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ASX Announcement **7 November 2011**

High Grade Gold Intercepts at Zara Project

Additional high-grade mineralisation intersected at Koka South: New zone identified at Debra Konate

Chalice Gold Mines (ASX: **CHN;** TSX: **CXN**) and its 60% owned subsidiary Zara Mining Share Company are pleased to report that further high-grade gold intercepts have been received from diamond drilling at the **Koka South** and **Debre Konate** prospects, located immediately south of the flagship Koka Gold Deposit at its **Zara Project** in northern Eritrea (*see Figure 1*).

Diamond drilling in the second half of 2011 (*see Figure 2*) has focused on testing of high priority targets within a 7.5km long corridor encompassing the Koka deposit (Probable Mineral Reserve of 760,000oz @ 5.1g/t gold), where Chalice and its partner ENAMCO are planning to commence development of an open-pit mine in early 2012 (*ASX announcement – November 2, 2011*).

The new results have confirmed and extended previously intersected high-grade mineralisation at **Koka South** and identified a significant new mineralized zone at **Debra Konate**, ~2.5km south of the Koka Deposit.

Koka South

The Koka South prospect, which adjoins the Koka Main deposit to the south, was drilled in 2010, returning intersections of up to **1m at 92 g/t gold** (*see ASX announcement – July 21, 2010*). A further 17 diamond drill holes were drilled in the current campaign for 3,034 metres (*see Figure 3*). High-grade gold intervals were encountered in most of the holes that intersected the prospective microgranite/porphyry host, including:

- **1m @ 168.8g/t Au** from 144m (ZARD 219)
- **5m @ 86.2g/t Au** from 98m *including* **1m @ 401g/t Au** (repeat assay 341g/t) and **1m @ 25.7g/t Au** from 113m (ZARD 221)
- **1m @ 44.4g/t Au** from 145m (ZARD 202)*
- **4m @ 29.6g/t Au** from 116m *including* **1m @ 101.6g/t** Au (ZARD 215)
- **1m @ 15.9g/t Au** from 164m (ZARD 209)*
- **8m @ 7.36g/t Au** from 162m *including* **1m @ 20g/t Au** and **2m @ 12.7g/t Au** from 178m (ZARD 223)
- **3m @ 4.5g/t Au** from 134m (ZARD 210)*
- **2m @ 13.1g/t Au** from 53m and **1m @ 8.6g/t Au** from 80m (ZARD 222)
- **2m @ 12.8g/t Au** from 103m (ZARD 211)*
- **5m @ 5.9g/t Au** from 138m *including* **1m @ 15g/t Au** and **1m @ 13.1g/t Au** (ZARD 217)
- **1m @ 11.7g/t Au** from 148m (ZARD 213)
- **1m @ 16.5g/t Au** from 32m *and* **3m @ 8.7g/t Au** from 48m (ZARD 216)
- **2m @ 7.4g/t Au** from 117m (ZARD 218)

** Previously reported – see ASX announcement – October 26, 2011*

A full tabulation of all significant assays is appended to this Announcement.

The latest results from Koka South confirm that previously reported high-grade mineralisation **extends to depth** and **remains open to the south and at depth**. Mineralisation is hosted by a mixed microgranite and porphyry intrusive body which shows various degrees of brecciation and quartz stockworking. The mineralisation is invariably accompanied by accessory amounts of galena and sphalerite (lead and zinc sulphides) which are increasingly recognized as critical pathfinder minerals in the Koka gold camp.

The widths and grades of mineralisation encountered have the potential to provide a significant extension to the Koka deposit and will be explored by further drilling in the coming months.

Debre Konate

The previously undrilled Debre Konate prospect, located ~2.5km south of Koka, was initially targeted as an IP resistivity anomaly supported by minor artisanal workings and a significant gold and lead soil geochemical anomaly. ZARD 227 (*see Figure 2*) was the first hole drilled into this prospect and has intersected **an extensive low-grade mineralised system grading 0.93g/t Au (uncut) over 199 metres (83m to 282m downhole)**.

The mineralisation is hosted by microgranite with numerous zones of narrow, higher grade mineralisation contained within the low-grade envelope. Better intersections (uncut) included:

- **1m @ 38.4g/t Au** from 146m
- **1m @ 10.3g/t Au** from 180m
- **2m @ 14.7g/t Au** from 223m
- **4m @ 21g/t Au** from 256m

Assays are pending from two additional holes completed into this zone.

