

7 October 2009

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Sirs

Chalice Gold Mines Limited regrets to advise that an incident on a public road 110km south of its Zara Gold Project and 35km northwest of the town of Keren in Eritrea earlier this week has resulted in the tragic death of one of its Eritrean employees and two of its Eritrean contractors.

The deaths are believed to be the result of a shooting incident and an investigation by the Eritrean authorities is underway.

Chalice Gold Executive Chairman Tim Goyder said the Company deeply regrets the incident and the tragic loss. Executive Director Mike Griffiths is currently in Eritrea to assist where possible.

Mr Goyder also said that, based on the information available, the incident was an isolated event unrelated to the Company and its operations at the Zara Gold Project.

The current Scoping Study is continuing and remains on track for completion later this month.



TIM GOYDER
Executive Chairman