODIES CORPORATE – CORPORATE REPRESENTATION

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the meeting of Shareholders. The appointment may be a standing one. An Appointment of Corporate Representative is enclosed with this notice.

ENQUIRIES

The Company welcomes enquiries in respect of matters covered in this Notice of Meeting and Explanatory Memorandum and attendance of shareholders at the General Meeting proposed. Should you require further information please contact:

The Company Secretary
Richard Hacker
Phone: (+61 8) 9322 3960
Fax: (+61 8) 9322 5800
Email: rhacker@chalicegold.com

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Chalice Gold Mines Limited ("Chalice Gold Mines" or the "Company") will be held at Level 2, 1292 Hay Street, West Perth, Western Australia at 10.30 am (WST) on 22 June 2007.

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at the close of business on 20 June 2007.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary.

AGENDA

Resolution 1 - Approval of the Sale of the Company's Chalice and Higginsville Projects

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

"That for the purposes of ASX Listing Rule 11.2 and for all other purposes, Shareholders approve the sale by the Company of its Chalice and Higginsville Gold Projects to Avoca Mining Limited (a wholly owned subsidiary of Avoca Resources Limited ("Avoca Resources")) for:

- (i) shares in Avoca Resources to the value of \$5,841,000; and*
- (ii) 2,000,000 options over ordinary shares in Avoca Resources*

on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice ("the Proposed Transaction").

The Company will disregard any votes cast on this Resolution by Avoca Resources Limited and any associate of it. However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Appointment of Director

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

“That Mr Anthony W Kiernan, having been appointed to the Board of Chalice Gold Mines Limited effective 15 February 2007 is hereby elected as a Director in accordance with the Company’s Constitution and the listing rules.”

DATED: 18 MAY 2007

BY ORDER OF THE BOARD



**RICHARD HACKER
COMPANY SECRETARY
CHALICE GOLD MINES LIMITED**

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at a General Meeting of Chalice Gold Mines Limited (Chalice Gold Mines) to be held at Level 2, 1292 Hay Street, West Perth, Western Australia on 22 June 2007 at 10.30 am (WST).

The purpose of this Explanatory Memorandum is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

RESOLUTION 1 - APPROVAL FOR THE SALE OF THE COMPANY'S CHALICE AND HIGGINSVILLE PROJECTS

1. INTRODUCTION

On 1 May 2007, Chalice Gold Mines announced that, subject to shareholder approval, it had reached agreement for the sale of its Chalice and Higginsville Gold Projects to Avoca Mining Limited (Avoca Mining), a wholly owned subsidiary of Avoca Resources Limited (Avoca Resources), for shares in Avoca Resources to the value of \$5,841,000 and 2,000,000 options over ordinary shares in Avoca Resources ("the Proposed Transaction").

Further details of the transaction are provided in section 3.1 of this Explanatory Memorandum.

2. SALE OF MAIN UNDERTAKING

Whilst Chalice Gold Mines will continue to explore and develop its other exploration properties being the Yandearra, Gnaweeda and Wilga projects, the Directors have taken the view that the sale of the Chalice and Higginsville Gold Projects is the sale of the Company's main undertaking and therefore requires the approval of shareholders under ASX Listing Rule 11.2.

The Information included in this Explanatory Memorandum has been prepared to enable Shareholders to fully assess the sale of the Chalice and Higginsville Gold Projects and the impact of the same on the Company.

3. DETAILS OF THE PROPOSED TRANSACTION

3.1 Tenement Purchase Agreement

Under a Tenement Purchase Agreement dated 30 April 2007 between Chalice Gold Mines, Avoca Mining and Avoca Resources, the Company agreed to sell to Avoca Mining its interests in the Chalice and Higginsville Gold Projects for shares in Avoca Resources to the value of \$5,841,000 plus 2,000,000 options over ordinary shares in Avoca Resources. The sale is subject to the conditions set out in Section 3.2 of the Explanatory Memorandum which includes requirements for the approval of the transaction by both the Shareholders of Chalice Gold Mines and the shareholders of Avoca Resources.

The sale of the Chalice and Higginsville projects will be completed in two tranches reflecting that tenements within the second tranche require an additional condition to be satisfied before that part of the Proposed Transaction can be completed.

The obligations of Avoca Mining as the purchaser are being guaranteed by its holding company namely Avoca Resources.

