



# Annual General Meeting Presentation

22 November 2011

[www.chalicegold.com](http://www.chalicegold.com)<sub>1</sub>

# Snapshot of Chalice

## Mine Development and Exploration in Eritrea

### High-grade, low cost gold development project (Koka)\*:

- ☐ Open pittable 760,000 oz Probable Reserve @ 5.1g/t Au
- ☐ Forecast gold production of 104,000 oz p.a. over 7 years for Koka alone
- ☐ Lowest quartile cash operating costs of global cost curve - US\$ 338/oz
- ☐ Mining Agreement signed
- ☐ First gold pour estimated late 2013

### Exploration Upside:

- ☐ Located in the highly prospective and underexplored Arabian-Nubian Shield
- ☐ 1372 km<sup>2</sup> of granted tenements
- ☐ Drilling underway to test targets in 'mine corridor'
- ☐ Significant new high-grade discovery at Koka South ( including 5m @ 86.2g/t) – drill-out underway
- ☐ Major regional exploration program underway

- ☐ \* 60% owned by Chalice, 40% by ENAMCO (state-owned mining entity)



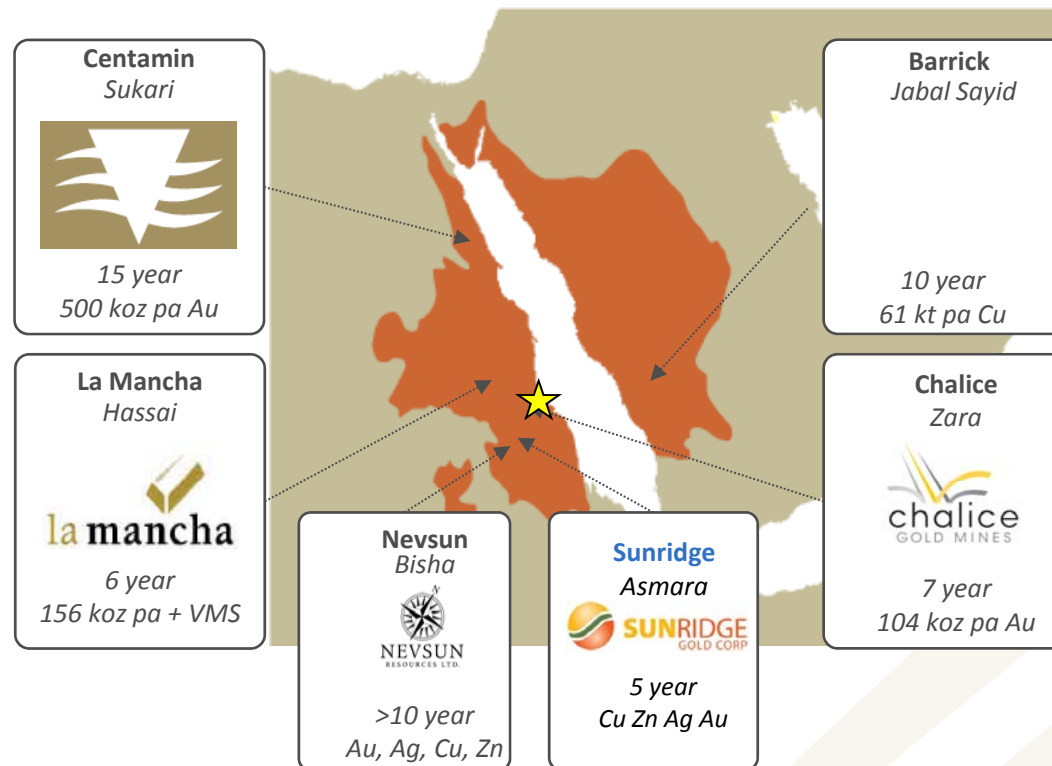
# Highlights 2010/2011

- ❑ Key agreements including Shareholders' Agreement and Mining Agreement
- ❑ Mining licence imminent – opens way for development commencing 2012 and production in 2013
- ❑ EPC Contractor tender process nearing completion
- ❑ Discussions with potential lenders underway
- ❑ Significant new high grade discovery at Koka South provides potential to materially increase resource base
- ❑ Major regional exploration program completed with exciting exploration pipeline developed
- ❑ Extended ground position in Eritrea with grant of two new exploration licences

- ❑ **Koka Gold Mine development**
  - **Fast track development to first gold pour in late 2013**
- ❑ **Organic growth (near mine focus)**
  - **Koka South extension**
  - **Koka-Konate Corridor exploration**
- ❑ **Aggressive regional exploration program**
  - **Gold (Zara Project and regional targets)**
  - **VHMS targets at Mogoraib North**
- ❑ **Assess JV and acquisition opportunities**



