



CHALICE GOLD MINES LIMITED

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NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

A General Meeting of the Company will be held at Level 2, 1292 Hay Street, West Perth, Western Australia, on 19 May 2010 at 10.00 am (WST).

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

A General Meeting of the Shareholders of Chalice Gold Mines Limited (**'Chalice Gold Mines'**) to which this Notice of Meeting relates will be held at 10.00 am (WST) on 19 May 2010 at:

Level 2, 1292 Hay Street, West Perth, Western Australia

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) send the proxy form by post to Chalice Gold Mines Limited, GPO Box 2890, Perth, WA, 6001; or
- (b) send the proxy form by facsimile to the Company on + 61 8 9322 5800,

so that it is received no later than 10.00 am (WST) on 17 May 2010.

Proxy forms received later than this time will be invalid.

BODIES CORPORATE – CORPORATE REPRESENTATION

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the meeting of Shareholders. The appointment may be a standing one. An Appointment of Corporate Representative is enclosed with this notice.

ENQUIRIES

The Company welcomes enquiries in respect of matters covered in this Notice of Meeting and Explanatory Memorandum and attendance of shareholders at the General Meeting proposed. Should you require further information please contact:

The Company Secretary
Richard Hacker
Phone: (+61 8) 9322 3960
Fax: (+61 8) 9322 5800
Email: rhacker@chalicegold.com

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting (Meeting) of the shareholders of Chalice Gold Mines Limited (the Company) will be held at Level 2, 1292 Hay Street, West Perth, Western Australia on 19 May 2010 at 10.00 am (WST).

AGENDA

ORDINARY BUSINESS

RESOLUTION 1 – RATIFICATION OF SHARE ISSUE - PLACEMENT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 7.4 and all other purposes, Shareholders approve and ratify the allotment and issue of 20,000,000 Shares at 36 cents per Share to those persons and entities and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement

The Company will disregard votes cast on this Resolution by any person or entity or any of their associates that participated in the Issue.

However the Company need not disregard a vote if:

- (a) it is cast by that person (excluded from voting) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 – RATIFICATION OF OPTION ISSUE TO CORPORATE ADVISERS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 7.4 and all other purposes, Shareholders approve and ratify the allotment and issue of 1,000,000 Options over ordinary shares in Chalice Gold Mines Limited each with an exercise price of 36 cents per Option on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting and expiring 31 March 2012.”

Voting Exclusion Statement

The Company will disregard votes cast on this resolution by Thomas Weisel Partners Canada Inc or any associates of theirs.

However, the Company need not disregard a vote if:

- (a) it is cast by Thomas Weisel Partners Canada Inc (or any associate of theirs) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

PROXIES

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company;
- (c) a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified then in accordance with Section 249X(3) of the Corporations Act each proxy may exercise one half of the votes.

In accordance with section 250BA of the Corporations Act, the Company specifies the following information for the purposes of receipt of proxy appointments by Shareholders registered on the Company's share register:

Registered Office: Level 2
 1292 Hay Street
 WEST PERTH WA 6005

Facsimile Number: +61 8 9322 5800

Postal Address : GPO Box 2890
 PERTH WA 6001

The proxies of Shareholders must be received at the relevant address set forth above no later than 48 hours prior to the time of commencement of the Meeting (WST).

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders of the Company on 14 May 2010 at 5.00 pm WST.

By order of the Board



Company Secretary
13th April 2010

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at a General Meeting of Chalice Gold Mines Limited to be held at Level 2, 1292 Hay Street, West Perth, Western Australia on 19 May 2010 at 10.00 am (WST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

(A) RESOLUTION 1 – RATIFICATION OF SHARE ISSUE - PLACEMENT

ASX Listing Rule 7.1 prohibits a company from issuing equity securities representing more than 15% of its share capital in any 12 month period without shareholder approval (subject to certain exceptions). ASX Listing Rule 7.4 allows a company to seek ratification for a permitted and prior issue of equitable securities that have been made within the 12 month period. The effect of such ratification is that the issue is then deemed to have been one to which shareholder approval has been obtained thus not counting towards the 15% referred to in this paragraph.

