

ASX Announcement

June 2011 Quarterly Report

Highlights:

- **ENAMCO agrees to pay US\$32M to acquire a 30% paid participating interest in the Zara Gold Project**
- **New drilling program of up to 10,000m of diamond drilling underway at Zara Project, targeting additions to the current 840,000oz Indicated Mineral Resource**
- **Drilling will test Induced Polarisation (IP) targets as well as possible depth extensions to the Koka Gold Deposit**
- **Several high-priority conductor targets revealed by airborne EM, magnetic and radiometric survey over the Mogoraib Exploration Licence**
- **Further soil sampling on Zara licence identifies exciting new gold anomalies at the Debre**

Overview

The June Quarter saw the achievement of further key milestones by East African-focused gold company Chalice Gold Mines (ASX: **CHN**, TSX: **CXN**) with the completion of an agreement with the Eritrean National Mining Corporation ("ENAMCO") for it to acquire a 30% participating interest in its flagship Zara Gold Project and the re-commencement of exploration drilling.

The agreement with ENAMCO, which includes a US\$32 million payment and a US\$2 million reimbursement of past exploration expenses, paves the way for final permitting, financing and development of the Zara Project.

The new phase of exploration drilling at the Zara Project is focused on testing a series of Induced Polarisation (IP) resistivity targets in the vicinity of the high-grade Koka Gold Deposit (Indicated Mineral Resource of **840,000oz @ 5.3g/t gold**). As part of this program, potential depth extensions to Koka will also be tested with a series of deep drill holes. The aim is to identify new gold mineralisation along strike and beneath the deposit.

Exploration also commenced on the recently acquired Mogoraib North property, located 10km north of Nevsun Resources' high grade Bisha Mine, with the completion of a Versatile Time-Domain Electro-Magnetic (VTM) survey. This survey is designed to detect the presence of massive sulphide deposits prospective for both gold and base metals.

Chalice also continued geochemical sampling on the Zara Project with a significant new soil gold anomaly identified at the Debre Tsaeda prospect located 8 kilometres south of Koka.

1. Agreement Reached with ENAMCO on Purchase of 30% Interest in Zara Project

During the Quarter, Chalice reached agreement with the Eritrean National Mining Corporation (“ENAMCO”) for the acquisition of a 30% participating interest in Chalice’s flagship Zara Gold Project in Eritrea, East Africa, paving the way for final permitting, financing and development of the Project to proceed.

The agreement covers the high-grade Koka Gold Deposit (“Koka”), as well as the Zara North, Central and South Exploration Licences (the “Zara Licences”), but excludes the Company’s 100%-owned Mogoraib North and Hurum Exploration Licences.

Terms of the Agreement

ENAMCO has agreed to pay US\$32 million for a 30% participating interest in the Zara Licences, which will be represented by an interest in the operating company, Zara Mining SC (“Zara”). Zara will own, develop and operate the Koka Gold Mine, and will own and explore the surrounding Zara Licences.

In addition to this amount, ENAMCO will pay Chalice approximately US\$2 million (subject to audit), which represents a reimbursement to Chalice of ENAMCO’s pro-rata share of exploration costs expended up to and including 31 March 2011 on the Zara Licences which fall outside of the proposed Koka Mining Licence.

Payment will be made within six months of the signing of a shareholders’ agreement, which is expected to be completed shortly. Following completion of the agreement, the Zara Project’s ownership structure will be Chalice (60% participating interest) and ENAMCO (30% participating interest, 10% free carried interest).

Chalice and ENAMCO will contribute to the future development costs of the Koka deposit and to future exploration expenditures on the Zara Licences on a 2/3 and 1/3 basis, in line with their respective share of the overall participating interest.

2. IP Target Drilling Commences at the Zara Project Mine Corridor

At least six high priority IP Resistivity targets have been identified from an IP survey completed in March this year (ASX Announcement – May 9, 2011). These targets are located within a 7.5km long corridor encompassing both the Koka deposit (which has a Probable Reserve of 760,000oz at a grade of 5.1g/t gold), and the Konate prospect drilled in 2010 (*see Figure 1*).