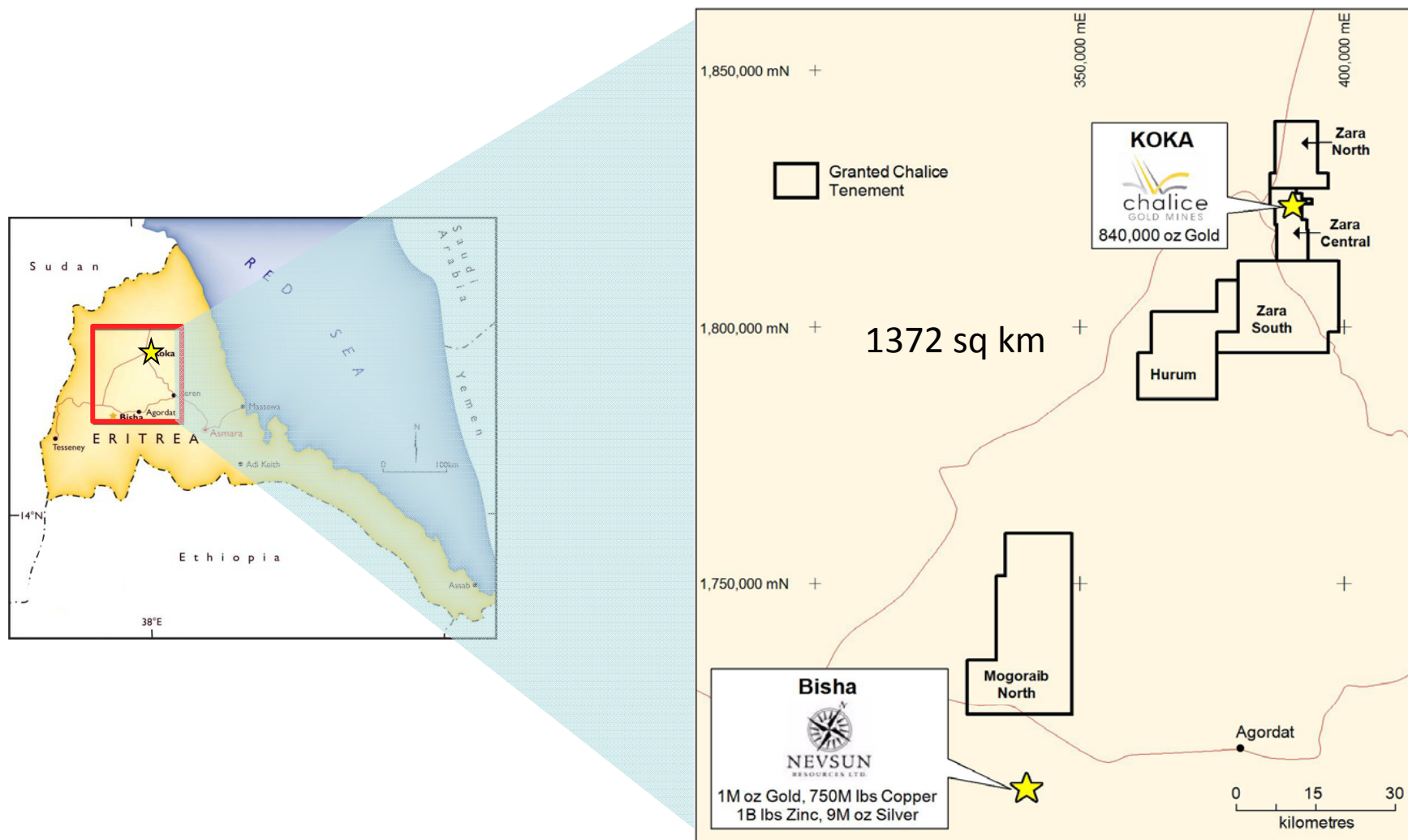
# The Arabian Nubian Shield



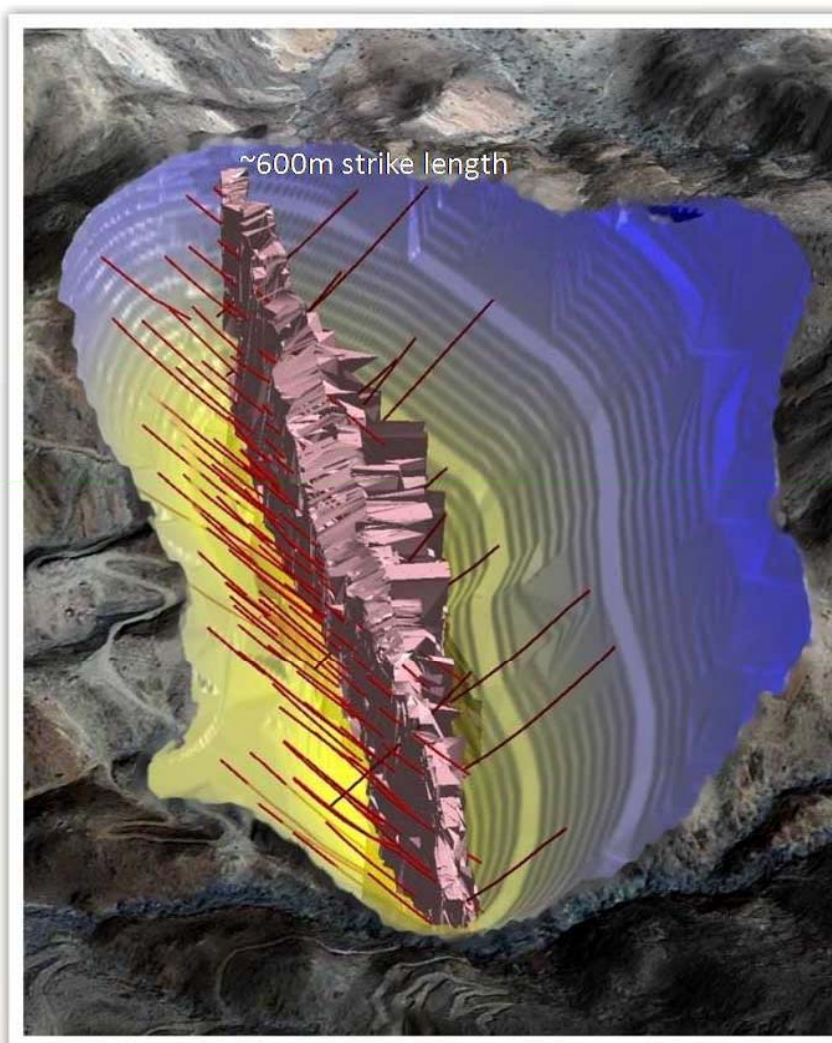
- ❑ Long mining history (>1,000 recorded ancient copper and gold mines)
- ❑ Minimal modern exploration
- ❑ Hosts resources of +20Moz gold
- ❑ World-class projects now being developed



# Current Ground Position



# Koka Gold Mine – Key Metrics



Gold price base case	US\$900
Ore milled	4.6 Mt
Grade	5.10g/t Au
Strip ratio	10.4:1
Gold recovery	96.30%
Life of mine	7 years
Mill throughput	700,000tpa
Average annual gold production	104,000 oz
Total gold produced	730,000 oz
Capex	US\$122M
