

ASX Announcement

22 December 2011

Further High Grade Gold Hits Enhance Zara Project

New results confirm that mineralisation at Koka South extends to depth and remains open

Chalice Gold Mines (ASX: **CHN**; TSX: **CXN**) and Zara Mining Share Company (Chalice 60%, ENAMCO 40%) are pleased to advise that new drilling results have confirmed extensions to the high-grade mineralisation at the emerging **Koka South** discovery, located immediately south of its flagship Koka Gold Deposit, part of the Zara Gold Project in northern Eritrea.

Results have now been received for a further two holes that were drilled to the south of previous drilling, with both holes returning high-grade intersections, including:

- **3m @ 39.25g/t gold** from 124m (ZARD 233) including **1m @ 115.33g/t gold** from 126m
- **5m @ 21.38g/t gold** from 132m (ZARD 233)
- **7m @ 9.73g/t gold** from 135m (ZARD 234) including **1m @ 49.64g/t gold** from 146m

The latest results confirm that high-grade mineralisation at Koka South **extends to depth in the south and remains open** (see Figure 3). The widths and grades of mineralisation encountered have the potential to provide a significant underground addition to the Koka open pit resource.

Koka South lies immediately to the south of the Koka Main deposit (Probable Mineral Reserve of 760,000oz @ 5.1g/t gold). Mineralisation at Koka South has so far been delineated over a **strike length of 250 metres and remains open to the south and at depth** (See Announcement – November 7, 2011).

Assays are pending from three additional holes completed into this zone. A full tabulation of all significant assays from 2011 drilling at Koka South is attached below.

Diamond drilling in the second half of 2011 (see Figure 1) has focused on testing high priority targets within a 7.5km long corridor encompassing the Koka deposit (Probable Mineral Reserve of 760,000oz @ 5.1g/t gold).

Drilling will re-commence in mid-January after a short break.



Doug Jones
Managing Director

Table 1: Significant intercepts 2011 campaign, including previously released intercepts – Koka South

Hole ID	Easting	Northing	Azimuth	Dip	From (m)	To (m)	Length (m)	Au g/t	
ZARD202	390144	1823877	070E	-60	145	146	1	44.35	**
ZARD209	380134	1823844	102E	-55	138	139	1	1.24	**
					164	165	1	15.94	
ZARD210	390144	1823877	102E	-60	134	137	3	4.54	**
incl					134	135	1	7.59	
incl					136	137	1	1.48	
ZARD211	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*	390154	1823774	102E	-60	139	140	1	1.80	**
ZARD 213	390134	1823924	102E	-60	141	149	8	1.94	**
incl					148	149		11.70	
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	390162	1823808	102E	-70	103	104	1	4.47	**
ZARD 221	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	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	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 225	390284	1823940	282E	-45	No mineralization intersected				**
ZARD 233	390152	1823713	102E	-75	124	127	3	39.25	
incl					126	127	1	115.33	
					132	137	5	21.38	
					188	189	1	3.11	
					244	249	5	6.06	
ZARD 234	390113	1823787	102E	-55	135	138	3	1.26	
					141	148	7	9.73	
incl					146	147	1	49.64	
ZARD 235	390099	1823678	102E	-60	Assays Pending				
ZARD 236	389966	1823751	102E	-45	Assays Pending				
ZARD 237	390070	1823774	102E	-55	Assays Pending				

