



**CHAIRMAN'S ADDRESS**  
**ANNUAL GENERAL MEETING**  
**22 NOVEMBER 2011**

I am pleased to report on another very active year for Chalice as we continued to progress towards our goal of becoming a low cost North African-focused gold producer.

Our strategy this year was simple: to move the high-grade Koka gold mine toward production as soon as possible, while ensuring that our ongoing exploration efforts in Eritrea generate a strong pipeline of prospective drill targets with the potential to grow our reserve inventory over time. These exploration targets are now starting to generate tangible results at Koka South as we continue a significant diamond drilling campaign.

While market conditions have again been volatile this year – with a significant disconnect emerging globally between the value of gold equities and the rising gold price – I am confident that the underlying value of Chalice's flagship asset will be reflected in our share price as we increase our reserves and resources and move to development and production.

In this regard, I am pleased to report that we achieved several important milestones during the year, including a final agreement with the Eritrean National Mining Corporation ("ENAMCO") for their right to acquire an additional 30 per cent interest in the Koka Project for approximately US\$34 million, including the reimbursement of certain costs.

The signing of a shareholder's agreement together with ongoing permitting activities, including the signing of the Mining Agreement, should now, subject to obtaining finance, enable Chalice to commence development of the Koka gold mine in 2012. With ENAMCO now on board, we can look forward to a long and successful partnership.

We also believe that the Mining Licence will be granted in the near future. Our attention will now turn to financing the project – I believe that a suitable debt financing arrangement is very achievable and we will be progressing this in the coming few months as we work through the many alternatives.

As we are now rapidly approaching the development phase of the Koka mine, we have strengthened our management team with the recent appointment of Juan Jeffery to the position of Chief Operating Officer. We have also appointed key management personnel to the Joint Venture Company, Zara Mining, in Eritrea to oversee the permitting process, build the development team and undertake construction of the mine.

Aside from the planned development of the Koka mine, our exploration team in Eritrea has put in an enormous effort to build an inventory of exploration targets in and around the Koka deposit, as well as on the Zara North and Zara South licences.

Bearing in mind that little, if any, exploration has been undertaken on the majority of Chalice's licences prior to our involvement, work undertaken to date has included detailed mapping, stream sediment sampling and soil sampling. While this on-ground work was being completed, we conducted an aeromagnetic survey over all of our licences in Eritrea. A ground IP survey was also conducted over the Koka-Konate corridor to target possible repetitions of the Koka deposit.

This extensive groundwork is now beginning to pay off with high grade gold results now being received from the Koka South prospect. The strike length of this high grade extension to Koka is now some 250 metres and is open both to the south and at depth with drilling continuing. This prospect has the potential to materially increase the size and profitability of the Koka deposit.

In addition, results received from near mine drilling at Debre Konate, indicate the potential for high tonnage, lower grade mineralisation, something which we have not yet come across at Zara until now.

Further drilling at these prospects over the next few months will further define the size and extent of these opportunities.

At Mogoraib North, which is also rapidly becoming a key focus, first-pass stream sediment sampling, helicopter-supported mapping and a rock chip sampling program was completed. The surface sampling program identified areas anomalous in base metals, some of which are associated with geophysically-identified basement conductors.

Airborne geophysics, including VTEM, was also flown over the Mogoraib North tenement, targeting volcanic-hosted massive sulphide deposits. Our target area has similar geology to that of the world-class Bisha deposit which lies 10 km to the south of our tenement. Geophysical interpretation of the VTEM work combined with geochemistry has identified over 40 targets which we expect to drill in early 2012.

I am confident that Chalice has a very bright future as we move ahead and deliver positive news regarding the financing and development of the Zara Project, and as we continue to generate tangible results from our exploration efforts.

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

A handwritten signature in black ink, appearing to read 'Tim Goyder', with a stylized flourish at the end.

TIM GOYDER  
Chairman