

CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

**Half Year Report
31 December 2007**

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 2007. 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
Timothy R B Goyder	Non-executive Director
Bryan W Alexander	Non-executive Director (Resigned 29 November 2007)
Anthony W Kiernan	Non-executive Director

Review of Operations

During the period, the Company:

- continued exploration activities at its Yandearra Gold Project where a detailed mapping and sampling program was completed at the Nevada Prospect to follow up on anomalous gold and uranium mineralisation in reconnaissance rock-chip sampling;
- received encouraging results at the Gnaweeda Gold Project (Teck Cominco earning 70%) following completion of six RC holes drilled for a total of 1,546m;
- completed the first tranche of the sale of its Chalice and Higginsville Gold Projects to Avoca Resources Limited (Avoca) receiving 3.5 million ordinary Avoca shares and 2.0 million 3-year, \$1.79 unlisted Avoca options;
- sold 3.5 million Avoca shares for net proceeds of approximately \$6.9 million which represents a 38% premium to the original Avoca transaction value of \$1.43 per share;

the Company now holds approximately \$8.7 million of cash, together with 2 million, \$1.79, 3-year unlisted Avoca options and the right to receive a further \$0.8 million of Avoca shares upon completion of certain tenement registration matters associated with the sale of tenements to the south of the Chalice Gold Mine;

- entered into a joint venture agreement with De Grey Mining Limited ('De Grey'). De Grey is to spend \$1.67 million over 3 years to earn 80% of rights to all minerals over the Yandearra Gold Project, other than iron ore and uranium;
- entered into an option agreement with Atlas Iron Limited ('Atlas Iron'), whereby Atlas Iron may acquire the iron ore rights over the Yandearra Gold Project for a total of \$1.25 million; and
- made a profit of \$1.1 million for the period, predominantly as a result of the profit from the sale of Avoca shares of \$1.9 million, the revaluation of the options in Avoca at balance date of \$0.8 million and the write-down of the Yandearra and Gnaweeda projects.

Chalice Gold Mines Limited

Directors' report

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 5 and forms part of this directors' report for the half-year ended 31 December 2007.

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 14th day of March 2008

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 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Chalice Gold Mines Limited.



Perth, Western Australia
14 March 2008

L DI GIALLONARDO
Partner, HLB Mann Judd

Chalice Gold Mines Limited
Condensed Income Statement
For the half year ended 31 December 2007

	Note	2007 \$	2006 \$
Revenue		129,427	90,350
Impairment losses on exploration and evaluation expenditure		(1,355,640)	(1,608,475)
Fair value of options held through profit and loss	3a	789,032	-
Profit on sale of shares	3b	1,894,518	-
Corporate administrative expenses	3c	(565,326)	(951,820)
Net finance income		186,691	119,760
Profit/(Loss) before tax		1,078,702	(2,350,185)
Income tax expense/benefit		-	-
Profit (Loss) for the period		1,078,702	(2,350,185)
Basic earnings/(loss) per share attributable to ordinary equity holders		0.01	(0.03)
Diluted earnings/(loss) per share attributable to ordinary equity holders		0.01	(0.03)

Chalice Gold Mines Limited

Condensed Balance Sheet

As at 31 December 2007

	Note	31 December 2007 \$	30 June 2007 \$
Current Assets			
Cash and cash equivalents		8,722,905	2,323,949
Trade and other receivables		110,673	5,919,204
Financial assets		1,615,725	20,701
Assets held for sale		162,601	153,189
Total current assets		10,611,904	8,417,043
Non-current assets			
Financial assets		70,193	70,193
Exploration and evaluation assets	4	1,918,872	3,134,600
Property, plant and equipment		229,460	208,491
Total non-current assets		2,218,525	3,413,284
Total assets		12,830,429	11,830,327
Current Liabilities			
Trade and other payables		68,750	152,179
Employee benefits		27,500	22,688
Other		7,637	-
Total current liabilities		103,887	174,867
Non-current Liabilities			
Other		45,437	54,326
Total non-current liabilities		45,437	54,326
Total liabilities		149,324	229,193
Net assets		12,681,105	11,601,134
Equity			
Issued capital	5	13,974,454	13,974,454
Accumulated losses		(1,796,500)	(2,875,202)
Reserves		503,151	501,882
Total Equity		12,681,105	11,601,134

