



## Sale of Chalice and Higginsville Gold Projects to Avoca Resources Ltd

Chalice Gold Mines Limited (Chalice Gold) advises that it has reached agreement for the sale of its Chalice and Higginsville gold projects to Avoca Resources Limited (Avoca).

Chalice Gold will receive \$5.84 million of Avoca shares and 2 million Avoca options under the agreement, providing shareholders with exposure to the continuing successful development of Avoca's Trident gold mine and the exploration potential of the consolidated Higginsville-Chalice region.

Chalice Gold values the Avoca options to be received under the agreement at approximately \$1.1 million applying standard valuation methods, for a total consideration of approximately \$6.94 million.

The agreement is conditional on the approval of shareholders of both Chalice Gold and Avoca, at meetings expected to be held by mid-June 2007.

Key aspects of the agreement are as follows:

- The sale is to be completed in two tranches.
- Tranche 1 - comprising sale of Chalice Gold's Higginsville tenements, the Chalice Gold Mine and areas north thereof - will complete upon receipt of shareholder approval and completion of other conditions precedent typical of such sale agreements (such as receipt of relevant Department of Industry and Resources approvals).

Consideration for completion of Tranche 1 is \$5.0 million of Avoca shares, at \$1.43 per share, for a total of 3,496,503 Avoca shares, based on the 5 day ASX Volume Weighted Average Price (VWAP) prior to the date of agreement, plus 2 million 3-year Avoca options, each with an exercise price of \$1.79.

- Tranche 2 - comprising a package of tenements south of the Chalice Gold Mine - will complete upon grant of an Exploration Licence (EL) and then amalgamation of the same with certain Prospecting Licences (PL) already held by Chalice, as well as the achievement of other conditions precedent typical of such sale agreements (such as receipt of relevant Department of Industry and Resources approvals).

Grant of the EL and amalgamation with the PL's is expected to take 10-12 months, allowing for relevant public notice requirements.

Chalice Gold has been advised that the EL has already been recommended for grant.

Consideration for completion of Tranche 2 is \$0.84M of Avoca shares, based on the 5 day VWAP on amalgamation of the PL's within the EL.

- Avoca will replace existing Department of Industry & Resources bonds in respect of the tenements.

Executive Chairman Andrew Bantock said:

*"The sale, which is subject to shareholder approval, will restore Chalice Gold's balance sheet to include over A\$9.0M of cash and investments at today's prices, whilst providing ongoing exposure to the development of the Trident Gold mine and exploration potential of the now consolidated Higginsville-Chalice region, under the proven Avoca team.*

*This positions the Company for growth through development and discovery, and provides an enhanced treasury position to follow our previously stated aim of acquiring new projects and resource opportunities."*

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