Average total cash cost per oz Au	US\$338

# Koka Gold Mines – Reserves & Resources



Category	Lower grade cut-off (g/t Au)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (Oz)
Indicated Resource	1.2	5	5.3	840,000
Probable Reserve	1.2	4.6	5.1	760,000

## Near-term strategy to increase Reserves & Resources

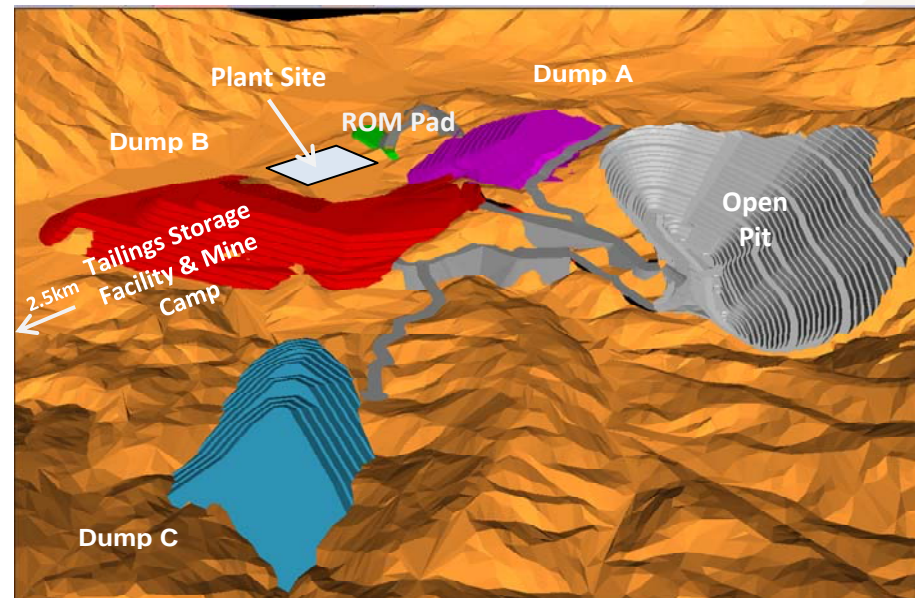
- ☐ Koka South – high priority target – drilling underway to determine extent of mineralisation
- ☐ Koka South - conceptual exploration target of between 124,000 and 186,000 oz \*
- ☐ Debre Konate – a new style of mineralisation – low grade, bulk tonnage deposit?