Tranche 1

Tranche 1 comprising the sale of Chalice Gold Mines' Higginsville tenements, the Chalice Gold Mine and areas north thereof will be completed upon receipt of Shareholder approval and satisfaction of the other conditions to this tranche set out in section 3.2 of this Explanatory Memorandum.

Consideration for Tranche 1 is fully paid ordinary shares in Avoca Resources to the value of \$5,000,000 plus 2,000,000 options over shares in Avoca Resources (Avoca Options).

The number of Avoca Resources shares (Avoca Shares) to be issued as part of the Tranche 1 consideration will be 3,496,503 (or approximately 1.7% of Avoca Resources fully paid ordinary shares on issue at the date of the Notice of Meeting) which has been based on the 5 day ASX Volume Weighted Average Price ("5 Day VWAP") prior to the execution of the Tenement Purchase Agreement being \$1.43.

The 2,000,000 Avoca Options will have a term of 3 years from the date of issue and an exercise price of \$1.79 per option based on 125% of the 5 Day VWAP used to determine the price of the Avoca Shares above. The Options will not be listed on ASX.

Tranche 2

Tranche 2 comprises a package of tenements south of the Chalice Gold Mine and is subject to the grant of Exploration Licence 63/1071 ("EL63/1071") and then the subsequent amalgamation into EL 63/1071 of certain Prospecting Licences (PL's) already held by Chalice Gold Mines.

Grant of EL63/1071 and amalgamation with the PL's is expected to take 10-12 months after allowing for standard procedural timeframes under the Mining Act. It is due to this timing that the sale was broken into the 2 tranches.

Chalice Gold Mines has been advised that the EL has been recommended for grant by the Department of Industry and Resources.

Consideration for the tenements the subject of Tranche 2 is shares in Avoca Resources to the value of \$841,000 with the shares being issued at a price equal to the 5 Day VWAP immediately prior to completion of the Tranche 2 tenements.

3.2 Material Terms and Conditions Precedent

As noted above the sale of the Chalice and Higginsville Gold Projects is to occur in 2 tranches, each of which has a distinct consideration.

The sale of the Proposed Transaction is subject to:

- (i) necessary consent under the Act being obtained on terms and conditions acceptable to Avoca Resources;
- (ii) the approval of the shareholders of Chalice Gold Mines and Avoca Resources;
- (iii) a Nickel Mining Rights Agreement dated 9 March 2007 as between Chalice Gold Mines on the one hand and Liontown Resources Limited on the other being amended to remove certain area of influence provisions contained therein and for the underlying tenements owner (which at the date hereof is Chalice Gold Mines but will become Avoca Resources upon completion) becoming responsible for maintaining the tenements under that Agreement in good standing. Liontown Resources has advised it will agree to the proposed amendment;

- (iv) a change to the definition of Information in an agreement as between Uranium Equities Limited (Uranium Equities) on the one hand and Chalice Gold Mines on the other (being the agreement pursuant to which Chalice Gold Mines purchased these tenements from Uranium Equities) to better suit Avoca Resources' requirements. Uranium Equities has advised it will agree to the proposed change to the definition;
- (v) Chalice Gold Mines, Avoca Resources and Liontown Resources entering into appropriate Deeds of Assumption and Assignment of the Nickel Mining Rights Agreement; and
- (vi) Chalice Gold Mines obtaining the release of the tenements, which are the subject of the Proposed Transaction, from 2 agreements that are registered against the same (these agreements being somewhat old and now not having relevance).

The Proposed Transaction will terminate if the above conditions are not satisfied by 30 July 2007 or such other date as the Company and Avoca Mining may agree.

In relation to the tenements the subject of Tranche 2, there is the additional condition referred to above relating to the grant of Exploration Licence 63/1071 and the subsequent amalgamation into the ground covered by the said Exploration Licence of various Prospecting Licences.

That part of the Proposed Transaction which relates to the tenements the subject of Tranche 2 will terminate if the condition relating to the grant of EL 63/1071 and the subsequent amalgamation of various Prospecting Licences is not satisfied by 30 October 2008 or such other date as Chalice Gold Mines and Avoca Mining may agree.

Avoca Mining is required to maintain the tenements the subject of Tranche 2 in good standing as and from completion of Tranche 1 of the Proposed Transaction.

