

CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

**Half Year Report
31 December 2008**

Chalice Gold Mines Limited

Contents

Contents	Page
Directors' Report	3
Auditor's Independence Declaration	5
Condensed Income Statement	6
Condensed Balance Sheet	7
Condensed Statement of Changes in Equity	8
Condensed Cash Flow Statement	9
Notes to the Financial Statements	10
Directors' Declaration	14
Independent Auditor's Review Report	15

Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2008

DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Timothy R B Goyder	Executive Chairman
Anthony W Kiernan	Non-executive Director
Douglas A Jones	Non-executive Director (Appointed 11 November 2008)
Andrew R Bantock	Non- Executive Chairman (Resigned 11 November 2008)

Review of Operations

During the period, the Company:

- Entered into an agreement with AngloGold Ashanti Australia Ltd (AngloGold), whereby AngloGold has the right to earn a 75% interest in Chalice's Wilga Project through completion of \$2M of gold exploration expenditure at the project within the next four years.
- Through its joint venture partner, De Grey Mining Limited, continued exploration at the Yandearra Project with soil geochemistry, stream sediment sampling, geological reconnaissance and rock chip sampling programs being undertaken.

Atlas Iron Limited (who has an option to acquire 100% of the iron ore rights at the Yandearra Project) has also undertaken helicopter reconnaissance surveys covering prospective host rocks for both direct shipping ore and magnetite.

- Continued to assess advanced projects for acquisition or joint venture.

Chalice Gold Mines now has cash at bank and current receivables of approximately \$10.5M, including \$0.8M of Avoca Resources Limited ("Avoca") shares which were due and receivable at period end following completion of tranche 2 of the sale of the Company's Chalice and Higginsville Gold Project to Avoca.

Events after balance sheet date

Chalice Gold Mines has achieved completion of the Tranche 2 component of the sale of the Higginsville and Chalice gold projects to Avoca Resources Limited (Avoca), as approved by shareholders on 22 June 2007.

The Tranche 2 settlement comprised a package of exploration tenements south of the Chalice Gold Mine and completion was subject to the grant of Exploration License 63/1071 and then the subsequent amalgamation into EL63/1071 of certain Prospecting Licenses held by Chalice Gold Mines. These conditions were satisfied prior to period end and the sale of the asset was recorded during the half year.

Subsequent to period end, Chalice Gold Mines was issued 483,335 Avoca shares (ASX: AVO), being \$841,000 of Tranche 2 consideration in full and final satisfaction for the sale.

Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2008

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



TIMOTHY GOYDER
Executive Chairman

Dated at Perth this 27th day of February 2009

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Chalice Gold Mines Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Chalice Gold Mines Limited.



Perth, Western Australia
27 February 2009

L DI GIALONARDO
Partner, HLB Mann Judd

Chalice Gold Mines Limited
Condensed Income Statement
For the half year ended 31 December 2008

	Note	2008 \$	2007 \$
Net gain/ (loss) on sale of exploration and evaluation assets	3a	674,486	-
Fair value of options held through profit & Loss	3b	1,499	789,032
Profit on sale of shares		-	1,894,518
Other income	3c	524,911	317,799
Total income		1,200,896	3,001,349
Exploration costs not capitalised		(74,414)	(1,355,640)
Project transactions costs expensed		(280,118)	-
Corporate administrative expenses	3d	(827,657)	(567,007)
Profit before tax		18,707	1,078,702
Income tax expense/benefit		-	-
Profit for the period		18,707	1,078,702
Basic earnings per share attributable to ordinary equity holders		0.00	0.01

Chalice Gold Mines Limited

Condensed Balance Sheet

As at 31 December 2008

	Note	31 December 2008 \$	30 June 2008 \$
Current assets			
Cash and cash equivalents		9,393,534	9,972,766
Trade and other receivables		1,067,225	84,085
Assets held for sale		-	164,064
Total current assets		10,460,759	10,220,915
Non-current assets			
Financial assets		132,442	74,698
Exploration and evaluation assets	4	1,838,391	2,033,937
Property, plant and equipment		263,712	207,781
Total non-current assets		2,234,545	2,316,416
Total assets		12,695,304	12,537,331
Current liabilities			
Trade and other payables		159,839	60,782
Employee benefits		21,710	19,565
Other		51,104	-
Total current liabilities		232,653	80,347
Non-current Liabilities			
Other		-	51,976
Total non-current liabilities		-	51,976
Total liabilities		232,653	132,323
Net assets		12,462,651	12,405,008
Equity			
Issued capital	5	13,974,454	13,974,454
Reserves		609,846	570,910
Accumulated losses		(2,121,649)	(2,140,356)
Total equity		12,462,651	12,405,008

Chalice Gold Mines Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2008

	Note	Share capital	Accumulated losses	Reserves	Total equity
		\$	\$	\$	\$
Balance at 30 June 2008		13,974,454	(2,140,356)	570,910	12,405,008
Employee share options vested		-	-	28,936	28,936
Investment revaluation reserve		-	-	10,000	10,000
Profit for the period		-	18,707	-	18,707
Balance at 31 December 2008	5	13,974,454	(2,121,649)	609,846	12,462,651

Chalice Gold Mines Limited
Condensed Cash Flow Statement
For the half year ended 31 December 2008

