



CHALICE
GOLD MINES LIMITED



Sub-Sahara Resources NL

MEDIA RELEASE

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CHALICE AGREES MERGER WITH SUB-SAHARA TO PROGRESS HIGH-GRADE AFRICAN GOLD PROJECT

FOCUS ON +1Moz ZARA GOLD PROJECT AS HIGH QUALITY DEVELOPMENT OPPORTUNITY

- Proposed merger of Chalice Gold Mines and Sub-Sahara Resources via Scheme of Arrangement
- Combines Chalice's strong cash position (~A\$10M) with Sub-Sahara's 69% interest in the emerging high-grade Zara Gold Project in Eritrea
- Chalice to acquire a further 11.12% interest, subject to completion of the merger, giving the merged group a consolidated 80% interest in the Zara Project
- Transaction secures funding to progress Feasibility Study on Zara Gold Project including ~5,000m of RC and Diamond Drilling planned to commence later this year
- Significant gold development opportunity in the southern part of the Arabian-Nubian Shield – an emerging gold and base metal province which hosts several world-class deposits

Australian gold company Chalice Gold Mines Limited (ASX: **CHN**; “Chalice”) today unveiled a proposed merger with fellow Perth-based junior Sub-Sahara Resources NL (ASX: SBS – “Sub-Sahara”) as part of a strategy to consolidate the ownership and fund the continued development of the emerging **1.04 million ounce Zara Gold Project** in northern Eritrea, East Africa.

The proposed merger – to be effected by way of a Scheme of Arrangement – would combine Chalice's strong cash resources of approximately \$10 million with Sub-Sahara's 69% interest in the Zara Gold Project, a promising high-grade gold asset which offers the potential for both initial open pit and future underground mining development.

Under the terms of the Scheme, Sub-Sahara Shareholders will receive **1 Chalice Share for every 10.73 Sub-Sahara shares held**, with the proposed merger having the full support of the Boards of both companies. Chalice and Sub-Sahara have executed a binding term sheet for the proposed merger and expect to execute a Merger Implementation Agreement shortly.

On the current timetable, the merger – which is subject to necessary third party and regulatory consents, approval of Sub-Sahara shareholders and court approval – is expected to be completed by mid-July 2009.

In addition, Chalice has also entered into an agreement with Africa Wide Resources Limited (AWR) to acquire its 11.12% interest in the Zara Gold Project for consideration comprising A\$1.2 million in cash and an early reimbursement of past exploration expenditure of A\$454,000 due to AWR. This acquisition, which is subject to completion of the merger, would result in the newly merged group holding an 80% interest in the Zara Project with ASX-listed gold producer Dragon Mining Limited owning the remaining 20%.

Following completion of the merger, Chalice will have approximately 121.2 million shares on issue, a strong funding position with the ability to accelerate the exploration and evaluation of the Zara Gold Project in Eritrea as the focus of an international gold development strategy.

Zara Gold Project – a Unique High-Grade Gold Opportunity

The Zara Gold Project, comprising a total tenement area of 615km² (including applications) lies approximately 160km northwest of Eritrea's capital, Asmara city, and within the southwestern part of the Late Proterozoic Arabian-Nubian Shield – an emerging gold and base metal province which hosts the ~13 million ounce Sukari gold deposit in Egypt, the ~2 million ounce Ariab/Hassai gold and base metal deposit in Sudan and, within Eritrea itself, the ~1Moz Bisha gold and base metal deposit.

Canadian-based gold and base metal company Nevsun Resources Ltd is currently undertaking a US\$250 million development of the world-class Bisha Project, located in Western Eritrea. The Bisha Mine will be a low-cost gold producer for its first two years of production (~430,000 ounces gold per year) and a low-cost high-grade copper concentrate producer (containing ~75,500 tonnes of contained copper metal per year) for a further three years. Production is scheduled to commence at Bisha in mid-2010.

An independent resource estimate and report was prepared in 2008 by Coffey Mining Pty Ltd comprising an **Indicated and Inferred Resource of 5.13 million tonnes at 6.31g/t gold for 1.04 million ounces of contained gold** for the Koka prospect within the Zara Project. Chalice considers there is significant exploration upside for the definition of additional resources.

Background on Eritrea

With a population of some 4.4 million people, Eritrea is located in Northeast Africa and is bordered by Sudan in the west, Ethiopia in the south, and Djibouti in the southeast. A former Italian colony, Eritrea has a unique cultural heritage.

Eritrea today offers a stable operating and social environment which is conducive to conducting business and attracting foreign investment. In recent years, the Government of Eritrea has been highly proactive in the development of its mining industry and this is evident in the support of Nevsun Resources' Bisha Project and other major projects within the Country.

Development Strategy and Management Commentary

While the merger implementation process is being completed, Sub-Sahara Resources intends to continue activities that form part of the Feasibility Study for the Zara Project including water bore drilling and progressing other key items in preparation for a drilling program later this year.

Following completion of the merger, a comprehensive program of approximately 5,000 metres of Diamond and Reverse Circulation Drilling is planned to extend and upgrade the existing resource prior to completion of the Feasibility Study.

The Feasibility Study, which will examine an initial open pit followed by a possible underground development, is expected to be completed during the first Quarter of 2010.

Commenting on the transaction and proposed forward strategy, Chalice Gold's Executive Chairman, Mr Tim Goyder, said: "The Zara Gold Project represents one of the best quality assets that we have assessed and we are delighted to have the opportunity to participate in the project's future development. This transaction creates an opportunity to properly fund and progress a gold asset of great potential in the current difficult economic environment."

"What attracted us to this Project was a combination of its exceptional grade and the very favourable operating environment we found in Eritrea. We were very encouraged by the meetings we had with the Eritrean Government, who we found to be very supportive of our plans for the Zara Project and who were very open to foreign investment in the minerals sector in general."

"From a grade perspective, it is worth noting that we have not seen a high-grade open pit gold mine in Australia for many years – possibly since the Chalice Mine in the 1980s which had an open pit head grade of over 5g/t," he said. "This was a fabulously profitable mine which generated enormous returns for its investors. We are aiming to replicate something like this at the Zara Project."

The Chairman of Sub-Sahara Resources, Mr Barry Bolitho, said: "The proposed merger represents an excellent opportunity to fund the Zara Gold Project in an extremely difficult economic climate."

“Existing Sub-Sahara shareholders will hold 39% of the merged entity and will continue to have exposure to the project through their shareholding in Chalice and they will have the benefit of knowing that the project can be funded through to a decision to mine,” he added.

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Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Registered Professional Geologist. Dr Jones has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

About Chalice Gold Mines Limited

Chalice Gold Mines Limited is an independently funded and focused exploration, development and investment company. Chalice Gold's key assets comprise:

- Cash of approximately \$10 million
- the large Yandecarra Gold Project in the West Pilbara adjacent to Range River Gold Limited's Indee Gold Project and De Grey Mining Limited's Wingina Well and Mount Berghaus gold discoveries. Atlas Iron is farming into the iron ore rights for this project;
- funded exploration of almost an entire greenstone belt at the Gnaweeda Gold Project, through a \$1.5 million joint venture with Teck Cominco; and
- the Wilga Gold project, situated within a fertile, well endowed gold belt adjacent to a major mineralised structure, 15 km southeast of AngloGold-Ashanti's Cleo gold mine in the Laverton tectonic zone.

Chalice Gold's board and management team has the requisite geology, mining, corporate and business development skills needed to operate and develop an emerging resource company. The Company has a strong share register with the top 20 holding ~70% of its issued capital.