

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CHALICE GOLD MINES LIMITED

ABN

47 116 648 956

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

	Current quarter \$A (000's)	Year to date (6 months) \$A (000's)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	76	117
1.2 Payments for (a) exploration and evaluation	(2,846)	(7,084)
(b) development	-	-
(c) production	-	-
(d) administration	(1,065)	(1,987)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	125	233
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - GST	24	(1)
Net Operating Cash Flows	(3,686)	(8,722)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	(3,049)	(3,049)
(b)equity investments	-	-
(c)other fixed assets	(342)	(635)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other –cash acquired on completion of merger	-	-
Net investing cash flows	(3,391)	(3,684)
1.13 Total operating and investing cash flows (carried forward)	(7,077)	(12,406)

+ See chapter 19 for defined terms.

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (net)	(1)	12,094
1.15	Proceeds from sale of shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	(4)
Net financing cash flows		(1)	12,090
Net increase (decrease) in cash held			(316)
1.20	Cash at beginning of quarter/year to date	14,443	7,689
1.21	Exchange rate adjustments to item 1.20	(2)	(10)
1.22	Cash at end of quarter	7,363	7,363

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	234,400
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.2 (d) – Includes \$197,000 in the current quarter for costs related to the Company listing on the Toronto Stock Exchange in November 2010.

Item 1.8(a) - In October 2010, the Eritrean government imposed a profits tax liability of A\$3,049,000 on the acquisition of Dragon Mining Limited's interest in the Zara Project. As part of the transaction with Dragon Mining, Chalice provided an indemnity to the Dragon Mining group against any tax that may arise. The payment of the tax on behalf of Dragon Mining has been treated as part of the cost of acquiring the 20% interest in the Zara Project.

Item 1.23 – Amounts paid to related parties include remuneration, directors' fees, consulting fees and reimbursements of expenses to directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

+ See chapter 19 for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest.

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A (000's)
4.1 Exploration and evaluation	3,548
4.2 Development	-
4.3 Production	-
4.4 Administration	950
4.5 Other	1,407
Total	5,905

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A (000's)	Previous quarter \$A (000's)
5.1 Cash on hand and at bank	1,387	8,529
5.2 Deposits at call	5,976	5,914
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)	-	-
Total: cash at end of quarter (item 1.22)	7,363	14,443

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

6.1 Interests in mining tenements relinquished, reduced or lapsed	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
	Nil			

6.2 Interests in mining tenements acquired or increased	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
	Nil			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	Nil	Nil	Nil	Nil
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.	N/A	N/A	N/A	N/A
7.3 +Ordinary securities	211,455,887	211,455,887	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital.	Nil	Nil	N/A	N/A
	Nil	Nil	N/A	N/A
7.5 +Convertible debt securities <i>(description)</i>	Nil	Nil	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured.	Nil	Nil	N/A	N/A

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>			Exercise price	Expiry date
		5,575,000	Nil	\$0.25	21 March 2011
		500,000	Nil	\$0.25	1 December 2012
		500,000	Nil	\$0.20	31 July 2013
		750,000	Nil	\$0.50	1 September 2012
		1,250,000	Nil	\$0.35	31 March 2014
		1,250,000	Nil	\$0.45	31 March 2014
		2,000,000	Nil	\$0.35	16 November 2013
		1,000,000	Nil	\$0.36	31 March 2012
		187,500	Nil	\$0.55	30 April 2014
		187,500	Nil	\$0.65	30 April 2014
		375,000	Nil	\$0.75	30 April 2014
7.8	Issued during quarter	187,500	Nil	\$0.55	30 April 2014
		187,500	Nil	\$0.65	30 April 2014
		375,000	Nil	\$0.75	30 April 2014
7.9	Exercised during quarter	250,000	250,000	\$0.20	11 December 2012
7.10	Expired/Forfeited during quarter	Nil	Nil	N/A	N/A
7.11	Debentures <i>(totals only)</i>	Nil	Nil		
7.12	Unsecured notes <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 25 January 2011

Company Secretary

Print name: Richard Hacker

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.