

QUARTERLY REPORT

31 March 2010



Chalice Gold Mines Limited ABN 47 116 648 956

Highlights

- Infill drilling program completed confirming the high-grade mineralisation at Koka. These results will form part of a revised resource estimate (currently 944,000oz) expected in the June quarter
- Koka Feasibility Study on track for completion by July 2010
- Exploration drilling underway at priority Koka East and Koka South targets
- Option taken over Dragon Mining's 20% interest in Zara Project. Conversion will take ownership of the project to 100%
- Chalice to apply for listing on the Toronto Stock Exchange as part of the strategy to advance the Koka deposit to production
- A\$7.2 million capital raising successfully completed



INVESTMENT HIGHLIGHTS

High grade gold deposit
(944,000 oz @ 5.8 g/t)

Scoping study completed

Feasibility study by Mid-2010

Medium term production
potential

Large underexplored ground
position with potential for
discovery of additional
resources

www.chalicegold.com

Overview

Chalice Gold Mines Limited (ASX: CHN) made substantial progress in the March quarter towards its goal of becoming a significant African gold producer based on its rapidly advancing Zara Project in Eritrea.

Completion of infill drilling at Koka Main has continued to confirm the high grade nature of the ore body and these results will form part of a revised resource estimate expected to be completed in the June quarter.

Chalice now also has the option to take a 100 per cent* ownership interest in Zara following execution of an option agreement over the remaining 20 per cent of the project from Dragon Mining Limited.

Chalice has also announced its intention to list on the Toronto Stock Exchange, which will provide increased exposure to the larger North American and European capital markets. The Company has engaged Canadian broker and corporate advisory firm Haywood Securities Inc to act as the Company's sponsor for the intended application for the TSX listing.

* Refer to page 7 for details of the Eritrean Government participation rights

1. Zara Project (Chalice 80%: Dragon Mining 20%)

1.1 Koka In-fill Drilling Results

Assays have now been received from all 30 holes of a ~5,000 metre infill diamond drilling program (refer to Table 1) designed to further increase the Company's confidence in the high-grade mineralisation of the Koka Main Zone. These results, which are undergoing validation, will form part of a revised resource estimate for the Koka Feasibility Study.

Table 1: Significant Koka Deposit Diamond Infill Drilling Assay Intercepts

Hole	Depth (m)	North (Local)	East (Local)	Azimuth (°)	Dip (°)	From (m)	To (m)	Interval (m)	Gold (g/t)
ZARD128	170.1	9740	4960	102	-52	44	75	31	6.48
including						44	46	2	38.22
including						52	55	3	18.68
						79	82	3	7.78
						104	108	4	3.25
						116	117	1	31.48
						143	144	1	100.54
ZARD 129	113	9740	4980	102	-50	10	19	9	6.13
						32	40	8	9.47
ZARD 130	98	9740	5000	102	-52	6	12	6	26.92
						29	46	17	4.66
ZARD 131	102.4	9700	5000	102	-50	17	20	4	5.15
						23	29	6	3.17
						42	53	11	4.68
						68	69	1	11.02
						90	92	2	27.78
ZARD 132	101.9	9620	5000	102	-51	9	27	18	29.30
including						9	11	2	49.14
including						14	15	1	71.28
including						18	19	1	188.25
including						24	27	3	45.15
						41	43	2	5.57
						50	53	3	13.02
ZARD 133	Terminated due to deviation								
ZARD 134	99.5	9660	5000	102	-51	5.70	12	6.3	9.93
						23	24	1	21.70
						38	39	1	20.25
						45	56	11	8.29
ZARD135	130.40	9620	4980	102	-51	38	44	6	12.37
including						42	44	2	33.82
						65	70	5	17.22
including						67	68	1	79.14
						75	82	6	5.27
						98	100	2	5.08
						110	115	5	21.90
including						111	113	2	46.53
ZARD136	129.00	9660	4980	102	-51	29	32	3	8.65
						39	49	10	9.97
						69	70	1	29.13
						81	87	5	5.49
						96	101	5	3.60
						109	111	2	18.75
ZARD137	179.4	9620	4940	102	-51	121	122	1	25.95
						130	134	4	32.76
including						130	131	1	127.77