The intersection of significant new gold mineralisation at Debre Konate is particularly encouraging, as this opens up a previously unrecognized zone of mineralisation that appears to have potential for larger, bulk-tonnage styles of mineralisation compared with the smaller-tonnage, high-grade style of deposit at Koka.

Chalice Gold's Managing Director, Dr Doug Jones, said the Company was very encouraged by the new results, which highlighted the prospectivity of the Zara Project and the potential for discovering additional Koka-style orebodies, as well as now a potential new style of bulk tonnage mineralisation such as that found at Debra Konate.

"With project development and production now fast-approaching at Koka, we will increasingly turn our attention to exploration to continue to grow our resource inventory," Dr Jones said. "These results have confirmed two priority targets for follow-up drilling, and there are many more to follow next year and beyond."

Doug Jones
Managing Director

Table 1: Significant Intercepts – Zara Gold Project

Hole ID	Target	Easting	Northing	Azimuth	Dip	From (m)	To (m)	Length (m)	Au g/t
ZARD202	KS	390144	1823877	070E	-60	145	146	1	44.35
ZARD209	KS	380134	1823844	102E	-55	138	139	1	1.24
						164	165	1	15.94
ZARD210	KS	390144	1823877	102E	-60	134	137	3	4.54
incl						134	135	1	7.59
incl						136	137	1	1.48
ZARD211	KS	390188	1823805	102E	-62	89	90	1	3.46
						103	105	2	12.80
incl						103	104	1	3.45
incl						104	105	1	22.14
ZARD 212*	KS	390154	1823774	102E	-60	139	140	1	1.80
ZARD 213		390134	1823924	102E	-60	141	149	8	1.94
incl						148	149	1	11.70
ZARD 214		389815	1823290	100E	-45	No Significant Assays			
ZARD 215		390170	1823840	102E	-55	80	85	5	1.85
						116	120	4	29.59
incl						116	117	1	101.61
incl						119	120	1	19.86
ZARD 216		390190	1823826	102E	-45	32	33	1	16.46
						48	51	3	8.73
incl						48	49	1	11.51
incl						50	51	1	14.65
ZARD 217		390171	1823786	102E	-60	129	130	1	1.01
						138	143	5	5.92
incl						138	139	1	14.97
incl						142	143	1	13.09
ZARD 218		390171	1823786	102E	-45	117	119	2	7.36
ZARD 219		390162	1823808	102E	-60	144	145	1	168.64
						154	155	1	3.20
ZARD 220	KS	390162	1823808	102E	-70	103	104	1	4.47
ZARD 221	KS	390162	1823808	102E	-55	98	103	5	86.23
incl						98	99	1	20.73
incl						100	101	1	401.08
						113	114	1	25.66
ZARD 222	KS	390177	1823869	102E	-45	53	59	6	5.08
incl						53	55	2	13.08
incl						58	59	1	4.24
						80	81	1	8.15
ZARD 223	KS	390116	1823853	102E	-60	162	170	8	7.36
incl						162	164	2	20.01
incl						165	166	1	7.48
incl						169	170	1	6.80
						178	180	2	12.69
ZARD 224	IP	390284	1823940	282E	-70	159	160	1	0.69
ZARD 225	KS	390284	1823940	282E	-45	No mineralization intersected			
ZARD 226	IP - KO	390040	1822521	090E	-60	Assays Pending			
ZARD 227	KO	390520	1821750	070E	-50	83	282	199	0.93
incl						90	91	1	1.98
incl						98	99	1	3.85
incl						146	147	1	38.44
incl						156	158	2	2.34
incl						159	160	1	2.06
incl						161	162	1	2.80
incl						180	181	1	10.25
incl						223	225	2	14.65
incl						256	260	4	21.04
incl						267	268	1	1.85
incl						281	282	1	1.01

KS Koka South KO Debre Konate

IP IP Target * Hole abandoned in mineralization

About Chalice

Chalice Gold Mines Limited is an exploration and development company which owns a 60% beneficial interest in 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 Mineral Resource of 5.0 million tonnes grading 5.3 grams of gold per tonne, containing 840,000 ounces of gold. This Mineral Resource includes a Probable Mineral Reserve of 4.6 million tonnes grading 5.1 grams of gold per tonne, containing 760,000 ounces of gold. 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^2 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 news release 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 was a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects' at the date the National Instrument 43-101 was filed with the Toronto Stock Exchange. 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 was a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects' at the date the National Instrument 43-101 was filed with the Toronto Stock Exchange. 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 future implications of exploration results reported herein, 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.

