

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

CHALICE GOLD MINES LIMITED

ABN

47 116 648 956

Quarter ended ("current quarter")

30 JUNE 2011

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	72	244
1.2 Payments for (a) exploration & evaluation	(2,287)	(12,175)
(b) development	-	-
(c) production	-	-
(d) administration	(836)	(3,887)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	44	377
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - GST	(12)	(5)
Net Operating Cash Flows	(3,019)	(15,446)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(1,034)	(4,083)
(b) equity investments	-	-
(c) other fixed assets	(61)	(889)
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 (provide details if material)	-	-
Net investing cash flows	(1,095)	(4,972)
1.13 Total operating and investing cash flows (carried forward)	(4,114)	(20,418)

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	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	9,090	22,945
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	(4)
	Net financing cash flows	9,090	22,941
	Net increase (decrease) in cash held	4,976	2,523
1.20	Cash at beginning of quarter/year to date	5,224	7,689
1.21	Exchange rate adjustments to item 1.20	(6)	(18)
1.22	Cash at end of quarter	10,194	10,194

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'000
1.2	Aggregate amount of payments to the parties included in item 1.2	208
1.2	Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Item 1.2 – 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

On 16 June 2011, the Company reached agreement with the Eritrean National Mining Corporation (ENAMCO) for ENAMCO’s acquisition of a 30% participating interest in Chalice’s Zara Gold Project in Eritrea.

ENAMCO has agreed to pay to Chalice US\$32 million for a 30% participating interest in the Zara Licences which will be represented by an interest in the operating company, Zara Mining SC. In addition to this amount, ENAMCO will pay Chalice approximately US\$2 million (subject to audit), which represents a reimbursement to Chalice of ENAMCO’s pro-rata share of exploration costs expended to 31 March 2011 on the Zara Licences which fall outside of the proposed Koka mining licence.

Payment will be made within six months of the signing of a shareholders’ agreement, which is expected to be completed shortly. Following completion of the agreement, the Zara Project’s ownership structure will be Chalice (60% participating interest) and ENAMCO (30% participating interest, 10% free carried interest).

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- 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'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,440
4.2 Development	-
4.3 Production	-
4.4 Administration	1,036
Total	4,476

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	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,194	3,122
5.2 Deposits at call	8,000	2,102
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	10,194	5,224

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Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Seccai Reba	Application – Eritrea	0%	0%
		Adobha Abyi	Application – Eritrea	0%	0%
		Nakfa East	Application – Eritrea	0%	0%
		Irafayle West	Application – Eritrea	0%	0%
		Lower Anseba	Application – Eritrea	0%	0%
6.2	Interests in mining tenements acquired or increased	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, redemptions	N/A	N/A	N/A	N/A
7.3	*Ordinary securities	250,030,886	250,030,886	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	32,000,000 Nil	32,000,000 Nil	0.30 N/A	9,600,000 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, converted	Nil	Nil	N/A	N/A
		Nil	Nil	N/A	N/A

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7.7	Options (<i>description and conversion factor</i>)	500,000	Nil	Exercise price \$0.25	Expiry date 1 December 2012
		500,000	Nil	\$0.25	31 July 2013
		1,250,000	Nil	\$0.35	31 March 2014
		1,250,000	Nil	\$0.45	31 March 2014
		750,000	Nil	\$0.50	1 September 2012
		1,000,000	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	Nil	Nil	N/A	N/A
7.9	Exercised during quarter	Nil	Nil	N/A	N/A
7.10	Expired 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		

Compliance statement

- 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 5).
- This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 14 July 2011

Company Secretary

Print name:

Richard Hacker

Notes

- 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.
- 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

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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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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