The Tenement Purchase Agreement contains the usual warranties in relation to title and good standing. During the period between completion of Tranche 1 of the Proposed Transaction and completion of Tranche 2 of the Proposed Transaction, Avoca Mining has the right, but not the obligation to explore the Tranche 2 Tenements but in any event must maintain the same in good standing. If the condition for the settlement of the tenements the subject of Tranche 2 is not met then the right of Avoca Mining to explore and its obligation to maintain the same in good standing will fall away.

The Avoca Options are not transferable and will not be listed on ASX however application will be made for any shares issued following a valid exercise of the Avoca Options to be quoted on ASX.

3.3 Other Considerations

Whilst the Directors recommend approval of the Proposed Transaction, Shareholders should consider the following in determining how to vote:

- The transaction remains conditional. It is not certain that all conditions will be satisfied and that the transaction will be completed.
- Chalice Gold Mines currently provides Shareholders exposure to 100% of any exploration success on those Chalice and Higginsville tenements which are the subject of the Tenement Purchase Agreement. Upon completion of the Tenement Purchase Agreement, Shareholders will no longer have 100% exposure to any exploration success at the Chalice and Higginsville tenements except via an indirect interest through the Company's shareholding in Avoca Resources.

- Subject to future funding and working capital requirements, Chalice Gold Mines may dispose of some or all of its Avoca Resources shares thereby reducing or extinguishing in full any indirect interest in the Chalice and Higginsville projects.
- At completion of Tranche 1, Chalice Gold Mines will own 3,496,503 Avoca Shares (or approximately 1.7% of Avoca Resources fully paid ordinary shares on issue at the date of this Notice of Meeting) and 2 million Avoca Options. A significant proportion of Chalice Gold Mines' assets will consist of its interest in Avoca Resources. Therefore, volatility in Avoca Resources' share price may have a significant impact on the underlying value of Chalice Gold Mines Shares.
- Completion of Tranche 2 is conditional upon the granting of an EL and then amalgamation of the same with certain PL's already held by Chalice Gold Mines. Whilst the Company believes that completion of Tranche 2 will take place, it still remains conditional upon the Department of Industry and Resources granting the EL. Should Tranche 2 not complete, total proceeds from the sale would reduce by \$0.841 million. However, non-completion of Tranche 2 would not effect the completion of Tranche 1, as the two outcomes are not interdependent.

4. DIRECTORS RECOMMENDATIONS

The Directors of Chalice Gold Mines believe the Proposed Transaction is in the best interests of Shareholders and unanimously recommend Shareholders approve the same.

In this regard the Directors note that the sale will:

- strengthen Chalice Gold Mines' balance sheet, so that upon completion of the Proposed Transaction it will include approximately \$9.5 million of cash, receivables and investments based on the pricing of Avoca Shares outlined in 3.1 above (for a value of \$5.8 million) and the application of standard valuation models to calculate the value of the Avoca Options (for a value of \$1.1 million);
- provide ongoing exposure of the Company to the exploration potential of the consolidated Chalice and Higginsville region and to the development of Avoca Resources' Trident Gold mine under the management of the Avoca Resources team;
- position Chalice Gold Mines for growth through development and discovery by providing an enhanced treasury position to follow Chalice Gold Mines' previously stated aim of acquiring new projects and resource opportunities. Chalice Gold Mines is actively seeking such investment opportunities; and
- further enable exploration activity to continue at Chalice Gold Mines' remaining exploration projects.

The Directors have advised that they intend to exercise the voting rights of the Shares they own or control in favour of the Resolution. The Directors collectively own approximately 20.4% of the issued Shares of the Company.

5. SUMMARY OF EXPLORATION RESULTS TO DATE

Since listing on the ASX in March 2006, Chalice Gold Mines has completed an active exploration program to test priority targets at its Chalice and Higginsville Projects. The results of previous exploration have been progressively announced by Chalice Gold Mines in successive ASX releases and past quarterly and annual reports. These announcements and reports can be accessed on the Company's website at www.chalicegold.com.

Exploration work undertaken included over 11,500 metres of drilling (6,500 metres RC/diamond and 5,000 metres RAB/aircore), two sub-audio magnetics surveys, and an induced polarisation survey. The results of the exploration program have been interpreted by

Chalice Gold Mines to have identified a number of prospective geological settings without, however, success in defining an economic gold resource.

