

3 APRIL 2009

CHALICE GOLD MINES AND SUB-SAHARA RESOURCES ANNOUNCE PROPOSED MERGER TO CONSOLIDATE AND FUND ERITREAN GOLD PROJECT

Key Points

- Chalice Gold Mines and Sub-Sahara Resources agree to merge by way of Scheme of Arrangement
- Scheme consideration will comprise 1 Chalice Share for every 10.73 Sub-Sahara Shares
- The proposed merger will combine Chalice's strong cash resources (~A\$10M) with Sub-Sahara's 69% interest in the emerging 1.04Moz Zara Gold Project in Eritrea (East Africa)
- Chalice to acquire a further 11.12% interest in the Zara Project, subject to completion of the merger, giving the merged group a consolidated 80% interest in the Zara Project
- Proposed merger has the full support of the Boards of both companies

Australian gold company Chalice Gold Mines Limited (ASX: **CHN**; "Chalice") and East Africa-focused gold explorer Sub-Sahara Resources NL (ASX: **SBS**; "Sub-Sahara") are pleased to announce that they have agreed to merge the two companies by way of a Scheme of Arrangement ("Scheme").

The proposed merger will combine Chalice's strong cash position of over A\$10 million with Sub-Sahara's 69% interest in the high grade Zara Gold Joint Venture in Eritrea, East Africa (see Appendix A). The Zara Project currently comprises an Indicated and Inferred Resource of 5.13 million tonnes at 6.31g/t gold for 1.04 million ounces of contained gold.

Chalice has also entered into an agreement with Africa Wide Resources Limited ("AWR") to acquire its 11.12% interest in the Zara Gold Project, which will result in the newly merged group holding 80% of the Zara Gold Project with ASX-listed gold producer Dragon Mining Limited owning the remaining 20% ⁽¹⁾.

The acquisition of the interest from AWR is subject to completion of the merger with Sub-Sahara. Under the terms of this Agreement, Chalice will pay AWR or its nominee A\$1.2M in cash for its 11.12% interest in the Zara Gold Project and reimburse past exploration expenditure of A\$454,000 to acquire its interest in the Zara Joint Venture. This additional payment will settle Sub-Sahara's payment obligation with AWR due on completion of a bankable feasibility study.

⁽¹⁾ On application for a Mining License the Eritrean Government has the right to a 10% free carried interest, the right, by agreement, to a 30% equity participation interest in any mining project, and a negotiable royalty (up to 5%) on mined precious metals.



Chalice and Sub-Saharan have executed a binding term sheet for the proposed merger and expect to execute a Merger Implementation Agreement (“MIA”) shortly.

The Scheme will require Sub-Saharan shareholder approval and Court approval. Under the proposed Scheme, Sub-Saharan shareholders will receive **1 Chalice Share** for every **10.73 Sub-Saharan Shares** and will hold approximately 39% of the merged company.

Other security classes, comprising all partly paid shares and options will be offered Chalice shares based on a valuation calculated in accordance with the Black & Scholes valuation model. No offer will be made for Sub-Saharan's listed options given these options will expire before the merger is completed. Further details will be provided in the MIA and Scheme Booklet.

The proposed merger has the full support of the Board of Directors of both Chalice and Sub-Saharan. The Board of Sub-Saharan has advised Chalice that, in the absence of an unfavourable opinion from the Independent Expert Sub-Saharan has engaged in relation to the transaction, it will unanimously recommend that its shareholders vote in favour of the proposed merger.

The Directors of Sub-Saharan have also advised that they will vote their own shares in favour of the merger.

Key Terms of the Proposed Merger

- Sub-Saharan shareholders to receive 1 Chalice share for every 10.73 Sub-Saharan shares held at the record date.
- Chalice will offer to exchange the other securities on issue in Sub-Saharan, being partly paid shares and options, for Chalice shares based on a valuation in accordance with the Black & Scholes valuation model.
- The merger is subject to:
 - i. any necessary third party and regulatory consents (including any Eritrean regulatory consents);
 - ii. shareholders of Sub-Saharan approving the Scheme;
 - iii. Court approval of the Merger;
 - iv. Chalice completing the agreement with AWR to acquire its 11.12% of the Zara Gold Project;
 - v. Sub-Saharan, Dragon Mining Limited and AWR (as the current joint venturers in the Project) confirming each Party's interest in the Project and agreeing to enter into a more formal joint venture agreement on terms acceptable to Chalice;



- vi. Sub-Sahara receiving confirmation from the Department of Mines of the Government of Eritrea on certain matters in relation to the Zara Gold Project and its title, including confirmation that the appropriate Licences will be renewed for no less than one year and on terms acceptable to Chalice;
- vii. no prescribed occurrences (such as insolvency) occurring in relation to either Chalice or Sub-Sahara.

