

ASX Announcement

23 October 2012

Update on Capital Reduction and Return

Further to the announcement dated 24 September 2012, **Chalice Gold Mines Limited (ASX: CHN/TSX: CXN)** is pleased to confirm that a resolution will be tabled at the upcoming Annual General Meeting ('AGM') seeking shareholder approval under section 256B and 256C of the *Corporations Act (2001)* for an equal capital reduction and return of \$25 million (**10 cents per share**) to shareholders registered on the Record Date.

Chalice has received a draft Class Ruling¹ from the Australian Taxation Office ('ATO') indicating that the proposed distribution will not be taxed as a dividend.

Full details of the proposed capital return will be set out in the 2012 AGM Notice of Meeting and Explanatory Statement, which will be issued to shareholders shortly.

The AGM will be held on 30 November 2012 and it is expected that the Record Date for the capital return will be on or around 10 December 2012.

RICHARD HACKER
Chief Financial Officer & Company Secretary

¹The draft Class Ruling may not be relied on by Chalice shareholders until it is issued in final form by the ATO. The final version of the Class Ruling will be published and notice will be included in The Gazette. Chalice will also display the final version on the Class Ruling on its website as soon as it becomes available.

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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 except as required by law or regulation.

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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; the ultimate outcome for shareholders of any Class Ruling received from the Australian Tax Office (“ATO”) in relation to any proposed capital return, whether shareholders would vote in favour of such a return of capital if put before them at a meeting of the shareholders, as well as those factors detailed from time to time in the Company’s interim and annual financial 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.