

**CHALICE GOLD MINES LIMITED**

**ABN 47 116 648 956**

**Half Year Report  
31 December 2006**

# Chalice Gold Mines Limited

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# Chalice Gold Mines Limited

## Directors' Report

### DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2006. 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.

Andrew R Bantock	Executive Chairman
John R McIntyre	Executive Director (Resigned 15 February 2007)
Timothy R B Goyder	Non-executive Director
Bryan W Alexander	Non-executive Director
Anthony W Kiernan	Non-executive Director (Appointed 15 February 2007)

#### Review of Operations

During the period, the Company completed over 12,600 metres of air core drilling at Yandearra to test seven large geochemical targets. Anomalous results were recorded from four prospects.

Over 2,400 metres of RAB/air core drilling was completed at Chalice and Higginsville. In addition, an Induced Polarisation survey has defined five coherent chargeability anomalies south of the Chalice mine. At Higginsville, an additional gold target area (Cowan Mission Fault) has been outlined on Lake Cowan.

At Gnaweeda, Teck Cominco, through an exploration joint venture, actively tested targets. Further drilling is planned over the next 12 months.

In addition to the above exploration activities, and as advised in the Letter to Shareholders within the Company's 2006 Annual Report, the Company actively pursued other projects and asset investment opportunities during the half year.

The Company incurred a loss of \$2,350,185 for the period, predominantly as a result of an accounting write-down of exploration and evaluation assets of \$1,608,475. This relates to the write-down of the Yandearra project following results of the recent drilling program.

#### 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 4 and forms part of this directors' report for the half-year ended 31 December 2006.

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.



ANDREW R BANTOCK  
Executive Chairman

Dated at Perth this 8<sup>th</sup> day of March 2007.

## 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 2006, 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.

*HLB Mann Judd*

**HLB MANN JUDD**  
Chartered Accountants

*L Di Giallonardo*

**Perth, Western Australia**  
**8 March 2007**

**L DI GIALLONARDO**  
Partner, HLB Mann Judd

Chalice Gold Mines Limited  
**Condensed Income Statement**  
For the half year ended 31 December 2006

	Note	2006	2005
		\$	\$
Revenue		90,350	-
Impairment losses on exploration and evaluation expenditure		(1,608,475)	-
Corporate administrative expenses	2	(951,820)	-
Net finance income		119,760	-
<b>Loss before tax</b>		<b>(2,350,185)</b>	-
Income tax expense/benefit		-	-
<b>Loss for the period</b>		<b>(2,350,185)</b>	-
Basic earnings/(loss) per share attributable to ordinary equity holders		(0.03)	-
Diluted earnings/(loss) per share attributable to ordinary equity holders		(0.03)	-

Chalice Gold Mines Limited  
**Condensed Balance Sheet**  
As at 31 December 2006

	Note	31 December 2006 \$	30 June 2006 \$
<b>Current Assets</b>			
Cash and cash equivalents		2,846,352	5,427,250
Trade and other receivables		906,991	328,325
<b>Total current assets</b>		<b>3,753,343</b>	<b>5,755,575</b>
<b>Non-current assets</b>			
Financial assets		63,000	43,000
Exploration and evaluation assets	3	7,339,323	7,175,824
Property, plant and equipment		198,656	199,207
<b>Total non-current assets</b>		<b>7,600,979</b>	<b>7,418,031</b>
<b>Total assets</b>		<b>11,354,322</b>	<b>13,173,606</b>
<b>Current Liabilities</b>			
Trade and other payables		939,361	697,826
Interest-bearing loans and borrowings		-	11,197
Employee benefits		32,588	38,931
Other		8,274	-
<b>Total current liabilities</b>		<b>980,223</b>	<b>747,954</b>
<b>Non-current Liabilities</b>			
Interest-bearing loans and borrowings		-	5,771
Other		14,004	-
Provisions		33,510	-
<b>Total non-current liabilities</b>		<b>47,514</b>	<b>5,771</b>
<b>Total liabilities</b>		<b>1,027,737</b>	<b>753,725</b>
<b>Net assets</b>		<b>10,326,585</b>	<b>12,419,881</b>
<b>Equity</b>			
Issued capital	4	13,974,454	13,974,454
Accumulated losses		(4,037,911)	(1,687,726)
Reserves		390,042	133,153
<b>Total Equity</b>		<b>10,326,585</b>	<b>12,419,881</b>

Chalice Gold Mines Limited  
**Condensed Statement of Changes in Equity**  
For the half-year ended 31 December 2006

	Note	Share capital \$	Accumulated losses \$	Share based payments reserve \$	Total equity \$
Balance at 30 June 2006		13,974,454	(1,687,726)	133,153	12,419,881
Employee share options vested		-	-	256,889	256,889
Loss for the period		-	(2,350,185)	-	(2,350,185)
Balance at 31 December 2006	4	13,974,454	(4,037,911)	390,042	10,326,585

Chalice Gold Mines Limited  
**Condensed Cash Flow Statement**  
For the half year ended 31 December 2006

	2006 \$	2005 \$
<b>Cash flows from operating activities</b>		
Cash receipts from operations	75,350	-
Cash paid to suppliers and employees	(575,503)	-
Interest paid	(1,750)	-
Interest received	135,829	-
<b>Net cash used in operating activities</b>	<b>(366,074)</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Payments for mining exploration and evaluation	(2,142,605)	-
Acquisition of property, plant and equipment	(46,943)	-
<b>Net cash from investing activities</b>	<b>(2,189,548)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Lodgement of guarantee	(20,000)	-
Payment of finance lease liabilities	(5,276)	-
<b>Net cash from financing activities</b>	<b>(25,276)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,580,898)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the period	5,427,250	-
<b>Cash and cash equivalents at 31 December 2006</b>	<b>2,846,352</b>	<b>-</b>

Chalice Gold Mines Limited  
**Notes to the Financial Statements**  
For the half year ended 31 December 2006

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 2006 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 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, 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 2006.

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.

Chalice Gold Mines Limited  
**Notes to the Financial Statements**  
For the half year ended 31 December 2006

2 Corporate administrative expenses

	2006	2005
	\$	\$
Accounting fees	800	-
Annual Report costs	20,892	-
ASX fees	27,725	-
Audit fees	7,000	-
Depreciation and amortisation	30,148	-
Insurance	8,563	-
Legal fees	8,713	-
Loss on sale of assets	3,007	-
Marketing	2,250	-
Personnel expenses	382,505	-
Share based payments expense	256,889	-
Printing and stationery	5,513	-
Rent and outgoings	61,601	-
Share registry costs	15,359	-
Travel and accommodation	11,350	-
Recruitment	25,549	-
Other	83,956	-
<b>Total corporate administrative expenses</b>	<b>951,820</b>	<b>-</b>

3 Exploration and evaluation expenditure

	31 December 2006
	\$
Cost brought forward	7,175,824
Expenditure incurred during the period	1,771,974
Impairment of exploration and evaluation expenditure assets	(1,608,475)
	<b>7,339,323</b>

4 Issued capital

	Share capital
	\$
Balance at 31 December 2006 and 30 June 2006	<b>13,974,454</b>

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 2006 and 30 June 2006.

# 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 5 to 10:
  - 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 2006 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 8<sup>th</sup> day of March 2007



ANDREW R BANTOCK  
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 2006, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of Chalice Gold Mines Limited.

#### ***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 an Interim Financial Report 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 2006 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 8 March 2007.

***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 2006 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**  
**Chartered Accountants**



**Perth, Western Australia**  
**8 March 2007**

**L DI GIALLONARDO**  
**Partner**