



CHALICE
GOLD MINES LIMITED

Eastern Goldfields

- Higginsville
- Chalice

West Pilbara

- Yandeearra

Murchison

- Gnaweeda

CAPITAL STRUCTURE

Issued Capital:

Shares	72,800,000
Options	6,075,000

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Drilling Update – Activity on Three Fronts

28 June 2006

Chalice Gold Mines is undertaking 31,000 metres of drilling in its first year post IPO, comprising 13,000 metres of RC/diamond drilling and 18,000 metres of RAB/aircore drilling, at its Chalice, Higginsville and Yandeearra projects.

Chalice

At the Chalice Gold Mine, four holes have been completed.

Results for holes BCRD003 and CHRD005 have been reported earlier. New results for the upper part of CHRD006, testing the northern edge of the Deeps 4 system, suggest the hole is located to the north of the Deeps 4 shoot (Figure 1). Results for the lower part of the hole, including possible Middle Ultramafic (MUM) lode positions, and for hole CHRC008, testing the Minsys4 target, have not been received to date.

Drilling at Chalice Gold Mine will now pause while Chalice Gold undertakes a scoping study to review project economics and integrate historical information with new information from Chalice Gold's recent drilling program. This will provide a basis to assess the existing Resource status and further exploration opportunities, in particular around the intercepts reported above Deeps 3 from BCRD003, where several stacked lodes have been identified below the Main Lode horizon (Figure 2).

A further 5,000 metres of RAB/aircore drilling to test regional targets south of the Chalice Gold Mine is set to commence in the next week (Figure 3).

Higginsville

At Higginsville, activity continues in several areas.

An initial RC drilling program has been completed at the Poseidon Footwall prospect, which lies directly to the south along strike from Avoca Resources Ltd's Trident Gold Project. Three east-west oriented traverses of four 200m+ deep RC holes were undertaken to provide stratigraphic coverage across the interpreted footwall position of the Poseidon Thrust (Figure 4). Significant results will be reported as they are received.

A geophysical (SAM) survey across the Poseidon Footwall and Mitchell Basement targets has commenced. This survey will help delineate targets along the Poseidon Thrust for follow up RC and/or diamond drilling.

Yandearra

At Yandearra, preparation is underway for a 10,000 metre RAB/aircore drilling program commencing in mid-July (Figure 5). A detailed aeromagnetic survey is also being undertaken, with completion due in several weeks. The detailed survey will help delineate further targets for RC drilling at the extensive (5km long) Arizona soil anomaly, in addition to the existing targets proposed for the RAB/air core drilling program.

Executive Chairman Andrew Bantock said: *"Chalice Gold mines is pushing on with its aggressive exploration program, on three fronts.*

At Chalice Gold Mine, we are starting a study, pulling in the results from our initial 3 holes to determine the next step. This will review the economics of the 163,000oz of Resources previously calculated by Resolute, under current market conditions.

A 5,000 metre regional RAB/aircore exploration drilling program is also set to start, testing targets to the south of the Chalice Gold Mine.

At Higginsville, we await results from our initial drilling program whilst a geophysical program is about to start to sharpen our focus on individual targets.

At Yandearra, we expect to commence RAB/aircore drilling on a number of large, untested soil anomalies in July.

With 15,000 metres of drilling and two major geophysical programs to be undertaken in the next 6 weeks, it's a busy time."

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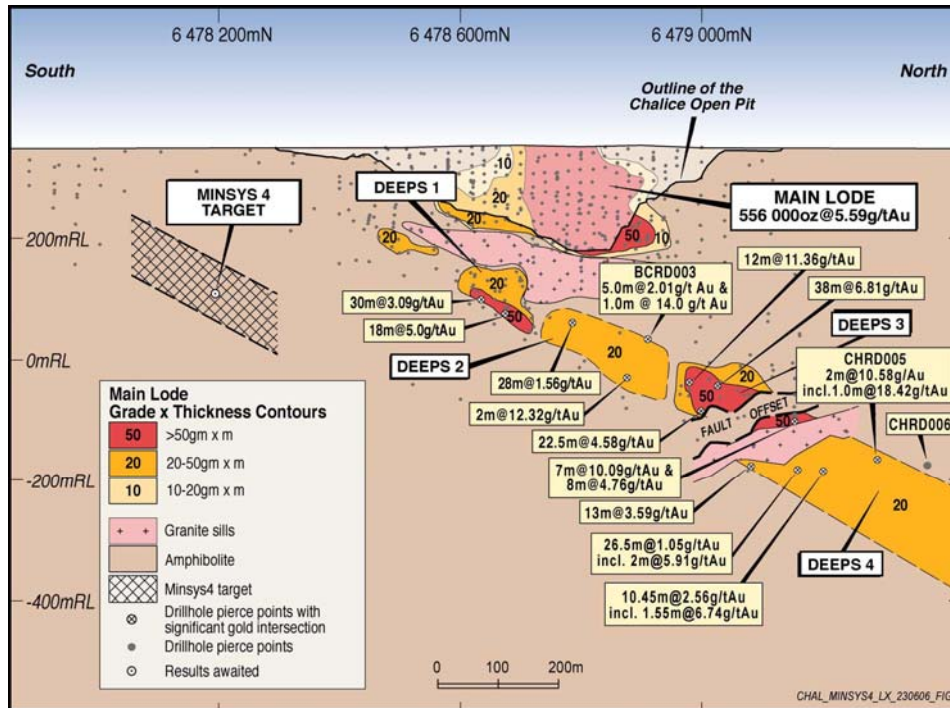