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) 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 Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The technical information in the report is subject to the assumptions and qualifications contained in the Technical Report.

Sampling Procedures and Quality Assurance

Diamond drill core is logged and photographed prior to splitting with a core saw. One half of the core is retained on site whilst the other half is bagged and dispatched to the Africa Horn Preparation facility (a division of NATA-accredited Intertek-Genalysis Laboratories) in Asmara for crushing to -2mm and splitting. Certified reference materials (CRMs) are submitted with all sample batches at the rate of 1 per 20-25 routine samples. The CRM's inserted have values ranging from very low to high grade. The coarse reject is stored and the split sub-sample is pulverized to a nominal 95% passing -75 micron using an LM2 pulverizer.

The pulverized pulp is further split into two 100g to 150g sub-samples; a primary pulp sample is sent for analysis and a duplicate pulp sample is kept as a reference and the remaining fine (-75 micron) reject is stored. A quartz wash is pulverized between samples and is stored for random testing of preparation contamination.

The sample pulps are transported by air to NATA-accredited Intertek-Genalysis Laboratories in Perth Western Australia for assay. For drill core and RC samples used for resource analysis the majority of gold assaying is completed using a lead collection of 50g fire assay method with an atomic absorption spectroscopy (AAS) finish. Additional specified multi-element assays are carried out by ICP-OES on 25g sub-sample prepared using aqua regia digest. Bulk density determinations using water immersion method are carried out on every metre of core within expected mineralisation and every 10m within waste zones. QA/QC monitoring is applied to all drill core assays as per the protocols described above.

