

ASX Announcement

4 September 2012

Chalice completes sale of Zara Gold Project in Eritrea to China SFECO Group and ENAMCO for combined US\$114M

Net cash balance of \$82 million after tax with a focus on acquiring new projects

Chalice Gold Mines Limited (ASX: CHN/TSX: CXN) is pleased to announce that it has today completed the sale of the Zara Gold Project in Eritrea to China SFECO Group for US\$78 million plus a deferred payment of US\$2 million upon commencement of commercial production at the Koka Gold Mine.

In addition, the Eritrean National Mining Corporation ("ENAMCO") has settled the remaining balance of US\$29 million for its acquisition of a 30 per cent interest in the Zara Project (in addition to its 10 per cent free carried interest).

Chalice has received all funds and paid all applicable taxes due in Eritrea for both the SFECO transaction and the ENAMCO transaction. Chalice's current cash balance (at today's USD: AUD exchange rate) is \$82 million, which equates to approximately 33 cents per share, putting the Company in an exceptionally strong position to embark on its next chapter of growth.

Chalice has, in addition to its experienced management and board of directors, retained independent expertise to assist in the assessment of potential opportunities. Drilling will also recommence in October, subject to weather conditions, at the Mogoraib North VMS Exploration Project in Eritrea.

Chalice's Executive Chairman, Tim Goyder, said the completion of the Zara transactions marked the beginning of an exciting new chapter of growth for the Company, with its cash balance of A\$82 million putting it in a unique position to identify and secure quality new opportunities in the international resource sector.

"This is a time in the market when cash is king and opportunities abound," Mr Goyder said. "We are very pleased to have crystallised significant value for our shareholders from the successful completion of this transaction, and we are now looking forward to identifying and securing new projects that will define the next phase of growth for Chalice."



TIM GOYDER
Executive Chairman

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Forward Looking Statements

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 except as required by law or regulation.

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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; the use of any sale proceeds received from the sale of the Zara Gold Project; as well as those factors detailed from time to time in the Company's interim and annual financial statements, all of which are filed and available for review on SEDAR at 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.

Accordingly, readers should not place undue reliance on forward-looking statements.