\* Assumptions include a strike length of 400m, depth of 200m, vein width of 2m, conceptual tonnes of ~384,000t, gold grade of between 10-15g/t. The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

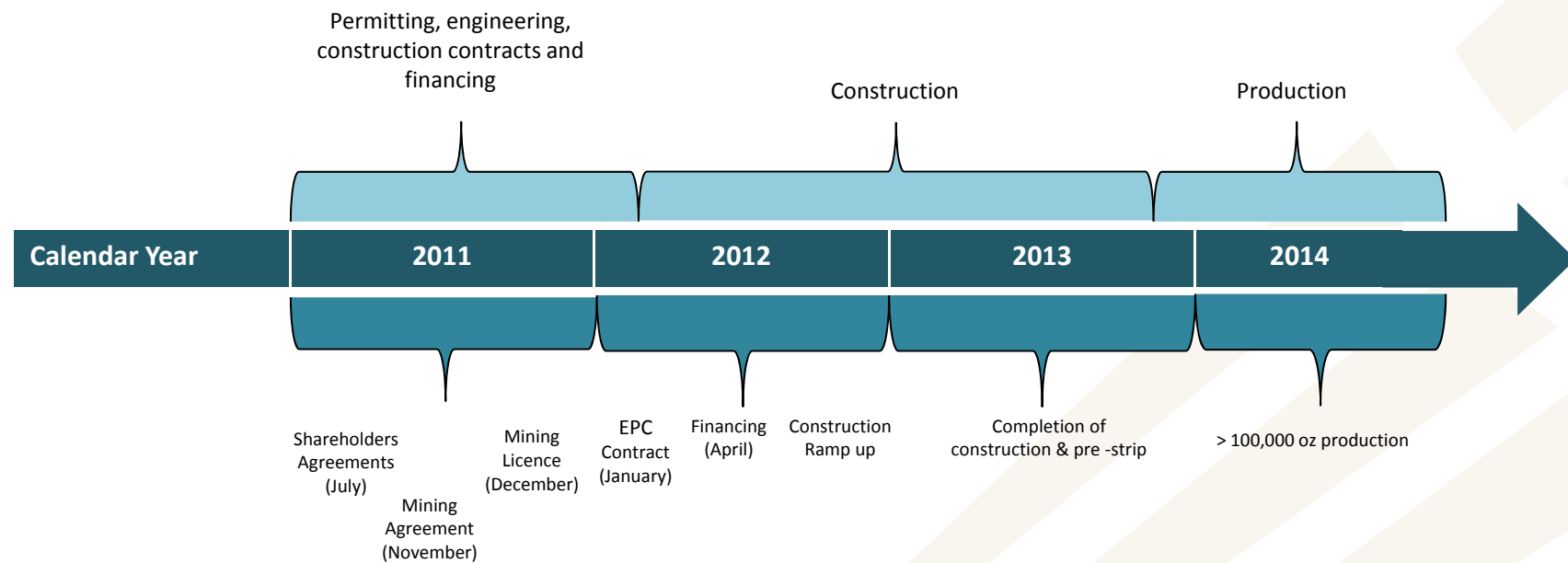


# Koka Gold Mines – Development Strategy

- ❑ Q4/2013 production target based on original feasibility
- ❑ Process and schedule optimisation through EPC contract strategy and contractor solutions (not gold-plated....'fit for purpose')
- ❑ EPC Contract – lump sum and target price
- ❑ Contractor accountable for turn-key solution and shares risk and reward
- ❑ Preferred contractor nominated subject to documentation



# Koka Development Schedule



# Koka Gold Mine – Financing Strategy



- ❑ Seeking a majority debt financing solution
- ❑ Aim is to limit equity component of financing
- ❑ Multiple interested financiers identified
- ❑ Chalice share of overall development costs ~US\$100 million
- ❑ Net proceeds from ENAMCO sale may be contributed to funding requirement

	2014 US\$'m	2015 US\$'m	2016 US\$'m	2017 US\$'m	2018 US\$'m	2019 US\$'m	2020 US\$'m	2021 US\$'m	Total US\$'m
Revenue	38	139	120	101	90	76	76	76	716
Cash Costs	(19)	(23)	(22)	(22)	(23)	(17)	(16)	(8)	(150)
Royalties	(2)	(6)	(6)	(5)	(5)	(4)	(4)	(4)	(36)
Taxes	0	(27)	(26)	(19)	(24)	(21)	(22)	(25)	(164)
<b>Total Net Chalice Cashflows (60%)</b>	<b>17</b>	<b>83</b>	<b>66</b>	<b>55</b>	<b>38</b>	<b>34</b>	<b>34</b>	<b>39</b>	<b>366</b>

