

ASX Announcement

9 May 2011

Major new near-mine drilling campaign to commence at Zara Project

8-10,000m of diamond drilling to test newly defined targets along strike from 840,000oz resource

HIGHLIGHTS

- Numerous Koka-like resistivity signatures identified by a recently completed deep penetration 3D IP survey over the Koka-Konate corridor
- Strong IP resistivity anomalies identified below and along strike from the Koka Deposit provide targets for immediate drill testing
- IP resistivity targets have been identified beneath soil gold anomalies within the 6km long Koka-Konate-Fah "mine corridor"
- Boart Longyear currently mobilising drill rig to Zara. Drilling expected to commence early May

Chalice Gold Mines (ASX: **CHN**, TSX: **CXN**) is pleased to report that a **major new program of diamond drilling** is scheduled to commence in the next few days to test a series of newly defined near-mine targets at its flagship **Zara Gold Project*** in Eritrea, East Africa.

The new drilling program, comprising **8-10,000m of diamond drilling**, will focus on a series of resistivity anomalies which have been identified from a recently completed **Induced Polarisation (IP) survey** covering an area of 24km² within the highly prospective 7.5km long Koka-Konate-Fah corridor (*see Appendix A*).

The resistivity anomalies are similar to that associated with the mineralisation at the **Koka deposit** (Indicated Resource of **840,000oz @ 5.3g/t gold**) and considered to be highly prospective to host repeats of the Koka mineralisation.

The survey has previously yielded some attractive targets (*see ASX announcement of November 10, 2010*), however the full extent of this anomalism has now become evident following completion of the survey and receipt of the final interpretation, which has resulted in the identification of several new high-priority targets being identified.

* The Eritrean Government has a right to acquire, at a fair value; a 30% contributing interest in the Zara Project in addition to a statutory 10% carried interest.



INVESTMENT HIGHLIGHTS

High grade Indicated gold Resource (840,000 oz @ 5.3 g/t gold)

Mine permitting commenced

- Low cash costs of \$338/oz
- 7 year mine life at >100,000 oz average production per year

Large unexplored ground position in the Arabian Nubian Shield

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Many of the interpreted resistivity anomalies also underlie strong gold-in-soil anomalies identified from geochemical sampling undertaken in conjunction with the IP survey (*see figure 2*).

Analysis of data from the survey, undertaken by Southern Geoscience Consultants, has identified **six primary resistivity anomalies** that have been selected for priority drill testing including a new anomaly between Konate and Fah (*see Figure 1 & 2*).

Boart Longyear Ltd has been contracted to undertake a first pass diamond drilling program of ~ 8,000 to 10,000 metres, which is expected to commence in early May.

