

ASX Announcement

15 December 2011

Further Broad Gold Intercepts at Zara Project

111 metres @ 1.41 g/t gold confirms potential for significant new discovery at Debra Konate

Chalice Gold Mines Limited (ASX: **CHN**; TSX: **CXN**) and its 60% owned subsidiary Zara Mining Share Company are pleased to advise that further high-grade gold intercepts have been received from diamond drilling at the recently discovered **Debra Konate** prospect, situated immediately south of the soon to be developed Koka Gold Deposit at its **Zara Project** in northern Eritrea (see *Figure 1*).

Recent diamond drilling (see *Figure 2*) 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), where Chalice and its partner ENAMCO are planning to commence development of an open-pit mine in 2012 (ASX announcement – November 2, 2011).

The previously undrilled Debra Konate prospect, located ~2.5km south of Koka, was initially targeted as an Induced Polarisation (“IP”) resistivity anomaly supported by minor artisanal workings and a significant gold and lead soil geochemical anomaly in a microgranite host. ZARD 227 (see *Figure 2*) was the first hole drilled into this prospect and it intersected **an extensive low-grade mineralised system grading 0.93g/t gold (uncut) over 199 metres (83m to 282m downhole)** (ASX announcement – November 7, 2011).

Drill hole ZARD230 was drilled “up-section” from ZARD227 and has confirmed the previous drill results with numerous zones of narrow, higher grade mineralisation contained within the low-grade envelope. Overall, ZARD230 intersected the same extensive low-grade gold system, **returning 111m @ 1.41g/t gold (uncut) from 94m**. Better intersections (uncut) included:

- **4m @ 11.45g/t Au** from 94m
- **1m @ 12.55g/t Au** from 119m
- **1m @ 22.42g/t Au** from 129m
- **1m @ 30.55g/t Au** from 163m

A full tabulation of all significant assays is tabled below (Table 1).

This drill hole has confirmed significant new gold mineralisation at Debra Konate and mineralisation is currently open up-dip, and along strike and confirms a previously unrecognised zone of mineralisation that appears to have potential for larger, bulk-tonnage styles of mineralisation, similar to Centamin Egypt’s Sukari deposit, compared with the smaller-tonnage, high-grade style of deposit at Koka (see *Figure 3 – Cross Section at Debra Konate*).

Chalice's Managing Director, Dr Doug Jones, said:

"The new discovery at Debre Konate and the potential bulk tonnage targets highlight the significant prospectivity of the greater Zara Project area. The discovery of additional ounces near Koka will likely have a significant impact on the already robust economics of the project."

A handwritten signature in blue ink that reads "Tim Goyder". The signature is stylized with a long, sweeping underline that extends to the right.

TIM GOYDER
Executive Chairman

Hole ID	Target	Easting	Northing	Azimuth	Dip	From (m)	To (m)	Length (m)	Au g/t
ZARD 230	KO	390586	1821766	70	-60	94	205	111	1.41
	incl					94	98	4	11.45
	incl					101	112	11	2.24
	incl					119	120	1	12.55
	incl					124	125	1	3.34
	incl					127	131	4	6.72
	incl					129	130	1	22.42
	incl					163	164	1	30.55
	incl					194	195	1	2.53
	incl					202	205	3	1.61
	incl					226	227	1	2.71
	incl					255	256	1	1.31