Resolution 1 seeks ratification of the issue of 20,000,000 Shares on 31 March 2010 at 36 cents per share raising \$7,200,000 before issue costs (“the Placement Shares”).

The funds raised under the Placement Shares will be predominantly applied to the Company’s advancement of the Zara Project in Eritrea and in particular be applied towards completion of the scheduled Feasibility Study and near mine exploration at the Koka Deposit. Pursuant to ASX Listing Rule 7.5 the following additional information is advised in relation to the Placement Shares:

- (a) the number of Shares issued was 20,000,000;
- (b) the Shares were issued on 31 March 2010 at 36 cents per Share raising \$7,200,000 before issue costs;
- (c) the Shares ranked equally from the date of issue with all existing Shares in the Company;
- (d) the Shares were issued to sophisticated and institutional investors with a number being clients of Thomas Weisel Partners Canada Inc.; and
- (e) the purpose of the issue was to provide funds for the working capital of the Company and in particular the continued development of the Zara Project in Eritrea.

The Directors **unanimously recommend** Shareholders approve this Resolution.

(B) RESOLUTION 2 – RATIFICATION OF OPTION ISSUE TO CORPORATE ADVISERS

ASX Listing Rule 7.1 prohibits a company from issuing equity securities (which includes options) representing more than 15% of its share capital in any 12 month period without shareholder approval (subject to certain exceptions). ASX Listing Rule 7.4 allows a company to seek ratification for a permitted and prior issue of equitable securities that have been made within the 12 month period. The effect of such ratification is that the issue is then deemed to have been one to which shareholder approval has been obtained thus not counting towards the 15% referred to in this paragraph.

Resolution 2 seeks ratification of the issue of 1,000,000 unlisted Options to Thomas Weisel Partners Canada Inc (“TWP”), an entity that is not related to Chalice Gold Mines.

TWP was mandated by Chalice Gold Mines to raise \$7,200,000 in new equity by way of a placement of 20,000,000 Shares to institutional and sophisticated investors at a price of 36 cents per share (“the Placement”). The Placement was completed on 31 March 2010 and is the subject of Resolution 1. As part of the fee payable to TWP in relation to the Placement, TWP was also to receive 1,000,000 Options.

Pursuant to ASX Listing Rule 7.5 the following additional information is advised in relation to the unlisted Options:

- (a) the number of unlisted Options issued was 1,000,000;
- (b) the unlisted Options were issued on 7 April 2010 for no consideration;

- (c) The unlisted Options have an exercise price of 36 cents and an expiry date of 31 March 2012 and on terms as otherwise set out in Appendix A;
- (d) the unlisted Options were issued to Thomas Weisel Partners Canada Inc.

The Directors **unanimously recommend** Shareholders approve this Resolution.

GLOSSARY OF TERMS

The following is a glossary of terms and abbreviations used frequently throughout this Explanatory Memorandum and in the Notice of Meeting. Additional terms used only occasionally are defined where used in their first instance in the body of this Explanatory Memorandum.

“**ASX**” means ASX Limited.

“**ASX Listing Rules**” means the Listing Rules of ASX.

“**Board of Directors**” or “**Board**” means the board of Directors.

“**Business Day**” means a day, other than Saturdays, Sundays or any other day.

“**Chalice**” or “**Company**” means Chalice Gold Mines Limited (ABN 47 116 648 956).

“**Corporations Act**” means the Corporations Act 2001 (Commonwealth of Australia).

“**Director**” means a director of Chalice.

“**Options**” means an option to acquire a Share in the capital of the Company by the payment of a certain exercise price and within a defined period.

“**Shares**” means fully paid ordinary shares in the capital of the Company.

PROXY FORM

**APPOINTMENT OF PROXY
CHALICE GOLD MINES LIMITED
ABN 47 116 648 956**

I/We

being a shareholder of Chalice Gold Mines Limited entitled to attend and vote at the General Meeting, hereby

appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the General Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 10.00 am (WST) on 19 May 2010 at Level 2, 1292 Hay Street, West Perth, Western Australia and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of Share Issue - Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Option Issue to Corporate Advisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this day of 2010

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

Instructions for Completing 'Appointment of Proxy' Form

1. A shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - Directors of the company;
 - a Director and a Company Secretary of the company; or
 - for a proprietary company that has a sole Director who is also the sole Company Secretary – that Director.

