

Multiple VTEM conductors identified at Mogoraib North

Chalice Gold Mines (ASX: **CHN**; TSX: **CXN**) is pleased to report that a recently completed airborne geophysical survey has identified a series of conductive bodies on its **Mogoraib North Project**, one of its key regional exploration projects in northern Eritrea. The Mogoraib North property lies ~100km south of the Zara Project where Chalice and ENAMCO are planning to develop the high-grade Koka gold mine (see *Figure 1*).

The new targets were identified from interpretation of the results from a 3,957 line kilometre heliborne VTEM (Versatile Time-Domain EM), magnetic and radiometric survey completed for Chalice in July 2011.

The VTEM survey was designed to detect conductive bodies with potential to host mineralisation similar in style to the world-class, high-grade Bisha polymetallic VHMS (volcanic-hosted massive sulphide) mine. Bisha (owned 60% by TSX-listed Newsun Resources) lies just 10 kilometres south of the Mogoraib North property.

The volcanic sequence that hosts the Bisha deposit extends northwards into Chalice's ground, where previous explorers had identified gossans with elevated gold and base metal geochemistry. Despite the encouraging indications and nearby major deposit, these targets have not been tested by drilling.

The survey was flown by Geotech Airborne Limited at a line spacing of 200m with in-fills at 100m over selected areas. Aeromagnetic and radiometric data was also acquired as part of the survey.

Interpretation of the final survey data by the Company's consultant geophysicists, Southern Geoscience Consultants, has identified numerous bedrock conductor anomalies that will require follow-up during the coming months (see *Figure 2*).

Several of these anomalies lie on extensions of volcanic and sedimentary units extending onto the Mogoraib North property from Bisha and the other VHMS prospects to the south, and in one case is associated with a previously identified gossan (iron-rich weathering zones that often overly shallow VHMS mineralisation, as at Bisha). Regional stream sediment geochemistry conducted by Chalice has identified extensive low-level base metal anomalism within this sequence of rocks.

INVESTMENT HIGHLIGHTS

High grade Indicated gold mineral Resource (840,000 oz @ 5.3 g/t gold)

Mine permitting commenced for operation forecast to have:

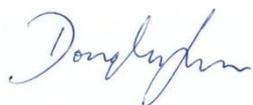
- Low cash costs of US\$338/oz of gold produced
- 7 year mine life at >100,000 oz average gold production per year

Active exploration program in the Arabian Nubian Shield underway



Chalice is currently mobilising exploration personnel to the Mogoraib North project area to conduct ground gravity surveys over the VTEM anomalies in an effort to distinguish between lithological 'formational' conductors such as carbonaceous and pyritic shales and possible dense metal-rich massive sulphide bodies.

In conjunction with this work, detailed geological mapping, gossan searches and soil sampling will also be undertaken. This information will be integrated with the results of 3D modeling currently being conducted by the Company's geophysical consultants with the aim of defining targets for drilling in early 2012.