5.1 Higginsville

At Higginsville, three priority targets were drill tested at Poseidon Footwall and Mitchell Basement. The drilling defined the presence of potentially favourable geological settings and achieved a number of narrow high grade gold intercepts, but follow-up drilling failed to return any significant results.

5.2 Chalice

At Chalice, exploration primarily focused on several targets along strike and down plunge of the historically defined gold mineralisation at the Chalice Gold Mine.

Drilling intercepts at Chalice Deeps indicated continuity of the system at Deeps 2 and Deeps 4, however, an updated scoping study, which incorporated then current gold price and cost parameters, indicated the existing resource to be sub-economic. Consequently, the lower cut used in reporting the resource was increased and the mineral resource inventory was restated as 457,000t @ 5.28g/t Au for 77,600 oz (down from 1,570,000t @ 3.22g/t Au for 162,700 oz).

Avoca Resources is expected to re-evaluate these findings, given the inherent economic advantage to be derived by Avoca Resources from construction of a gold ore treatment plant approximately 25 km to the east of Chalice Gold Mine, at the Trident Gold Mine development.

6. IMPACT OF THE PROPOSED TRANSACTION ON CHALICE GOLD MINES

6.1 Financial Impact of the Proposed Transaction on Chalice Gold Mines

The key financial impacts of the Proposed Transaction on Chalice Gold Mines are as follows:

- The Proposed Transaction, if completed, will result in an accounting profit on sale of approximately \$2.5 million during the years ended 30 June 2007 and 30 June 2008. This would result in an increase in the pro-forma net assets of Chalice Gold Mines to approximately \$12.6 million, based on the consideration values identified in 4.0 above and net assets recorded in the Company's management accounts at 30 April 2007.
- As at 30 April 2007, Chalice Gold Mines had cash at bank and other current assets of approximately \$2.6 million. Current assets and financial assets of Chalice Gold Mines after completion of the Proposed Transaction would therefore be approximately \$9.5 million based on consideration values outlined in 4.0 above.
- Whilst completion of the Proposed Transaction in full will result in the accounting profit referred to above, it is expected that a capital loss will be recorded for tax purposes and hence no resulting tax liability is expected to be incurred as a result of the Proposed Transaction.

Set out below is an unaudited pro-forma balance sheet based on the unaudited 30 April 2007 financial statements of Chalice Gold Mines. This has been prepared to enable an assessment to be made by Shareholders of the effect of the Proposed Transaction on the balance sheet of Chalice Gold Mines Limited. The pro-forma balance sheet has been prepared on the following assumptions:

- (i) that the Proposed Transaction had been completed in its entirety on 30 April 2007;

- (ii) the Avoca Shares and Avoca Options for the Tranche 1 tenements being treated as current assets; and
- (iii) the \$841,000 worth of Avoca Shares being consideration for the Tranche 2 Tenements treated as a current receivable.

The pro-forma balance sheet has been prepared on an abbreviated basis and does not contain all the disclosures usually provided in an Annual Financial Report or Half Year Report.

BALANCE SHEET	At 30 April 2007 (Unaudited)	Impact of Proposed Transaction	Pro-forma Balance Sheet after Proposed Transaction
Current Assets			
Cash and cash equivalents	2,534,353	-	2,534,353
Trade and other receivables	113,109	764,346 ⁽¹⁾	877,455
Financial assets	-	6,100,000 ⁽²⁾	6,100,000
Total current assets	2,647,462	6,864,346	9,511,808
Non-current assets			
Financial assets	63,000	-	63,000
Exploration and evaluation assets	7,497,303	(4,400,774) ⁽³⁾	3,096,529 ⁽⁴⁾
Property, plant and equipment	177,176	-	177,176
Total non-current assets	7,737,479	(4,400,774)	3,336,705
Total assets	10,384,941	2,463,572	12,848,513
Current Liabilities			
Trade and other payables	127,331	-	127,331
Employee benefits	24,832	-	24,832
Total current liabilities	152,163	-	152,163
Non-current Liabilities			
Other non-current liabilities	54,786	-	54,786
Total non-current liabilities	54,786	-	54,786
Total liabilities	206,949	-	206,949
Net assets	10,177,992	2,463,572	12,641,564
Equity			
Issued capital	13,974,454	-	13,974,454
Accumulated losses	(4,298,345)	2,463,572	(1,834,773)
Reserves	501,883	-	501,883
Total Equity	10,177,992	2,463,572	12,641,564

