

# ASX ANNOUNCEMENT

## Eritrea Regional Joint Venture with Newmont



Chalice Gold Mines Limited ABN 47 116 648 956

23 July 2010

Chalice Gold Mines Limited (ASX:CHN) ("**Chalice**") is pleased to announce it has agreed principle terms with Newmont Ventures Limited, a subsidiary of Newmont Mining Corporation (**NYSE:NEM**) ("Newmont") to enter into a regional venture to explore for gold in Eritrea, East Africa covering areas outside of its Zara Gold Project.

The proposed venture, the formation of which is subject to formal documentation, is to be between Chalice subsidiary Keren Mining and Newmont and is for the exploration and evaluation of regional gold opportunities in Eritrea. The area the subject of the venture covers approximately 24,000 square kms and is currently subject to applications for grant from the Eritrea Government.

The venture excludes Chalice's Zara Gold Project (615 sq km), where a Feasibility Study is currently nearing completion on the high-grade, open pit Koka Gold Deposit (Ore Reserve of 760,000oz @ 5.1g/t Au).

Under the proposed venture, Newmont will fund an initial US\$1 million reconnaissance exploration program taking advantage of proprietary exploration techniques developed by Newmont and successfully utilised in other jurisdictions, and Chalice's extensive experience in Eritrea. At the conclusion of this program, Newmont and Chalice will select areas to be retained in the venture, with the interests of the parties being Newmont 75% and Chalice 25%.

The parties will then contribute to exploration on a pro rata basis, subject to rights of dilution. An interest falling below 10% will revert to a net smelter royalty interest of between 1% and 1.25%.

Chalice is able to acquire, in its own right, any areas the parties decide not to pursue, with Newmont having a right of first refusal ("ROFR") on the disposal by Chalice of any area it takes up. The ROFR (on an area-by-area basis) expires following the completion of 5,000 metres of drilling on the relevant area by Chalice.

If the venture declares a gold mineral resource of greater than 500,000 oz but less than 1,000,000 oz and the venture does not advance the same within 18 months, either party can carve this out from the venture and at an agreed value.

Chalice will manage the initial exploration program under a joint Newmont-Chalice management committee. Newmont may elect to become manager following the initial program.



### INVESTMENT HIGHLIGHTS

High grade Indicated gold Resource (840,000 oz @ 5.3 g/t gold)

#### Feasibility Study completed:

- Low cash costs of \$338/oz
- 7 year mine life at >100,000 oz average production per year

Drilling at near mine Konate Prospect in progress

Large unexplored ground position in the Arabian Nubian Shield

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

Chalice has the right to increase its interest to 30% in venture areas if the Eritrean Government elects not to exercise the right it has under Eritrean law to acquire a further 20% interest in the event of mining. This additional interest can be acquired by Chalice at a pro rata cost based on previous exploration.

Commenting on the new joint venture, Chalice Managing Director, Dr Doug Jones, said: *“We are very pleased to welcome Newmont as a partner in Eritrea. We see this venture as beneficial to both companies, providing Newmont with our in-country presence and knowledge base and Chalice with Newmont’s financial strength and cutting-edge technological expertise.*

*“It also reflects the growing recognition amongst the gold majors that the Arabian Nubian Shield, which underlies a large part of Eritrea, is a highly prospective yet underexplored geological province with tremendous potential for new gold discoveries.*

*“The joint venture is also in line with Chalice’s commitment to Eritrea and our ongoing engagement with the country and its people”.*



TIM GOYDER  
Executive Chairman

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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 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.