Exclusivity and Break Fees

Sub-Sahara has agreed that for a period of 6 months from the execution of the MIA it will not solicit a competing transaction or enter into discussions regarding a competing transaction with a third party or provide any information to a third party regarding a competing proposal. These restrictions are subject to Sub-Sahara's Directors complying with their fiduciary duties.

A break fee of A\$100,000 is payable to Chalice if after execution of the Terms Sheet, Sub-Sahara agrees to a competing proposal, there is a change of control of Sub-Sahara or its shareholders do not approve the merger in circumstances where a competing proposal has been put forward and not withdrawn.

The fee also applies if Sub-Sahara commits a material breach of the terms of the MIA and Chalice terminates the MIA in reliance on that breach or its Board changes its recommendation (other than following the advice of an Independent Expert that the transaction is not in the best interests of Sub-Sahara shareholders).

A break fee of A\$100,000 is payable to Sub-Sahara if Chalice accepts a competing proposal or commits a material breach of the terms of the MIA and Sub-Sahara terminates the MIA in reliance on that breach.

Indicative Timetable ⁽²⁾

Execution of MIA	20 April 2009
Lodging Scheme Booklet with ASX and ASIC	11 May 2009
First Court Hearing	26 May 2009
Despatch of Notice of Meeting and Scheme Booklet to SBS Shareholders	1 June 2009
First Scheme Meeting	1 July 2009
Second Court Hearing	9 July 2009
Lodging Court Order with ASIC	13 July 2009

(2) The above timetable is indicative only and may vary.



Overview of Merged Group and Management Comment

Following completion of the merger, Chalice will have approximately 121.2 million shares on issue and a strong funding position, which will enable acceleration of the exploration and evaluation of the Zara Gold Project in Eritrea as the focus of an international gold development strategy.

Mr Michael Griffiths will be invited to join the Board of Chalice with primary responsibility for advancing the Zara Gold Project, with particular focus on completion of the feasibility study over the next 12 months.

The Zara Project lies within an emerging gold and base metal province in East Africa which includes the ~13Moz Sukari Gold Project in Egypt, the ~2Moz Ariab/Hassai gold and base metal deposit in Sudan and the ~1Moz Bisha gold and base metal deposit in Eritrea. The 615 km² project area covers a significant portion of the Zara gold field and offers significant exploration upside for the definition of additional resources.

Commenting on the transaction, the Chairman of Sub-Sahara, Mr Barry Bolitho, said: "The proposed merger represents an excellent opportunity to fund the Zara Gold Project in an extremely difficult economic climate. Existing Sub-Sahara shareholders will hold approximately 39% of the merged entity and will continue to have exposure to the project through their shareholding in Chalice and they will have the benefit of knowing that the project can be funded through to a decision to mine."

The Executive Chairman of Chalice, Mr Tim Goyder said: "The Zara Gold Project represents one of the best quality assets that we have assessed and we are delighted to have the opportunity to participate in the project's future development. As a combined entity, we will undertake to progress the project through to production as quickly as possible."

Chalice has recently met with the Eritrean Government, which is very supportive of the Zara Gold Project and mining generally within Eritrea. Chalice looks forward to continuing Sub-Sahara's excellent working relationship with the Eritrean Government and providing additional employment for the people of Eritrea and contributing to its economy.

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Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Registered 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 consents to the release of information in the form and context in which it appears here.

APPENDIX A – BACKGROUND TO THE ZARA GOLD PROJECT, ERITREA

The Zara Gold Project consists of four contiguous granted licenses covering an area totaling 147 km² with a further 468 km² under application situated in northern Eritrea, East Africa, approximately 160 km northwest of the country's capital, Asmara. Sub-Sahara Resources NL ("Sub-Sahara") has defined a significant gold deposit at the Koka prospect, with a JORC compliant **Indicated and Inferred resource of 5.13 million tonnes at 6.31 grams per tonne gold for 1.04 million ounces of contained gold.**

Geology and Mineralisation

The Zara Gold Project lies within the southwestern part of the Late Proterozoic Arabian–Nubian Shield, an emerging gold and base metal province that hosts the ~13 million ounce Sukari gold deposit in Egypt, the ~2 million ounce Ariab/Hassaï gold and base metal deposit in Sudan and the ~1 million ounce Bisha gold and base metal deposit in Eritrea.

The properties straddle the thrust contact between two geological terranes where it shows a flexure from northeast to north-northeast (Figure 1). Gold mineralization is associated with this terrane boundary along its length, with the main prospect identified to date, Koka, being the focus of past exploration by Sub-Sahara.