Notes to the pro-forma balance sheet

- (1) The increase in trade and other receivables relates to Tranche 2 under the Tenement Purchase Agreement which is subject to the granting of an EL (see 3.1 above). The receivable has been discounted at a rate of 10% as required under applicable Australian Accounting Standards.
- (2) Current financial assets relate to the investment in Avoca Resources following completion of Tranche 1 under the Tenement Purchase Agreement. This consists of 3,496,503 shares in Avoca Resources at \$1.43 per share and 2 million Avoca Resources options valued \$0.55 per option using the Black & Scholes Option Pricing Model.
- (3) The reduction to exploration and evaluation assets relates to the disposal of the Chalice and Higginsville projects and associated carrying values.
- (4) In accordance with the Company's established practice of reviewing the carrying value of exploration projects on a bi-annual basis, the remaining projects, consisting of Yandearra, Gnaweeda and Wilga will be assessed for indicators of impairment at 30 June 2007.

6.2 Impact of the Proposed Transaction on the Board and Management

The sale of the Chalice and Higginsville projects will not result in any change to the Chalice Gold Mines Board of Directors or in its management.

6.3 Impact on the Proposed Transaction Capital Structure

Chalice Gold Mines' capital structure will not change as a result of the Proposed Transaction.

6.4 Capital Management Intentions

The Board currently has no specific intentions of liquidating or re-investing the proceeds of the sale in new exploration or mining projects. However, the Board will continue to assess exploration and resource opportunities and may in future liquidate the Avoca Shares and Avoca Options to apply the proceeds to future working capital requirements or to the acquisition of projects where appropriate.

7. INFORMATION ABOUT AVOCA RESOURCES

Avoca Resources' most economically material asset, the Higginsville Gold Project, is located mid-way between the regional mining centres of Kambalda and Norseman in Western Australia's Eastern Goldfields. In late 2004, Avoca Resources made the Trident discovery, located 180m north of underground workings associated with the previously mined out 300,000 ounce Poseidon South open pit.

A pre-feasibility study on an initial resource of 485,000 ounces was followed by a detailed feasibility study completed in December 2006. The detailed feasibility study was completed on an increased resource base of 797,000 ounces following the discovery of the high grade Athena veins. Avoca Resources' Board of Directors subsequently resolved to proceed with the development of the Trident Underground Gold Mine.

Underground development at Trident commenced during the quarter ending 31 March 2007 following:

1. receipt of relevant statutory approvals from the Department of Industry and Resources and the Department of Consumer and Employment Protection, and

2. completion of dewatering and rehabilitation of the old Poseidon South decline.

Rehabilitation of the underground workings remains ongoing.

At 31 March 2007, 480m of development associated with the Trident Decline had been completed.

In addition to the Trident Project, it is estimated that Avoca Resources will hold approximately \$117 million ⁽¹⁾ of cash on hand. Avoca Resources also owns several other exploration projects targeting discovery of gold and other mineralisation both within the Higginsville region and at other projects around Australia.

At the date of this Notice of Meeting, Avoca Resources has 203,803,848 fully paid ordinary shares on issue following shareholder approval for the completion of the recently announced issue of 53,100,000 fully paid ordinary shares and \$40 million of convertible bonds. Following completion of Tranche 1 of the Proposed Transaction, Chalice Gold Mines will own approximately 1.7% of the fully paid ordinary shares of Avoca Resources.

For further information of Avoca Resources see the company website at www.avocaresources.com.au.

⁽¹⁾ As disclosed in the Avoca Resources pro-forma balance sheet included in the Information Memorandum released to ASX on 11 May 2007.

8. ADDITIONAL INFORMATION

8.1 Implications if the Proposed Transaction does not Proceed

Should Shareholders not approve the Proposed Transaction, Chalice Gold Mines will continue to evaluate options to finance the Chalice and Higginsville projects. This may involve capital raising initiatives including a rights issue to Shareholders, joint venture, exploration and development agreements, or sale of the subject tenements to third parties.

8.2 Chalice Gold Mines Share Price

	Price \$
Highest price in 12 months before the announcement of the Proposed Transaction (on 5 May 2006)	0.29
Lowest price in 12 months before the announcement of the Proposed Transaction (on 26 March 2007)	0.11
3 month weighted average price before the announcement of the Proposed Transaction	0.135
Closing share price share price at the date of this Notice of Meeting	0.16

RESOLUTION 2 – APPOINTMENT OF DIRECTOR

Mr Anthony Kiernan was appointed to the Board of Chalice Gold Mines effective 15 February 2007. Under the Company's Constitution, a Director who is newly appointed must stand for election at the next general meeting. Accordingly Mr Kiernan offers himself for election to the Board.