	2008 \$	2007 \$
Cash flows from operating activities		
Cash receipts from operations	167,096	146,180
Cash paid to suppliers and employees	(737,869)	(538,663)
Interest paid	-	(64)
Interest received	256,221	151,106
Net cash used in operating activities	(314,552)	(241,441)
Cash flows from investing activities		
Payments for mining exploration and evaluation	(425,596)	(192,812)
Proceeds from the sale of investments	-	6,894,518
Proceeds from sale of property, plant and equipment	-	2,600
Acquisition of property, plant and equipment	(89,084)	(63,909)
Option fees received	250,000	-
Net cash (used in)/from investing activities	(264,680)	6,640,397
Net increase/(decrease) in cash and cash equivalents	(579,232)	6,398,956
Cash and cash equivalents at the beginning of the period	9,972,766	2,323,949
Cash and cash equivalents at 31 December 2008	9,393,534	8,722,905

Chalice Gold Mines Limited

Notes to the Financial Statements

For the half year ended 31 December 2008

1. Significant accounting policies

(a) Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Chalice Gold Mines Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

(b) Basis of preparation

The half-year report has been prepared on a historical cost basis, except for land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

In the half-year ended 31 December 2008, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

2. Segment reporting

The company continues to operate in one business segment being the mining and exploration industry in Australia. The Company operates primarily in one geographic segment being in Australia.

Chalice Gold Mines Limited
Notes to the Financial Statements
For the half year ended 31 December 2008

3. Profit before income tax expense

The following income and expense items are relevant in explaining the financial performance for the half-year:

(a) Net gain on sale of exploration and evaluation assets	2008	2007
	\$	\$
Consideration	841,000	-
Cost of tenements sold	(166,514)	-
Net gain/ (loss) on sale of exploration and evaluation assets	<u>674,486</u>	<u>-</u>

On 30 April 2007, Chalice Gold Mines reached an agreement for the sale of its Chalice and Higginsville tenements to Avoca Resources Limited, for shares in Avoca Resources to a value of \$5,841,000 and 2,000,000 unlisted options over ordinary shares in Avoca Resources.

The sale was to be completed in two tranches. Tranche 1 settled on 25 July 2007 and consideration for the completion of Tranche 1 was recorded in the 30 June 2007 reporting period. Tranche 2, which comprises a package of tenements south of the Chalice Gold Mine, completed upon grant of an Exploration Licence and then amalgamation of the same with certain Prospecting Licences already held by Chalice Gold Mines. At 31 December 2008, the conditions for completion were satisfied and the sale has been recorded with settlement occurring via the receipt of \$841,000 of Avoca Resources shares in February 2009.

(b) Fair value of options held through profit and loss	2008	2007
	\$	\$
Changes in fair value of options in listed companies	<u>1,499</u>	<u>789,032</u>

Unlisted options are measured at fair value with the movement recorded in the income statement. The options are periodically re-valued using a binomial option-pricing model.

(c) Other Income	2008	2007
	\$	\$
Corporate and administration service fees	171,456	129,000
Net finance income	353,455	186,691
Gain on sale of plant & equipment	-	2,108
	<u>524,911</u>	<u>317,799</u>

Chalice Gold Mines Limited
Notes to the Financial Statements
For the half year ended 31 December 2008

(d) Corporate administrative expenses	2008	2007
	\$	\$
Accounting fees	42,025	6,750
Annual Report costs	18,970	16,550
ASX fees	16,088	15,750
ASIC filing fees	1,850	1,000
Audit fees	12,500	8,500
Depreciation and amortisation	33,153	33,044
Insurance	5,247	7,733
Legal fees	44,501	19,980
Personnel expenses	444,033	354,458
Share based payments expense	28,936	1,269
Printing and stationery	6,079	5,425
Rent and outgoings	93,376	35,996
Share registry costs	4,329	9,584
Travel and accommodation	2,552	2,075
Other	74,018	48,893
	827,657	567,007

4 Exploration and evaluation expenditure

Cost brought forward
Expenditure incurred during the period
Exploration costs not capitalised
Project transaction costs expensed
Disposal of interests in tenements

31 December 2008
\$
2,033,937
455,232
(74,414)
(280,119)
(296,245)
1,838,391

5. Issued capital

Balance at 31 December 2008 and 30 June 2008

Share capital
\$
13,974,454

There was no movement in the number of shares on issue during the period. There were 72,800,000 fully paid ordinary shares on issue at 31 December 2008 and 30 June 2008.

Chalice Gold Mines Limited
Notes to the Financial Statements
For the half year ended 31 December 2008

6. Events subsequent to balance sheet date

Chalice Gold Mines has achieved completion of the Tranche 2 component of the sale of the Higginsville and Chalice gold projects to Avoca Resources Limited (Avoca), as approved by shareholders on 22 June 2007.

The Tranche 2 settlement comprised a package of exploration tenements south of the Chalice Gold Mine and completion was subject to the grant of Exploration License 63/1071 and then the subsequent amalgamation into EL63/1071 of certain Prospecting Licenses held by Chalice Gold Mines. These conditions were satisfied prior to period end and the sale of the asset was recorded during the half year.

Subsequent to period end, Chalice Gold Mines was issued 483,335 Avoca shares (ASX: AVO), being \$841,000 of Tranche 2 consideration in full and final satisfaction for the sale.

Chalice Gold Mines Limited

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes thereto, as set out on pages 6 to 13:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dated this 27th day of February 2009



TIMOTHY GOYDER
Executive Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of
CHALICE GOLD MINES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Chalice Gold Mines Limited ("company")

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Chalice Gold Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Chalice Gold Mines Limited on 27 February 2009.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Chalice Gold Mines Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

Perth, Western Australia
27 February 2009

L DI GIALONARDO
Partner