* Hole abandoned in mineralization

** Hole and intercepts previously reported

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). As announced December 13, 2011, Chalice has entered into a non-binding letter of intent with a third party in respect of the Zara Gold Project, including the Koka Gold Deposit and Koka South which could result in a third party acquiring Chalice’s interest in these assets. Chalice also holds a substantial strategic ground position of 1,372 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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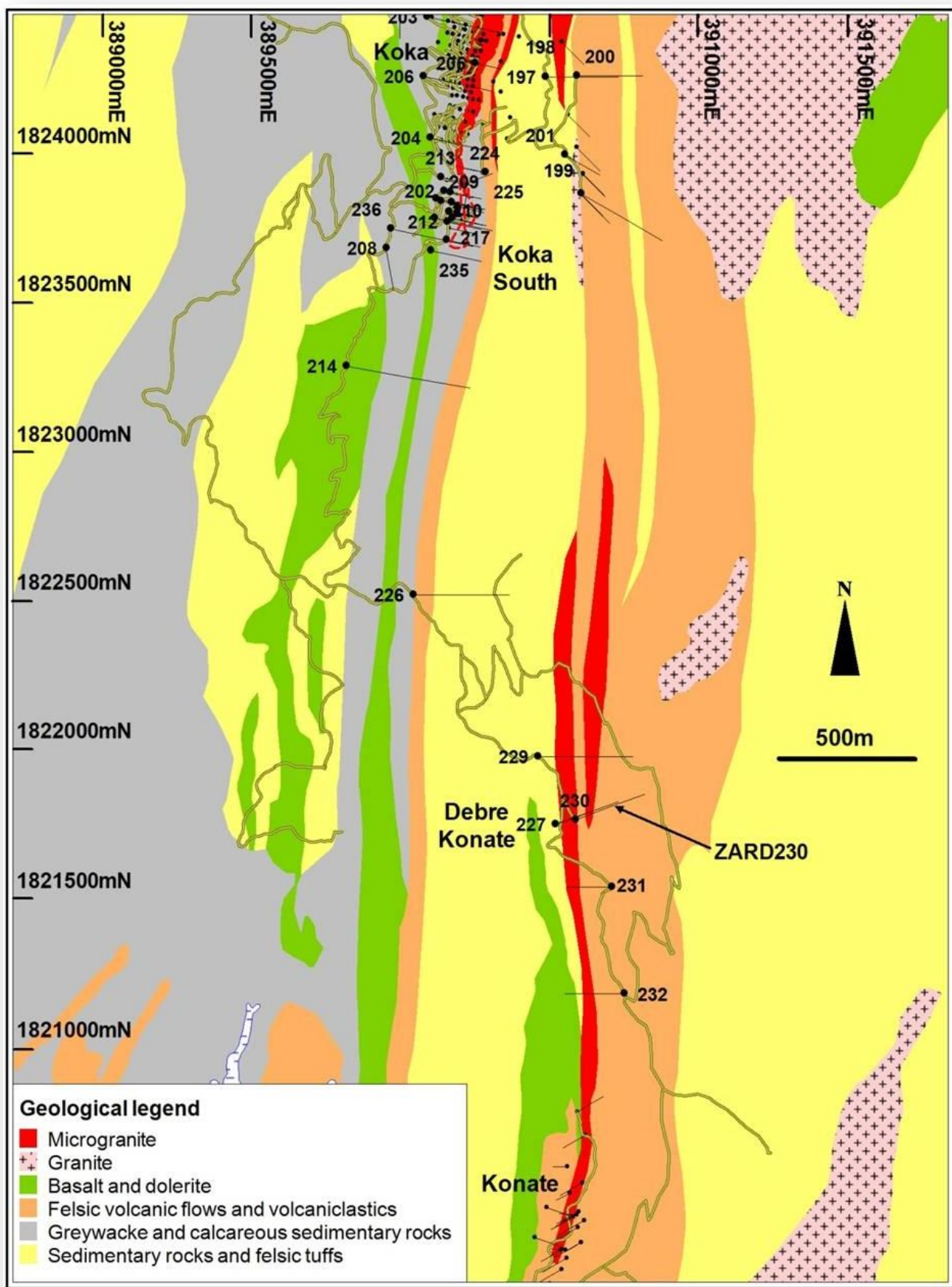
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The map displays a geological cross-section of the Mt. Isa area. The background is a greywacke and calcareous sedimentary rock unit. A large, irregularly shaped area in the center is colored green, representing basalt and dolerite. To the right, a red area indicates microgranite. Further right, orange areas represent felsic volcanic flows and volcanoclastics. Yellow areas at the bottom left and bottom right represent sedimentary rocks and felsic tuffs. A red line with a dashed outline, labeled 'Planned Open Pit Limits', is drawn across the upper right portion of the map. Numerous black dots with numbers (e.g., 108, 204, 39, 41, 17, 107, 222, 210, 223, 209, 215, 110, 216, 219, 220, 211, 172, 221, 218, 217, 212, 170, 233, 173, 235, 234, 237, 236, 208) are scattered across the map, likely representing sample locations or specific geological features. A coordinate grid is overlaid on the map, with labels such as 1824100m, 1824000m, 1823900m, 1823800m, 1823700m, 1823600m, 390100m, 390200m, and 390300m.

