

# 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")

30 JUNE 2007

### Consolidated statement of cash flows

	Current quarter \$A	Year to date (12 months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	35,320	228,106
1.2 Payments for (a) exploration and evaluation	(46,917)	(2,408,849)
(b) development	-	-
(c) production	-	-
(d) administration	(252,802)	(1,046,184)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38,716	248,982
1.5 Interest and other costs of finance paid	(509)	(2,314)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(226,192)</b>	<b>(2,980,259)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	(42,765)	(102,739)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	43,812	43,812
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>1,047</b>	<b>(58,927)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(225,145)</b>	<b>(3,039,186)</b>

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<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. (net)	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(13,138)	(18,414)
1.18	Dividends paid	-	-
1.19	Other	(25,701)	(45,701)
	<b>Net financing cash flows</b>	<b>(38,839)</b>	<b>(64,115)</b>
<b>Net increase (decrease) in cash held</b>		<b>(263,984)</b>	<b>(3,103,301)</b>
1.20	Cash at beginning of quarter/year to date	<b>2,587,933</b>	<b>5,427,250</b>
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>2,323,949</b>	<b>2,323,949</b>

**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	50,757
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Amount payable to related parties in 1.23 include payment of salaries, 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

On 1 May 2007, Chalice Gold Mines reached agreement for the sale of its Chalice and Higginsville Gold Projects to Avoca Resources Limited (Avoca Resources), for shares in Avoca Resources to the value of \$5,841,000 and 2,000,000 unlisted options over ordinary shares in Avoca Resources.

The total consideration value at the time of the agreement was estimated at \$6.9 million, comprising \$5.8 million of share consideration value and \$1.1 million for the unlisted options, using standard option valuation methods.

Key aspects of the agreement are as follows:

- The sale is to be completed in two tranches.
- Tranche 1, which settled on 25 July 2007, comprised of the sale of Chalice Gold's Higginsville tenements, the Chalice Gold Mine and areas north thereof.

Consideration for completion of Tranche 1 was \$5,000,000 of Avoca Resources shares, at \$1.43 per share, for a total of 3,496,503 Avoca shares, based on the 5 day ASX Volume Weighted Average Price (VWAP) prior to the date of agreement, plus 2 million 3-year Avoca options, each with an exercise price of \$1.79.

- Tranche 2, which comprises a package of tenements south of the Chalice Gold Mine, will complete upon grant of an Exploration Licence (EL) and then amalgamation of the same with certain Prospecting Licences (PL) already held by Chalice Gold Mines, as well as the achievement of other conditions precedent typical of such sale agreements (such as receipt of relevant Department of Industry and Resources approvals).

Grant of the EL and amalgamation with the PL's is expected to take 10-12 months, allowing for relevant public notice requirements.

Consideration for completion of Tranche 2 is \$841,000 of Avoca Resources shares, with pricing of these shares to be based on the 5 day VWAP at the time of the amalgamation of the PL's within the EL.

Shareholders approved the sale of Chalice and Higginsville gold projects at a meeting of shareholders on 22 June 2007.

- 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

N/A

## 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

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	144,700
4.2 Development	Nil
<b>Total</b>	<b>144,700</b>

### 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	Previous quarter \$A
5.1 Cash on hand and at bank	354,733	619,004
5.2 Deposits at call	1,969,216	1,968,929
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,323,949</b>	<b>2,587,933</b>

### 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
	<b>Chalice Project</b>			
		Tenement Purchase Agreement with Avoca Resources Limited (Avoca Agreement – Tranche 1)		
	E15/0821	(Avoca Agreement Tranche 1)	100%	0%
	E15/0822	(Avoca Agreement Tranche 1)	100%	0%
	E63/1066	(Avoca Agreement Tranche 1)	100%	0%
	E63/0873	(Avoca Agreement Tranche 1)	100%	0%
	M15/0786	(Avoca Agreement Tranche 1)	100%	0%
	P15/4594	(Avoca Agreement Tranche 1)	100%	0%
	P15/4595	(Avoca Agreement Tranche 1)	100%	0%
	P15/4596	(Avoca Agreement Tranche 1)	100%	0%
	P15/4597	(Avoca Agreement Tranche 1)	100%	0%
	P15/4598	(Avoca Agreement Tranche 1)	100%	0%
	P15/4599	(Avoca Agreement Tranche 1)	100%	0%
	P15/4600	(Avoca Agreement Tranche 1)	100%	0%
	P15/4601	(Avoca Agreement Tranche 1)	100%	0%
	P15/4602	(Avoca Agreement Tranche 1)	100%	0%
	P15/4603	(Avoca Agreement Tranche 1)	100%	0%
	P15/4605	(Avoca Agreement Tranche 1)	100%	0%
	P15/4607	(Avoca Agreement Tranche 1)	100%	0%
	P15/4619	(Avoca Agreement Tranche 1)	100%	0%

