

Quarterly Report

for the period ended 30 September 2007

Yandearra

A detailed mapping and sampling program was completed at the Nevada Prospect to follow up on anomalous gold and uranium mineralisation in reconnaissance rock-chip sampling undertaken in the previous quarter.

Gnaweeda

Teck Cominco Australia Pty Ltd plan to undertake a deep RC drilling program to further test for strike and depth extensions to known gold mineralisation at the Turnberry and St Anne's Prospects.

Corporate

Chalice Gold Mines Limited ('Chalice Gold Mines' or 'the Company') now has cash at bank of approximately \$8.9 million following the sale of 3.5 million Avoca Resources Limited (Avoca) shares for net proceeds of \$6.9 million.

2 million, \$1.79, 3-year unlisted Avoca options have been retained, along with the right to receive a further \$0.8 million of Avoca shares upon completion of the second tranche of the sale.



Andrew Bantock
Executive Chairman
31 October 2007

1.0 AVOCA RESOURCES LIMITED SHARES/OPTIONS

Chalice Gold Mines has sold 3.5 million Avoca Resources Limited (Avoca) shares for net proceeds of \$6.9 million which represents a 38% premium to the original Avoca transaction value of \$1.43 per share.

Following the sale, the Company holds approximately \$8.9 million of cash, together with 2 million, \$1.79, 3-year unlisted Avoca options and the right to receive a further \$0.8 million of Avoca shares upon completion of certain tenement registration matters associated with the sale of tenements to the south of the Chalice Gold Mine.

2.0 YANDEEARRA PROJECT (100% CHALICE GOLD MINES LIMITED)

Nevada Prospect

During the period, a detailed mapping and sampling program was completed at the Nevada Prospect to follow up on anomalous gold and uranium mineralisation in reconnaissance rock-chip sampling undertaken in the previous quarter.

A total of 24 rock-chip samples (samples 114536 to 114559) were taken from the prospect area. Assay results are detailed in Table 1.

Six rock-chips were collected from the area of a discrete radiometric and aeromagnetic anomaly which has been interpreted to represent a volcanic vent or feeder for the voluminous Mt Roe Basalts present in the area. Rock-chip sampling in the volcanic vent area returned the best gold results of 1.91g/t Au and 1.57g/t Au from sample numbers 114543 and 114541 respectively. The best uranium result was 45ppm U from sample number 114538. The gold mineralisation appears to be preferentially associated with clasts of ferruginous quartz pebble conglomerate within the volcanic vent area.

Twelve rock-chip samples were also taken to further test the extent of gold mineralisation in an area of gold in soil anomalism, which is located approximately 700m to the north of the volcanic vent. Rock-chip sampling of the conglomerate matrix adjacent to the gold in soil anomaly returned the best result of 215ppb Au.

It appears that the soil anomaly is most likely derived from detrital gold in the conglomerates of the Hardey Formation. Numerous old dryblower workings on creeks draining the conglomerates support this conclusion. The conglomerates are extremely immature comprising angular and rounded, polymict clasts ranging in size from sub-centimetre scale to in excess of 1 metre in diameter.

Additional sampling targeting chert horizons and several gossanous zones within basalts returned a best result of 164ppb Au.

Uranium assays are still pending from the rock-chip samples taken in the area of gold in soil anomalism. Once all assays are received the results will be compiled to determine the significance of the mineralisation defined to date.

A geology plan of Nevada Prospect showing the location of the recent sampling is shown in Figure 1.

| Sample Number | Easting (GDA 94) | Northing (GDA94) | Description | Au Average (ppb) | Au 1 (ppb) | Au 2 (ppm) | U (ppm) |
|--|------------------|------------------|-----------------|------------------|------------|------------|---------|
| 114536 | 629123 | 7652209 | Chert | 164 | 164 | | |
| 114537 | 629101 | 7652198 | Chert | 25 | 25 | | |
| 114538 | 628015 | 7651547 | Volcanic vent | 4 | 4 | | 45.24 |
| 114539 | 628002 | 7651532 | Volcanic vent | 69 | 69 | | 28.2 |
| 114540 | 627983 | 7651513 | Volcanic vent | 46 | 46 | | 30.23 |
| 114541 | 628022 | 7651545 | Volcanic vent | 1567 | 1567 | | 4.39 |
| 114542 | 628069 | 7651567 | Volcanic vent | 57 | 57 | | 18.37 |
| 114543 | 628073 | 7651564 | Volcanic vent | 1911 | 1833 | 1.99 | 8.77 |
| 114544 | 628592 | 7652525 | Conglomerate | 32 | 32 | | |
| 114545 | 628442 | 7652520 | Conglomerate | 8 | 8 | | |
| 114546 | 628119 | 7652266 | Conglomerate | 6 | 6 | | |
| 114547 | 628420 | 7652029 | Conglomerate | 215 | 230 | 0.20 | |
| 114548 | 628427 | 7652019 | Gossan - Basalt | 10 | 10 | | |
| 114549 | 628105 | 7651881 | Gossan - Basalt | 8 | 8 | | |
| 114550 | 628388 | 7652018 | Conglomerate | 4 | 4 | | |
| 114551 | 628321 | 7651996 | Conglomerate | 4 | 4 | | |
| 114552 | 628021 | 7652004 | Conglomerate | 5 | 5 | | |
| 114553 | 628185 | 7651899 | Sandstone | 6 | 6 | | |
| 114554 | 628181 | 7651929 | Conglomerate | 12 | 12 | | |
| 114555 | 628255 | 7652027 | Conglomerate | 16 | 16 | | |
| 114556 | 628295 | 7652014 | Conglomerate | 5 | 5 | | |
| 114557 | 628617 | 7652492 | Conglomerate | 7 | 7 | | |
| 114558 | 628600 | 7652425 | Conglomerate | 3 | 3 | | |
| 114559 | 628572 | 7652340 | Conglomerate | 3 | 3 | | |
| Analyses on 2 - 3kg surface rockchip samples by Genalysis Laboratory Services, Perth. Gold assays were carried out by Method FA25/MS to a detection limit of 1 ppb. Gold repeats were carried out by Method FA25/AASF to a detection limit of 0.01ppm. Uranium assays were carried out by Method A/MS to a detection limit 0.01 ppm (U). | | | | | | | |