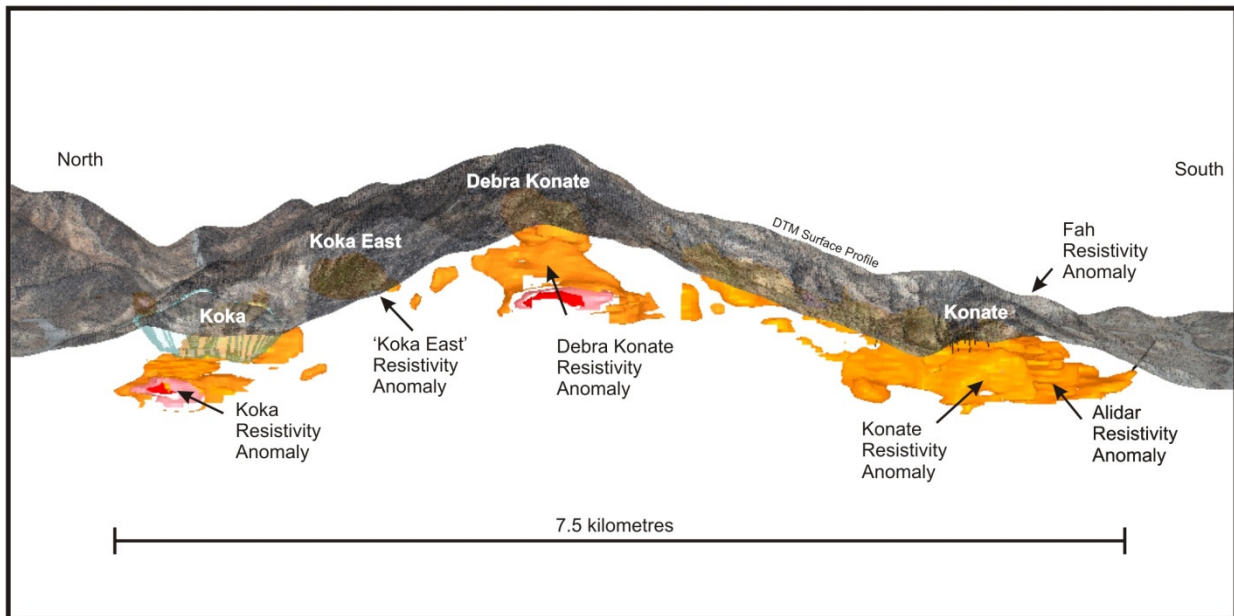


Figure 1: Long section – Koka-Konate corridor high priority IP resistivity anomaly drill targets

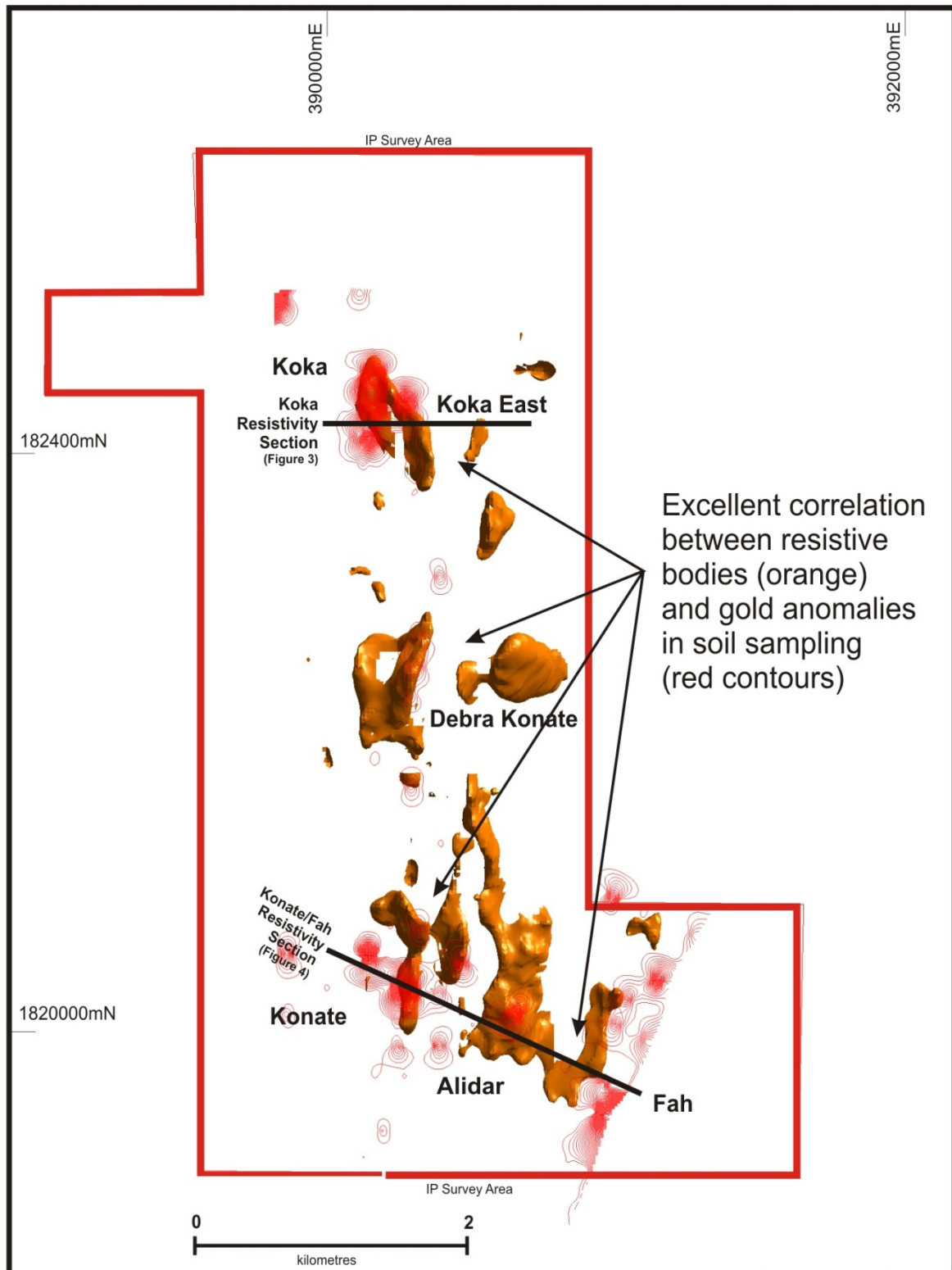


Figure 2: IP Resistivity Anomalies (brown) over gold content in soil (red contours)