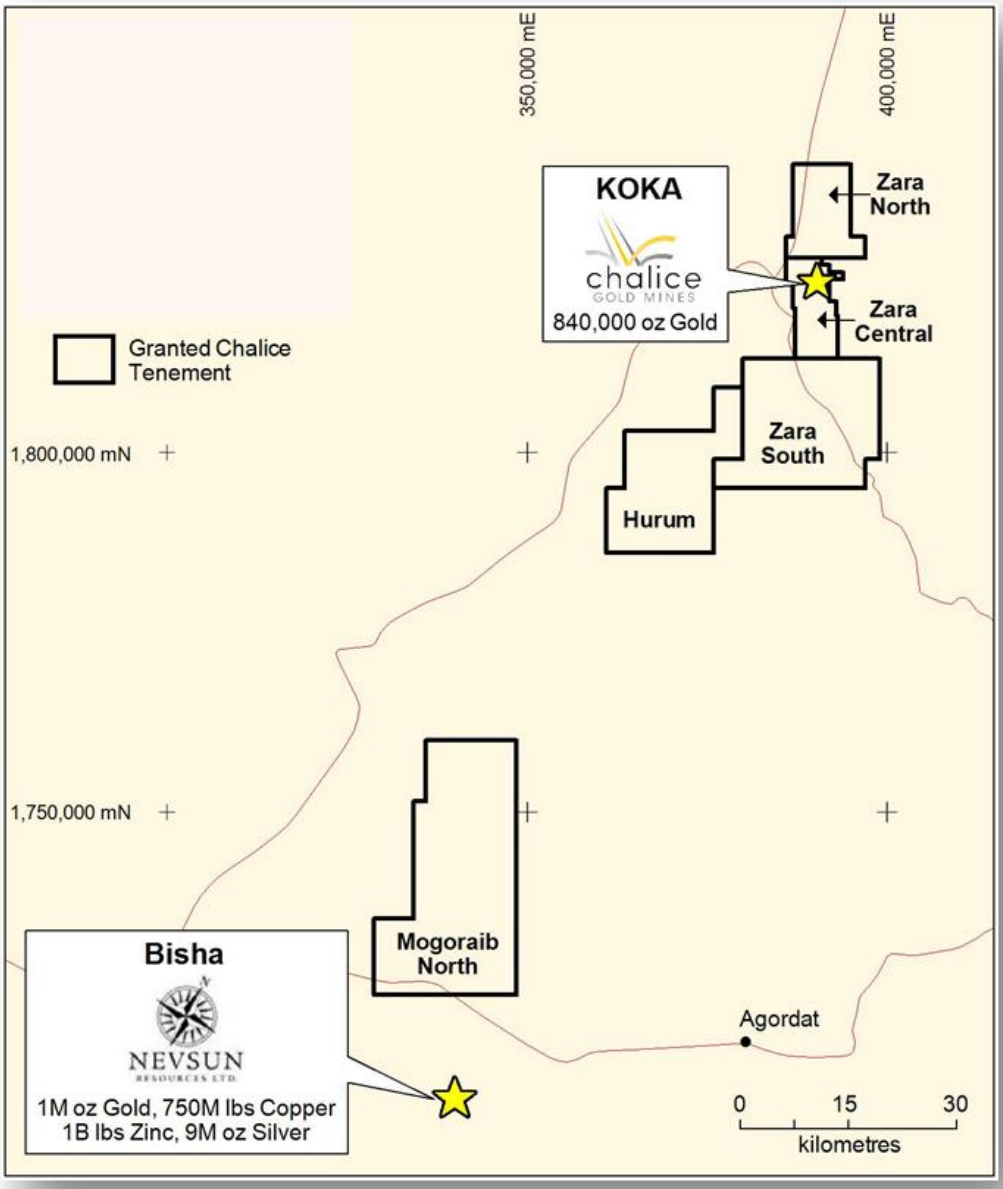

Figure 1: Location of Zara and other Chalice Gold Exploration Licences

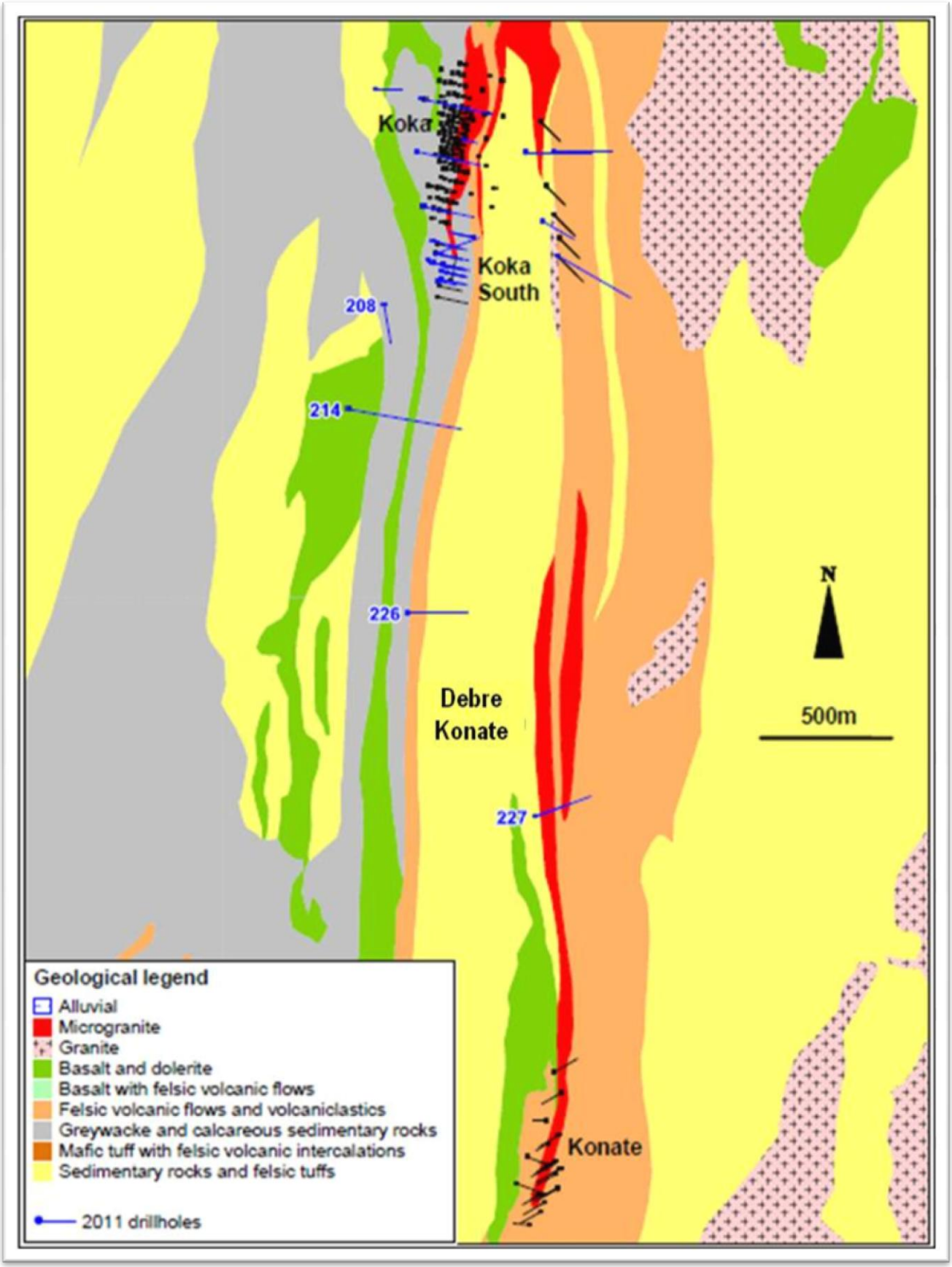