The anomalies are similar to those associated with the mineralisation at the Koka deposit and are considered to be highly prospective for repeats of Koka-style quartz stockwork gold mineralisation.

The resistivity anomalies are also associated with surface soil gold anomalies and in some cases minor artisanal workings (*see Figure 2*).

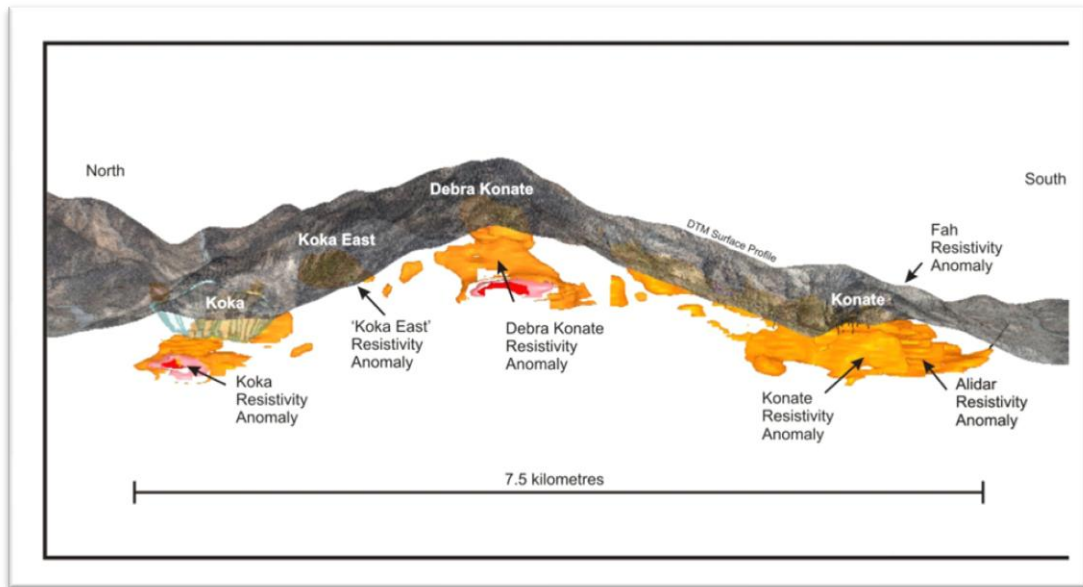


Figure 1: Long section – Koka-Konate corridor high priority IP resistivity anomaly drill targets