#### Assumptions:

Relates to Chalice's 60% share of cash flows

US\$ 1600 gold price

Uses 2010 Koka Feasibility Study

Financial years ended 30 June

Excludes Chalice's 2/3rd share of capital expenditure (project total: \$131M including sustaining capital - Chalice's share \$87m)

# Eritrean Exploration Portfolio

## Multiple high-grade gold targets

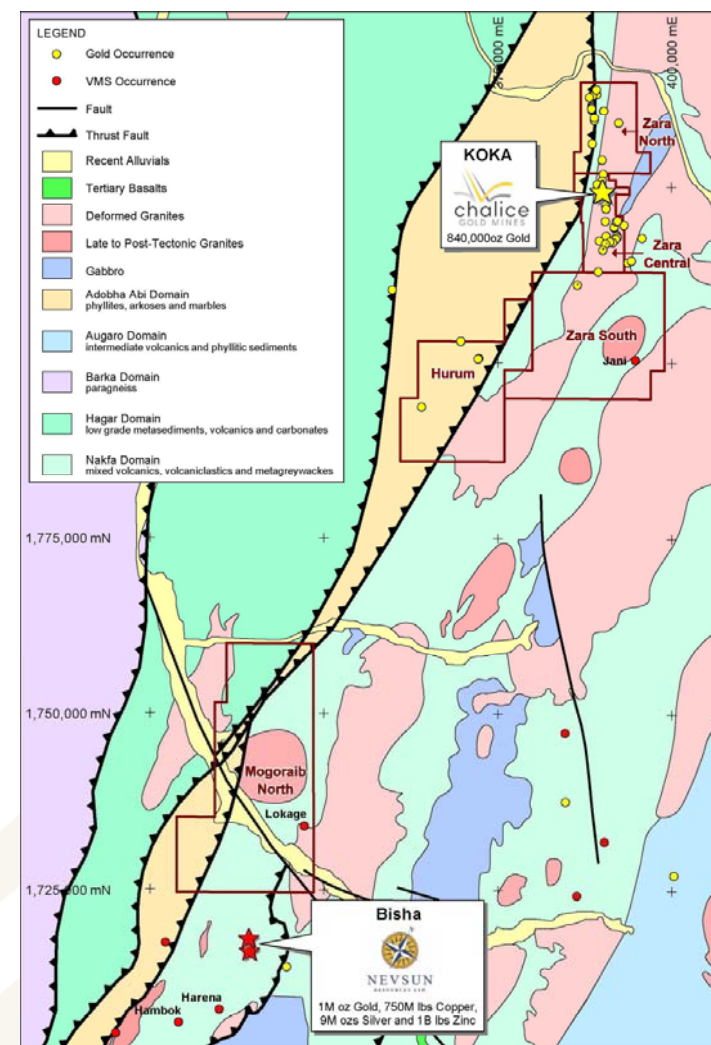
- ☐ Koka South
- ☐ Debre Tsaeda
- ☐ Konate –Alidar
- ☐ Zara North prospects