Geological legend

- Microgranite
- Granite
- Basalt and dolerite
- Felsic volcanic flows and volcanoclastics
- Greywacke and calcareous sedimentary rocks
- Sedimentary rocks and felsic tuffs

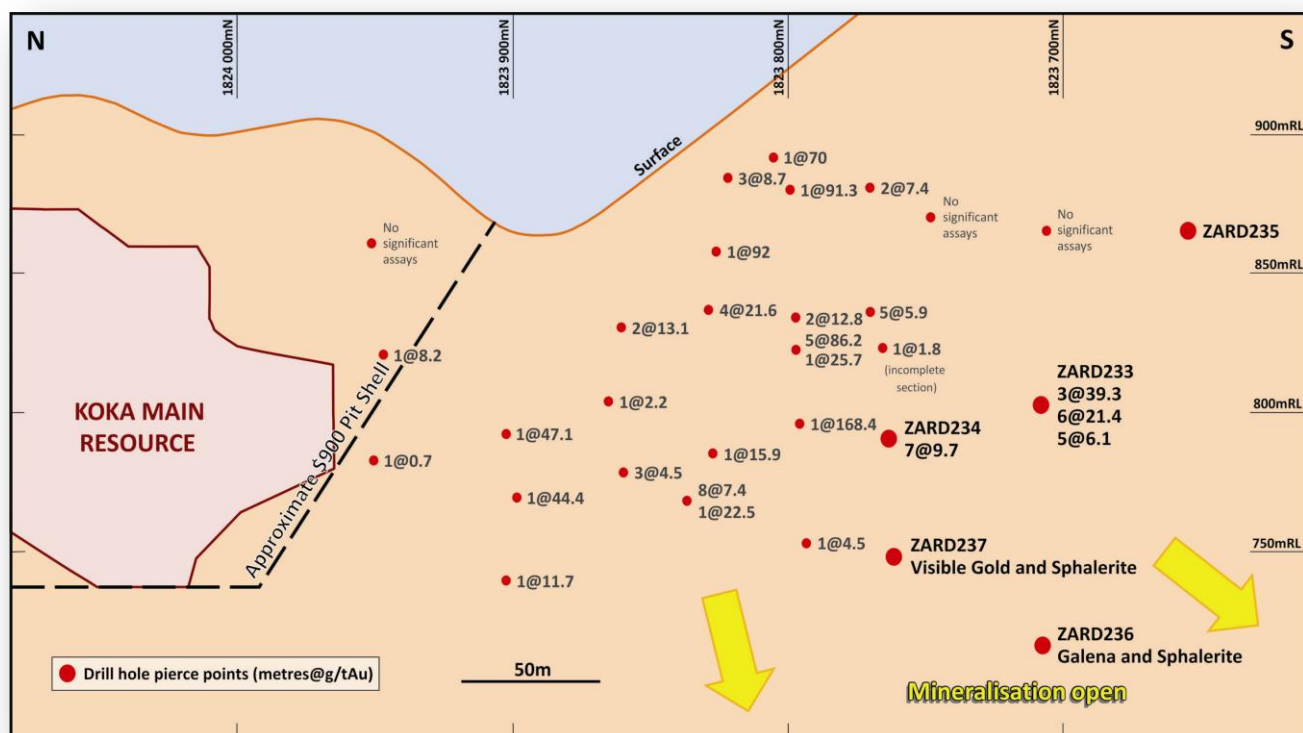


Figure 3: Koka South – schematic long section showing drillhole pierce points and main intercepts (see Table 1 for full listing of intersections and gold grades)

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, except as required by law or regulation.

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 including whether the Koka South mineralization becomes a mineral resource and/or reserve and is economically extractable by underground methods or otherwise, 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, as well as the possibility that a sale of the Zara Gold Project may be consummated and on what terms and conditions. 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; Chalice's ability to reach agreement in respect of the sale of the Zara Gold Project on terms acceptable to it and complete any such transaction; 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.