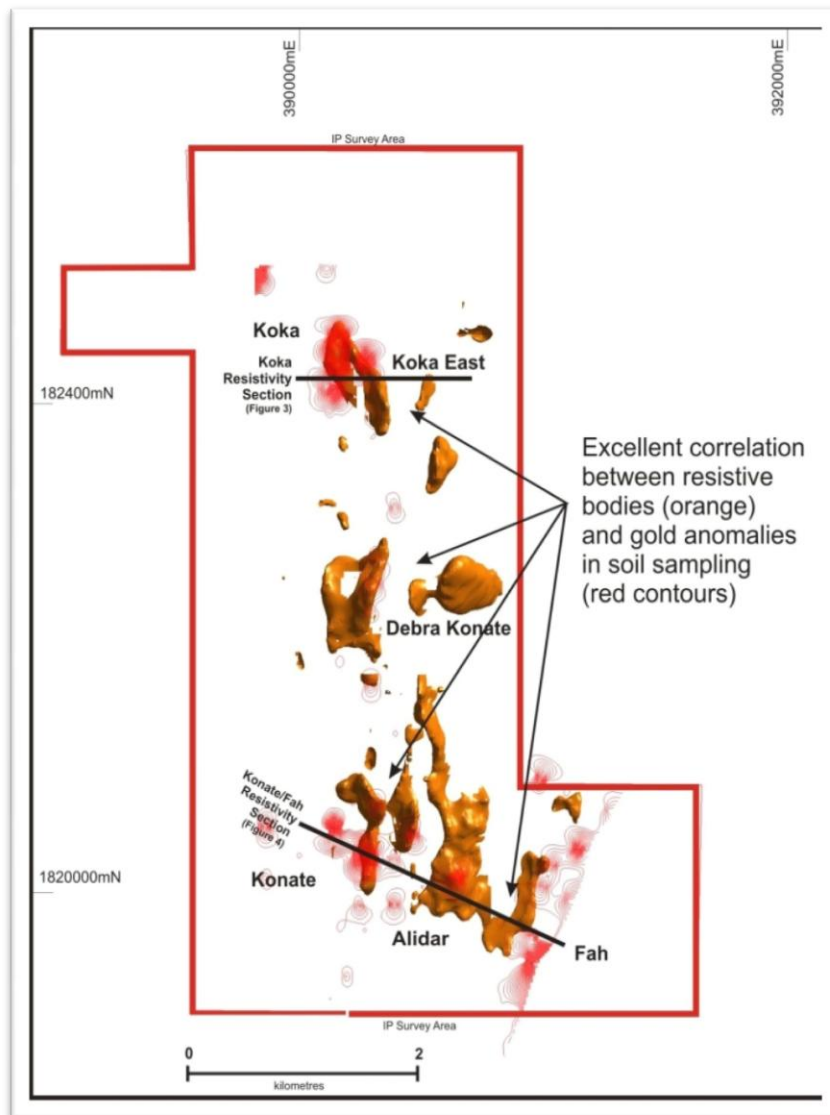


Figure 2: IP Resistivity Anomalies (brown) over gold content in soil (red contours)

Drilling has commenced and will initially target resistivity anomalies 300-500m beneath and immediately along strike from the Koka deposit and the nearby Koka East and Koka South prospects (see Figure 3).

Limited drilling was conducted at both Koka East and Koka South in 2010 with quartz stockwork mineralisation intersected at both prospects. Several intersections of up to 1 metre grading over 90 g/t gold were encountered at Koka South.

New access into this area will allow efficient targeting of both IP and geological targets during the current program. A total of 10,000 metres of first-pass diamond drilling is planned over the coming months.