## Potential high tonnage, low-grade gold targets

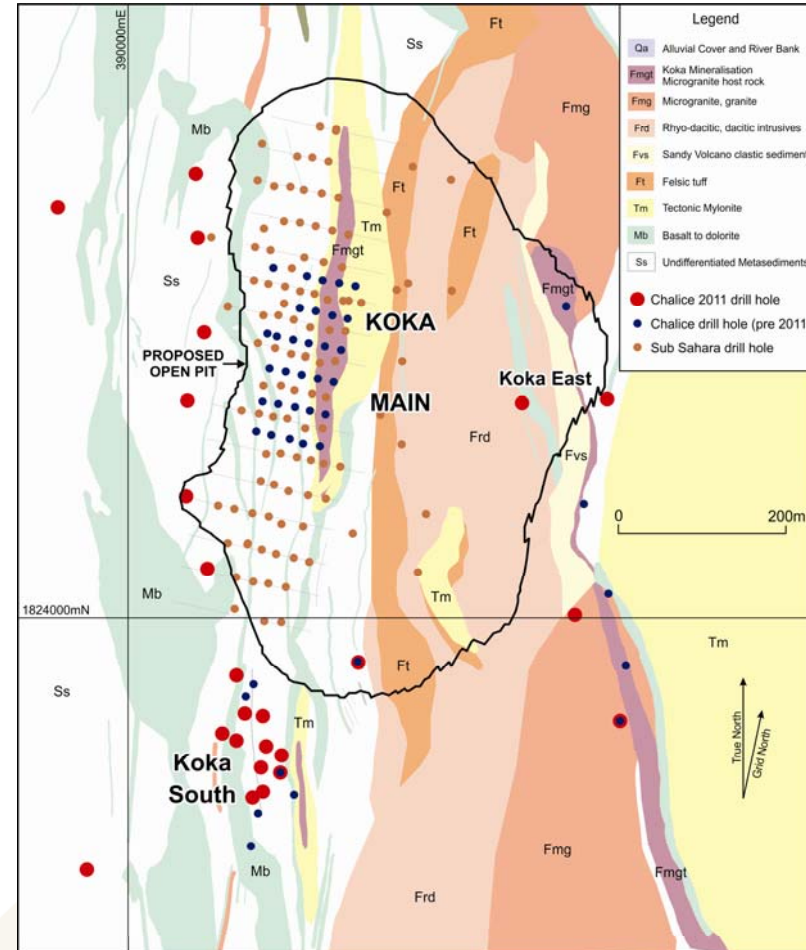
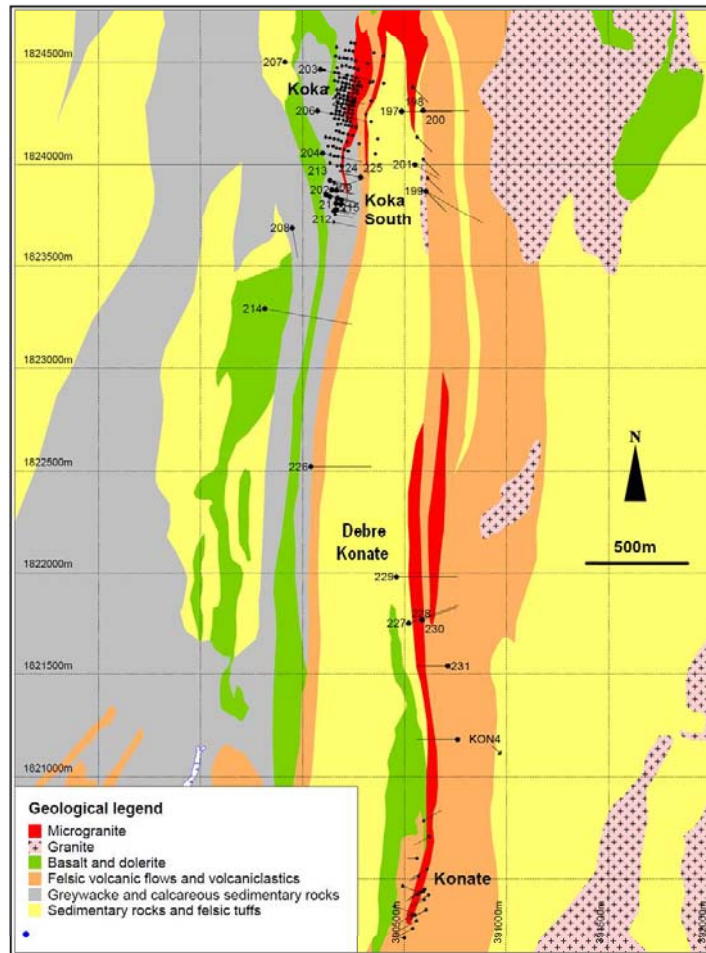
- ☐ Debre Konate