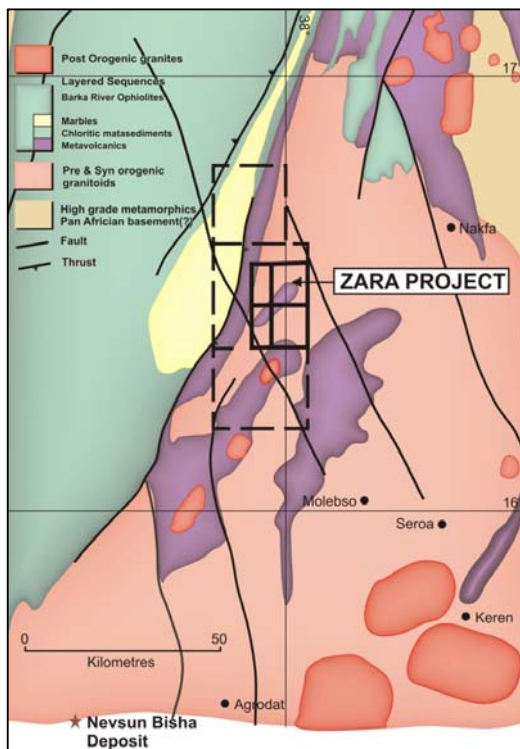


Figure 1: Location and regional geology of the Zara Project.
The solid lines are granted tenements and dashed lines represent applications

The Koka mineralized zone has a total strike length of more than 700 m and is developed principally within an elongate, lensoidal body of microgranite intruded along the sheared and altered contact between a sequence of sedimentary and basaltic rocks to the west (footwall) and a volcanic and

volcanoclastic sequence to the east (hangingwall). There is a considerable competency contrast between the microgranite and the sedimentary and volcanic rocks across this contact and this has resulted in the steeply dipping western contact of the microgranite being strongly brecciated, quartz veined and altered over a width averaging around 20 metres. Gold is present in the quartz veins mostly as inclusions in pyrite, but also as discrete grains in galena, quartz and carbonate. Preliminary metallurgical test-work by Ammttec Ltd indicates high gold recoveries by gravity (>40%) with total gravity plus cyanide recoveries exceeding 95% over 24 hours leach time and with low reagent consumption.

Resource Estimate

The independent resource estimate and report was prepared by Coffey Mining Pty Ltd (Coffey) in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code; 2004). Mineralized zones were defined using both geological and assay data. Multiple Indicator Kriging (MIK) was used as the estimation method.

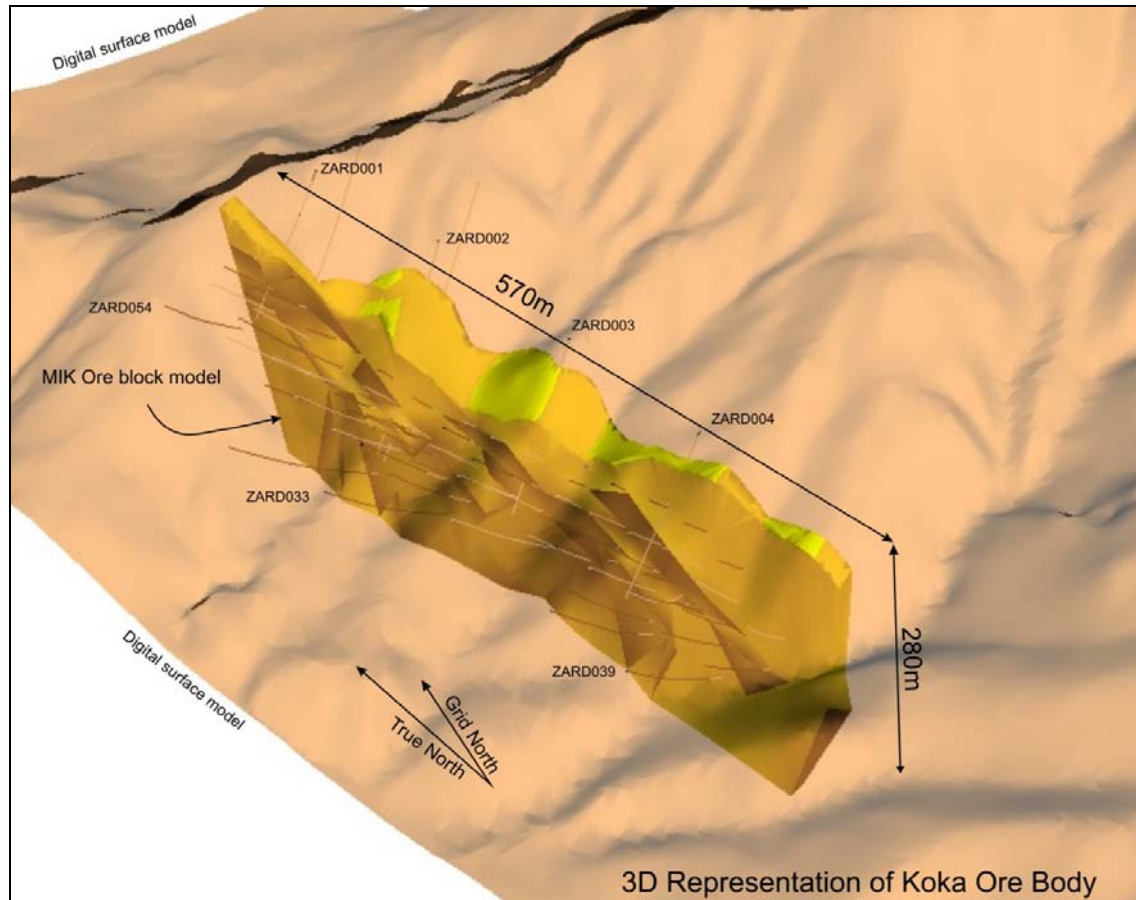
The Mineral Resource Statement as of February 2008 for *in-situ* Koka gold mineralization is tabulated in Table 1 below[#]:

