

ASX Announcement

Chalice Signs Agreements on Two Major New Exploration Licences in Eritrea



Chalice Gold Mines Limited ABN 47 116 648 956

27 January 2011

Highlights:

- Two new exploration licences granted in Eritrea:
 - Mogoraib EL of 555 sq km lies 10km north of Nevsun Resources' world-class Bisha gold and base metal deposit and shares similar geology
 - Hurum EL of 275 sq km adjoins Zara South and straddles the same major regional structure hosting the 840,000 oz Indicated Resource at the Koka Gold Deposit
 - Exploration expenditures on these licences exceeding US\$1 million budgeted for the next 12 months.
- Conversion of Zara North and South Prospecting Licences to Exploration Licences completed



INVESTMENT HIGHLIGHTS

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

Mine permitting underway:

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

Large unexplored ground position
in the Arabian Nubian Shield

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Chalice Gold Mines Limited (ASX: CHN) is pleased to announce that the Company's 100% owned subsidiary, Keren Mining Pty Ltd has signed agreements with the Eritrean Ministry of Energy and Mines for two new Exploration Licences totalling 830 sq km in northern Eritrea (see Figure 1).

The new licences, Mogoraib North and Hurum, add significantly to the Company's exploration tenure in two highly prospective geological terrains. Intensive exploration programs are planned for the first 12 months of tenure, with an initial budget exceeding US\$1 million.

Mogoraib North EL

The 555 sq km Mogoraib North licence lies approximately 10 kilometres north of the world class Bisha polymetallic Volcanic-hosted Massive Sulphide (VHMS) deposit owned by Nevsun Resources Ltd. (TSX:NSU)(AMEX:NSU) (60%) and the Eritrean National Mining Corporation (ENAMCO) (40%) which commenced production in early January this year.

The volcano-sedimentary rocks hosting the Bisha deposit extend northwards beneath the Mogoraib North EL although much of the basement geology is masked by recent alluvial cover. A regional interpretation of Landsat imagery conducted by Chalice in 2009 identified several 'islands' of exposed bedrock within these later sediments with Bisha-like spectral signatures and the licence was lodged to cover these anomalies (see Figure 2).

Chalice is planning to undertake an initial exploration program involving acquisition and interpretation of further satellite imagery, geological mapping, geochemical sampling and an airborne EM survey using the VTEM system.

Hurum EL

The 275 sq km Hurum licence lies adjacent to and south west of the Company's Zara South licence. The property straddles the Elababu Shear Zone, a major regional structure that controls much of the known gold mineralization in northern Eritrea, including the Company's flagship Koka Gold Deposit (Indicated Resource of 5Mt grading 5.3 g/t) which lies ~40 kilometres to the north east (see Figure 3).

Chalice is planning to undertake an initial exploration program involving acquisition and interpretation of satellite imagery, geological mapping, geochemical sampling and an airborne magnetic and radiometric survey.

Zara North and Zara South Licences

Chalice also wishes to advise it has signed agreements for the conversion of the 115 sq km Zara North and 350 sq km Zara South Prospecting Licences to Exploration Licences. These licences lie adjacent to and along strike from the Koka Gold Deposit (see Figure 1) and are currently the focus of intensive exploration programs (refer to the announcement of 20 December 2010 for further details).

Chalice Chairman Mr Tim Goyder commented that:

"With the granting of these new tenements, and the successful conversion of Zara North and South to Exploration Licences, Chalice now holds Exploration Licences totalling some 1445 sq km in a region that has a demonstrated potential to host substantial high grade gold and base metal deposits. We look forward to implementing intensive exploration programs on these properties and a steady flow of positive news in the coming months."