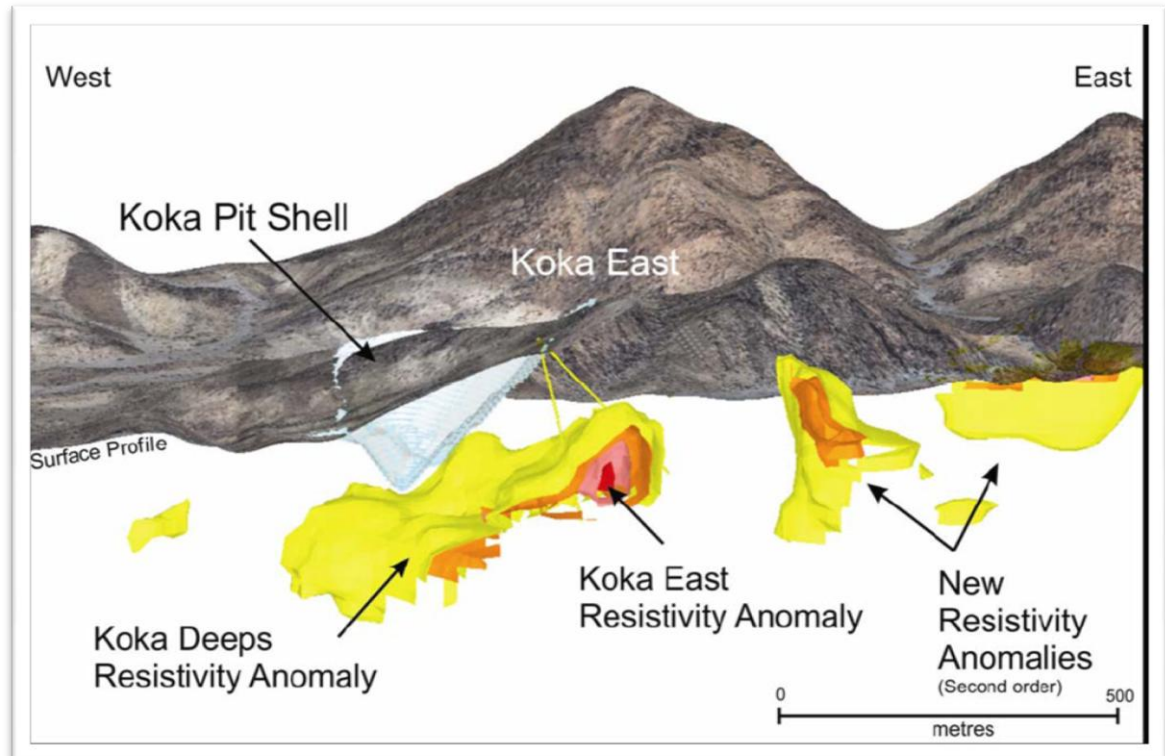


Figure 3: Cross-section through Koka and Koka East Zones showing resistivity anomalies targeted by current drill program

3. Mogoraib VTEM Survey

An extensive heliborne VTEM, magnetic and radiometric survey covering the 550 sq km Mogoraib North property was completed in June 2011 (see Figure 4). This ~3,800 line kilometre survey was designed to detect conductive bodies indicative of possible buried massive sulphide deposits, similar in style to the Bisha polymetallic VHMS (volcanic-hosted massive sulphide) deposit.

Bisha (60% owned by TSX-listed Nevsun Resources) is a large, high grade gold-copper-zinc deposit with a gold-rich oxide cap that lies 10km south of the Mogoraib North property. The volcanic sequence that hosts the Bisha deposit extends northwards, into Chalice's ground, where a previous explorer identified gossans with elevated gold and base metal geochemistry. Despite these encouraging indications there has been no drilling of these targets to date.

While final validated data from the VTEM survey is currently being processed, preliminary interpretation of the raw data by Southern Geoscience Consultants has already identified several promising targets.

In tandem with the airborne survey, the Company has also completed detailed geological mapping, stream sediment and rock-chip sampling to better define the extent of the prospective volcanic and exhalite sequences. Results from this work will be integrated with the airborne geophysical data to define targets for drilling later this year.



Figure 4: Aerospatiale Lama helicopter with suspended Geotech VTEM and magnetic systems

4. Debre Tsaeda Soil Sampling

Results have been received from a recent geochemical survey over the Debre Tsaeda prospect, located within the Zara licences approximately 8km south-east of Koka. They reveal a high-tenor gold-in-soil anomaly extending semi-continuously over a strike length of more than 2km and exceeding 200ppb gold (*see Figure 5*), with a peak value exceeding 18 g/t gold. Gold anomalism in soils at these levels is regarded as highly encouraging and compares favourably with the soil anomalism over the Koka deposit.

The anomaly encompasses a number of historical artisanal workings and overlies an altered microgranite with numerous quartz veins.

In-fill and extension soil sampling and detailed geological mapping will be conducted over the coming months to better define targets for trenching and drilling later in 2011.