Mr Kiernan is a Solicitor and has considerable experience in the administration and operation of listed public companies. He practices extensively in the areas of media, resources and information technology law. Mr Kiernan also provides commercial and corporate advice to various entities. He is also Chairman of Anglicare (WA) and BC Iron Limited and a Director of Uranium Equities Limited, Liontown Resources Limited, North Queensland Metals Limited and Solbec Pharmaceuticals Limited.

Scrutineer

A representative of Chalice Gold Mines' external auditor, HLB Mann Judd, will act as a scrutineer for any polls that may be required at the meeting.

GLOSSARY

Act means the Mining Act (WA).

ASX means Australian Stock Exchange Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Avoca Options means 2,000,000 options over fully paid ordinary shares in Avoca Resources on the terms and conditions set out in the Tenement Purchase Agreement;

Avoca Mining means Avoca Mining Limited (ACN 108 547 217), a wholly owned subsidiary of Avoca Resources.

Avoca Resources means Avoca Resources Limited (ACN 097 083 282).

Avoca Shares means fully paid ordinary shares in the capital of Avoca Resources.

Board means the Board of Directors.

Chalice and Higginsville Gold Projects means the various mining tenements the subject of the Tenement Purchase Agreement and which comprises the said Projects.

Company or **Chalice Gold Mines** means Chalice Gold Mines Limited (ACN 116 648 956).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Proposed Transaction means completion of the Tenement Purchase Agreement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Tenement Purchase Agreement means the agreement dated 30 April 2007 between Chalice Gold Mines Limited, Avoca Resources Limited and Avoca Mining Limited.

WST means Western Standard Time.

PROXY FORM

APPOINTMENT OF PROXY
CHALICE GOLD MINES LIMITED
ABN 47 116 648 956

I/We

being a shareholder of Chalice Gold Mines Limited entitled to attend and vote at the Annual General Meeting, hereby

appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the General Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 10.30 am (WST) on 22 June 2007 at Level 2, 1292 Hay Street, West Perth, Western Australia and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Sale of Chalice and Higginsville Project	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Anthony Kiernan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you do **not** wish to direct your proxy how to vote, please place a tick in this box

By ticking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this day of 2007

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature
Signature
Signature

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

CHALICE GOLD MINES LIMITED
ABN 47 116 648 956

Instructions for Completing 'Appointment of Proxy' Form

1. A shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - Directors of the company;
 - a Director and a Company Secretary of the company; or
 - for a proprietary company that has a sole Director who is also the sole Company Secretary – that Director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole Director and sole Company Secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Chalice Gold Mines Limited, GPO Box 2890, Perth, WA, 6001; or
 - (b) send the proxy form by facsimile to the Company on facsimile number +61 8 9322 5800,

so that it is received no later than 10.30am (WST) on 20 June 2007.

Proxy forms received later than this time will be invalid.

Appointment of Corporate Representative

Section 250D of the Corporations Law

This is to certify that by a resolution of the directors of:

.....

(Company),

Insert name of shareholder company

the Company has appointed:

.....,

Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Law, to act as the body corporate representative of that company at the meeting of the members of Chalice Gold Mines Limited to be held on **22 June 2007** and at any adjournments of that meeting.

DATED 2007

Executed by the Company)
in accordance with its constituent documents)

.....

Signed by authorised representative

.....

Name of authorised representative (print)

.....

Position of authorised representative (print)

.....

Signed by authorised representative

.....

Name of authorised representative (print)

.....

Position of authorised representative (print)

INSTRUCTIONS FOR COMPLETION

Under Australian law, an appointment of a body corporate representative will only be valid if the Certificate of Appointment is completed precisely and accurately.

Please follow the following instructions to complete the Certificate of Appointment:

1. Execute the Certificate following the procedure required by your company's constitution or other constituent documents.
2. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
3. Insert the date of execution where indicated.
4. Send or deliver the Certificate to Chalice Gold Mines Limited registered office or fax the Certificate to the registered office at (+61 8) 9322 5800.