ZARD138	90	9820	5000	102	-50	NSI – drilled into hanging wall of ore shoot			
ZARD139	147.70	9820	4980	102	-50	15	17	2	3.62
						51	59	8	1.35
						72	74	2	10.58
						126	132	6	1.28
						134	135	1	12.09
ZARD140	220	9660	4920	102	-50	NSI – drilled beneath ore shoot			
ZARD141	130	9780	4980	102	-50	31	40	9	4.68
						45	51	6	7.51
						58	59	1	15.06
						74	75	1	12.47
						98	101	3	5.23
						127	129	2	4.95
ZARD142	90	9780	5000	102	-50	10.2	12.5	2.3	5.97
						17	20	3	3.97
						37	39	2	6.33
ZARD143	194	9780	4960	102	-50	27	30	3	1.46
						46	53	7	18.71
including						47	50	3	39.04
						63	68	5	2.85
						76	78	2	43.99
						97	101	4	6.51
						160	161	1	15.93
ZARD144	200	9620	4920	102	-50	200	202	2	9.85
ZARD145	173.4	9819	4956	102	-50	28	30	2	51.35
						46	51	5	2.23
						111	112	1	101.00
						123	126	3	4.97
ZARD146	170.5	9620	4965	102	-52	69	74	5	40.28
including						69	72	3	66.59
						116	118	2	8.65
ZARD147B	230.4	9780	4940	102	-51	52	75	23	5.58
including						53	54	1	36.93
including						73	74	1	27.45
						95	100	5	3.27
						106	127	21	9.30
including						108	109	1	73.75
including						113	114	1	28.54
including						117	118	1	53.23
including						123	124	1	14.58
						132	134	2	7.32
						141	146	5	3.51
						157	160	3	41.66
including						157	158	1	121.20
						183	186	3	8.73
ZARD148	167	9659	4962	102	-52	43	58	15	2.14
including						57	58	1	19.65
						62	64	2	4.91
						88	92	6	4.98
						116	117	1	19.72
ZARD149	216.6	9821	4938	102	-50	45	52	7	3.05
						82	98	16	11.07
including						82	84	2	21.52
including						88	89	1	37.82
including						94	95	1	81.54
						107	125	18	5.30
including						111	112	1	39.13
including						117	118	1	16.73
						132	133	1	9.81
						157	158	1	37.81

						166	169	3	4.26
						173	174	1	37.69
ZARD150	171.8	9700	4961	102	-50	68	75	7	4.02
						92	96	4	5.35
ZARD 151B	275.5	9700	4920	102	-50	NSI – drilled beneath ore shoot			
ZARD152	265.9	9740	4910	102	-50	137	138	1	6.09
ZARD153B	129.5	9698	4981	102	-50	35	40	5	3.79
						45	54	9	6.28
including						51	52	1	28.97
						69	77	8	2.31
						83	87	4	11.30
including						85	86	1	42.25
						116	117	1	13.68
ZARD154	188.4	9698	4942	102	-50	96	102	6	4.84
						123	124	1	9.52
ZARD155B	204.1	9660	4939	102	-52	107	109	2	20.63
						124	125	1	35.67
						146	147	1	18.66
ZARD156	229	9821	4901	102	-50	102	104	2	9.43
						144	148	4	2.05
						159	163	4	2.04
ZARD157	201.7	9739	4940	102	-52	77	81	4	24.89
including						80	81	1	84.63
						119	125	6	2.95

Note: The metres quoted are down hole metres and gold grades are uncut with up to 2 metres of internal dilution (<0.25g/t gold). All samples are prepared at the Africa Horn Laboratory in Asmara, Eritrea and then analysed by Genalysis Laboratories in Perth, Western Australia.

Note 2: NSI = No Significant Intersections

Following the completion of infill drilling at Koka, diamond drilling commenced at the adjacent Koka East prospect. Eleven holes for 2,125 metres were completed in the first pass drilling, results for which are expected in the June quarter.

Planning and access preparation for drilling of the Koka South zone has been completed covering a zone approximately 500 metres south of Koka. Drilling commenced in the second week of April.

1.2 Feasibility Study Progress

Excellent progress has been made with activities in support of the Koka Feasibility Study. First-pass drilling of aquifers in the Zara Valley has confirmed the presence of more than adequate supplies of high quality ground water and drilling of a production bore field has commenced.

Four geotechnical holes were drilled into the high-wall of the conceptual Koka open pit and samples have been tested at the Western Australian School of Mines. Results will be included in the new pit design as part of the Feasibility Study. Packer test drilling and pitting has also been completed at the proposed tailings, mill, accommodation and airfield sites, all with positive results.