The first area to be drilled will be the cluster of resistivity anomalies beneath the Koka (Indicated Resource of 840,000 oz at 5.3 g/t gold) and Koka East zones (see Figure 3). Strongly resistive bodies 350 and 500 metres beneath the Koka and Koka East Zones will be tested by the forthcoming drilling program (see Figure 3).

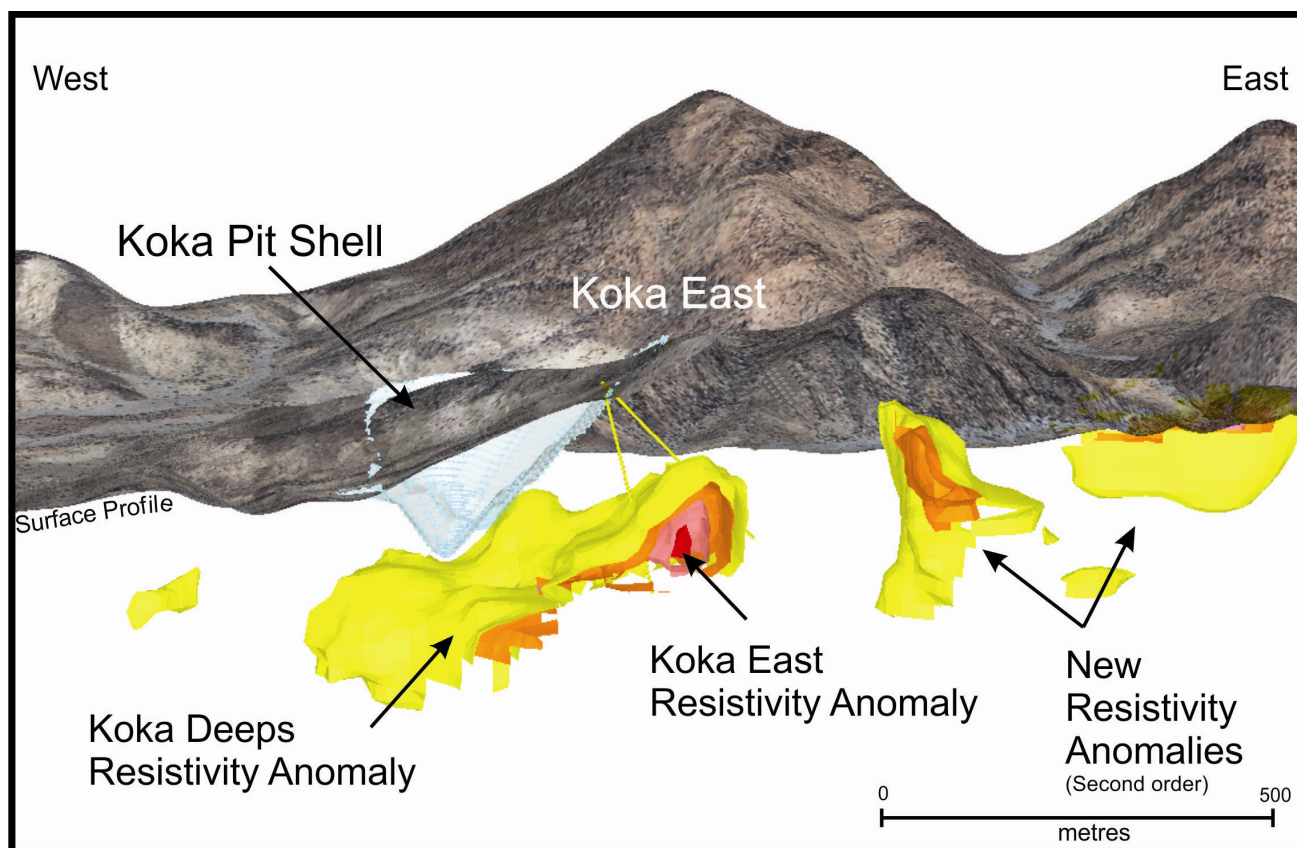


Figure 3: Cross-section through Koka and Koka East Zones showing resistivity anomalies and planned drill holes

Another high-priority target lies about 700m to the east of the Konate prospect, which was initially drilled in mid-2010, and the Fah prospect, which is located in the south of the surveyed area (see Figure 4).

