



## **CHALICE GOLD MINES LIMITED**

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## **NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM**

The Annual General Meeting of the Company will be held at Level 2, 1292 Hay Street, West Perth, Western Australia, on 28 November 2008 at 2:00 pm (WST).

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE

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The Annual General Meeting of the Shareholders of Chalice Gold Mines Limited (**'Chalice Gold Mines'**) to which this Notice of Meeting relates will be held at 2:00 pm (WST) on 28 November 2008 at:

Level 2, 1292 Hay Street  
West Perth WA 6005

### YOUR VOTE IS IMPORTANT

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

### VOTING IN PERSON

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

### VOTING BY PROXY

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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 2:00 pm (WST) on 26 November 2008.

**Proxy forms received later than this time will be invalid.**

### BODIES CORPORATE – CORPORATE REPRESENTATION

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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

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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](mailto:rhacker@chalicegold.com)

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## NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN** that the Annual 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 28 November 2008 at 2:00 pm (WST).

### AGENDA

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#### ORDINARY BUSINESS

##### FINANCIAL REPORT

To receive, consider and discuss the Company's Financial Report for the year ended 30 June 2008 and the reports of the directors and auditors on those statements.

##### RESOLUTION 1 - TO ADOPT THE REMUNERATION REPORT

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

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors' Remuneration Report for the financial year ended 30 June 2008 as contained within the Directors' Report be adopted."*

Note: Section 250R(3) of the Corporations Act provides that the vote on Resolution 1 is advisory only and does not bind the Directors.

##### RESOLUTION 2 - RE-ELECTION OF ANTHONY KIERNAN AS A DIRECTOR

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

*"To elect as a Director of the Company, Anthony Kiernan who retires by rotation in accordance with paragraph 14.4 of the Company's constitution and, being eligible, offers himself for re-election."*

##### RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

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

*"That for the purpose of ASX Listing Rule 7.2, exception 9 and for all other purposes, the shareholders of the Company approve the Employee Share Option Plan, the terms and conditions of which are summarised in the Explanatory Memorandum".*

#### Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (1) a person who may participate in an issue under the Employee Share Option Plan; and
- (2) an associate of that person.

However, the Company need not disregard a vote if:

- (3) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (4) it is cast by the person chairing 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

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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 26 November 2008 at 5:00pm WST.

By order of the Board



Company Secretary  
27 October 2008

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting of Chalice Gold Mines Limited to be held at Level 2, 1292 Hay Street, West Perth, Western Australia on 28 November 2008 at 2:00 pm (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.

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### **A. RESOLUTION 1 – TO ADOPT THE REMUNERATION REPORT**

Section 298 of the Corporations Act requires the annual Director's Report to contain a remuneration report prepared in accordance with section 300A of the Corporations Act.

The remuneration report of the Company for the financial year ended 30 June 2008 is set out in the Director's Report contained in the 2008 Annual Report to Shareholders ("**Remuneration Report**").

The Remuneration Report sets out the company's remuneration arrangements for the Executive and Non-Executive Directors and key management personnel. A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting. In addition, the Corporations Act requires that Resolution 1, to adopt the Remuneration Report, be put to the vote. However, the vote on this Resolution is only advisory and does not bind the Company.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

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### **B. RESOLUTION 2 – RE-ELECTION OF ANTHONY KIERNAN AS A DIRECTOR**

Mr Kiernan was elected as a Director of the Company on 15 February 2007 and is required to resign pursuant to paragraph 14.4 of the Company's Constitution. Mr Kiernan, being eligible, has offered himself for re-election as a Director of the Company.

Mr Kiernan is currently a non-executive Director of the Company. Mr Kiernan is a Solicitor and has considerable experience in the administration and operation of listed public companies. He practises extensively in the areas of media, resources and information technology law. In addition to his legal practice Mr Kiernan provides commercial and corporate advice to various entities. He is also Chairman of Anglicare (WA) and BC Iron Limited, and is a director of Uranium Equities Limited and Liontown Resources Limited.

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### **C. RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN**

A summary of the Company's Employee Share Option Plan was included in the Company's Prospectus dated 3 February 2006. Since that date, 2,150,000 Options have been issued pursuant to the Plan.

Listing Rule 7.1 provides that an entity must not issue or agree to issue more than 15% of its total equity securities without the approval of shareholders, unless one of the exceptions in ASX Listing Rule 7.2 applies.