All results are uncut

KO

Debre Konate

Table 1: Significant Intercepts – Zara Gold Project

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). 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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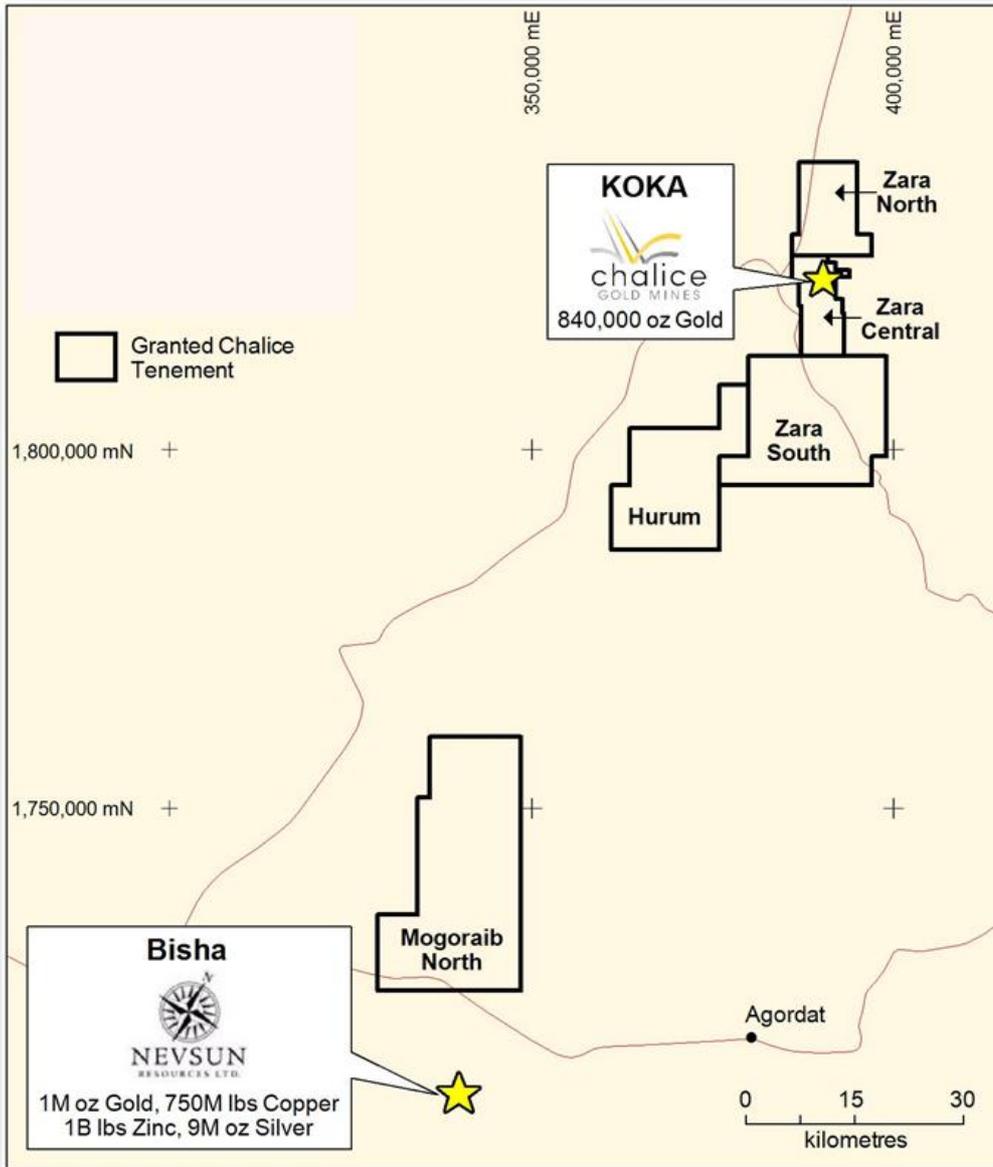


