

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 DECEMBER 2009

Consolidated statement of cash flows

	Current quarter \$A (000's)	Year to date (6 months) \$A (000's)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	41	90
1.2 Payments for (a) exploration and evaluation	(1,517)	(3,322)
(b) development	-	-
(c) production	-	-
(d) administration (see 1.25 below)	(1,004)	(1,508)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	56	122
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)	98	(636)
Other - GST	(120)	(120)
Net Operating Cash Flows	(2,446)	(5,374)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(373)	(1,583)
(c)other fixed assets	(132)	(291)
1.9 Proceeds from sale of: (a)prospects	415	415
(b)equity investments	133	133
(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	43	(1,074)
1.13 Total operating and investing cash flows (carried forward)	(2,403)	(6,448)

+ See chapter 19 for defined terms.

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (net)	-	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	21	(32)
Net financing cash flows		21	4,103
Net increase (decrease) in cash held		(2,382)	(2,345)
1.20	Cash at beginning of quarter/year to date	9,661	9,624
1.21	Exchange rate adjustments to item 1.20	(9)	(9)
1.22	Cash at end of quarter	7,270	7,270

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	175,000
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 (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) and payment for an investment in London Africa Limited.

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 period, 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") has advised that it has earned its 70% interest in the Gnaweeda Project in the December 2009 quarter by spending \$1.5 million. 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 has acquired the Wilga Gold Project for \$20,000 during the quarter.

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	3,000
4.2 Development	-
Total	3,000

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	1,202	6,624
5.2 Deposits at call	6,068	3,037
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)	-	-
Total: cash at end of quarter (item 1.22)	7,270	9,661

+ 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
		E39/1003 P39/4890	Sale of Wilga Gold Project to Teck Resources	100%	0%
		E47/0591	Yandearra - relinquishment	100%	0%
		E47/1041	Yandearra - relinquishment	100%	0%
		E47/1161	Yandearra - relinquishment	100%	0%
		E47/1162	Yandearra - relinquishment	100%	0%
		E47/1163	Yandearra - relinquishment	100%	0%
		E47/1164	Yandearra - relinquishment	100%	0%
		E47/1165	Yandearra - relinquishment	100%	0%
		E47/1166	Yandearra - relinquishment	100%	0%
		E47/1207	Yandearra - relinquishment	100%	0%
		E47/1245	Yandearra - relinquishment	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
		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	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 +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
7.8 Issued during quarter	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
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: 29 January 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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