

ASX ANNOUNCEMENT

New Gold Discovery at Konate Confirms Zara Exploration Potential

Highly encouraging initial results include 4m @ 11.65g/t gold and 3m @ 12.79g/t gold with round-the-clock drilling continuing



Chalice Gold Mines Limited ABN 47 116 648 956

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Highlights:

- Initial drilling results confirm significant widths and grades at the Konate Prospect, located 5km south of the 840,000oz Koka Gold Deposit.
- Best intersections include 4m @ 11.65g/t Au and 3m @ 12.79g/t gold within broader zones of lower grade mineralisation.
- The quartz stockwork style of mineralisation at Konate is very similar to the Koka deposit.
- Ongoing drilling will focus on extending this new zone at depth and along strike and testing the 6km long Koka-Konate corridor.



Chalice Gold Mines Limited (ASX: CHN) is pleased to advise that it has discovered a **significant new zone of gold mineralisation** at the **Konate prospect**, located 5km south of, and along strike from, the 840,000oz Koka Gold Deposit at its Zara Project in Eritrea.

Konate is the first prospect to be drill tested within a 6km long highly prospective corridor, extending to the south of Koka. Chalice believes this corridor has the potential to host additional high-grade gold deposits, similar to that at Koka, where the Company is proposing to develop a high grade, low cost open pit gold mine.

As announced on July 13, 2010, Chalice completed a Feasibility Study on the Koka Gold Deposit in July confirming the potential for a robust and viable gold development based on open pit probable reserves of **760,000oz grading 5.1g/t gold**.

The first results from diamond drilling at Konate reveal significant grades and widths of gold mineralisation, with best intersections to date of **3m @ 12.79g/t gold from 120m** (drill hole ZARD 177) and **4m @ 11.65g/t gold from 109m** (drill hole ZARD 185) within broader zones of lower grade gold mineralisation.

INVESTMENT HIGHLIGHTS

High grade open pit gold deposit
(Reserves 760,000 oz @ 5.1 g/t gold)

Feasibility study completed

Permitting process underway

Medium term production potential

Large underexplored ground position
with potential for discovery of
additional resources

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ZARD 185 intersected fresh quartz stockwork mineralisation in a microgranite host over a down-hole width of 30m (close to true width) from 109m depth. Better grade mineralisation is associated with higher concentrations of sulphides, predominantly pyrite, including the high grade intersection 4m @ 11.65g/t. This is a style of mineralisation similar to that hosting the high grade mineral resources and mineral reserves in the Koka Gold Deposit.

ZARD 177 was drilled 65 metres north of ZARD 185 on an oblique 40 metre section and intersected quartz stockwork mineralisation over a 22m width. Better intersections were again associated with pyrite concentrations and included the high-grade intersection of 3m @ 12.79g/t.

A complete list of significant intersections from these two holes is shown in Table 1 attached.

The Company currently has a diamond rig drilling double-shift at Konate and is considering adding an additional rig to expedite evaluation of the 600 metre long zone defined by extensive past artisanal workings.

Commenting on the results, Chalice Managing Director Doug Jones said:

“While it’s still early days at Konate, these first results are highly encouraging as they demonstrate significant gold grades and widths. Drilling to date suggests that the system is open at depth and to the south, so we are continuing an aggressive drilling program to further delineate the geometry and characteristics of this very promising new discovery.”

The location of this high grade gold discovery just 5 kilometres south of the planned Koka operation means that it has the potential to positively impact the already robust economics of our core project by providing additional feed to the Koka mill.

It also reinforces the broader prospectivity of our tenement holdings at Zara and in particular the enormous exploration upside within the 6km long Koka-Konate corridor, where we are currently focusing much of our exploration attention – with drilling underway at Konate and a major deep-penetrating IP survey set to commence within weeks.”



DR DOUG JONES
Managing Director

13 September, 2010

About the Zara Gold Project

The Zara Project comprises four Exploration Licenses and two Prospecting Licenses covering an area of 615km² situated in northern Eritrea, approximately 160km northwest of Asmara city. Chalice holds a 100% interest in the project.

The Koka Gold Deposit within the project contains a Probable Reserve of 4.6 million tonnes of ore grading 5.1 grams of gold per tonne and containing 760,000 ozs of gold. This is contained within an Indicated Resource of 5.0 million tonnes grading 5.3 grams of gold per tonne containing 840,000 ozs of gold.

Competent Persons' 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, Mineral Resources and Ore Reserves, and 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)'. 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. Mr Lee consents to the inclusion of this information in the form and context in which it appears.

