

ASX Announcement

9 June 2011

## Near-mine drilling commences at Zara

*Drilling commences on Zara IP targets; VTEM survey commences at Mogoraib North*

### Highlights:

- Diamond drilling of IP Resistivity targets along Koka-Konate 'near mine' corridor commenced at Zara Project
- Heliborne VTEM survey commenced at the Mogoraib North tenement

Chalice Gold Mines (ASX: **CHN**; TSX: **CXN**) is pleased to advise that a new program comprising up to 10,000m of diamond drilling has commenced at its **Zara Gold Project** in Eritrea, East Africa, with a focus on testing a series of Induced Polarisation (IP) Resistivity targets in the vicinity of the Koka Gold Deposit.

Exploration is also accelerating on the newly acquired **Mogoraib North** property with the commencement of a Versatile Time-Domain Electro-Magnetic (VTEM) survey. This survey is designed to detect massive sulphide deposits prospective for both gold and base metals.

### 1. IP Target Drilling

As previously announced, at least six high priority IP Resistivity targets were identified from an IP survey completed in March this year (ASX Announcement - May 9, 2011). These targets are located within a 7.5km long corridor encompassing both the Koka deposit (which has a Probable Reserve of 760,000oz at a grade of 5.1g/t gold), and the Konate prospect drilled in 2010 (see *Figure 1*).

The anomalies are similar to those associated with the mineralisation at the Koka deposit and are considered to be highly prospective for repeats of Koka-style quartz stockwork mineralisation.



### 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

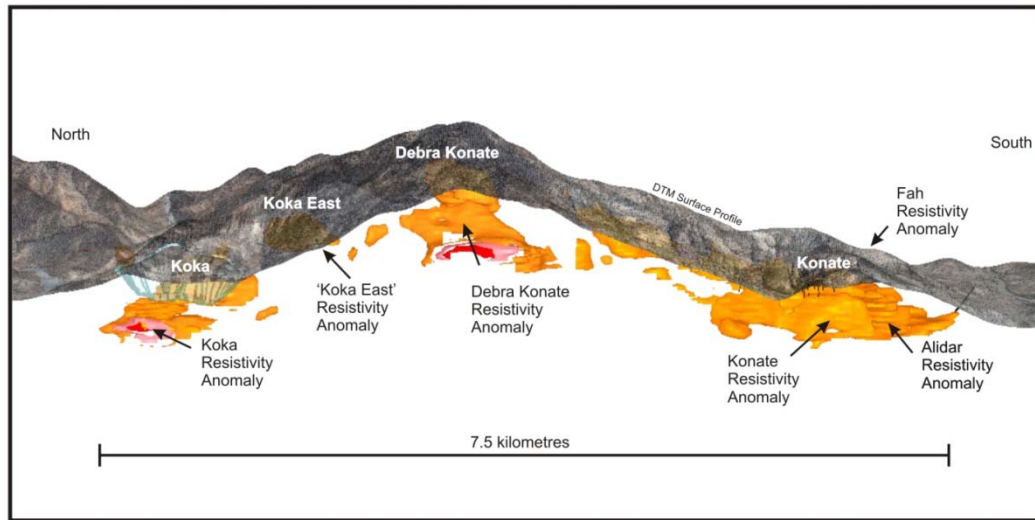
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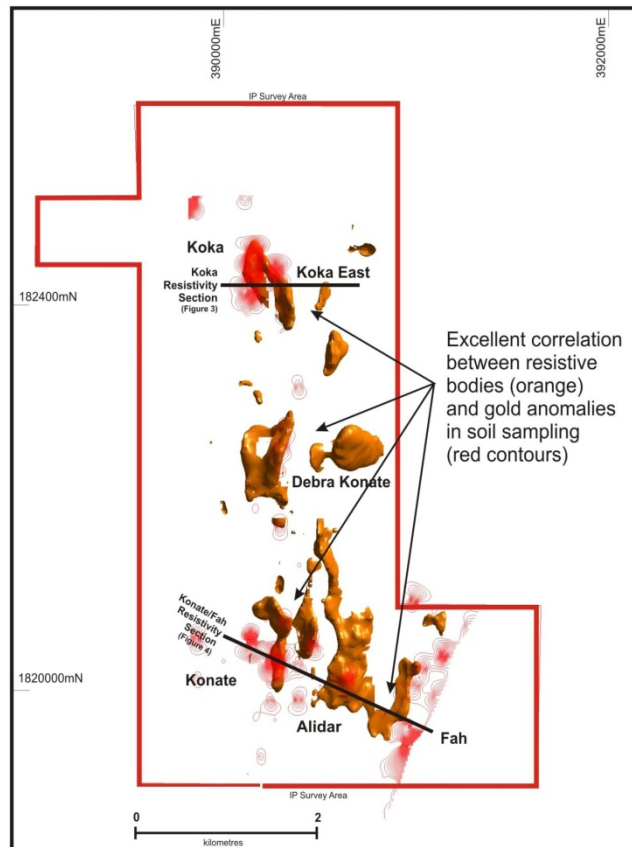
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The resistivity anomalies are also associated with surface soil gold anomalies and in some cases minor artisanal workings (see Figure 2).



