

ASX ANNOUNCEMENT

Chalice exercises option to acquire Dragon Mining's stake in the Zara Gold Project



Chalice Gold Mines Limited ABN 47 116 648 956

22 June 2010

Chalice Gold Mines Limited (**ASX:CHN**) is pleased to advise that it has exercised the option to purchase the remaining 20% interest in the Zara Project in Eritrea (including the Koka Gold deposit) from Dragon Mining Limited (**ASX:DRA**) as outlined in the announcement to ASX on 3 March 2010. The acquisition of the 20% interest, which includes Dragon's wholly owned subsidiary, Dragon Mining (Eritrea) Ltd, will take Chalice's ownership in the Zara Project to 100%*.

Chalice will today pay the balance of \$7.75 million, for a total of \$8 million, to Dragon and will issue it 2 million Chalice vendor shares subject to satisfaction of normal conditions outlined in the Sale and Purchase Agreement. A deposit of \$250,000 had previously been paid on grant of the option.

A further \$4 million will be paid to Dragon on delineation of a 1 million ounce gold Ore Reserve at the Zara Project.

The ability to consolidate the project has come at an opportune time as the Company nears completion of its Feasibility Study, results of which will be released in early July 2010.

A handwritten signature in blue ink that reads "Tim Goyder".

TIM GOYDER
Executive Chairman



INVESTMENT HIGHLIGHTS

High grade gold deposit

Feasibility study by July, 2010

Medium term production potential

Large underexplored ground position with potential for discovery of additional resources

www.chalicegold.com

- * Chalice holds a 100% interest in the Zara Project exploration licences. Upon conversion to a Mining License, the Eritrean Government has a 10% free carried interest with the right to acquire up to a further 20% interest in the project at an independently determined value.