

# Chalice Takes Option to acquire Dragon Mining's stake in Zara Gold Project

*Deal can deliver consolidated Project ownership for the first time*



Chalice Gold Mines Limited ABN 47 116 648 956

3 March 2010

**CHALICE GOLD MINES LIMITED (ASX:CHN)** is pleased to announce it has acquired an option to purchase the remaining 20 per cent interest in the Zara Gold Project in Eritrea, East Africa from Dragon Mining Ltd (**ASX:DRA**).

Chalice can exercise the option at any time until 30 June 2010 by paying Dragon A\$8 million and issuing it two million Chalice shares.

Chalice has agreed to pay Dragon a further A\$4 million on delineation of a 1,000,000 ounce economically mineable gold ore reserve at the Zara Project within the currently held joint venture licences.

The option is subject to the necessary regulatory approvals with the Chalice shares issued to Dragon to be placed in escrow for 12 months.

The current JORC compliant resource estimate for the high-grade Koka deposit within the Zara Project, which is located in the emerging Arabian-Nubian Shield, is 944,000 oz gold @ 5.8g/t.

Chalice Executive Chairman Tim Goyder said the option gave Chalice a valuable opportunity to increase its exposure to the enormous potential at the Zara Project.

*"The opportunity to acquire the balance of the Zara Project is extremely attractive to Chalice,"* Mr Goyder said.

*"We now have the opportunity, for the first time, to consolidate ownership within the one entity of this high-grade project, which already has open-pittable resources of 944,000 ounces at a grade of 5.8g/t, a Feasibility Study due for completion mid-year and substantial exploration potential."*

*"The option comes at a time when we are moving full-steam ahead with the Feasibility Study on the Koka deposit and the commencement of drilling at the nearby and parallel Koka East target. Early indications are that Koka East is similar in outcrop to the current resources."*



## INVESTMENT HIGHLIGHTS

Scoping study completed

Feasibility study by Mid-2010

Medium term production potential

Large underexplored ground position with potential for discovery of additional resources

[www.chalicegold.com](http://www.chalicegold.com)

Upon exercising the option, Chalice will own 100 per cent of the Zara Exploration Licences with the Eritrean Government being entitled to a 10 per cent free carried interest on the grant of a Mining Lease. In addition, the Government has the right (but not the obligation) to purchase a further interest, up to 30%, based on an independently determined value.

Chalice also advises that it has engaged Thomas Weisel Partners, an international full service broker, as its corporate adviser. The Company also advises that it is currently reviewing the opportunity to seek a listing on the Toronto Stock Exchange.



**TIM GOYDER**  
Executive Chairman

#### Competent Persons' Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and 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.

The Independent Resource Estimate for the Koka deposit was prepared by Mr Brian Wolfe, whilst employed as a Specialist Resource Geologist for Coffey Mining Pty Ltd. Mr Wolfe, who is a Member of the Australasian Institute of Mining and Metallurgy, has sufficient experience in the field of Resource Estimation 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.

The break-down between Indicated and Inferred Resource categories at Koka is as shown in the Table below.

Category	Lower Grade cut-off (g/t)	Tonnes (Mt)	Gold (g/t)	Metal (Koz)
Indicated	1.2	4.55	5.9	867
Inferred	1.2	0.49	4.9	77
<b>TOTAL</b>	<b>1.2</b>	<b>5.04</b>	<b>5.8</b>	<b>944</b>