Doug Jones
Managing Director

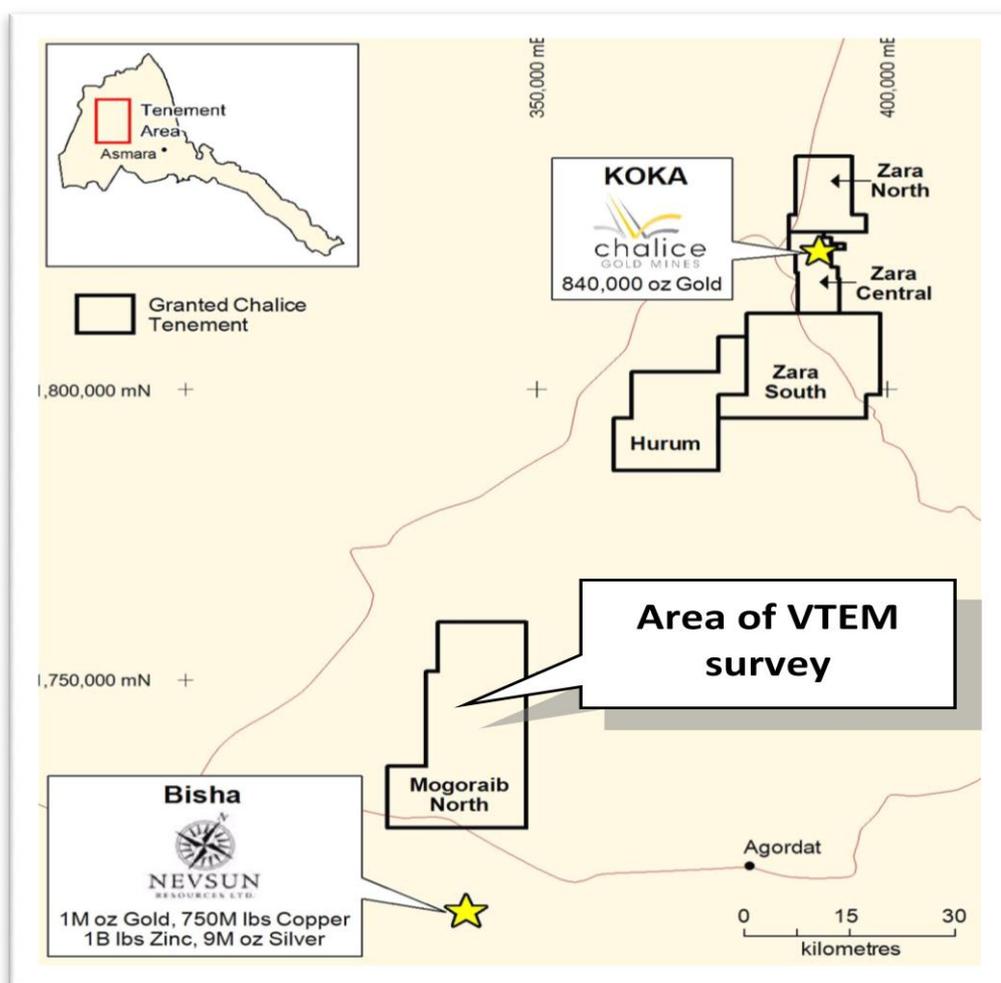


Figure 1: Location of Mogoraib North and other Chalice Gold Exploration Licences

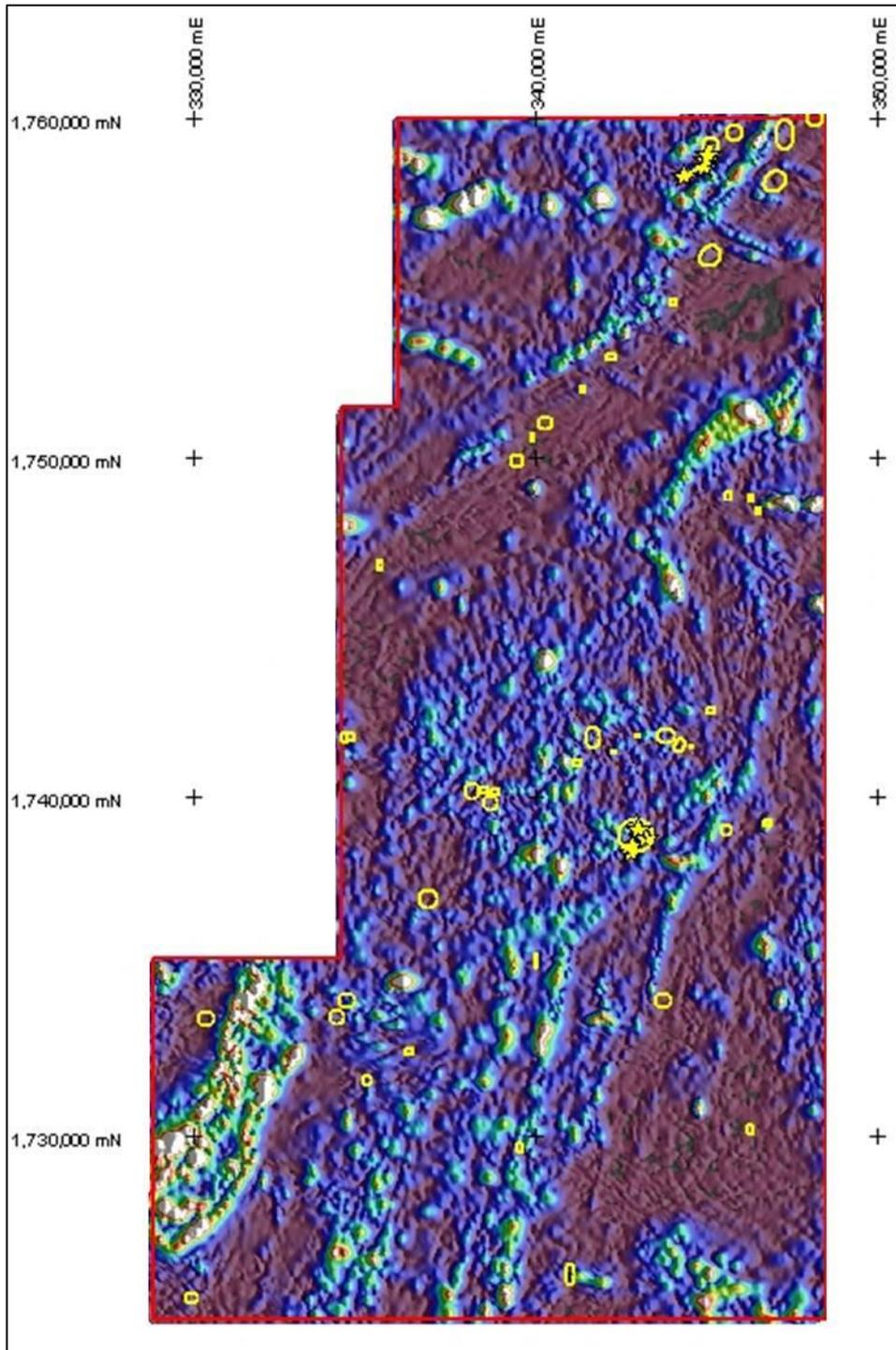


Figure 2: Bedrock VTEM conductor anomalies (yellow shapes) on background image of Analytic Signal aeromagnetics

About Chalice

Chalice Gold Limited is an exploration and development company which owns a 60% 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 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.