



CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

30 NOVEMBER 2012

2012 has been a pivotal year for Chalice with the successful sale of the Zara Gold Project in Eritrea for combined proceeds of \$114 million before tax, putting the Company in a strong position both to reward shareholders and to target and secure quality new assets to underpin our next chapter of growth.

Subject to Shareholder approval today, the Company will undertake a capital return of \$25 million – equivalent to 10 cents per share – Chalice will still have approximately \$55 million in the bank, enabling us to acquire a sizeable resource asset and to continue to explore at our Mogoraib North Project in Eritrea.

It is clear that the Zara sale has put the Company in an enviable position to acquire new projects at reasonable prices, particularly as a result of the difficulties being experienced in financing resource projects in the current market. However, the acquisition of a significant asset will not be rushed with our view being that patience will be rewarded with the acquisition of the right asset which can add genuine value for shareholders.

An in-house business development team has been established and a focused effort has commenced to assess potential assets for acquisition. While precious metals and copper assets are the most likely targets, the Board remains open to considering other commodities where there is potential to generate significant shareholder returns.

With a change in focus to acquiring advanced resource projects, I am also pleased to report that the Board has recently appointed Bill Bent as our new Managing Director. Bill is a high calibre mining executive and the Board is looking forward to working with him to take the Company to the next stage of its evolution.

I am delighted that Doug Jones will remain on the Board as Technical Director, focusing on the geological and technical development of the Company. I would like to take this opportunity to express my sincere thanks to Doug for his significant contribution as Managing Director over the last few years.

At the same time as assessing assets for acquisition, we have exciting opportunities ahead of us at the emerging Mogoraib North VMS exploration project, located just north of the world-class Bisha Mine in Eritrea, where as I mentioned recent exploration has returned some early-stage but very encouraging results indicating the potential for a large-scale VMS system undiscovered beneath shallow cover. Chalice has already entered into a 60:40 joint venture arrangement with the Eritrean National Mining Company (ENAMCO) on this project. Funding is on a two-thirds Chalice and one-third ENAMCO basis, taking into account the Eritrean Government's 10 per cent free-carried interest.

The tenor of results is consistent with the mineralisation often seen on the fringes of a large VMS deposits. The extent of sulphides intersected in the drilling to date gives us great confidence that we are now in a 'hot spot' with outstanding potential to discover economic concentrations of massive sulphide mineralisation within the broader system.

Exploration will now begin to focus on outlining the extent of mineralisation and vectoring in on the higher grade zones. Our planned surface and down-hole EM surveys will provide the detailed resolution to target ongoing drilling more effectively, providing a significantly more accurate EM model to work from than that generated by the airborne VTEM survey.

We are excited by the opportunities unfolding at this project and we plan to intensify our exploration to follow up on the promising results achieved to date. This is a highly leveraged exploration play as the costs of the next stage of exploration are relatively small compared to Chalice's cash resources.

In conclusion, I would like to thank the Board, management team and staff for their substantial efforts over recent months in what has been both a challenging and rewarding period for the Company. I would also like to thank our shareholders for your patience and continued support.

With a substantial cash reserve, Chalice is in a unique position in the junior resource sector and I am confident that a high-quality asset will be acquired with the potential to generate significant shareholder returns into the future.

Doug Jones will now provide more detail on the Company's plans. I will now close the meeting and thank you for your attendance.

A handwritten signature in blue ink, appearing to read "Tim Goyder". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

TIM GOYDER
Chairman