Table 1: Rock Chip Sample Results – Nevada Prospect

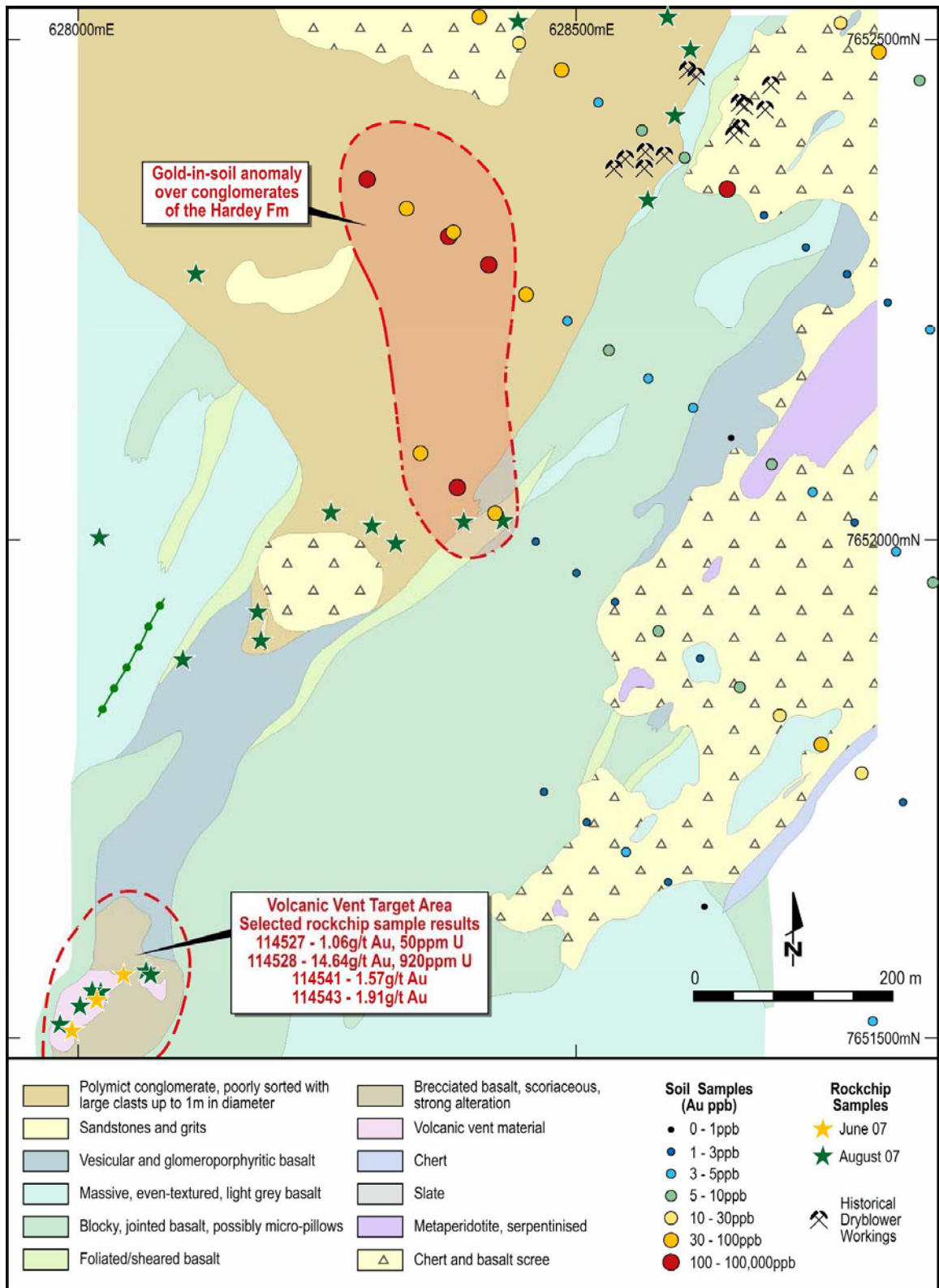


Figure 1: Geology Plan – Nevada Prospect

3.0 GNAWEEDA (100% CHALICE GOLD MINES LIMITED – TECK COMINCO EARNING 70% INTEREST)

During the quarter, no exploration field work was completed at the Gnaweeda Project.

Chalice Gold Mines' joint venture partner, Teck Cominco, has advised that a further five deep RC holes (5 x 300m) are planned for the Turnberry Prospect to test for strike and depth extensions to known gold mineralisation, while a single RC hole is planned to test beneath anomalous historical drill results at the St Anne's Prospect, 3km south of Turnberry, where only limited drilling has been done to date. The drilling program is expected to commence in late October.

4.0 WILGA (100% Chalice Gold Mines Limited)

No work was undertaken during the period.

The information in this report that relates to Exploration Results is based on information compiled by Mr Bryan Alexander, a full-time employee of Archaean Exploration Services Pty Ltd, who is a Member of the Australian Institute of Mining and Metallurgy. Archaean Exploration Services Pty Ltd consults to Chalice Gold Mines Ltd. Mr Alexander 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 consents to the release of information in the form and context in which it appears here.