If a person who witnesses the affixing of a common seal and who is the sole Director and sole Company Secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Chalice Gold Mines Limited, GPO Box 2890, Perth, WA, 6001; or
 - (b) send the proxy form by facsimile to the Company on facsimile number +61 8 9322 5800,so that it is received no later than 10.00 am (WST) on 17 May 2010.

Proxy forms received later than this time will be invalid.

Appointment of Corporate Representative

Section 250D of the Corporations Law

This is to certify that by a resolution of the directors of:

.....

(Company),

(Insert name of company)

the Company has appointed:

.....,

Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Law, to act as the body corporate representative of that company at the meeting of the members of Chalice Gold Mines Limited to be held on 19 May 2010 and at any adjournments of that meeting.

DATED 2010

Executed by the Company)
)

in accordance with its constituent documents

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

INSTRUCTIONS FOR COMPLETION

Under Australian law, an appointment of a body corporate representative will only be valid if the Certificate of Appointment is completed precisely and accurately.

Please follow the following instructions to complete the Certificate of Appointment:

1. Execute the Certificate following the procedure required by your company's constitution or other constituent documents.
2. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
3. Insert the date of execution where indicated.
4. Send or deliver the Certificate to Chalice Gold Mines Limited registered office or fax the Certificate to the registered office at (+61 8) 9322 5800.

ANNEXURE A

Terms and conditions of the Chalice Gold Mines Options issued to TWP are:

- (a) each Chalice Gold Mines Option has an exercise price of A\$0.36;
- (b) subject to (i) below, each Chalice Gold Mines Option entitles the holder to subscribe for and be allotted one fully paid ordinary share in the capital of Chalice Gold Mines ("**Share**") at the exercise price for the Chalice Gold Mines Option referred to in (a) above;
- (c) the Chalice Gold Mines Options are exercisable at any time on or prior to 5.00 pm (Perth, Western Australia time) on the date which is twenty four months from the Completion of the Offering the subject of the Agency Agreement ("**Expiry Date**") by completing an Option Exercise Form and delivering it to the registered office of Chalice Gold Mines together with the payment for the number of Shares in respect of which the Chalice Gold Mines Options are exercised. A Chalice Gold Mines Option not exercised on or before the Expiry Date will lapse;
- (d) Chalice Gold Mines Options may be transferred at any time before lapsing;
- (e) Chalice Gold Mines Options are transferable by any standard form of transfer. Executed transfers will be recorded in Chalice Gold Mines's option register on lodgement of the transfer at any office of Chalice Gold Mines's share registrar;
- (f) all Shares issued upon exercise of the Chalice Gold Mines Options will rank pari passu in all respects with Chalice Gold Mines's then issued Shares from the date of issue. Chalice Gold Mines will apply for official quotation by ASX of all Shares issued upon exercise of the Chalice Gold Mines Options, if other Shares are listed at that time;
- (g) there are no participating rights or entitlements inherent in the Chalice Gold Mines Options and holders of Chalice Gold Mines Options will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Chalice Gold Mines Options unless the Chalice Gold Mines Options are first exercised in accordance with these terms and conditions. However, Chalice Gold Mines must ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 Business Days after the issue is announced and the holder of Chalice Gold Mines Options will be notified of the proposed issue at least 9 Business Days before the record date. This will give the holder of Chalice Gold Mines Options the opportunity to exercise those Chalice Gold Mines Options prior to the date for determining entitlements to participate in any such issue;
- (h) in the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of Chalice Gold Mines prior to the Expiry Date, the rights of the holders of Chalice Gold Mines Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation;
- (i) if there is a bonus issue to Chalice Gold Mines shareholders, the number of Shares over which a Chalice Gold Mines Option is exercisable will be increased by the number of Shares which the holder of the Chalice Gold Mines Option would have received if the Chalice Gold Mines Option had been exercised before the record date for the bonus issue; and
- (j) Shares allotted and issued pursuant to the exercise of the Chalice Gold Mines Options will be allotted and issued on the above terms and conditions not more than 14 days after the receipt of a properly executed Option Exercise Form and the exercise price in respect of the Chalice Gold Mines Option.