Figure 1: Location of Zara Project and other Chalice Gold Exploration Licences

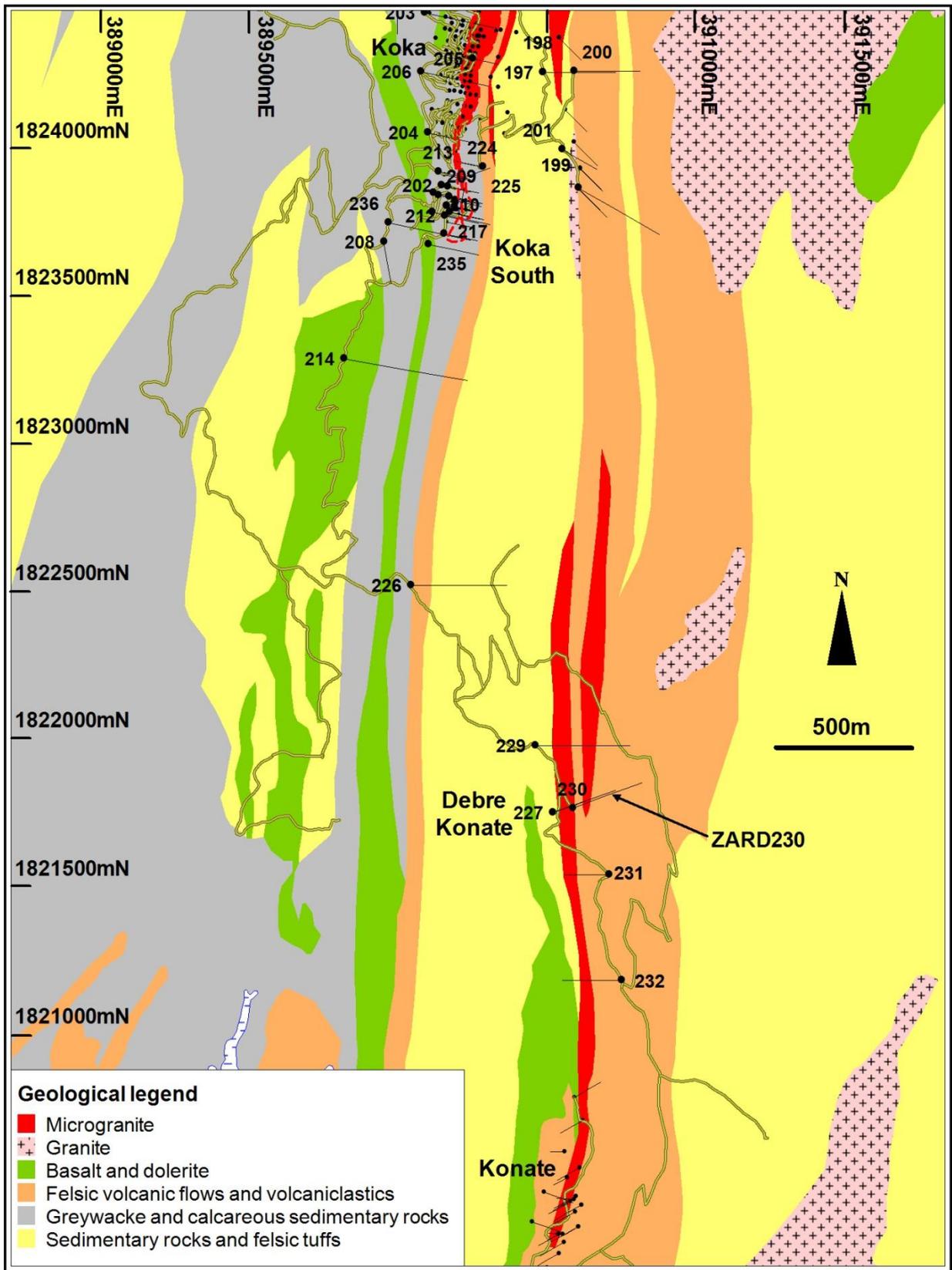


Figure 2: Koka-Konate Corridor showing location of recent drilling

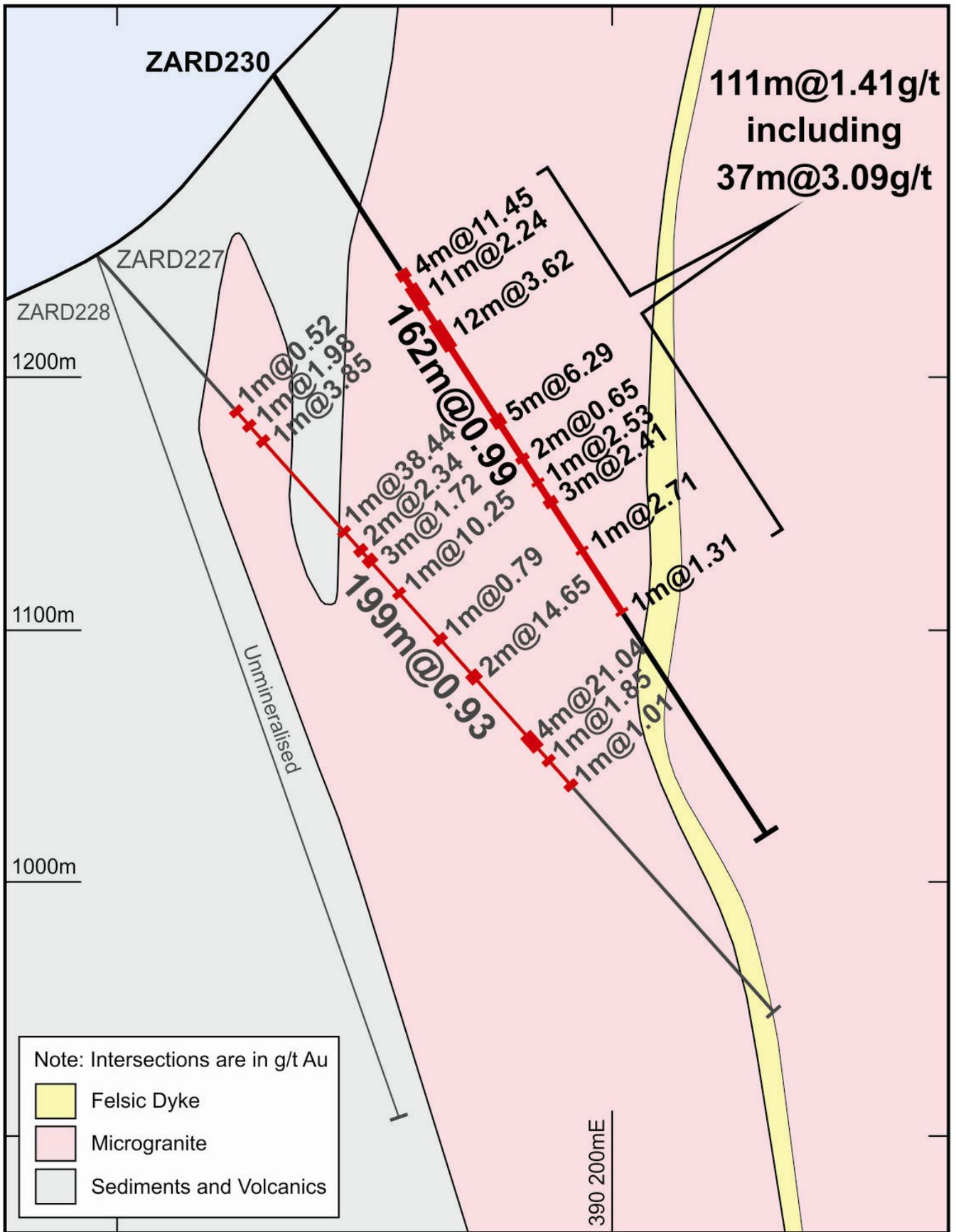


Figure 3: Cross Section – Debre Konate

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.

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, 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.

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.