Field work for the environmental and socio-economic studies is now largely complete and reporting is well advanced.

All feasibility work during the quarter has confirmed the assumptions made in the Scoping Study and there has been no unexpected results. Delivery of the draft feasibility report is now expected late in the June quarter.

Extension of the Zara Project exploration permits has been approved by the Eritrean Minister of Energy and Mines for a further 12 months.

2. Zara Project Regional Exploration (Chalice 80%: Dragon Mining 20%)

2.1 Konate Gold Prospect

Planning for further drilling at the Konate prospect, approximately 5 kilometres south of Koka, commenced with a re-appraisal of historical Induced Polarisation (IP) data. Five diamond holes drilled at Konate in 2007 produced disappointing results despite the presence of extensive artisanal workings on microgranite-hosted quartz stockwork mineralisation similar to that found at Koka. Deep penetration 3D IP surveys conducted after the drilling identified complex resistive and conductive zones that do not appear to have been effectively tested by the drilling. Future drilling will be designed to better test these zones, guided by a better understanding of the structural setting of the mineralisation currently being developed.

2.2 Jani VHMS Prospect

A gravity survey was completed over the Jani VHMS (Volcanic-hosted Massive Sulphide) prospect approximately 30 kilometres south of Koka. This survey identified a discrete 1000 x 500 metre gravity high associated with a gossan developed in bi-modal volcanics that are believed to be stratigraphic equivalents to the volcanics that host the 40 million tonne Bisha Zn-Cu-Au deposit. An Audio Magneto Telluric (AMT) survey will be conducted during the June quarter to better define this target prior to drilling.

3. Chalice Granted Option to Acquire Dragon Mining's Interest in Zara Project

Chalice has acquired an option to purchase the remaining 20 per cent interest in the Zara Project in Eritrea from Dragon Mining Ltd (ASX:DRA).

Chalice can exercise the option at any time until 30 June 2010 by paying Dragon A\$8 million and issuing it two million Chalice shares.

Chalice has also agreed to pay Dragon a further A\$4 million on delineation of a 1,000,000 ounce gold ore reserve at the Zara Project within the currently held joint venture licences.

The option is subject to the necessary regulatory approvals with the Chalice shares issued to Dragon to be placed in escrow for 12 months.

Upon exercising the option, Chalice will own 100 per cent of the Zara Exploration Licences with the Eritrean Government being entitled to a 10 per cent free carried interest on the grant of a Mining Lease. In addition, the Government has the right (but not the obligation) to purchase a further interest of up to 30% based on an independently determined value.

4. Lower Anseba Project (Eritrea) (Chalice 100%)

Application has been made over ~1,850km² to the immediate east of the Zara Project (Figure 1). This large prospecting license is prospective for both gold and base metals.

5. Mogoraib Project (Eritrea) (Chalice 100%)

Application has been made over ~550km² to the immediate north of Nevsun Resources' Bisha Project (Figure 1). This prospecting license is prospective for both gold and base metals.

6. Investment in London Africa Limited

Chalice has an 11.8% interest in the shares of London Africa which has a ~1,560km² prospecting license immediately south of the Zara Project (Figure 1). This prospecting license is prospective for gold and base metals. Chalice has an option to increase its ownership interest in London Africa to 20% by subscribing for additional shares in London Africa at 12.5 pence per share by December 2010.

7. TSX Listing

Chalice has recently announced that it intends to seek a dual listing on the Toronto Stock Exchange ("TSX"). The Directors believe that a dual listing on the TSX will represent an important milestone in the Company's development and will further raise the profile and status of the Company within the global investment community.

A dual listing on the TSX should provide increased liquidity to the Company's current and future shareholders. In addition, it will provide increased access to the larger North American and European capital markets as the Company advances its Zara Project in Eritrea through to production.

Chalice has engaged Haywood Securities Inc to act as the Company's sponsor for the intended application for the TSX listing. It is anticipated that an application will be made during the June quarter with a view to listing shortly thereafter.

8. Australian Projects

5.1 Gnaweeda Gold Project

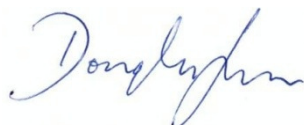
Kent Exploration Inc. reports that it has completed an eight-hole, 1,576 metre diamond drill program on the Gnaweeda Gold Project in Western Australia. 1,137 metres were drilled on the Turnberry Zone and 440 metres were drilled on the Bunarra zone.