DR DOUG JONES
Managing Director

27 January 2011

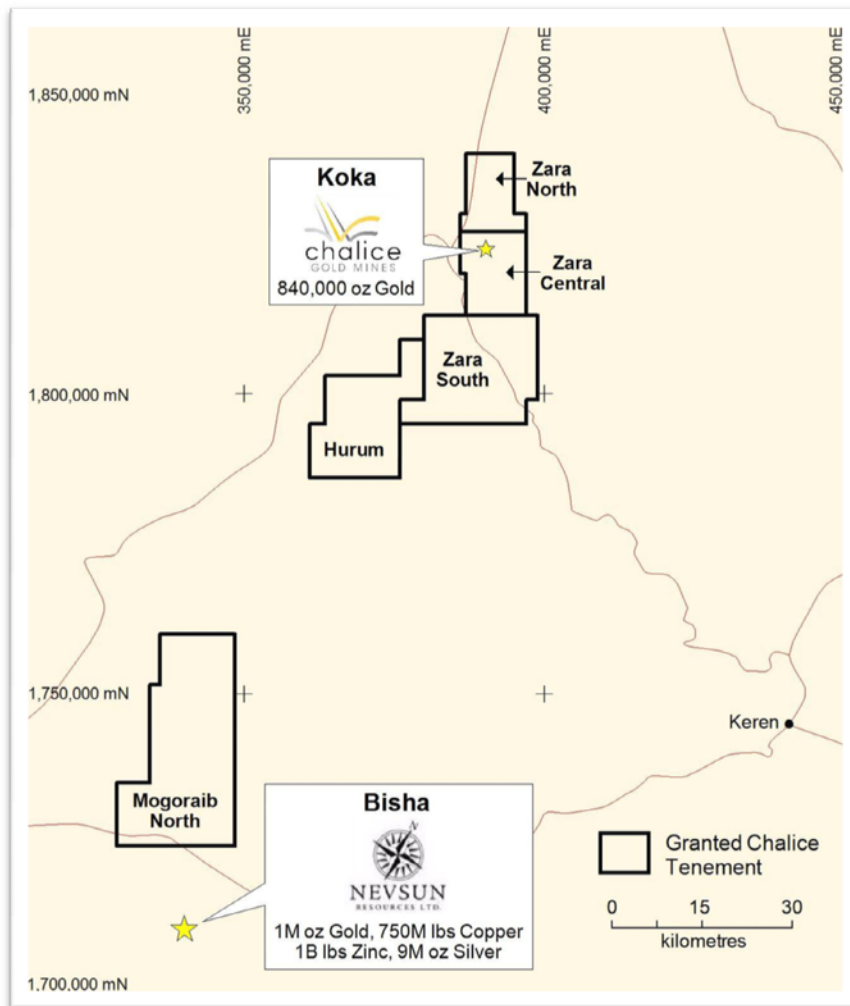


Figure 1: Location of Mogoraib North, Hurum and Zara Exploration Licences

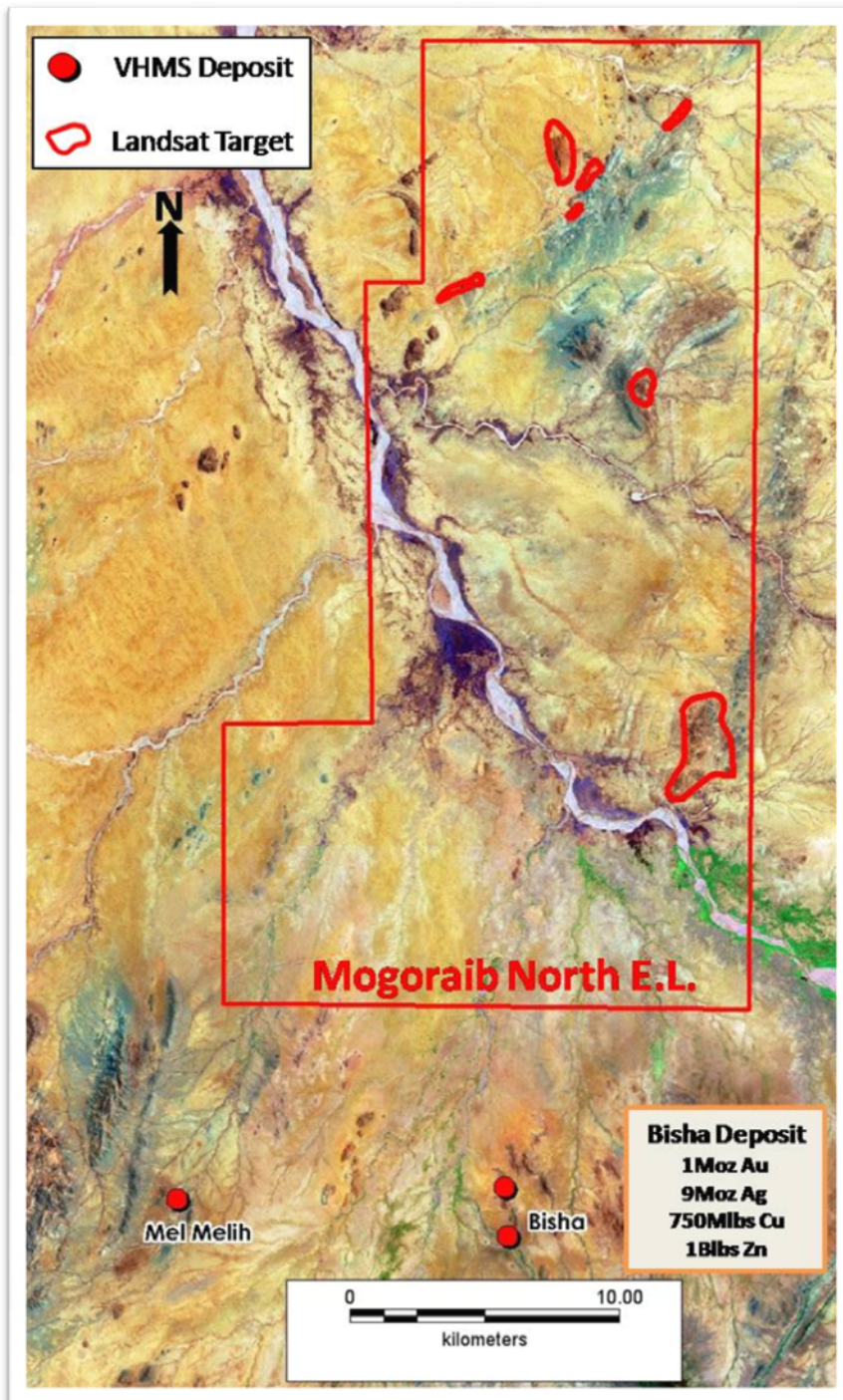


Figure 2: Mogoraib North E.L with Landsat image showing interpreted anomalies

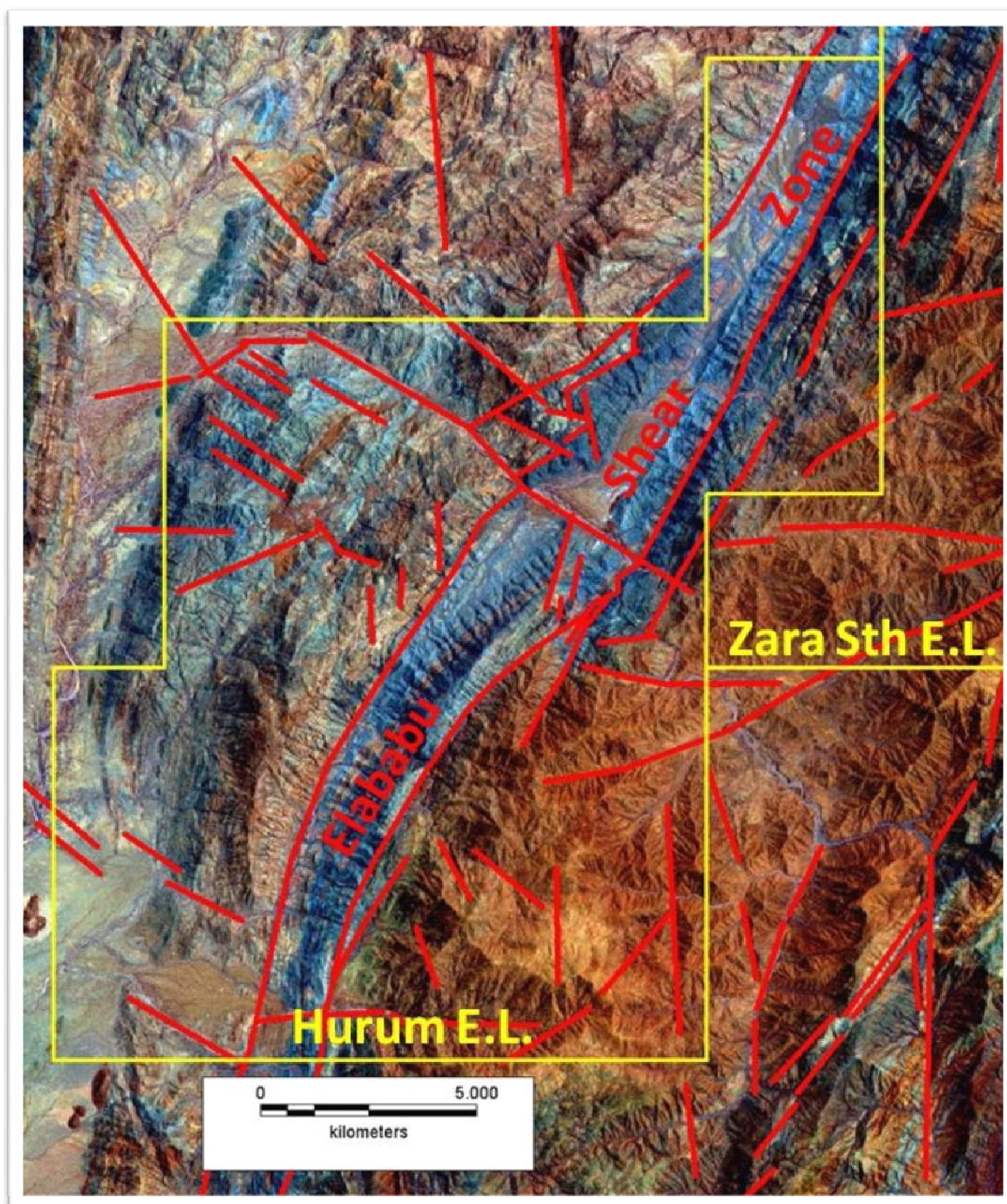


Figure 3: Hurum E.L. with Landsat image showing major faults and shears (red lines)

About the Zara Gold Project

The Zara Project comprises six Exploration Licences covering an area of 615km² situated in northern Eritrea, approximately 160km northwest of Asmara city. Chalice currently holds a 100% interest in the project subject to the Eritrean Governments right to acquire a further 30%, at a fair value, in addition to their 10% carried interest.

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.

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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 is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. 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 is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. Mr Lee consents to the inclusion of this information in the form and context in which it appears.

