



**CHAIRMAN'S ADDRESS  
ANNUAL GENERAL MEETING  
25 NOVEMBER 2010**

2010 has been a very important year for Chalice having completed a number of key milestones at the Company's Zara Project in Eritrea.

The Zara Project is located in the geological province known as the Arabian Nubian Shield, which straddles the Red Sea. This area is highly prospective for gold and offers similar potential to some of the better-known parts of West Africa, such as Ghana and Burkina Faso, but is still very much in its infancy in terms of exploration. Most of our 615 square kilometre tenement package at Zara remains virtually untouched by modern exploration.

Notwithstanding this exciting potential, our first priority at the Zara Project was to progress development of the high-grade Koka gold deposit to provide us with a pathway to initial production and cashflow.

This high-grade, open-cut deposit – which contains a resource of 840,000oz of gold at a grade of 5.3g/t gold, including an Ore Reserve of 4.6 million tonnes at a grade of 5.1g/t for 760,000oz of gold – offers an outstanding opportunity to develop a high-margin gold operation, with an expected open-cut grade not often seen in the industry.

The Feasibility Study was completed by Lycopodium Limited in early July 2010 and confirmed that the deposit can support a robust gold operation producing on average 104,000oz per year with low cash operating costs of US\$338 per oz and an initial mine life of seven years.

The key metrics and financials of the Project are extremely robust. Using a gold price of US\$1,200 per oz, the mine is estimated to generate an EBITDA over its life of US\$589 million, with an annual average EBITDA of US\$84 million and a capital payback period of slightly over two years.

With these robust economics, Chalice has, in cooperation with the Eritrean Government, commenced the permitting process for the Koka Project to facilitate the grant of a Mining Licence to enable development to commence during 2011.

The government has also recently advised us that they will be exercising their right to acquire, at a fair value, a further 30% interest in the project over and above their 10% carried interest. The terms and conditions of this acquisition are yet to be agreed but it is expected that, in principle, they will follow the precedent set by the Bisha Project which is held 60% by Nevsun Resources and 40% by the Eritrean National Mining Corporation.

In parallel with the permitting process, the Company has commenced a review of its financing options for the development of this project and I am confident that the financial robustness of the project will present a variety of options to fund its development.

In parallel with the work to permit, fund and construct a high grade, high margin gold mine at Koka, we are working to unlock the substantial exploration potential within the Company's large tenement

position in Eritrea. As I mentioned in opening, we believe the Arabian Nubian Shield offers numerous outstanding opportunities to build our gold resource base in East Africa, initially within an economic trucking distance of the proposed mine at Koka but also in other portions of this highly prospective region.

Particular attention will focus on drilling near-mine targets generated from a deep penetration 3D IP survey currently being conducted over the Koka-Konate Corridor. We have already released early results from this IP survey which show some exciting resistivity anomalies below Koka and at Koka East. Drilling of these anomalies is expected to occur early in the New Year and we are hopeful that these targets have the potential to significantly increase the Company's resource base.

In addition, the Company will be undertaking a substantial regional aeromagnetic survey covering our current granted tenements of 615 square kilometres. This geophysical information will be a major step forward to providing new targets hidden due to cover, complex geology or lack of access.

Regionally, the Company has also completed a broad stream sediment sampling program (BLEG) throughout its granted land package. Initial results from this program have been impressive and follow-up sampling is now being undertaken to define the host rocks that may be the source of these outstanding BLEG results.

With a significant exploration program underway, I am optimistic that we will have a steady flow of positive news over the coming months.

I am also pleased to report that our first day of trading on the TSX will occur in the next couple of days. This is expected to broaden our shareholder and investor base. As a precursor to listing on the TSX, we welcomed the appointment to our Board of Stephen Quin, a highly experienced Mining Geologist. Stephen's input has been extremely valuable and we look forward to drawing on his considerable experience in mine development and the capital markets as we develop the Koka Project and add value to our resource base in Eritrea.

In conclusion, we are very positive about Chalice's future and, while there will be challenges ahead, I strongly believe we will be able to provide shareholders with an opportunity for strong capital growth in the medium term.

Our Managing Director Dr Doug Jones will provide a short corporate presentation outlining the exploration potential of our projects at the conclusion of the formal meeting.