

ASX ANNOUNCEMENT

Chalice Announces \$12.6M Underwritten Rights Issue to Accelerate Exploration at Eritrean Gold Project

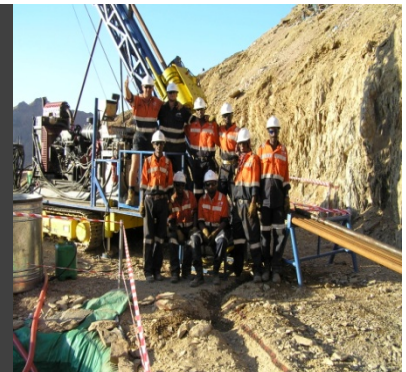


Chalice Gold Mines Limited ABN 47 116 648 956

9 August 2010

Highlights

- 1-for-6 rights issue at 42 cents to raise \$12.6M before issue costs, to be fully underwritten by Southern Cross Equities
- Funds to be used for exploration drilling and further development of the Zara Gold Project in Eritrea



Chalice Gold Mines Limited (ASX: CHN) ('Chalice' or the 'Company') announces it proposes a **1-for-6 rights issue** to existing shareholders at **42 cents** to raise **\$12.6M** before issue costs.

Subject to completion of due diligence and execution of an underwriting agreement on usual market terms, the rights issue will be fully underwritten by Southern Cross Equities Limited.

Chalice anticipates lodging the Prospectus for the rights issue on about 13 August 2010 with the Prospectus to be dispatched to existing shareholders shortly thereafter.

The funds raised from the rights issue will be used to underpin the continued exploration and development of the Company's 100%-owned **Zara Gold Project** in Eritrea, East Africa, where it has recently completed a Definitive Feasibility Study based on a proposed open pit mine at the Koka deposit.

Specifically, the funds will be used to:

- continue diamond drilling at the priority Konate Prospect, located 4.5km south of Koka;
- undertake target generation within the prospective 6km long Koka-Konate corridor;
- integrate exploration data over the entire 615 sq km Zara tenement package to define further exploration targets;

INVESTMENT HIGHLIGHTS

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

Feasibility Study completed:

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

Drilling at near mine Konate Prospect in progress

Large unexplored ground position in the Arabian Nubian Shield

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- undertake an in-fill bulk leach extractable gold (“BLEG”) regional stream sampling program;
- complete an airborne magnetic and radiometric survey over the Zara tenement package;
- undertake further exploration on regional tenements; and
- provide general working capital and meet the issue costs.

Chalice recently announced (see ASX release 13 July 2010) positive results from the independent Feasibility Study for its proposed open pit mine at its Koka Gold Project which forms part of the Zara Project.



TIM GOYDER
Executive Chairman

For further information, please contact:

Mr Tim Goyder, Executive Chairman
Dr Doug Jones, Managing Director
Chalice Gold Mines Limited – Telephone (+618) 9322 3960

For media inquiries, please contact:

Nicholas Read
Read Corporate
Telephone: (+618) 9388 1474

Investor Relations (North America):

Dr Toni Davies
Chalice Gold Mines Limited – Telephone +1 416 5664378