Figure 1 : Long section through the Main Lode, Challice Gold Mine

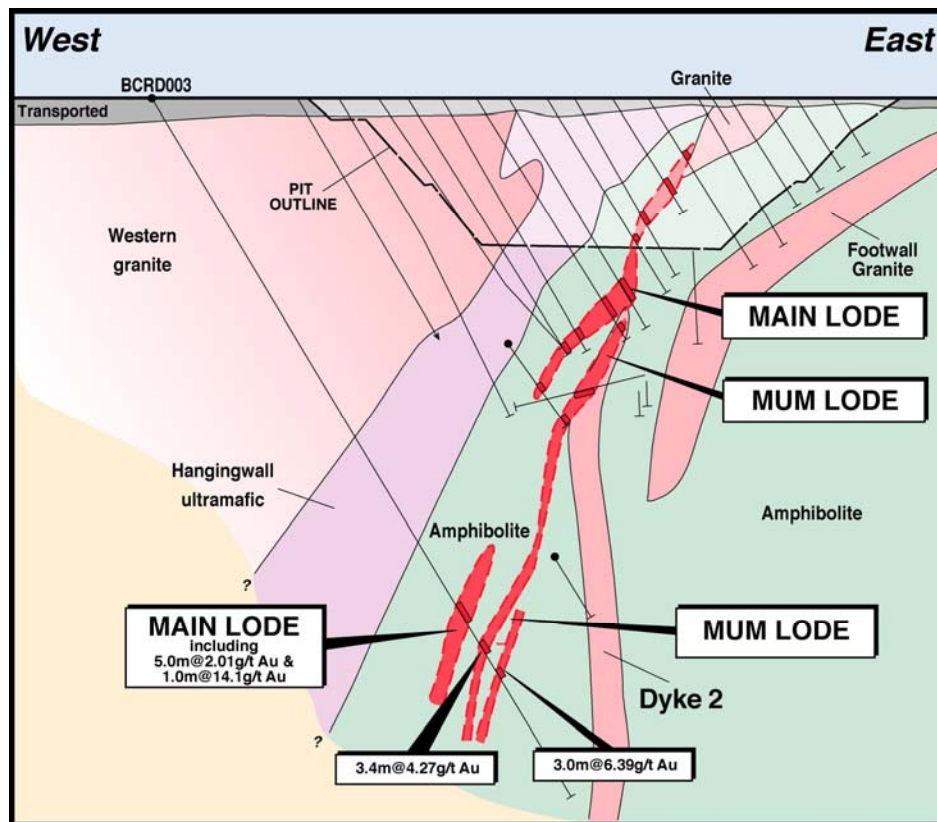


Figure 2 : Challice Gold Mine Section 6478940mN, showing BCRD003 and Main and MUM Lode Intersections

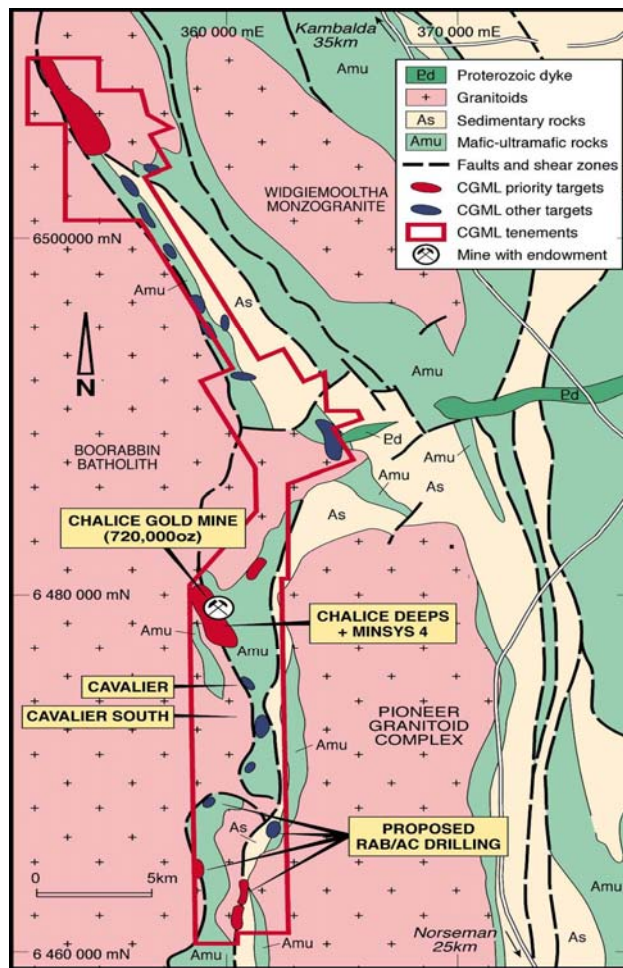


Figure 3 : Chalice Project, showing regional targets for proposed RAB drilling commencing late June 2006