The targeted shear/alteration zones were intersected as planned and assays are expected to be received in mid-late May.

9. Corporate

In March 2010, the Company completed an offering to place 20 million shares at A\$0.36 per share to raise A\$7.2 million before issue costs. The net proceeds will be used to complete the scheduled feasibility study on the Koka gold deposit within the Zara Project in Eritrea and for further exploration drilling at Koka East and Koka South.

At 31 March 2010, the Company had cash on hand of approximately \$9.9 million. Please refer to the attached Appendix 5B for further details.



Doug Jones
Managing Director

22 April 2010

Eritrean Government Participation Rights

Upon grant of a Mining Lease, the Eritrean Government is entitled to a 10 per cent free carried interest. In addition, the Government has the right (but not the obligation) to purchase a further interest of up to 30% based on an independently determined value.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Chartered Professional Geologist. Dr Jones 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.

The Independent Resource Estimate for the Koka Gold Deposit was prepared by Mr Brian Wolfe, whilst employed as a Specialist Resource Geologist for Coffey Mining Pty Ltd. Mr Wolfe, who is a Member of the Australasian Institute of Mining and Metallurgy, has sufficient experience in the field of Resource Estimation 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.

The break-down between Indicated and Inferred Resource categories at the Koka Gold Deposit is as shown in the Table below.

Category	Lower grade cut-off (g/t)	Tonnes (Mt)	Gold (g/t)	Metal (koz)
Indicated	1.2	4.55	5.9	867
Inferred	1.2	0.49	4.9	77
Total	1.2	5.04	5.8	944



