
Option agreement with Atlas Iron Limited; Iron ore exploration at Yandearra Gold Project

Chalice Gold Mines Limited ('Chalice Gold Mines') advises that it has entered into an option agreement with Atlas Iron Limited ('Atlas Iron') whereby Atlas Iron may acquire the iron ore rights over the Yandearra Gold Project in the West Pilbara.

The key terms of the option require Atlas Iron to make an initial payment of \$250,000 in cash or Atlas Iron shares to Chalice Gold Mines (valued based on the Volume Weighted Average Price (VWAP) for the 5 days prior to the agreement), within 60 days of signing the formal agreement between the parties.

Atlas Iron must then make a further payment of \$1,000,000 in cash or Atlas Iron shares (valued at a 5 day VWAP) upon Atlas Iron exercising its option to purchase the iron ore rights, which will occur no later than 12 months after the date of the formal agreement.

Atlas Iron has agreed to spend \$200,000 on exploration for iron ore at the Yandearra Gold Project during the option period.

On definition of an iron ore resource exceeding 5 million tonnes, at the Yandearra Gold Project, Chalice Gold Mines will have a one-off right to "claw-back" a 30% interest in this resource at a cost of 4 times total exploration expenditure across the subject tenements. In the absence of a claw-back, Chalice Gold Mines retains a 2% Gross Sales Royalty and Atlas Iron retains a first right of refusal to acquire the royalty.

The option is subject to terms and conditions typical of such agreements including that the subject tenements remain in good standing during and at the end of the option period.

Along with the recently announced De Grey Mining Limited joint venture for gold and base metals exploration on the east – south east portion of the subject tenements, this option agreement with Atlas Iron will further boost exploration efforts at the Yandearra Gold Project.



Andrew Bantock
Executive Chairman
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