An issue of equity securities under an employee incentive scheme will fall within exception 9 of ASX Listing Rule 7.2 if, within 3 years before the date of the issue one of the following occurred:

- (a) in the case of a scheme established before the entity was listed – a summary of the terms of the scheme were set out in the prospectus, produce disclosure statement or information memorandum; or

- (b) holders of ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

In order to allow the Company to issue equity securities under its Employee Share Option Plan in the future, Shareholder approval of the Employee Share Option Plan is sought pursuant to ASX Listing Rule 7.2, exception 9.

The Company has established an Employee Share Option Plan to provide a means to reward its employees, upon whom the responsibility for the successful growth of the Company rests, and to recognise the ability and efforts of those who have contributed to the success of the Company. The Plan is available to both full-time and part-time employees, including directors and consultants, and its salient terms and conditions are set out below.

Pursuant to the Plan, the Board may offer free options to employees based on a number of criteria, including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board may consider relevant.

Each issued option entitles the holder upon exercise to one Chalice Share, which will rank equally with all other Chalice Shares. The maximum number of options that may be issued at any one time is 15% of the total number of Chalice Shares on issue provided that the Board may increase this percentage, subject to the Corporations Act and the ASX Listing Rules.

The exercise price of the options shall be such price as is determined by the Board in its discretion on or before the date of issue, provided that the exercise price shall not be less than the average sale price of Chalice Shares sold on the ASX during the five business days prior to the date of issue, or such other period as determined by the Board at its discretion.

Options may not be transferred other than to an associate of the holder, and quotation of the options on ASX will not be sought. However the Company will apply to ASX for official quotation of the Chalice Shares issued on the exercise of the options.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise is satisfied. The Board may determine the vesting period. An option will lapse upon the first to occur of:

- (a) the expiry date;
- (b) the holder acting fraudulently or dishonestly in relation to the Company;
- (c) within three (3) months of the holder ceasing to be employed by the Company; or
- (d) on certain conditions associated with a party acquiring a 90% interest in Chalice Shares.

The Board may declare an option to be free of any conditions of exercise if in the opinion of the Board, any of the following has occurred or is likely to occur:

- (e) the Company entering into a scheme of arrangement;
- (f) the commencement of a takeover bid for the Chalice Shares; or
- (g) a party acquiring a sufficient interest in the Company to enable that party to replace the Board.

Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date in any number.

There are no participating rights or entitlements inherent in the options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 business days after the issue is announced. Optionholders will be afforded the opportunity to exercise all options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in such issue.

If the Company makes an issue of Chalice Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each optionholder holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue will be entitled to have issued to him upon exercise of any of those options the number of Chalice Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Chalice Shares as that number of Chalice Shares to which the optionholder may subscribe pursuant to the exercise of those options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Chalice Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank *pari passu* in all respect with the other Chalice Shares issued upon the exercise of the options.

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each optionholder is entitled or the exercise price of his or her options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the ASX Listing Rules.

Under current taxation laws, any taxation liability in relation to the options, or the Chalice Shares issued on the exercise of the options will fall on the participants. The Company will not be liable to fringe benefits tax in relation to options or Chalice Shares issued under the Plan.

In accordance with ASX Listing Rule 7.2, exception 9 any votes cast on Resolution 3 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution, or by the Chairman of the Meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, a director of the entity, except one who is ineligible to participate in any employee incentive scheme in relation to the entity will be disregarded.

A copy of the complete rules of the Plan is available upon request by contacting the Company Secretary, Mr Richard Hacker on (08) 9322 3960.

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#### **D. 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.

## 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 Annual General Meeting, hereby

appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Annual 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 Annual General Meeting to be held at 2:00 pm (WST) on 28 November 2008 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.

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### Voting on Business of the Annual General Meeting

|              |                                        | FOR                      | AGAINST                  | ABSTAIN                  |
|--------------|----------------------------------------|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Remuneration Report                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Re-election of Anthony Kiernan         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Approval of Employee Share Option Plan | <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

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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                      2008

**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.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, 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 2:00 pm (WST) on 26 November 2008.

**Proxy forms received later than this time will be invalid.**

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**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 **28 November 2008** and at any adjournments of that meeting.

**DATED** 2008

**Executed by** the Company )

)

in accordance with its constituent documents

.....

Signed by authorised representative

.....

Name of authorised representative (print)

.....

Position of authorised representative (print)

.....

Signed by authorised representative

.....

Name of authorised representative (print)

.....

Position of authorised representative (print)

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**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.