Geological mapping and drilling information indicate that a highly altered, east-dipping granite body with intense quartz stockwork development underlies this area. The modelled IP data supports this interpretation and a strong surface gold anomaly provides further encouragement for the drilling of this target (see Figure 4).

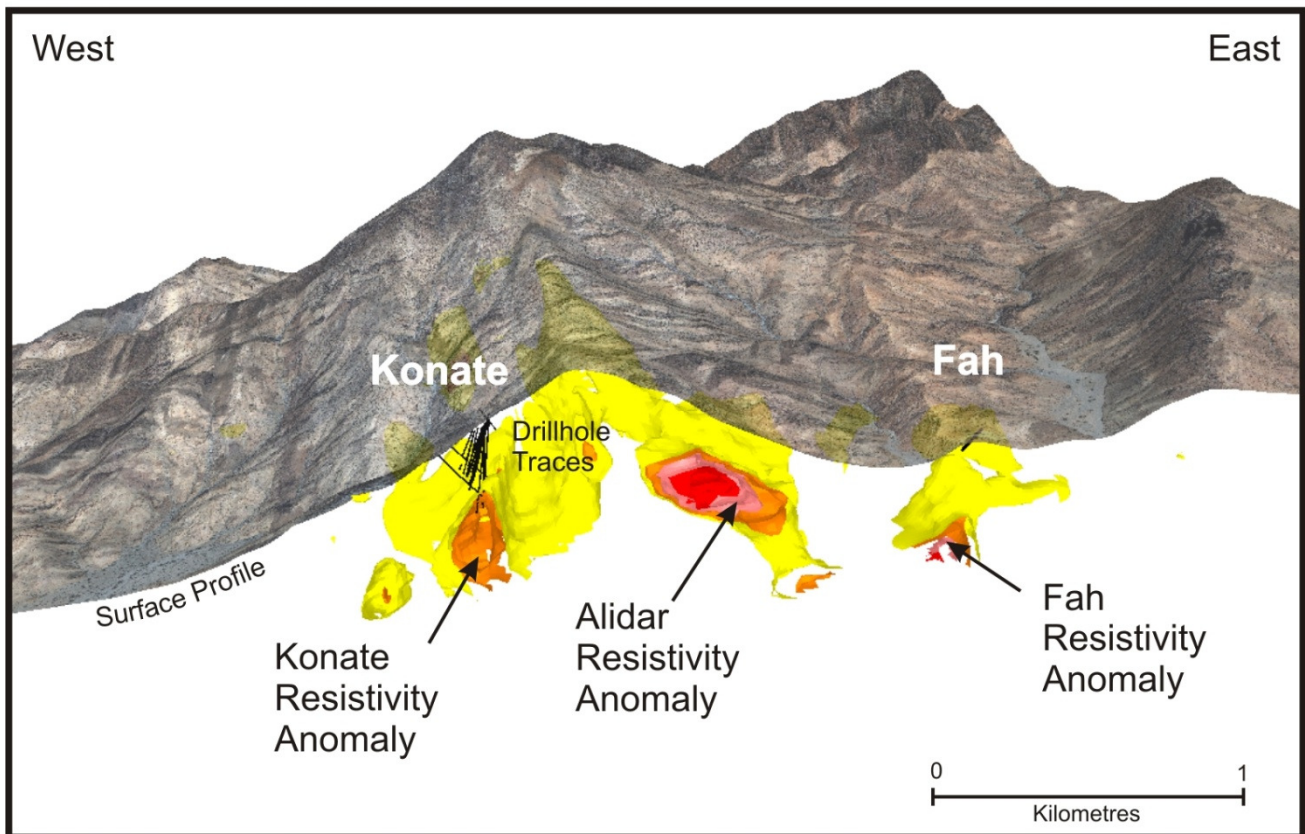


Figure 4: Cross-section through Konate-Fah area showing resistivity anomalies

The Company is planning to progressively test the prioritised targets identified in the IP program and is seeking an additional drill rig to expedite this work.