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P15/4634	(Avoca Agreement Tranche 1)	100%	0%
P15/4635	(Avoca Agreement Tranche 1)	100%	0%
P15/4636	(Avoca Agreement Tranche 1)	100%	0%
P15/4671	(Avoca Agreement Tranche 1)	100%	0%
P63/1263	(Avoca Agreement Tranche 1)	100%	0%
P63/1264	(Avoca Agreement Tranche 1)	100%	0%
P63/1266	(Avoca Agreement Tranche 1)	100%	0%
P63/1267	(Avoca Agreement Tranche 1)	100%	0%
P63/1268	(Avoca Agreement Tranche 1)	100%	0%
P63/1269	(Avoca Agreement Tranche 1)	100%	0%
P63/1270	(Avoca Agreement Tranche 1)	100%	0%
<b>Higginsville Project</b>			
E15/0828	(Avoca Agreement Tranche 1)	100%	0%
E15/0829	(Avoca Agreement Tranche 1)	100%	0%
E15/0740	(Avoca Agreement Tranche 1)	100%	0%
P63/1275	(Avoca Agreement Tranche 1)	100%	0%
P63/1276	(Avoca Agreement Tranche 1)	100%	0%
E15/0838	(Avoca Agreement Tranche 1)	100%	0%
E15/0860	(Avoca Agreement Tranche 1)	100%	0%
E15/0945	(Avoca Agreement Tranche 1)	100%	0%
E15/0952	(Avoca Agreement Tranche 1)	100%	0%
E15/0953	(Avoca Agreement Tranche 1)	100%	0%
E15/0954	(Avoca Agreement Tranche 1)	100%	0%
E15/0955	(Avoca Agreement Tranche 1)	100%	0%
M15/0748	(Avoca Agreement Tranche 1)	100%	0%
P15/4615	(Avoca Agreement Tranche 1)	100%	0%
P15/4616	(Avoca Agreement Tranche 1)	100%	0%
P15/4617	(Avoca Agreement Tranche 1)	100%	0%
P15/4618	(Avoca Agreement Tranche 1)	100%	0%
P15/4620	(Avoca Agreement Tranche 1)	100%	0%
P15/4621	(Avoca Agreement Tranche 1)	100%	0%
P15/4622	(Avoca Agreement Tranche 1)	100%	0%
P15/4624	(Avoca Agreement Tranche 1)	100%	0%
P15/4625	(Avoca Agreement Tranche 1)	100%	0%
P15/4626	(Avoca Agreement Tranche 1)	100%	0%
P15/4627	(Avoca Agreement Tranche 1)	100%	0%
P15/4628	(Avoca Agreement Tranche 1)	100%	0%
P15/4629	(Avoca Agreement Tranche 1)	100%	0%
P15/4630	(Avoca Agreement Tranche 1)	100%	0%
P15/4631	(Avoca Agreement Tranche 1)	100%	0%
P15/4632	(Avoca Agreement Tranche 1)	100%	0%
P15/4633	(Avoca Agreement Tranche 1)	100%	0%
P15/4644	(Avoca Agreement Tranche 1)	100%	0%
P15/4645	(Avoca Agreement Tranche 1)	100%	0%
P15/4646	(Avoca Agreement Tranche 1)	100%	0%
P15/4647	(Avoca Agreement Tranche 1)	100%	0%
P15/4648	(Avoca Agreement Tranche 1)	100%	0%
P15/4655	(Avoca Agreement Tranche 1)	100%	0%
P63/1271	(Avoca Agreement Tranche 1)	100%	0%
P63/1272	(Avoca Agreement Tranche 1)	100%	0%
P63/1273	(Avoca Agreement Tranche 1)	100%	0%
P63/1274	(Avoca Agreement Tranche 1)	100%	0%

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

**(1) 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 <b>Preference +securities</b> <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 <b>+Ordinary securities</b>	72,800,000	64,252,737	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
7.5 <b>+Convertible debt securities</b> <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
7.7 <b>Options</b> <i>(description and conversion factor)</i>	5,825,000	Nil	Exercise price \$0.25	Expiry date 21 March 2011
7.8 Issued during quarter	Nil	Nil	N/A	N/A
7.9 Exercised during quarter	Nil	Nil	N/A	N/A
7.10 Expired during quarter	Nil	Nil	Exercise price	Expiry date
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

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## **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: 31 July 2007  
Executive Chairman

Print name: Andrew Bantock

## 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.

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