

Chalice and ENAMCO reach agreement terms for joint ownership of the Zara Project

US\$32M payment to underpin funding for development of 100,000oz pa gold mine in Eritrea

Chalice Gold Mines Limited (ASX: CHN; TSX: CXN) is pleased to announce that it has reached agreement with the Eritrean National Mining Corporation (“ENAMCO”) for ENAMCO’s acquisition of a 30% participating interest in Chalice’s Zara Gold Project in Eritrea, East Africa, paving the way for final permitting, financing and development of the Zara Gold Project.

The agreement covers the high-grade Koka Gold Deposit (“Koka”), as well as the Zara North, Central and South Exploration Licences (the “Zara Licences”) but excludes the Company’s 100% owned Mogoraib North and Hurum exploration licences. Koka is one of the highest grade undeveloped open pitable gold deposits in the world with Probable Mineral Reserves of 4.6 million tonnes grading 5.1g/t gold for 760,000 contained ounces of gold.

Chalice is currently drilling targets around the Koka deposit, targeting additions to its mineral resource and reserve inventory.

Terms of the Agreement

ENAMCO has agreed to pay to Chalice US\$32 million for a 30% participating interest in the Zara Licences which will be represented by an interest in the operating company, Zara Mining SC (“Zara”). Zara will own, develop and operate the Koka Gold Mine, and will own and explore the surrounding Zara Licences.

In addition to this amount, ENAMCO will pay Chalice approximately US\$2 million (subject to audit), which represents a reimbursement to Chalice of ENAMCO’s pro-rata share of exploration costs expended to date on the Zara Licences which fall outside of the Koka mining licence.

Payment will be made within six months of the signing of a shareholders’ agreement, which is expected to be completed shortly. Following completion of the agreement, the Zara Project’s ownership structure will be Chalice (60% participating interest) and ENAMCO (30% participating interest, 10% free carried interest).



INVESTMENT HIGHLIGHTS

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

Mine permitting commenced

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

Large underexplored ground position in the Arabian Nubian Shield

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Chalice and ENAMCO will contribute to the future development costs of Koka, and to future exploration expenditures on the Zara Licences, on a 2/3 and 1/3 basis, in line with their respective share of the overall participating interest.

Looking Forward

The proceeds of the transaction will be used to fund Chalice's equity portion of the planned mine development financing. Chalice will now work with ENAMCO to obtain the necessary mining licences and permits, and the parties look forward to working together to develop and operate the Koka Gold Mine.

As detailed in Chalice's news release dated August 13, 2010 summarising the results of an independent feasibility study, the average mine production is expected to be 104,000 ounces of gold per annum over a mine life of seven years, at a low cash cost of US\$338/oz gold. Additional details on the feasibility study can be found in the Technical Report filed under the Company's profile on SEDAR at www.sedar.com.

Doug Jones, Managing Director of Chalice, said: *"Reaching an ownership agreement with ENAMCO enables us to move forward towards development of this high grade, low cost gold project. We have an excellent working relationship with ENAMCO and look forward to building a successful and profitable mine for the benefit of the Zara shareholders and the Eritrean people."*

About Chalice

Chalice Gold Mines Limited is focused on gold mine development and exploration in Eritrea. It is developing, together with its 40% partner ENAMCO (the Eritrean National Mining Corporation), the high grade, open pit Koka Gold Deposit. The Koka Gold Deposit hosts a JORC and NI 43-101 compliant Probable Mineral Reserve of 4.6 million tonnes with a grade of 5.1 g/t gold, containing 760,000 ounces.

The low cash operating cost of US \$338/oz gold is expected to be in the lowest quartile of global gold mine production costs. Planned mine production will average 104,000 gold ounces per year over a 7 year mine life.

The Koka Gold Deposit lies within the 547 km² Zara block of Exploration Licences where Chalice currently has an active drilling program underway to test IP resistivity targets along strike from the Koka deposit.

Chalice also holds 100% of a further 825 km² of exploration ground consisting of the Hurum license along strike from the Zara licences, and the Mogoraib North licence proximal to Nevsun's Bisha Mine. This extensive exploration package hosts numerous, high potential, early and advanced stage gold and base metal exploration targets. Chalice is undertaking a systematic exploration effort on these licences with the aim of discovering significant new deposits.



TIM GOYDER

Executive Chairman

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Competent Persons and Qualified Person 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 is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Dr Jones consents to the release of information in the form and context in which it appears here.

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 likelihood of exploration success, 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.

Cautionary Note

For readers to fully understand the information in this news release, they should read the Technical Report for the Koka Gold Deposit dated July 27, 2010 (available at www.chalicegold.com) in its entirety, including all qualifications, assumptions and exclusions that relate to the information set out in this news release which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Technical Reports are each intended to be read as a whole, and sections should not be read or relied upon out of context. The technical information in those reports is subject to the assumptions and qualifications contained in the Technical Reports.