Doug Jones

DOUG JONES
Managing Director

9 May 2011

APPENDIX A – IP Survey Area and Details

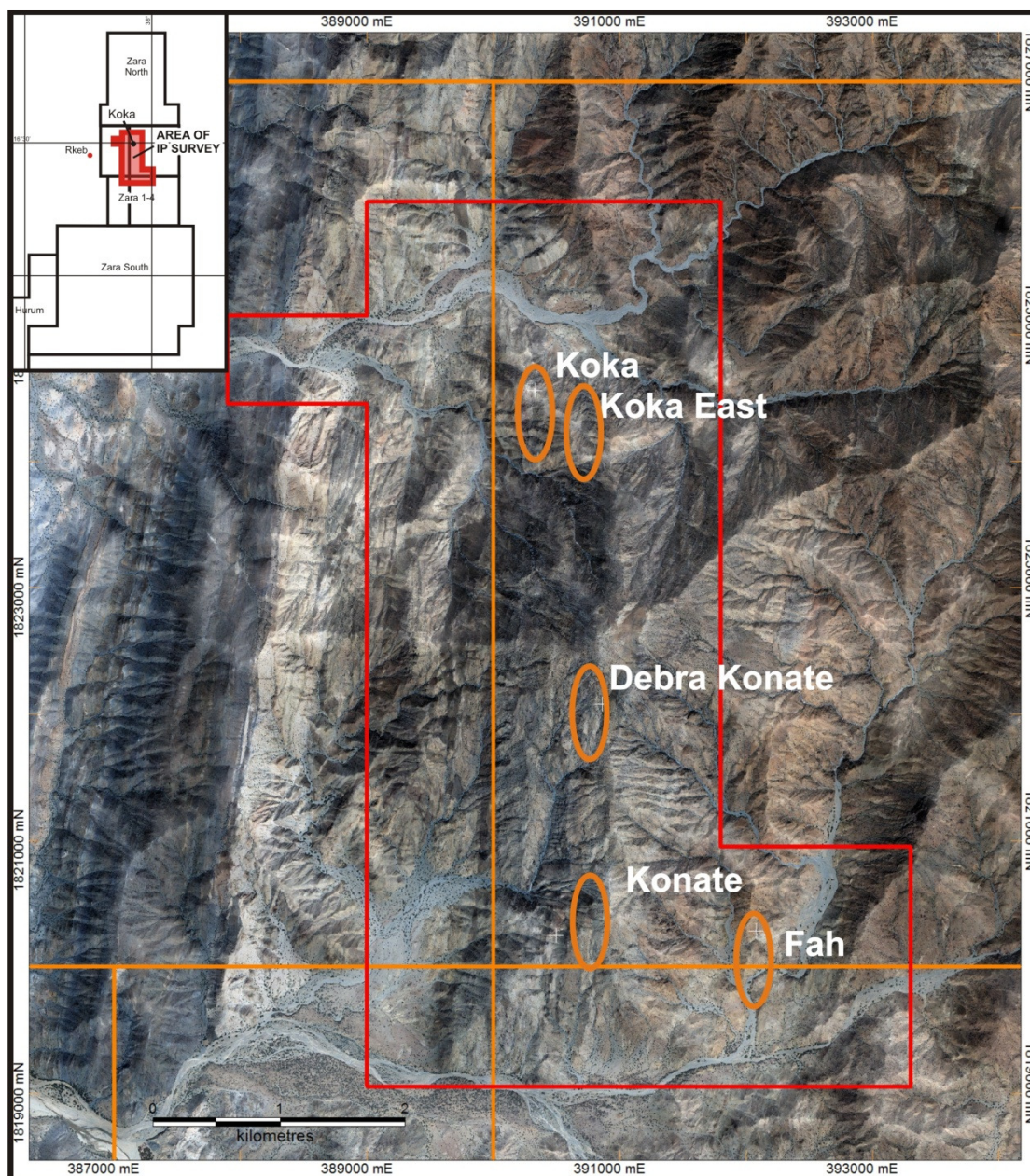


Figure 5: IP survey, Koka-Konate-Fah 'Corridor'

The completed survey comprised 31 double offset dipole-dipole arrays covering an area of approximately 24km² (7.5km x 3.2km) with 64 Rx channels being read at 50m spacings to provide high resolution data to depths potentially exceeding 500 metres. The survey commenced in December 2010 and was recently completed in March 2011 with final processing and interpretation of the data in April 2011 by Southern Geoscience Geoconsultants in Australia.

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 of ore with a grade of 5.3 grams of gold per tonne, containing 840,000 ounces of gold including a Probable Reserve of 4.6 million tonnes of ore with a grade of 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. Chalice also holds a substantial strategic ground position of 1,437 km² 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.