Figure 1 – Zara Project Location Map

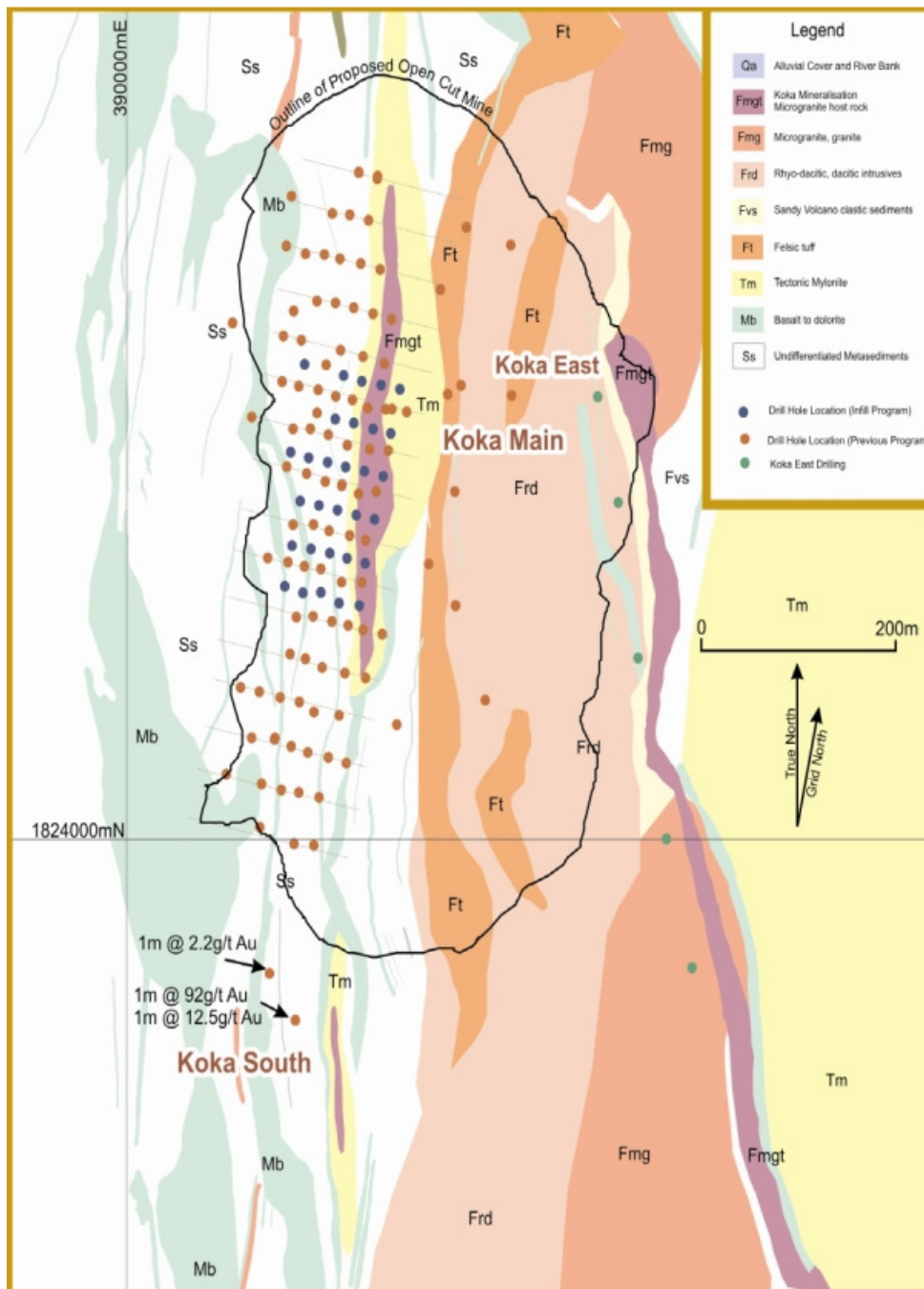


Figure 2 – Zara Project – Koka Drill Hole Location Plan

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 MARCH 2010

Consolidated statement of cash flows

	Current quarter \$A (000's)	Year to date (9 months) \$A (000's)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	53	143
1.2 Payments for (a) exploration and evaluation	(2,839)	(6,161)
(b) development	-	-
(c) production	-	-
(d) administration (see 1.25 below)	(849)	(2,357)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	81	203
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Merger and restructuring costs (see 1.25 below)	-	(636)
Other - GST	103	(17)
Net Operating Cash Flows	(3,451)	(8,825)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	(250)	(250)
(b)equity investments	-	(1,583)
(c)other fixed assets	(331)	(622)
1.9 Proceeds from sale of: (a)prospects	20	435
(b)equity investments	22	155
(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	-	252
Net investing cash flows	(539)	(1,613)
1.13 Total operating and investing cash flows (carried forward)	(3,990)	(10,438)

+ See chapter 19 for defined terms.

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (net)	6,671	10,806
1.15	Proceeds from sale of shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	(15)	(47)
Net financing cash flows		6,656	10,759
Net increase (decrease) in cash held		2,666	321
1.20	Cash at beginning of quarter/year to date	7,270	9,624
1.21	Exchange rate adjustments to item 1.20	3	(6)
1.22	Cash at end of quarter	9,939	9,939

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	151,000
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 1.1 – cash inflow includes fees charged to Liontown Resources Limited under a corporate services agreement for the sharing of office overhead costs.

Item 1.2 (a) – payments for exploration and evaluation are higher than previous periods due to feasibility study occurring during the quarter

Item 1.2 (d) – payments for administration are higher than in previous periods due to the increased scale of operations as a result of the merger with Sub-Saharan Resources.

Item 1.7 – includes one off merger and restructure costs, including but not limited to legal fees, corporate advisory fees, contract termination costs and redundancy costs in relation to the merger with Sub-Saharan Resources.

Item 1.8 (a) – includes payment \$250,000 payment for the option to acquire an additional 20% interest in Zara Project, held by Dragon Mining Ltd.

Item 1.8 (b) – cash out flow consists of \$1,210,000 for the acquisition of Yolanda International Limited (holder of an 11.12% interest in the Zara Project in Eritrea) and payment for an investment in London Africa Limited..

Item 1.14 – includes proceeds (net of share issue costs) from private placement of 20 m fully paid ordinary shares at 36 cents per share.

Amounts paid to related parties in 1.23 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

- 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	4,300
4.2	Development	-
Total		4,300

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	6,939	1,202
5.2 Deposits at call	3,000	6,068
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)	-	-
Total: cash at end of quarter (item 1.22)	9,939	7,270

+ 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			

+ See chapter 19 for defined terms.

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	N/A	N/A	N/A	N/A
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs.				
7.3 +Ordinary securities	157,420,537	157,420,537	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	20,000,000	20,000,000	\$0.36	\$0.36
(b) Decreases through returns of capital.	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	Nil	Nil	N/A	N/A
(a) Increases through issues				
(b) Decreases through securities matured.				
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
	250,000	Nil	\$0.20	11 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
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/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: 22 April 2010

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.

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+ See chapter 19 for defined terms.