



Quarterly Report

for the period ended 31 December 2008

Highlights

- **New high tenor gold in soil anomaly identified in previously unexplored area of the Yandearra Project.**
- **Atlas Iron undertakes iron ore reconnaissance survey at Yandearra.**
- **Advanced projects continue to be evaluated for purchase or joint venture.**
- **At the end of the quarter, the Company has cash at bank and current receivables of \$10.5M (representing 14.4 cents per share).**

1.0 Yandearra Project (Chalice 100% - De Grey Mining earning up to 80%)

Gold and base metal exploration by joint venture partner, De Grey Mining Limited ("De Grey") continued at the Yandearra Project during the December quarter with soil geochemistry, geological reconnaissance and rock sampling programs undertaken.

Several new gold and base metal occurrences were identified by this work (see rock sampling results, Table 1). Despite grades up to 58.6g/t gold, 38g/t silver and 3.10% lead from rock samples, most occurrences were found to be related to wide-spaced veins and narrow felsic dykes and were downgraded as having limited tonnage potential. Nevertheless, De Grey's discovery of so many new mineral occurrences at Yandearra over the last 9 months supports the residual prospectivity of the region and the effectiveness of the exploration methods.

Work is now focusing on a large, previously unexplored area near the Cleaverville Chert Hills where soil sampling this quarter has identified a new, high tenor gold in soil anomaly. Gold anomalism up to 2.64g/t in soils remains open and untested to the north and east (Figure 1). There are no known gold occurrences in the area and a bedrock source to the gold in soil has yet to be identified. The soil anomaly occurs in a structurally favourable position at the western end of a large granite body that intrudes the greenstone rocks of the Cleaverville Chert and underlying felsic volcanic lithologies.

Soil sampling coverage will be extended to define the limits of the gold anomaly when the 2009 Pilbara field season recommences.

Chalice and its partners, continue to rationalize the ground position at the Yandearra Project to reduce future exploration commitments and focus exploration on key target areas.

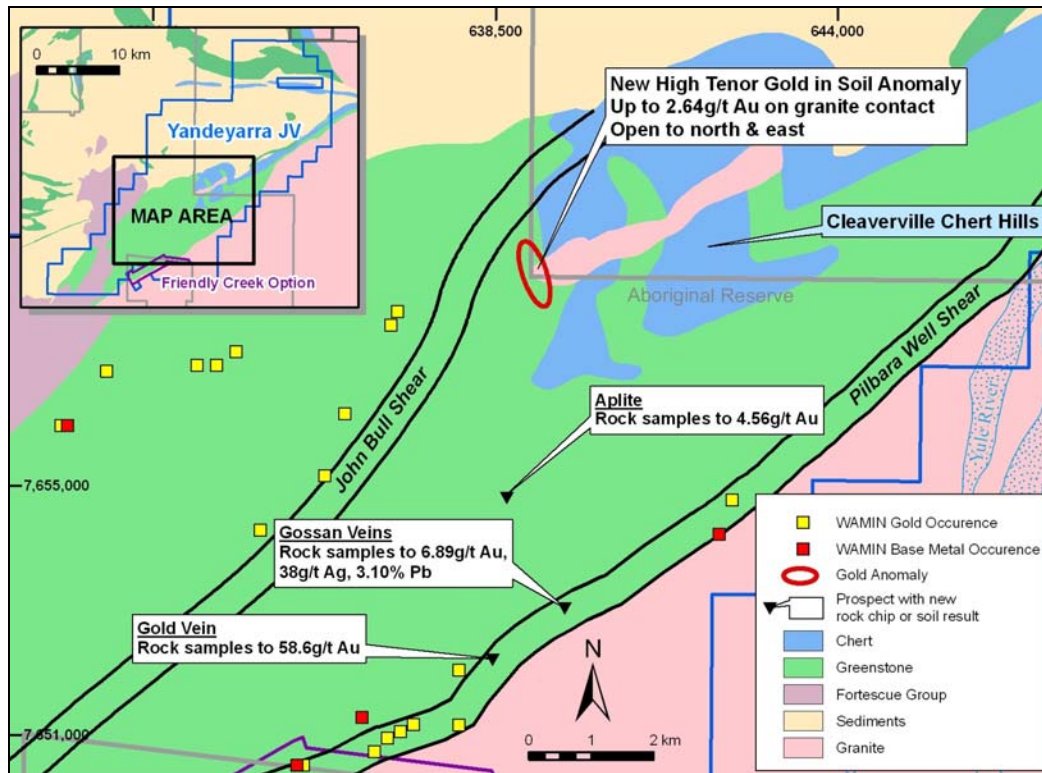


Figure 1: December Quarter 2008 surface sampling results, Yandearra Joint Venture Project