## VHMS targets

- ☐ VTEM conductors on Mogoraib North
- ☐ Jani prospect on Zara South



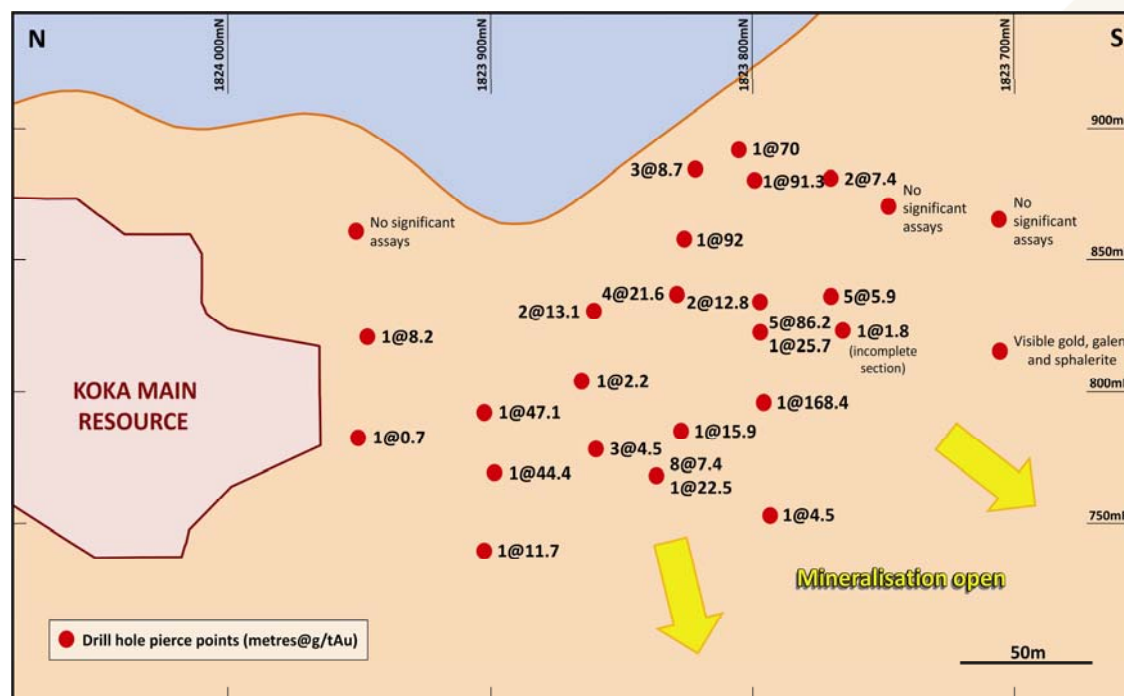
# Koka-Konate Corridor Drilling





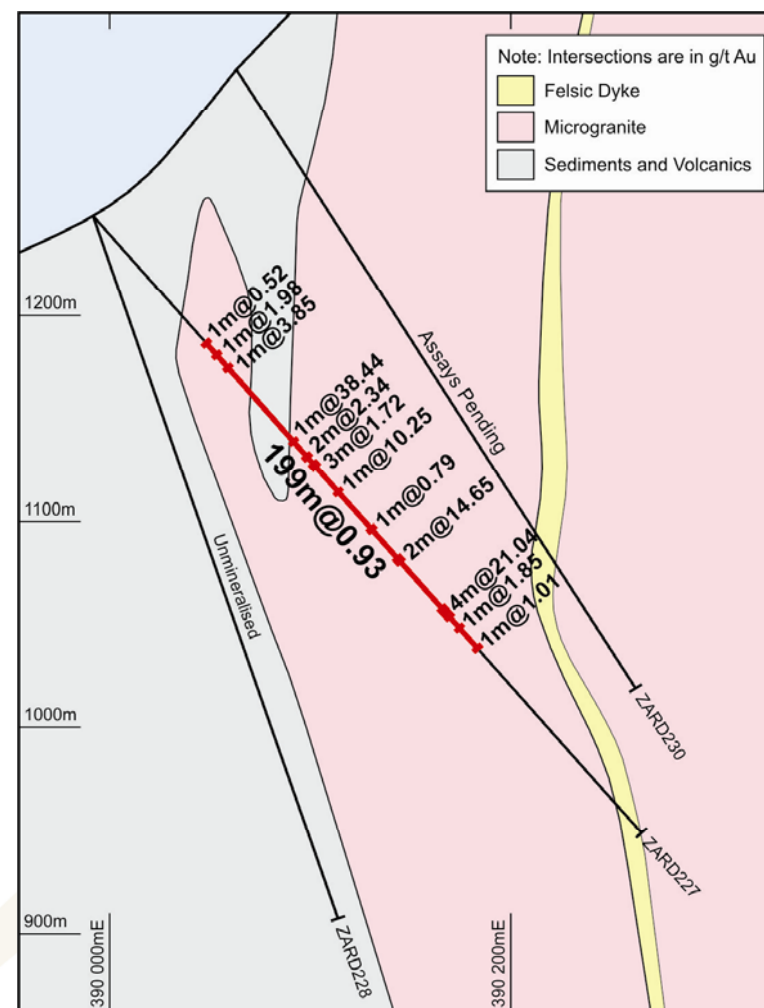
# Koka South – Long Section

- ❑ Narrow high grade system
- ❑ Drill-indicated strike length of 250m and open to south and at depth
- ❑ Drill results include:
  - 1m @168g/t Au
  - 5m @86.2g/t Au
  - 4m @29.6g/t Au
  - 8m @ 7.36g/t Au
- ❑ Diamond drilling ongoing until the end of 2011
- ❑ Aim to materially expand the existing Koka resource base

