

ASX Announcement

Chalice Advances Discussions on ENAMCO's Acquisition of 30% of the Zara Project

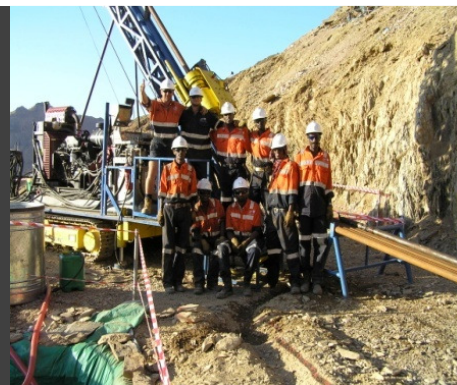


Chalice Gold Mines Limited ABN 47 116 648 956

18 February 2011

Highlights:

- Chalice continues to progress commercial discussions with ENAMCO to agree the terms and purchase price for the acquisition of their 30% paid participating interest in the Zara Project
- The project permitting process, including negotiation of the Mining Agreement, is also proceeding as expected



Chalice Gold Mines (ASX: **CHN**)(TSX: **CXN**) is pleased to report that commercial discussions with ENAMCO (the Eritrean National Mining Corporation) to agree the purchase price for their 30% paid participating interest in the Zara Project are proceeding satisfactorily.

Both Chalice and ENAMCO are hopeful that an agreement on the fair value of the interest can be mutually agreed between the parties. If the parties cannot agree, then an independent valuation will be undertaken.

If, as Chalice currently expects, ENAMCO agrees to pay for their paid participating interest shortly after grant of the Mining Licence, the funding task for Chalice to develop the Koka Gold Deposit will be substantially reduced.

The amount of funding that Chalice may need to source externally will be further reduced by ENAMCO's progressive contribution to development costs (which will be funded 33.33% by ENAMCO and 66.66% by Chalice).

The project permitting process is also proceeding as expected. Chalice is currently negotiating the terms of the Mining Agreement, which, along with the Mining Licence and the Eritrean Mining Proclamation, will govern all of the rights and obligations of the Eritrean operating company relating to the development and operation of the Zara Project.

A handwritten signature in blue ink that reads "Doug Jones".

DR DOUG JONES
Managing Director

INVESTMENT HIGHLIGHTS

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

Mine permitting underway:

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

Large unexplored ground position
in the Arabian Nubian Shield

chalicegold.com

About the Zara Gold Project

The Zara Project comprises six Exploration Licences covering an area of 615km² situated in northern Eritrea, approximately 160km northwest of Asmara city. Chalice currently holds a 100% interest in the project subject to the Eritrean Governments right to acquire a further 30%, at a fair value, in addition to their 10% carried interest.

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 ozs 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 ozs of gold.

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Competent Persons and Qualified Person 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)' and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. 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 and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. Mr Lee consents to the inclusion of this information in the form and context in which it appears.

Forward Looking Statements

This document may contain forward-looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, forward-looking statements). These forward-looking statements are made as of the date of this document and Chalice Gold Mines Limited (the Company) does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as plans, expects or does not expect, is expected, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements.