

ASX ANNOUNCEMENT

Zara Project Update – ENAMCO Paid Participating Interest



Chalice Gold Mines Limited ABN 47 116 648 956

15 November 2010

Chalice Gold Mines Limited (ASX: CHN) ("Chalice") is pleased to announce that in an important step towards finalisation of a Mining Agreement for the Koka Gold Project, the Eritrean Government has advised its intention to purchase, at fair value, a 30% paid participating interest in the project through the Eritrean National Mining Corporation (ENAMCO). This paid participating interest is in addition to ENAMCO's 10% carried interest.

The method and timing of the valuation to determine the fair value of the paid participating interest is being discussed with ENAMCO, however, it is expected to follow the precedent set by the Bisha project, held 60% by Nevsun Resources Ltd (TSX:NSU)(AMEX:NSU) and 40% by ENAMCO. In the event the Company and ENAMCO are unable to agree the fair value, a mutually acceptable independent valuer will be appointed to determine the fair value.

ENAMCO will also be required to contribute its proportionate share of project development and capital expenditure.

Finalising the terms on which ENAMCO will acquire the 30% interest in the project will greatly assist Chalice's efforts to secure the necessary approvals to develop Koka and is a strong vote of confidence in the project by the Eritrean Government.

Chalice Executive Chairman Tim Goyder said the Company welcomed ENAMCO's decision to be a significant partner in Koka and Chalice looked forward to the benefits that the arrangement would generate.

"This agreement will allow Chalice and ENAMCO to move rapidly towards finalisation of the agreements covering the project and the granting of a Mining Licence." Mr Goyder said.

"ENAMCO's involvement will also play a significant role in enabling the project to secure funding and in the process reduce Chalice's funding requirements."

A handwritten signature in blue ink, appearing to read "Doug Jones".

DR DOUG JONES
Managing Director



INVESTMENT HIGHLIGHTS

High grade open pit gold deposit (Reserves 760,000 oz @ 5.1 g/t)

Feasibility study completed

Permitting process underway

Medium term production potential

Large underexplored ground position with potential for discovery of additional resources

www.chalicegold.com

About the Zara Gold Project

The Zara Project comprises four Exploration Licenses and two Prospecting Licenses (currently being converted to EL's) covering an area of 615km² situated in northern Eritrea, approximately 160km northwest of Asmara city. Chalice currently holds a 100% interest in the project.

The Koka Gold Deposit within the project contains a Probable Reserve of 4.6 million tonnes of ore grading 5.1 grams of gold per tonne and containing 760,000 oz of gold. This is contained within an Indicated Resource of 5.0 million tonnes grading 5.3 grams of gold per tonne containing 840,000 oz of gold.

Key parameters of the project obtained from a Feasibility Study completed in July this year are as follows:

- Average life-of-mine total cash operating costs of US\$338 per oz of gold
- After-tax NPV_{5%} of US\$196 million, life-of-mine EBITDA of US\$589 million and an after-tax IRR of 35% at a gold price of US\$1,200/oz
- Average annual gold production of approximately 104,000oz per year with gold production totaling 731,000oz
- Forecast mine life of seven years at a mill throughput of 600,000 tonnes per annum, rising to 700,000 tonnes per annum from year 5
- Estimated start-up capital cost of US\$122M

This announcement sets out a summary of information contained in the Technical Report released on 8 October 2010. For investors to fully understand the information in this announcement, they should read the Technical Report in its entirety, including all qualifications, assumptions and exclusions that relate to the information set out in this announcement.

Chalice is actively advancing exploration programs to extend the resource base and mine life at the Zara Project as well as on its extensive regional exploration targets.

For further information, please contact:

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Competent Persons' Statement

The Mineral Resource estimate was prepared by Mr. John Tyrrell who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Tyrrell is a full time employee of AMC and has sufficient experience in gold resource estimation to act as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)'. Mr. Tyrrell consents to the inclusion of this information in the form and context in which it appears.

The information in this statement of Ore Reserves is based on information compiled by Mr David Lee who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of AMC. Mr Lee has sufficient relevant experience to be a Competent Person as defined in the JORC Code. Mr Lee consents to the inclusion of this information in the form and context in which it appears.