Sampling Procedures and Quality Assurance

Soil samples are collected from sites located using GPS. Soil material is collected from a depth of 5-20cm with a plastic trowel and sieved to 180µm mesh using stainless steel sieves. Approximately 120 grams of material is placed into two small Kraft paper sample bags, sealed and tagged with a unique number, with both bags being numbered identically. One of these samples is sent to NATA-accredited Intertek-Genalysis Laboratories in Perth Western Australia for assay whilst the other sample is retained as a duplicate in the Chalice Eritrea sample storage.

Samples are analysed for multi-element suites using ICP-OES after aqua regia digest on a 25g sub-sample and vacuum filtering prior to voluming to preclude errors resulting from insoluble residues. Au is analysed as an additional element utilizing Graphite Furnace AAS. Chalice Gold Mines inserts field blanks, field duplicates, repeats and certified reference materials (CRMs) into its sample sequences sent to the routine and umpire laboratories to control the accuracy and reliability of the analytical results.

Blank samples are introduced at the rate of 1 per 20 to 25 routine samples to test contamination during sample preparation. 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. 5% of the returned coarse reject samples are routinely submitted to an umpire laboratory (Ultra-trace Laboratories, Perth, Western Australia) to test the analytical precision of the principal laboratory. Standard samples are included at a rate of 1 per 20 routine samples and there is at least one standard per submission. The Company monitors the QA/QC information to ensure there are no systematic biases or overall analytical quality issues.

Rock-chip samples are collected and assayed in essentially the same manner except that the sieving step is omitted and 1-2 kg of sample is collected and bagged in a heavy-duty plastic bag before dispatch to Intertek-Genalysis Laboratories.

Non GAAP Measures

Information in this news release marked with a "*" above represent non-IFRS (International Financial Reporting Standards) measures.

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 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.