Category	Lower Cutoff Grade (g/t)	Tonnes (Mt)	Gold g/t	Metal (Koz)
Indicated	1.5	4.27	6.31	866
Inferred	1.5	0.86	6.33	174
TOTAL	1.5	5.13	6.31	1,040

From Coffey Report dated 15th February, 2008 for the Koka Insitu Mineral Resource reported above a nominal 1.5 g/t Au lower cutoff grade and below a statistically derived 100g/t top-cut. MIK derived SMU model estimates using a nominal 5mE x 10mN x 5mRL SMU dimension to emulate assumed open pit mining selectivity. Bulk density of 2.73t/m³ has been applied to mineralized zones. Gold grade tonnage distributions are subdivided by JORC resource categories. Depletion is to the current natural surface, with no mining assumed to-date. The reported resource is otherwise unconstrained but limited by depth of drilling and model extents.

The Coffey estimate is based on a geological interpretation from 79 diamond drill holes completed by Sub-Sahara up to October, 2007. An additional 43 diamond drill holes have subsequently been drilled at the deposit to provide a nominal 40 metre by 20 metre drill density but these later holes are not included in the resource estimate.

Figure 2: 3D Representation of the Koka Orebody from Coffey Resource Model



Regional Potential

There are numerous other gold prospects identified within the Zara Gold Project area, offering significant exploration upside. Several of these have seen considerable past and present artisanal mining activity. The most prominent is the Konate prospect located 7 kilometres south of Koka where extensive artisanal workings have exploited a 300 m long zone of mineralization very similar in style to that at Koka. Five diamond drill holes have been drilled at Konate designed to test the gold mineralization at depth but these returned inconclusive results and further drilling is required.

A program of geological mapping, rock chip sampling and stream sediment sampling undertaken over the original Zara tenements has identified several previously unknown areas of interest. Extension of this survey to the equally prospective northern and southern permits is expected to identify further prospects of interest.



APPENDIX B – BACKGROUND ON CHALICE GOLD MINES

Chalice Gold Mines Limited is an independently funded and focused exploration, development and investment company. Chalice Gold's key assets comprise:

- cash of approximately \$10 million;
- the large Yandearra Gold Project in the West Pilbara adjacent to Range River Gold Limited's Indee Gold Project and De Grey Mining Limited's Wingina Well and Mount Berghaus gold discoveries;
- the Atlas Iron Limited option agreement to acquire the iron ore rights over the Yandearra Project by funding exploration and the payment of \$1 million by the 4th quarter of 2009. Chalice Gold has the right to claw back a 30% interest in a defined iron ore resource exceeding 5 million tonnes. Chalice Gold will also retain a 2% Gross Sales Royalty on iron ore sold;
- funded exploration of almost an entire greenstone belt at the Gnaweeda Gold Project, through a \$1.5 million joint venture with Teck Cominco; and
- the Wilga Gold project, situated within a fertile, well endowed gold belt adjacent to a major mineralised structure, 15 km southeast of AngloGold Ashanti's Sunrise-Cleo gold mine in the Laverton tectonic zone.

Chalice Gold's board and management team has the requisite geology, mining, corporate and business development skills needed to operate and develop an emerging resource company.