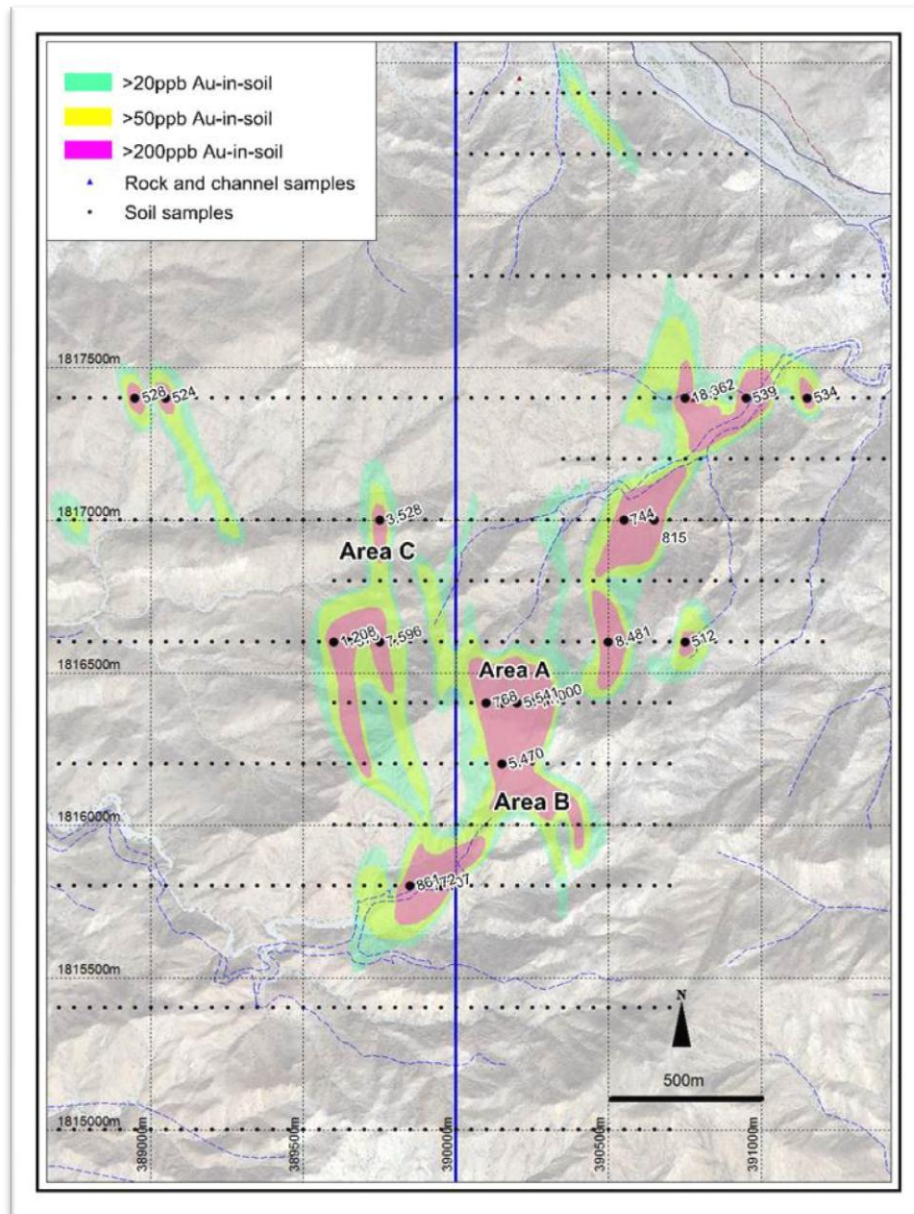


Figure 5: Contouring of Debre Tsaeda and Debre Keyh gold-in- soil assay results with peak gold values shown.

5. Eritrea Tenement Update

Pursuant to the Eritrean Mining Proclamation, the four central Zara licences were subject to an annual statutory 25% relinquishment during the Quarter. The Company now holds 547 sq km as part of the Zara Project, which will be owned 60% by Chalice and 40% by ENAMCO.

A further 825 sq km is held 100% by Chalice which includes the Hurum and Mogoraib North projects. The Company has also been advised that it has been unsuccessful in its applications for Prospecting Licences at Lower Anseba, Seccai Reba, Adobha Abyi, Nakfa East and Irafayle West.

6. Capital Raising

In May 2011, Chalice placed 32,000,000 shares at \$0.30 per share to raise approximately \$9.6 million before issue costs (the 'Placement').

The funds raised from the Placement will be used for further exploration and development of Chalice's gold projects in Eritrea and for general working capital purposes.

The Placement received strong support and was effected through Southern Cross Equities Ltd to institutional and sophisticated investors pursuant to the 15% allowance under ASX Listing Rules.