Table 1: Significant Konate Prospect Diamond Drill Assay Intercepts

Hole	Depth (m)	East (Local)	North (Local)	Azimuth (°)	Dip (°)	From (m)	To (m)	Interval (m)	Gold (g/t)				
ZARD177	209	390616	1820420	240	-60	120	123	3	12.79				
						133	136	3	2.3				
						138	139	1	2.19				
						141	142	1	2.25				
ZARD185	205	390605	1820346	240	-60	109	113	4	11.65				
						119	139	20	1.39				
						including				119	122	3	3.28
						including				133	139	6	2.08
						including				135	139	4	2.73

Note: The metres quoted are down hole metres and gold grades are uncut with up to 2 metres of internal dilution (<0.25g/t gold). All samples were saw split and shipped as half core direct to Genalysis Laboratories in Perth, Western Australia for assay.

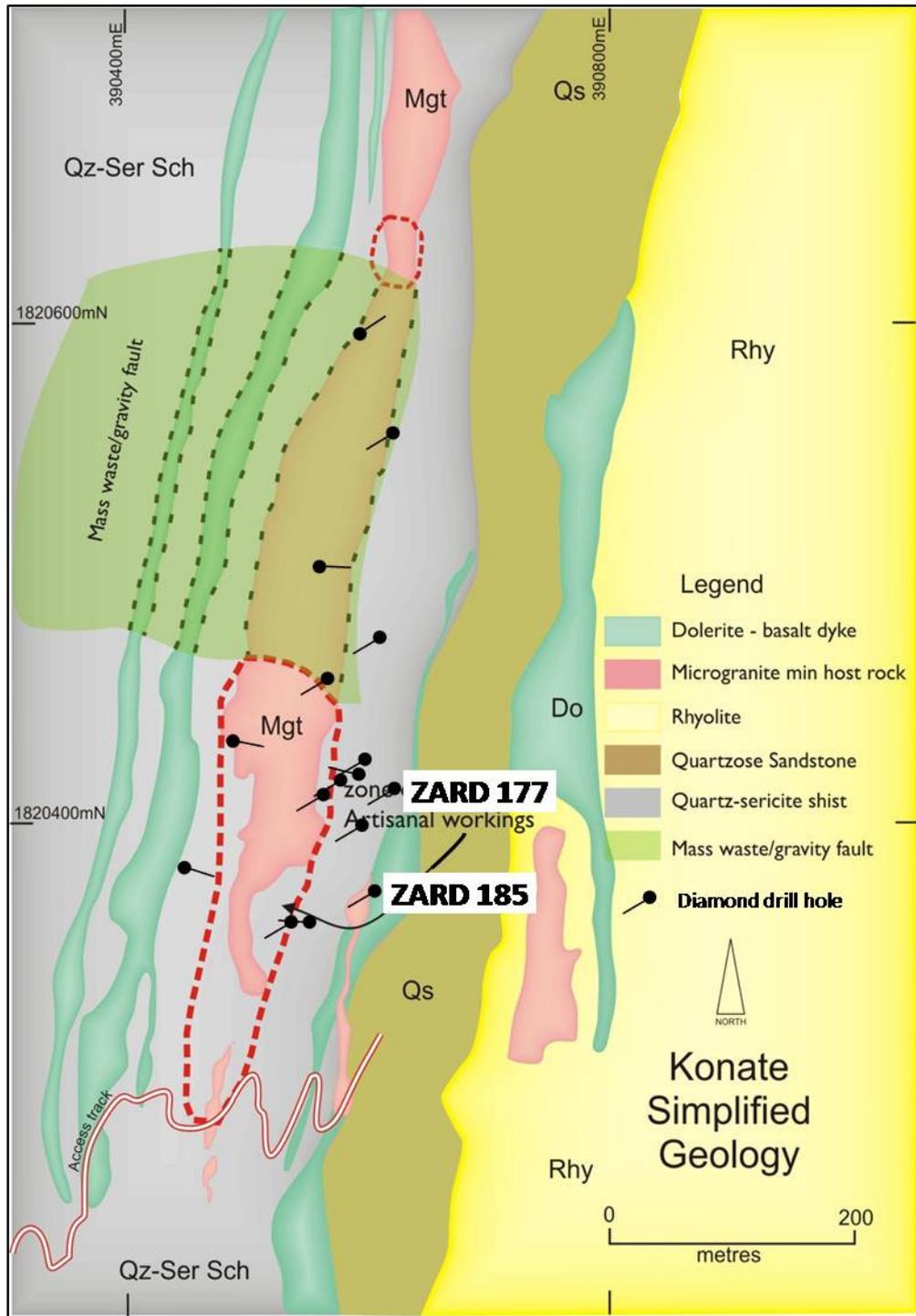


Figure 1: Konate Prospect - geology and drill-hole locations with ZARD 177 & 185 highlighted