

# 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 SEPTEMBER 2009

### Consolidated statement of cash flows

	Current quarter \$A (000's)	Year to date (3 months) \$A (000's)
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	49	49
1.2 Payments for (a) exploration and evaluation	(1,808)	(1,808)
(b) development	-	-
(c) production	-	-
(d) administration (see 1.25 below)	(504)	(504)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	66	66
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)	(734)	(734)
<b>Net Operating Cash Flows</b>	<b>(2,931)</b>	<b>(2,931)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(1,210)	(1,210)
(c)other fixed assets	(159)	(159)
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 – cash acquired on completion of merger	252	252
<b>Net investing cash flows</b>	<b>(1,117)</b>	<b>(1,117)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(4,048)</b>	<b>(4,048)</b>

+ See chapter 19 for defined terms.

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. (net)	4,135	4,135
1.15	Proceeds from sale of shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	(50)	(50)
<b>Net financing cash flows</b>		<b>4,085</b>	<b>4,085</b>
<b>Net increase (decrease) in cash held</b>		<b>37</b>	<b>37</b>
1.20	Cash at beginning of quarter/year to date	<b>9,624</b>	<b>9,624</b>
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>9,661</b>	<b>9,661</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	73,060
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 (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-Sahara 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-Sahara Resources.

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).

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

During the quarter, the Company completed a merger with Sub-Sahara Resources NL. Approximately 48.3 million Chalice Gold Mines shares were issued to the security holders of Sub-Sahara Resources as consideration to effect the merger.

+ See chapter 19 for defined terms.

- 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.

Teck (Australia) (“Teck”) met its 51% earn-in expenditure requirement for the Gnaweeda Project in the March 2008 quarter by spending \$0.75 million. Teck have an option to spend a further \$0.75 million to earn up to 70%. Teck has also entered into an exclusivity agreement with TSX Venture Exchange listed company Kent Exploration Inc. (“Kent”) which contemplates Kent earning 100% of Teck’s interest by spending \$3 million, subject to Teck retaining a 75% claw-back.

Anglogold Ashanti is currently earning a 75% interest in the Wilga Project by spending \$2 million.

### 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	3,500
4.2 Development	-
<b>Total</b>	<b>3,500</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 (000’s)	Previous quarter \$A (000’s)
5.1 Cash on hand and at bank	6,624	1,544
5.2 Deposits at call	3,037	8,080
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>9,661</b>	<b>9,624</b>

+ 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
	E47/590	Surrendered	100%	0%
	E47/755	Surrendered	100%	0%
	E47/1749	Application withdrawn	0%	0%
	M47/783-785	Application withdrawn	0%	0%
	M47/994-1005	Application withdrawn	0%	0%
	M47/1114-1125	Application withdrawn	0%	0%
	P47/1298	Surrendered	100%	0%
	P47/1299	Surrendered	100%	0%

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
	E47/1748	Granted	0%	100%
	Zara 1-4	EL's - Acquisition via merger with Sub-Sahara Resources NL	0%	80%
	Zara North	PL - Acquisition via merger with Sub-Sahara Resources NL	0%	Up to 100%
	Zara South	PL - Acquisition via merger with Sub-Sahara Resources NL	0%	Up to 100%
	Mogroriab North	Application – PL	0%	0%
	Lower Anseba Valley	Application - PL	0%	0%

+ 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 <b>Preference +securities</b> <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 <b>+Ordinary securities</b>	137,420,537	137,420,537	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	16,300,000	16,300,000	\$0.27	\$0.27
	48,320,537	48,320,537	Scheme of Arrangement and merger	Scheme of Arrangement and merger
(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	Nil	Nil	N/A	N/A
(a) Increases through issues				
(b) Decreases through securities matured.				
7.7 <b>Options</b> <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
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 <b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12 <b>Unsecured notes</b> <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: 27 October 2009

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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