Prospect	SAMPLE ID	East	North	Gold, g/t	Silver, g/t	Copper %	Lead, %	Zinc, %
Gossan Veins	550966	639,672	7,653,035	1.19	38	0.07	2.58	0.64
	550967	639,700	7,653,051	2.26	27	0.05	3.10	0.18
	550969	639,768	7,653,152	6.89	2	0.01	0.05	0.00
	P545047	639,566	7,653,050	1.03	0	0.00	0.00	0.00
Gold Vein	550972	638,541	7,652,298	0.16	16	0.06	1.59	0.02
	550974	638,456	7,652,258	58.6	4	0.01	0.01	0.00
Aplite	550979	638,800	7,654,878	1.58	0	0.00	0.00	0.00
	550981	638,599	7,654,914	4.56	0	0.00	0.00	0.00

Table 1 – Reconnaissance Rock Sampling Results >1.00 g/t gold, 20g/t silver or 1% lead

Note: Samples are surface in situ rocks. Coordinates are MGA zone 50. Analyses are by Ultra Trace Laboratories Perth using an Aqua Regia digest and Inductively Coupled Plasma (ICP) Mass or Optical Emission Spectrometry finish.

2.0 Yandearra Project (Chalice 100% - Atlas Iron option to purchase iron ore rights)

Helicopter reconnaissance surveys covering prospective host rocks have been undertaken over the entire tenement package. The project area was assessed for both direct shipping ore (DSO) and magnetite potential. To date, a relatively small area (i.e. approximately 450 metres x up to 60 metres) of surface iron enrichment has been delineated in the southwest portion of the project area. Several surface samples were collected from this area with values returned ranging from 55 to 60 % Fe. However, also of note are the relative high phosphorous values which range from 0.15 to 0.29 %.

Interpretation of regional aeromagnetic data coupled with helicopter reconnaissance ground truthing has delineated three distinct BIF-hosted, magnetite targets. These areas contain magnetic anomalies in the order of 5km long and display good continuity and width. Atlas Iron intends to further assess the potential for these BIF rich host rocks to host economic magnetite mineralization.

3.0 Wilga Gold Project (Chalice 100% - AngloGold earning up to 75%)

Following commencement of the joint venture between AngloGold Ashanti Australia Ltd (AngloGold) and Chalice, announced last quarter, AngloGold undertook a review of previous data and completed first pass geological mapping to define the prospective stratigraphy within the project area. Subsequently, detailed geological mapping (1:5,000 scale) and archaeological and ethnographic surveys have been undertaken together with the commencement of a rock chip sampling program.

4.0 Gnaweeda Gold Project (Chalice Gold Mines 49% - Teck Cominco 51%, earning up to 70%)

The drilling program planned to be undertaken by Teck Cominco Australia Pty Ltd during the December quarter was deferred due to a requirement to enter into an updated heritage agreement as part of the process to obtain aboriginal heritage clearance. Negotiation of the new heritage agreement is currently in progress.

5.0 Corporate

Pursuant to previous joint venture and option agreements with Atlas Iron Limited ("Atlas") and De Grey in relation to the Yandearra Project, Chalice received an initial payment of \$250,000 from Atlas and 2 million shares and 2 million unlisted options following from De Grey following completion of formal agreements between the parties.

Chalice now has cash at bank and current receivables of approximately \$10.5M, including \$0.8M of Avoca Resources Limited ("Avoca") shares which are due to be received in the March 2009 quarter following completion of tranche 2 of the sale of the Company's Chalice and Higginsville Gold Project to Avoca.

With a strong balance sheet and minimal commitments, the Company continues to assess advanced projects for acquisition or joint venture.

Please also refer to the attached quarterly cash flow.



Tim Goyder
Executive Chairman

29 January 2009

The information in this report that relates to Exploration Results is based on information compiled by Mr Roger Thompson, a full-time employee of Chalice Gold Mines Limited, who is a Member of the Australian Institute of Geoscientists. Mr Thompson 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.