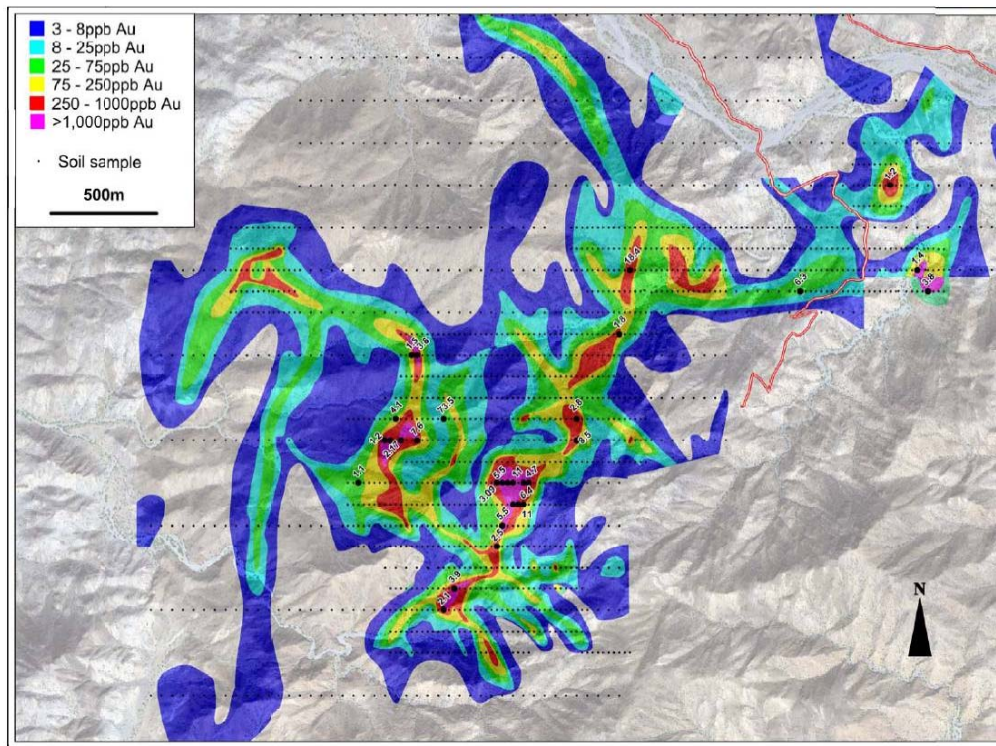


# Debre Konate – a new style of mineralisation?

- ❑ Located 3km south of Koka within Koka-Konate corridor
- ❑ Coincident soil gold & lead anomalies, artisanal workings and IP resistivity target
- ❑ Multiple narrow mineralised veins intersected within broad alteration envelope
- ❑ Potential for large, low-grade, high tonnage target



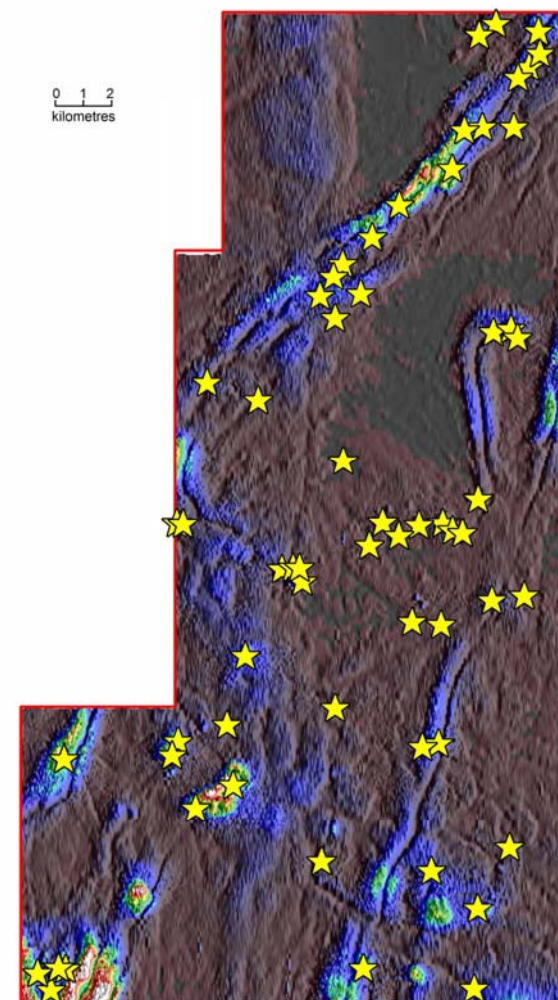
# Debre Tsaeda Prospect





# Mogoraib North Project

- ❑ Located ~10 km north of Nevsun's Bisha VHMS Project with similar geological setting
- ❑ VTEM survey completed mid 2011 ~3825 line kilometres
- ❑ Numerous bedrock conductor targets identified – possible VHMS
- ❑ Follow-up ground geophysics and soil geochem underway to refine targets
- ❑ Drilling planned for early 2012



# Summary

- ☐ Low cost, high grade gold developer
- ☐ Production planned for late 2013
- ☐ Strategy to organically grow production to >100,000 oz per year
- ☐ Aggressive exploration program underway





# Disclaimer and Competent Persons Statement



- 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](http://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.

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This document may contain forward-looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, forward-looking statements). These forward-looking statements are made as of the date of this document and Chalice Gold Mines Limited (the Company) does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the likelihood of exploration success, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as plans, expects or does not expect, is expected, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at [sedar.com](http://sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

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