

Chalice agrees revised terms with ENAMCO for sale of 30% of Zara Project

ENAMCO to make US\$3M payment now with balance due at completion of SFECO transaction

Chalice Gold Mines Limited (ASX: CHN; TSX: CXN) advises that it has agreed to vary the payment and completion terms of its agreement with the Eritrean National Mining Corporation (“ENAMCO”) for ENAMCO’s acquisition of a 30 per cent interest in the Zara Gold Project in Eritrea, East Africa.

The variation is in line with the timetable for completing the proposed sale of Chalice’s remaining 60 per cent interest in the Zara Project to China SFECO Group (“SFECO”), announced last month.

Under the revised agreement, ENAMCO will make an interim payment of **US\$3 million** to Chalice by **Friday, 27 January 2012** with the balance of ~US\$31 million (including reimbursement of certain costs) payable to Chalice on completion of the sale to SFECO or by no later than 30 June 2012. If the SFECO transaction is terminated pursuant to the conditions of that deal, the balance will also be payable by ENAMCO by 30 June 2012.

Chalice is targeting completion of the SFECO transaction by May/June 2012 (*see transaction update below*).

Under the terms of the Shareholders Agreement, from 1 January 2012, ENAMCO have been and will continue to sole fund ~US\$4M of exploration and pre-development expenditures at the Zara Project.

The variation to the payment schedule was requested by ENAMCO following the proposed broader transaction between Chalice and SFECO announced on 27 December 2011, under which SFECO has agreed to pay Chalice US\$80 million for Chalice’s remaining 60 per cent share of the Koka Gold Mine. SFECO is a subsidiary of the Shanghai Construction Group Co. Ltd (www.scg.com.cn).

In addition, SFECO will pay Chalice a further sum, not to exceed US\$20 million for the balance of the area falling within the Zara Project (including Zara North, South and Central). This figure is to be agreed between the parties and, failing agreement, will be determined by binding independent arbitration to a cap of US\$20 million.

The agreement with SFECO exclude the Company’s 100%-owned Mogoraib North and Hurum exploration licences. Drilling is planned to commence at Mogoraib North in early Q2, 2012 targeting potential repeats of the world-class Bisha polymetallic VMS deposit currently being mined by Nevsun Resources.

Chalice Executive Chairman, Mr Tim Goyder, said the completion of the SFECO transaction, combined with proceeds from the sale of the 30 per cent stake to ENAMCO, would leave the Company with a strong cash balance – estimated at around US\$90M to US\$95 million post-tax – and the ability to identify, acquire and develop high quality resource assets. In addition, Chalice will ramp up exploration activities within its high-quality portfolio in Eritrea.

Mr Goyder commented:

"ENAMCO have reiterated their commitment to complete the transaction in parallel with the SFECO transaction, with an immediate payment of US\$3 million to be made by the end of this week. This will strengthen Chalice's cash resources in the interim, giving us the ability to accelerate exploration activities within our 100%-owned exploration licences.

We are planning to commence drilling next month to test a series of strong EM conductors identified within our Mogoraib North licence, which is located just 10km north of Nevsun's world-class Bisha mine. This will provide exciting near-term exploration news flow for the Company while we progress the work required to complete both the ENAMCO and SFECO transactions."

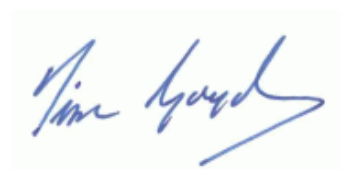
Update on SFECO Transaction

The Agreement with SFECO is subject to SFECO being satisfied with its due diligence which must be completed by 12 March 2012. Due diligence activities are currently underway, with key consultants appointed.

The agreement is also subject to approval by Chalice shareholders and the Company intends to convene an Extraordinary General Meeting (EGM) in May to seek this approval.

The SFECO transaction is subject to certain regulatory approvals within China including the National Development and Reform Commission, the Ministry of Commerce, the State Asset Supervision and Administration Commission and the State Administration of Foreign Exchange.

Other conditions include no material adverse change or event of *force majeure* affecting the Zara Project, SFECO procuring a letter indicating suitable financing by completion of due diligence and completion of the ENAMCO transaction (which can be waived by Chalice).



TIM GOYDER
Executive Chairman

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Competent Persons and Qualified Person Statement

The information in this report that relates to exploration results or activities 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.

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 except as required by law or regulation.

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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, as well as the possibility that a sale of the Zara Gold Project may be consummated.

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; completion of the sale of the Zara Gold Project to SFECO; the tax payable on any such transaction; completion of the sale of a 30% interest in the Zara Gold Project to the Eritrean National Mining Corporation; the use of any sale proceeds received from the sale of the Zara Gold Project; as well as those factors detailed from time to time in the Company’s interim and annual financial 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.