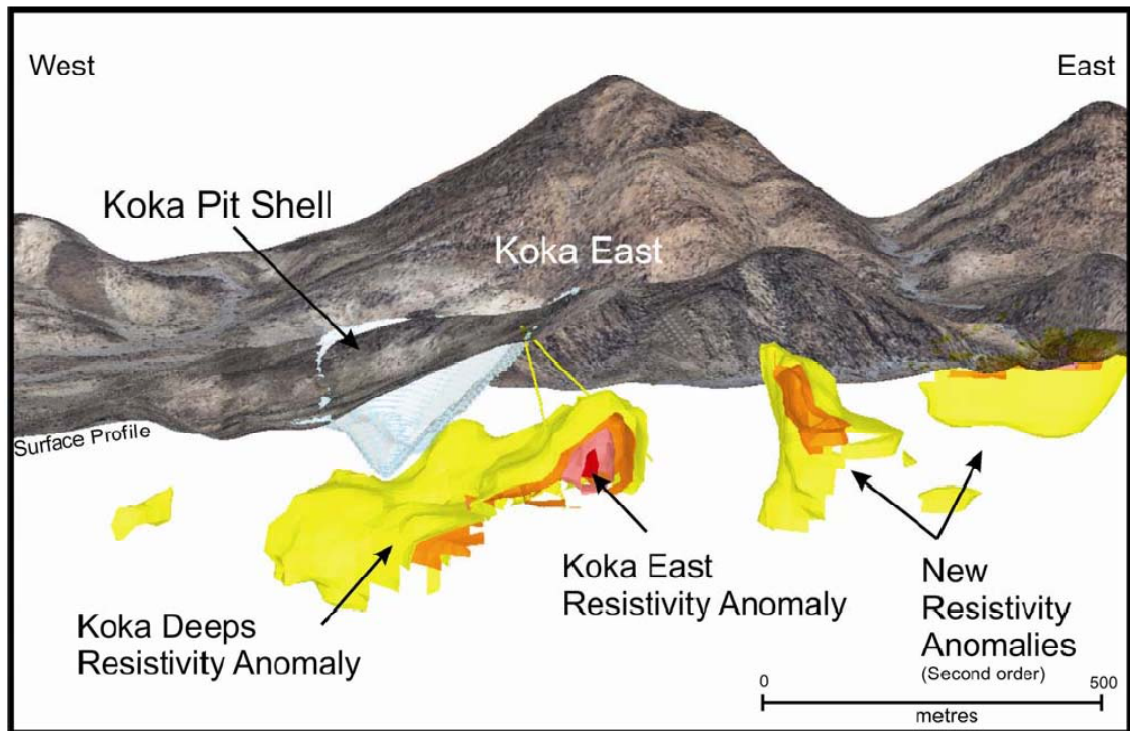
**Figure 1: Long section – Koka-Konate corridor high priority IP resistivity anomaly drill targets**



**Figure 2: IP Resistivity Anomalies (brown) over gold content in soil (red contours)**

Drilling is initially targeting resistivity anomalies 300-500m beneath and immediately along strike from the Koka deposit and the nearby Koka East and Koka South prospects (see Figure 3). Limited drilling was conducted at both Koka East and Koka South last year with quartz stockwork mineralisation being intersected at both prospects. Several intersections of up to 1 metre grading over 90 g/t gold were encountered at Koka South.

New access into this area will allow efficient targeting of both IP and geological targets during the current program. A total of 10,000 metres of first-pass diamond drilling is planned over the coming months.



**Figure 3: Cross-section through Koka and Koka East Zones showing resistivity anomalies**

## 2. Mogoraib VTEM Survey

An extensive heliborne VTEM, magnetic and radiometric survey covering the 550 sq km Mogoraib North property commenced on June 1 (see Figure 4). This ~4000 line kilometre survey is designed to detect conductive bodies indicative of possible buried massive sulphide deposits similar in style to the Bisha polymetallic VHMS (volcanic-hosted massive sulphide) deposit.

Bisha (owned 60% by TSX-listed Nevsun Resources), is a large, high grade gold-copper-zinc deposit with a gold-rich oxide cap which lies just 10 kilometres south of the Mogoraib North property. The volcanic sequence that hosts the Bisha deposit extends northwards into Chalice's ground where a previous explorer identified gossans with elevated gold and base metal geochemistry.

Despite these encouraging indications there has to date been no drilling of these targets. In tandem with the airborne survey the Company is also conducting detailed geological mapping and rock-chip sampling to better define the extent of the prospective volcanic and exhalite sequences.

The VTEM survey is expected to take around four weeks to complete with interpreted results expected to be available during the third Quarter of 2011.



**Figure 4: Aerospatiale Lama helicopter with Geotech VTEM and magnetic systems suspended beneath**

DR DOUGLAS JONES  
Managing Director

9 June 2011

#### **About Chalice**

Chalice Gold Limited is a gold exploration company which owns the high grade, open-pittable Koka Gold Deposit and a substantial, largely unexplored, land package in Eritrea. The Koka Gold Deposit consists of an “in-pit” JORC and NI 43-101 compliant Indicated Resource of 5.0 million tonnes grading 5.3 grams of gold per tonne, containing 840,000 ounces of gold. This Resource includes a Probable Reserve of 4.6 million tonnes grading 5.1 grams of gold per tonne, containing 760,000 ounces of gold. Chalice’s interest in the project is subject to the State of Eritrea’s 10% carried interest, and Eritrea’s right to purchase, at fair value, a further 30% ownership in the deposit. The Company is focused on developing the Koka Gold Deposit into a low cost gold mine which is expected to produce 104,000 ounces of gold per year over a 7 year mine life at an average cash cost of US\$ 338/oz gold (refer to the 43-101 Technical Report on the Koka Gold Deposit, Eritrea dated 27 July 2010) . Chalice also holds a substantial strategic ground position of 1,372 km<sup>2</sup> consisting of licenses along strike of the Koka Gold Deposit, and proximal to Nevsun’s Bisha Mine. These exploration concessions host numerous, high potential, early and advanced stage gold and base metal exploration targets. Chalice is undertaking a systematic exploration effort on these exploration concessions with the aim of discovering significant new deposits.

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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.

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**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](http://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.