



CHALICE GOLD MINES LIMITED
16 NOVEMBER 2009
AGM CHAIRMAN'S ADDRESS

Good morning ladies and gentlemen and welcome to the 2009 AGM.

At last year's AGM we were in the middle of the global financial crisis, and at that time Chalice had cash at bank of approximately \$9.4 million and a market capitalisation of \$6.5 million.

We also reported to shareholders that we were continuing the search for a new asset and opportunity to grow your Company's asset base and ultimately the market capitalisation.

I am pleased to report we have been successful in finding that opportunity, and as you would be aware the Company entered into an agreement in March to merge with Sub-Sahara Resources, also an ASX listed company. Following resounding support from Sub-Sahara shareholders the merger was completed in August and I wish to welcome those shareholders to our register.

The only asset within Sub-Sahara was the 69% owned Zara Gold Project in Eritrea with a JORC compliant Resource of 5Mt at 5.8 g/t for 944,000 oz. Following a further transaction, Chalice now owns 80% of this project, together with a large tenement position of 615 square kilometres.

The Company has recently released details of an independent Scoping Study on the project, undertaken by Lycopodium Minerals, a Perth-based engineering company. The study found the Koka Gold Deposit was financially robust at a gold price of US\$800 per oz. Production is forecast to be in the vicinity of 110,000 oz per year for a minimum of 6 years, with a cash cost of US\$424 per oz. Capital expenditure will be approximately US\$98 million.

Potential to extend the resource base through further exploration is considered to be outstanding.

In parallel with the Feasibility Study, a 5,000 metre diamond drill program using two rigs on double shift has commenced to firm up the central part of the ore body from a 20 x 40 metre basis to a 20 x 20 metre basis.

As I said earlier, geological interpretation of the area suggests that there is considerable opportunity to locate additional ore bodies in similar geological settings along strike and parallel to the Koka Gold Deposit, and it is planned that once the resource drilling has been completed the diamond rigs will be deployed following up these near-mine targets to test their potential.

Whilst our immediate focus is to complete the Feasibility Study on the Koka Gold Deposit, the Company will also be focusing on the regional exploration opportunities that exist on our tenement package of 615 square kilometres. This area provides a unique opportunity for the discovery of additional gold and base metal deposits. In fact, as previously reported to the ASX, the regional potential of our holdings has been recently upgraded following the receipt of detailed Landsat interpretation which has identified over 60 priority anomalies indicative of gold and base metal targets.

So, summing up, the Company has a three-pronged strategy for the immediate future. First, the completion of the Feasibility Study by mid-2010 which includes in-fill diamond drilling with two rigs on double shift, and the exploration of existing targets at depth and along strike from the Koka Gold Deposit.

The second arm of our strategy is to commence drilling gold and VMS targets with a recently acquire man-portable rig. This rig is expected to be in operation by late December. Any success from this drilling will then be followed up by the larger rigs currently deployed in drilling out those targets.

Thirdly, we will be ground-truthing some of the 60 Landsat anomalies already defined by mapping, sampling and then drilling.

The Company is looking forward to the next twelve months with great excitement as we continue to develop the Koka Gold Deposit towards production in late 2011.

In closing, we are pleased to report that our market capitalisation is now close to \$70 million – ten times that of a year ago.

TIM GOYDER
Chairman