

4 June 2009

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## CHALICE GOLD MINES AND SUB-SAHARA RESOURCES – MERGER UPDATE

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- **Sub-Sahara Scheme Booklet lodged with ASIC.**
- **Funds advanced by Chalice Gold Mines to Sub-Sahara to allow time-critical exploration activities of the Pre-Feasibility and Feasibility Studies, due for completion by October 2009 and May 2010 respectively, at the Zara Gold Project, Eritrea.**

Chalice Gold Mines Limited (ASX: **CHN** – “Chalice”) and Sub-Sahara Resources NL (ASX: **SBS** – “Sub Sahara”) are pleased to provide the following update on the progress of the proposed merger between the two companies and the on-going work programme in Eritrea.

The proposed merger is designed to consolidated ownership and fund ongoing development of the high-grade **944,000oz Zara Gold Project** in Eritrea, East Africa, combining Chalice’s strong cash position with Sub Sahara’s 69% interest in the Project.

The merger, together with a separate transaction with Africa Wide Resources Limited, will see Chalice secure an 80% interest in the Zara Project as the basis for a long-term exploration and development strategy in the Arabian-Nubian Shield – an emerging gold and base metal province.

### **Scheme Booklet and Indicative Timetable**

Sub-Sahara has advised that the Scheme Booklet in relation to the proposed merger has been lodged with the Australian Securities and Investments Commission (ASIC) for its review.

A revised indicative timetable to completion of the merger is as follows:

Lodgement of Scheme Booklet with ASIC	2 June 2009
First Court Hearing	18 June 2009
Despatch of Notice of Meeting and Scheme Booklet to SBS Shareholders	23 June 2009
First Scheme Meeting	22 July 2009
Second Court Hearing	30 July 2009
Lodging Court Order with ASIC	6 August 2009

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Sub-Sahara Resources NL

### **Loan Facility**

A loan facility of A\$450,000 has also been made available to Sub-Sahara by Chalice to fund further development of the Zara Project (Koka Gold Deposit) pending implementation of the proposed merger. The funds will be used to advance time-critical elements of the pre-feasibility and feasibility studies as set out in the recent license renewal notification.

Funds advanced under the facility, together with accrued interest, are repayable if the merger is not implemented by 30 September 2009 (or such later date as Chalice may agree). In this event, the loan must be repaid either in cash or, at Sub-Sahara's election, by the issue of Sub-Sahara shares at an issue price of 1.3 cents per share. The facility is secured by a fixed and floating charge over Sub-Sahara.

### **Immediate Work Program**

Major elements of the immediate work programme will include water drilling and hydrological studies, metallurgical test-work, preparation for further resource definition drilling and ongoing environmental, geological and topographic data collection.

A percussion drilling programme to investigate potential water-bearing structures identified by targeted geophysical surveys and drainages is planned and discussions are currently underway with several contractors to conduct this work.

Drill core from six metallurgical holes drilled at the Koka deposit in 2008 is currently held by Ammtect metallurgical laboratories in Perth and a test-work program designed by the Company's consultants has commenced.

A further 5,000m of drilling is required to infill the Koka resource and upgrade it from its current Indicated and Inferred status. It is planned that this drilling will commence as soon as the merger between Sub-Sahara and Chalice is completed. In anticipation of this event, work has already commenced on site preparation.

### **Owner's Representative Appointment**

Experienced Australian mining executive Mr Steven Chadwick has been appointed by Chalice as Owner's Representative to oversee the planned Scoping and Feasibility Studies for the Zara Project, including the lead up to commencement of these studies.

Mr Chadwick has been involved in the development of numerous gold mines during an extensive career both as a consultant and in senior management roles with companies such as Northern Gold, Normandy-Poseidon, PacMin Mining and St Barbara Mines. More recently, he acted as Owner's Representative for the feasibility study and design of Barrick Mining's Tulawaka gold project in Tanzania.



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Sub-Sahara Resources NL

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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 Chartered 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.