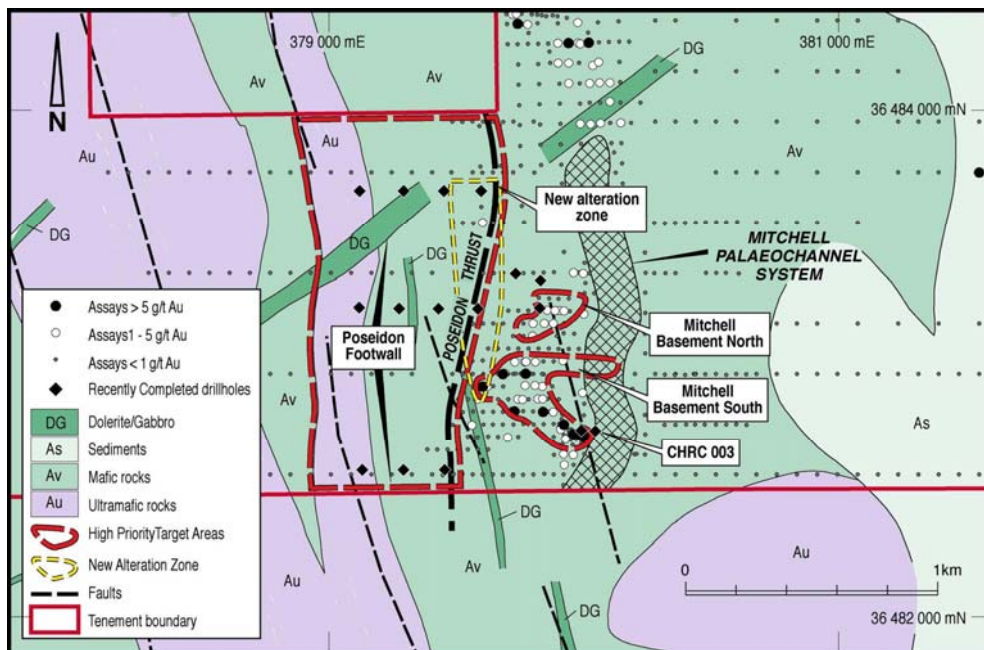


Figure 4 : Poseidon Footwall & Mitchell Basement targets, showing historic drilling results and the location of recently completed drill holes

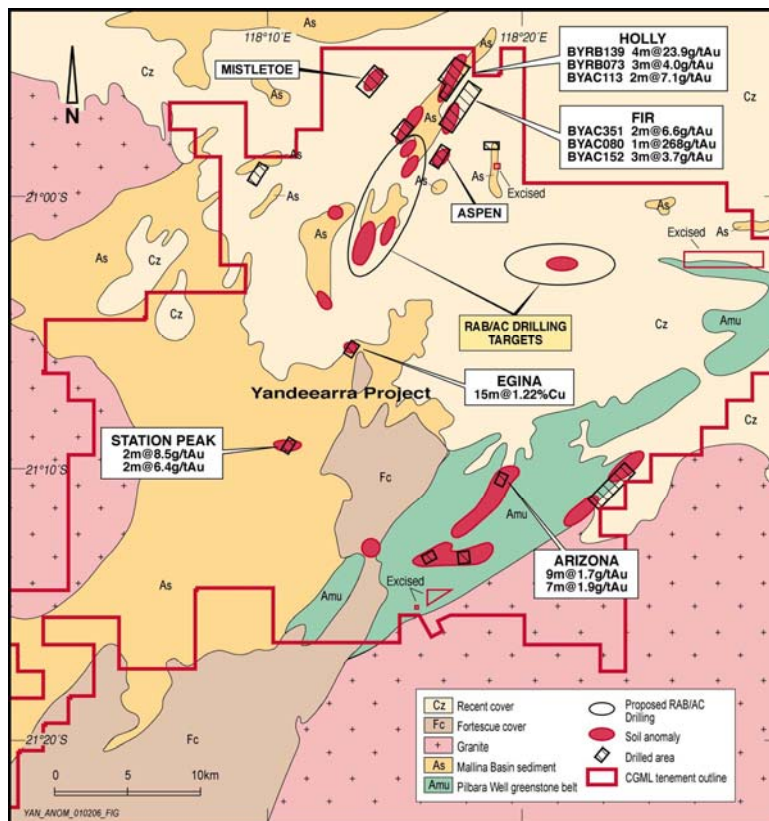


Figure 5 : Yandeearra Project, showing gold in soil anomalies proposed for drill testing commencing in mid-July 2006

The information in this announcement that relates to Exploration Results is based on information compiled by Mr John McIntyre, a full-time employee of Chalice Gold Mines Ltd, who is a Member of the Australian Institute of Geoscientists. Mr McIntyre 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.