Chalice Gold Mines Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2007

	Note	Share capital \$	Accumulated losses \$	Share based payments reserve \$	Total equity \$
Balance at 30 June 2007		13,974,454	(2,875,202)	501,882	11,601,134
Employee share options vested		-	-	1,269	1,269
Profit for the period		-	1,078,702	-	1,078,702
Balance at 31 December 2007	5	13,974,454	(1,796,500)	503,151	12,681,105

Chalice Gold Mines Limited
Condensed Cash Flow Statement
For the half year ended 31 December 2007

	2007 \$	2006 \$
Cash flows from operating activities		
Cash receipts from operations	146,180	75,350
Cash paid to suppliers and employees	(538,663)	(575,503)
Interest paid	(64)	(1,750)
Interest received	151,106	135,829
Net cash used in operating activities	(241,441)	(366,074)
Cash flows from investing activities		
Payments for mining exploration and evaluation	(192,812)	(2,142,605)
Proceeds from the sale of investments	6,894,518	-
Proceeds from sale of property, plant and equipment	2,600	-
Acquisition of property, plant and equipment	(63,909)	(46,943)
Net cash from investing activities	6,640,397	(2,189,548)
Cash flows from financing activities		
Lodgement of guarantee	-	(20,000)
Payment of finance lease liabilities	-	(5,276)
Net cash from financing activities	-	(25,276)
Net increase/(decrease) in cash and cash equivalents	6,398,956	(2,580,898)
Cash and cash equivalents at the beginning of the period	2,323,949	5,427,250
Cash and cash equivalents at 31 December 2007	8,722,905	2,846,352

Chalice Gold Mines Limited

Notes to the Financial Statements

For the half year ended 31 December 2007

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 2007 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 2007 annual financial report for the financial year ended 30 June 2007.

In the half-year ended 31 December 2007, 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 2007.

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.

2. Segment reporting

The company continues to operate in one business segment and one geographical segment, being the mining and exploration industry in Australia.

Chalice Gold Mines Limited
Notes to the Financial Statements
For the half year ended 31 December 2007

	2007 \$	2006 \$
3. Profit/(loss) before income tax expense		
The following income and expense items are relevant in explaining the financial performance for the half-year:		
(a) Fair value of options held through profit and loss	789,032	-
Unlisted options held in Avoca Resources Ltd ("Avoca") are measured at fair value with the movement recorded in the income statement. The options are periodically re-valued using a binomial option-pricing model. The unlisted options were issued by Avoca in part consideration for the sale of the "tranche 1 tenements" in the Company's Chalice and Higginsville gold projects in the 2007 financial year.		
(b) Profit on sale of shares	1,894,518	-
3,496,503 shares in Avoca were sold for net proceeds of \$6,894,518 in September 2007. The shares were issued by Avoca in part consideration for the sale of the "tranche 1 tenements" in the Company's Chalice and Higginsville gold projects in the 2007 financial year.		
(c) Corporate administrative expenses		
Accounting fees	6,750	800
Annual Report costs	16,550	20,892
ASX fees	15,750	27,725
ASIC filing fees	1,000	-
Audit fees	8,500	7,000
Depreciation and amortisation	33,044	30,148
Insurance	7,733	8,563
Legal fees	19,980	8,713
Loss on sale of assets	-	3,007
Marketing	-	2,250
Personnel expenses	354,458	382,505
Share based payments expense	1,269	256,889
Printing and stationery	5,425	5,513
Rent and outgoings	35,996	61,601
Share registry costs	9,584	15,359
Travel and accommodation	2,075	11,350
Recruitment	-	25,549
Other	47,212	83,956
	565,326	951,820

Chalice Gold Mines Limited
Notes to the Financial Statements
For the half year ended 31 December 2007

4 Exploration and evaluation expenditure

Cost brought forward
Expenditure incurred during the period
Impairment of exploration and evaluation expenditure assets

31 December 2007
\$
3,134,600
139,912
(1,355,640)
1,918,872

5. Issued capital

Balance at 31 December 2007 and 30 June 2007

Share capital
\$
13,974,454

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 2007 and 30 June 2007.

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 6 to 12:
 - 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 2007 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 14th day of March 2008



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 2007, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Chalice Gold Mines Limited ("the company").

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 2007 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 14 March 2008.

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 2007 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

HLB MANN JUDD
Chartered Accountants

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Perth, Western Australia
14 March 2008

L DI GIALLONARDO
Partner