DR DOUGLAS JONES
Managing Director

14 July 2011

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 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. 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, as discussed herein. 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 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 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 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

CHALICE GOLD MINES LIMITED

ABN

47 116 648 956

Quarter ended ("current quarter")

30 JUNE 2011

Consolidated statement of cash flows

		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	72	244
1.2	Payments for (a) exploration & evaluation	(2,287)	(12,175)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(836)	(3,887)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	44	377
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - GST	(12)	(5)
Net Operating Cash Flows		(3,019)	(15,446)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(1,034)	(4,083)
	(b) equity investments	-	-
	(c) other fixed assets	(61)	(889)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(1,095)	(4,972)
1.13	Total operating and investing cash flows (carried forward)	(4,114)	(20,418)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	9,090	22,945
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	(4)
Net financing cash flows		9,090	22,941
Net increase (decrease) in cash held		4,976	2,523
1.20	Cash at beginning of quarter/year to date	5,224	7,689
1.21	Exchange rate adjustments to item 1.20	(6)	(18)
1.22	Cash at end of quarter	10,194	10,194

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.2	Aggregate amount of payments to the parties included in item 1.2	208
1.2	Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Item 1.2 – Amounts paid to related parties include remuneration, directors' fees, consulting fees and reimbursements of expenses to directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 16 June 2011, the Company reached agreement with the Eritrean National Mining Corporation (ENAMCO) for ENAMCO's acquisition of a 30% participating interest in Chalice's Zara Gold Project in Eritrea.

ENAMCO has agreed to pay to Chalice US\$32 million for a 30% participating interest in the Zara Licences which will be represented by an interest in the operating company, Zara Mining SC. In addition to this amount, ENAMCO will pay Chalice approximately US\$2 million (subject to audit), which represents a reimbursement to Chalice of ENAMCO's pro-rata share of exploration costs expended to 31 March 2011 on the Zara Licences which fall outside of the proposed Koka mining licence.

Payment will be made within six months of the signing of a shareholders' agreement, which is expected to be completed shortly. Following completion of the agreement, the Zara Project's ownership structure will be Chalice (60% participating interest) and ENAMCO (30% participating interest, 10% free carried interest).

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,440
4.2 Development	-
4.3 Production	-
4.4 Administration	1,036
Total	4,476

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,194	3,122
5.2 Deposits at call	8,000	2,102
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	10,194	5,224

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Seccai Reba Adobha Abyi Nakfa East Irafayle West Lower Anseba	Application – Eritrea Application – Eritrea Application – Eritrea Application – Eritrea Application – Eritrea	0% 0% 0% 0% 0%	0% 0% 0% 0% 0%
6.2	Interests in mining tenements acquired or increased	Nil			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference *securities (description)	Nil	Nil	Nil	Nil
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3	*Ordinary securities	250,030,886	250,030,886	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	32,000,000 Nil	32,000,000 Nil	0.30 N/A	9,600,000 N/A
7.5	*Convertible debt securities (description)	Nil	Nil	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil Nil	Nil Nil	N/A N/A	N/A N/A

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Appendix 5B
Mining exploration entity quarterly report

7.7	Options (<i>description and conversion factor</i>)	500,000	Nil	Exercise price	Expiry date
		500,000	Nil	\$0.25	1 December 2012
		1,250,000	Nil	\$0.25	31 July 2013
		1,250,000	Nil	\$0.35	31 March 2014
		1,250,000	Nil	\$0.45	31 March 2014
		750,000	Nil	\$0.50	1 September 2012
		1,000,000	Nil	\$0.35	16 November 2013
		1,000,000	Nil	\$0.36	31 March 2012
		187,500	Nil	\$0.55	30 April 2014
		187,500	Nil	\$0.65	30 April 2014
		375,000	Nil	\$0.75	30 April 2014
7.8	Issued during quarter	Nil	Nil	N/A	N/A
7.9	Exercised during quarter	Nil	Nil	N/A	N/A
7.10	Expired during quarter	Nil	Nil	N/A	N/A
7.11	Debentures (<i>totals only</i>)	Nil	Nil		
7.12	Unsecured notes (<i>totals only</i>)	Nil	Nil		

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 14 July 2011

Company Secretary

Print name:

Richard Hacker

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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