

ASX Announcement

29 July 2011

## Chalice and ENAMCO execute Shareholders' Agreement

Chalice Gold Mines Limited (ASX:CHN; TSX: CXN) is pleased to announce that, further to the announcement of 16 June 2011 in which it advised that it had 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, Chalice and ENAMCO have now executed a Shareholders' Agreement to incorporate and regulate their relationship and obligations within Zara Mining Share Company ("Zara Mining SC") which will be the entity which is to own and operate the Koka Gold Mine and explore the surrounding Zara Licences.

Zara Mining SC will be owned 60% by Chalice and 40% by ENAMCO. Zara Mining SC will have a board of directors of five, comprising three from Chalice and two from ENAMCO. The Chalice Directors will be its Chairman Tim Goyder, Managing Director Doug Jones and Chief Operating Officer Juan Jeffery.

Chalice and ENAMCO will contribute to the further development costs of Koka and to future exploration expenditures on the Zara Licences on a 2/3<sup>rd</sup> Chalice and 1/3<sup>rd</sup> ENAMCO basis, which is in line with their respective shares of the overall participating interest. As previously advised, signing of the Shareholders' Agreement will allow the payment of US\$32 million to Chalice on or before the 27<sup>th</sup> January 2012. 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.

Zara Mining SC will be the applicant of the Koka Mining Licence and the related Mining Agreement which is currently being negotiated with the Eritrean Government.

Chalice is pleased to announce this important step towards the conclusion of the Koka Gold Mine permitting process and acknowledges ENAMCO's contribution and cooperation in this regard.



TIM GOYDER  
Executive Chairman



### INVESTMENT HIGHLIGHTS

High grade gold open pit

Mine permitting nearing completion

- 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

Chalice Gold Mines Limited, Level 2, 1292 Hay Street, West Perth, Western Australia

T: +618 9322 3960 F: +618 9322 5800 E: info@chalicegold.com

www.chalicegold.com