Figure 2: Koka-Konate Corridor showing location of recent drilling

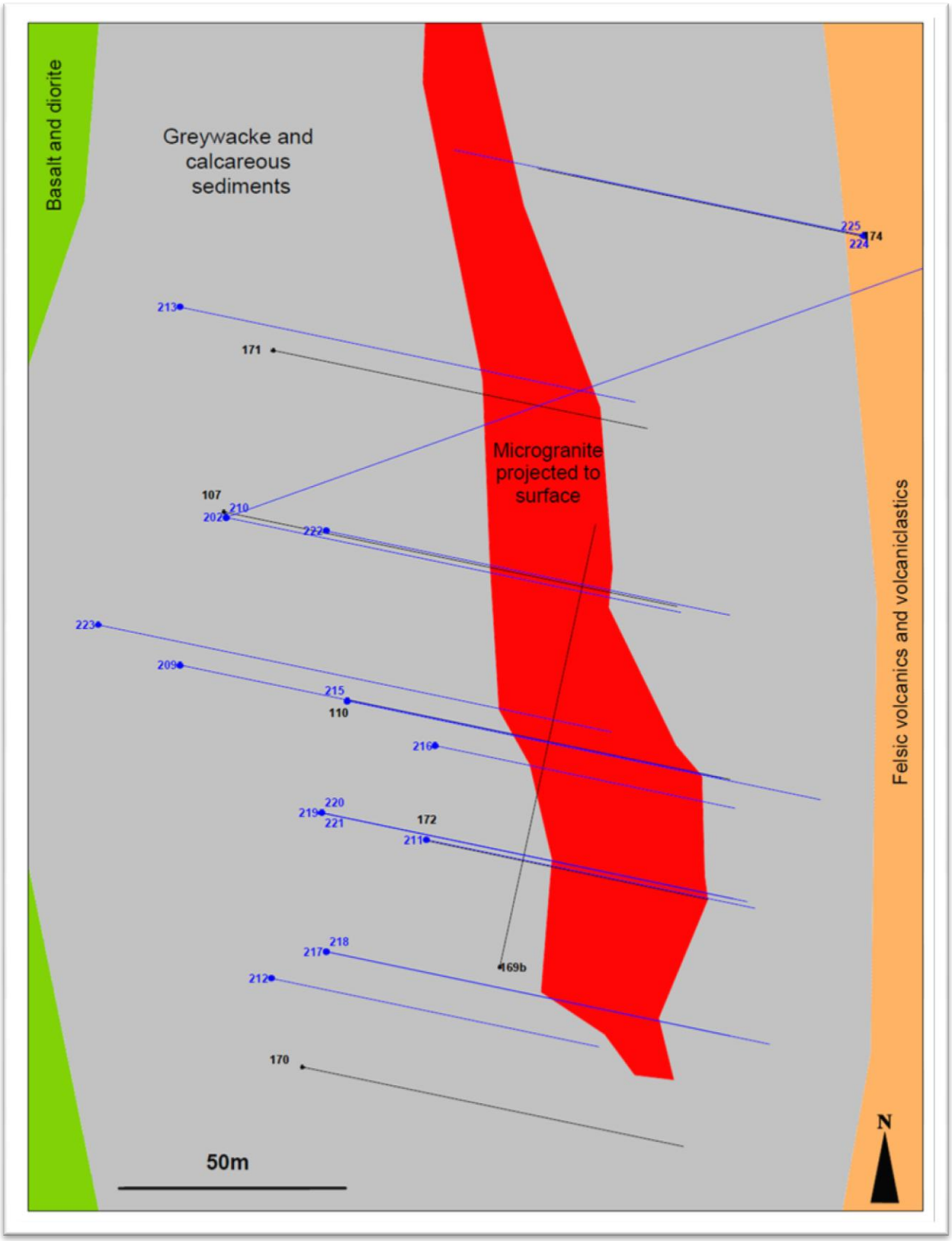

Figure 3: Koka South Prospect – geology and drillhole locations

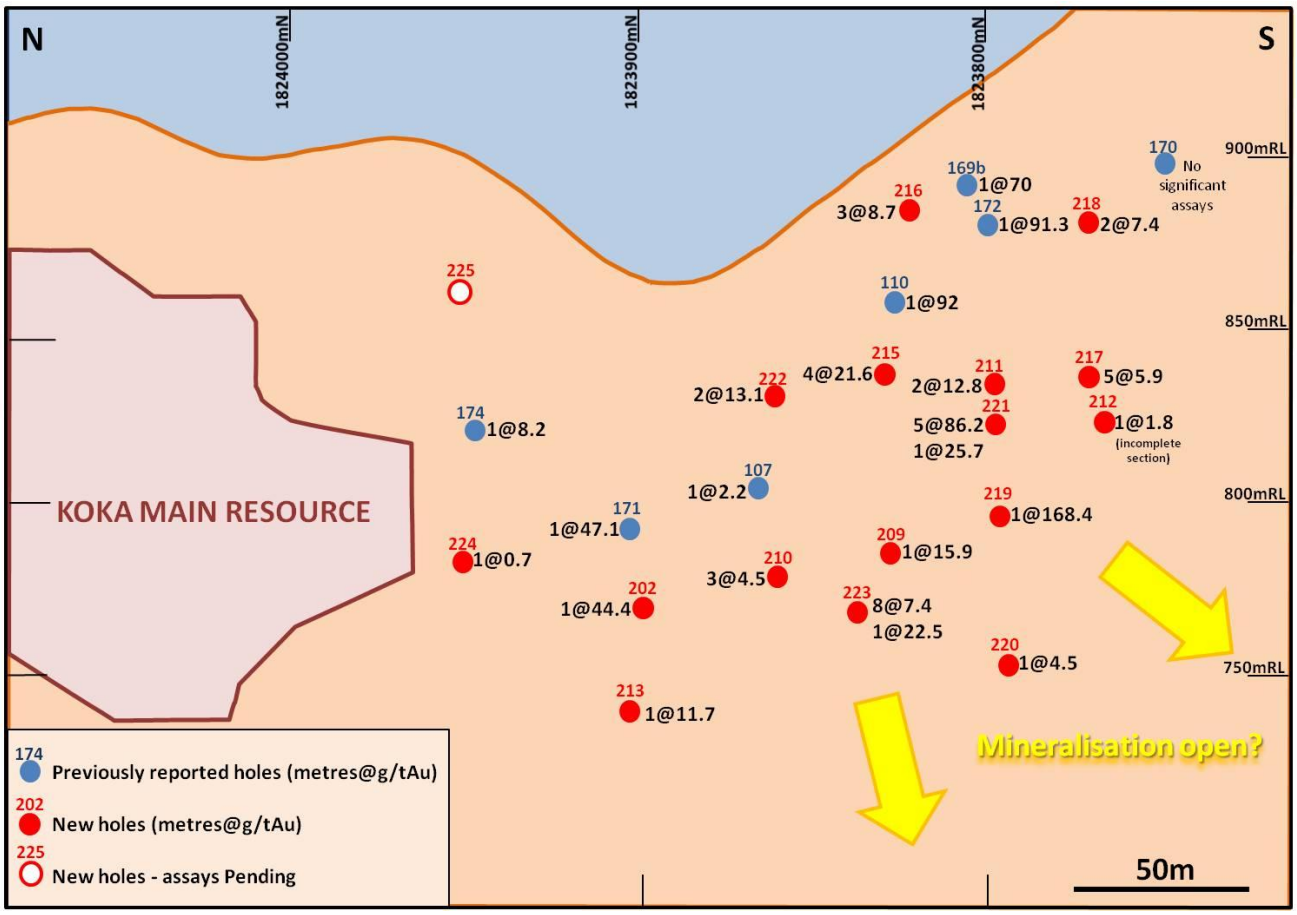

Figure 4: Koka South – schematic long section showing drillhole pierce points and main intercepts (see Table 1 for full listing of intersections and gold grades)