

## Quarterly Report for the period ended 30 June 2007

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- Sale of Higginsville and Chalice Gold Projects to Avoca Resources completed (Tranche 1)
  - Encouraging gold and uranium rock chip sample results at Yandearra
  - New gold anomaly defined by auger drilling at the Wilga Project
  - High grade gold results from one metre re-samples of RC drillholes at Gnaweeda
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### Sale of Higginsville and Chalice Gold Projects

Chalice Gold Mines reached agreement for the sale of its Chalice and Higginsville Gold Projects to Avoca Resources Limited (Avoca Resources), for shares in Avoca Resources to the value of \$5,841,000 and 2,000,000 unlisted options over ordinary shares in Avoca Resources.

3,496,503 Avoca Resources shares (ASX:AVO) (being A\$5 million of Tranche 1 consideration, valued at A\$1.43 per share) and 2 million 3-year A\$1.79 Avoca Resources unlisted options, have been issued in full satisfaction of Tranche 1 consideration for the sale.

### Yandearra

Rock chip sampling of radiometric anomalies at the Yandearra Project returned encouraging gold and uranium results from the YAN 20 target area (now referred to as the Nevada Prospect).

Significant gold and uranium results returned from samples include:

- Sample 114528 returned 14.64 g/t gold and 920 ppm uranium; and
- Sample 114527 returned 1.06 g/t gold and 50 ppm uranium.

### Gnaweeda

Mineralised intervals from RC holes GNRC001 – 004, previously drilled at the Turnberry Prospect in February 2007, were resampled at one metre intervals and submitted for analysis. One metre re-samples returned narrow high grade gold intercepts from three of the RC holes, including the best result of 1m @ 37.60g/t gold from 50m in GNRC003.

### Wilga

A recently completed auger drilling program defined an extensive, low order (>10ppb gold, peak 31ppb gold) gold anomaly in an area of cover to the west of the main mineralised banded iron formation. The anomaly trends north to north-north east and is semi-continuous over a strike distance of approximately 1,800m at the >10ppb gold contour.



Andrew Bantock  
Executive Chairman  
31 July 2007

## 1.0 SALE OF HIGGINSVILLE AND CHALICE GOLD PROJECTS TO AVOCA RESOURCES

On 1 May 2007, Chalice Gold Mines reached agreement for the sale of its Chalice and Higginsville Gold Projects to Avoca Resources Limited (Avoca Resources), for shares in Avoca Resources to the value of \$5,841,000 and 2,000,000 unlisted options over ordinary shares in Avoca Resources.

The total consideration value at the time of the agreement was estimated at \$6.9 million, comprising \$5.8 million of share consideration value and \$1.1 million for the unlisted options, using standard option valuation methods.

Key aspects of the agreement are as follows:

- The sale is to be completed in two tranches.
- Tranche 1, which settled on 25 July 2007, comprised of the sale of Chalice Gold's Higginsville tenements, the Chalice Gold Mine and areas north thereof.

Consideration for completion of Tranche 1 was \$5,000,000 of Avoca Resources shares, at \$1.43 per share, for a total of 3,496,503 Avoca shares, based on the 5 day ASX Volume Weighted Average Price (VWAP) prior to the date of agreement, plus 2 million 3-year Avoca options, each with an exercise price of \$1.79.

- Tranche 2, which comprises a package of tenements south of the Chalice Gold Mine, will complete upon grant of an Exploration Licence (EL) and then amalgamation of the same with certain Prospecting Licences (PL) already held by Chalice Gold Mines, as well as the achievement of other conditions precedent typical of such sale agreements (such as receipt of relevant Department of Industry and Resources approvals).

Grant of the EL and amalgamation with the PL's is expected to take 10-12 months, allowing for relevant public notice requirements.

Consideration for completion of Tranche 2 is \$841,000 of Avoca Resources shares, with pricing of these shares to be based on the 5 day VWAP at the time of the amalgamation of the PL's within the EL.

Shareholders approved the sale of Chalice and Higginsville gold projects at a meeting of shareholders on 22 June 2007.

The sale has restored Chalice Gold's balance sheet, whilst providing ongoing exposure to the development of the Trident Gold mine and exploration potential of the now consolidated Higginsville-Chalice region.

This positions the Company for growth through development and discovery, and provides an enhanced treasury position to follow the Company's previously stated aim of acquiring new projects and resource opportunities.

## 2.0 YANDEEARRA PROJECT (100% CHALICE GOLD MINES LIMITED)

During the quarter a heli-supported fieldwork campaign was conducted to provide a first pass assessment of radiometric anomalies in the southern part of the Yandearra project area. The field program included ground reconnaissance, scintillometer surveys and rock chip sampling of 13 separate target areas.

Encouraging gold and uranium results were returned from the YAN 20 target area (now referred to as the Nevada Prospect).

Significant gold and uranium results include:

- Sample 114528 returned 14.64 g/t gold and 920 ppm uranium; and
- Sample 114527 returned 1.06 g/t gold and 50 ppm uranium.

The Nevada Prospect comprises a discrete radiometric anomaly within the basal units of the Fortescue Group. Details of the three rock chip samples taken from the Nevada Prospect are tabulated below.

Sample Number	Easting (GDA 94)	Northing (GDA94)	Target Area	Au Average (ppb)	Au 1 (ppb)	Au 3 (ppm)	U (ppm)	Comments
114526	627994	7651508	YAN20	15	15	-	23.90	Haematite rich layer, locally siliceous with haematite fragments (fault?)
114527	628047	7651563	YAN20	1069	1138	1.00	50.71	Quartz pebble conglomerate bed, iron-rich
114528	628020	7651540	YAN20	14640	16360	12.92	920.70	Shallow dipping ferruginous horizon bounded by schist and conglomerate, estimated thickness of 0.30m
Analyses on 2 - 3kg surface rockchip samples by Genalysis Laboratory Services, Perth. Gold and uranium assays were carried out by Method B/MS to a detection limit of 1 ppb (Au) and 0.01 ppm (U) respectively.								

Table 1- Details of rock chips samples from the Nevada Prospect

The encouraging gold and uranium results from sample 114528 are associated with a thin (0.30m thick) ferruginous layer within a quartz pebble conglomerate.

Historical soil sampling (-80 mesh) has defined a coherent >30ppb gold anomaly approximately 700m to the north of the rockchip sampling, close to the basal contact of the conglomerate sequence. The soil anomaly measures approximately 700m in strike, peaks at 544ppb gold and is open to the south and west (Figure1).

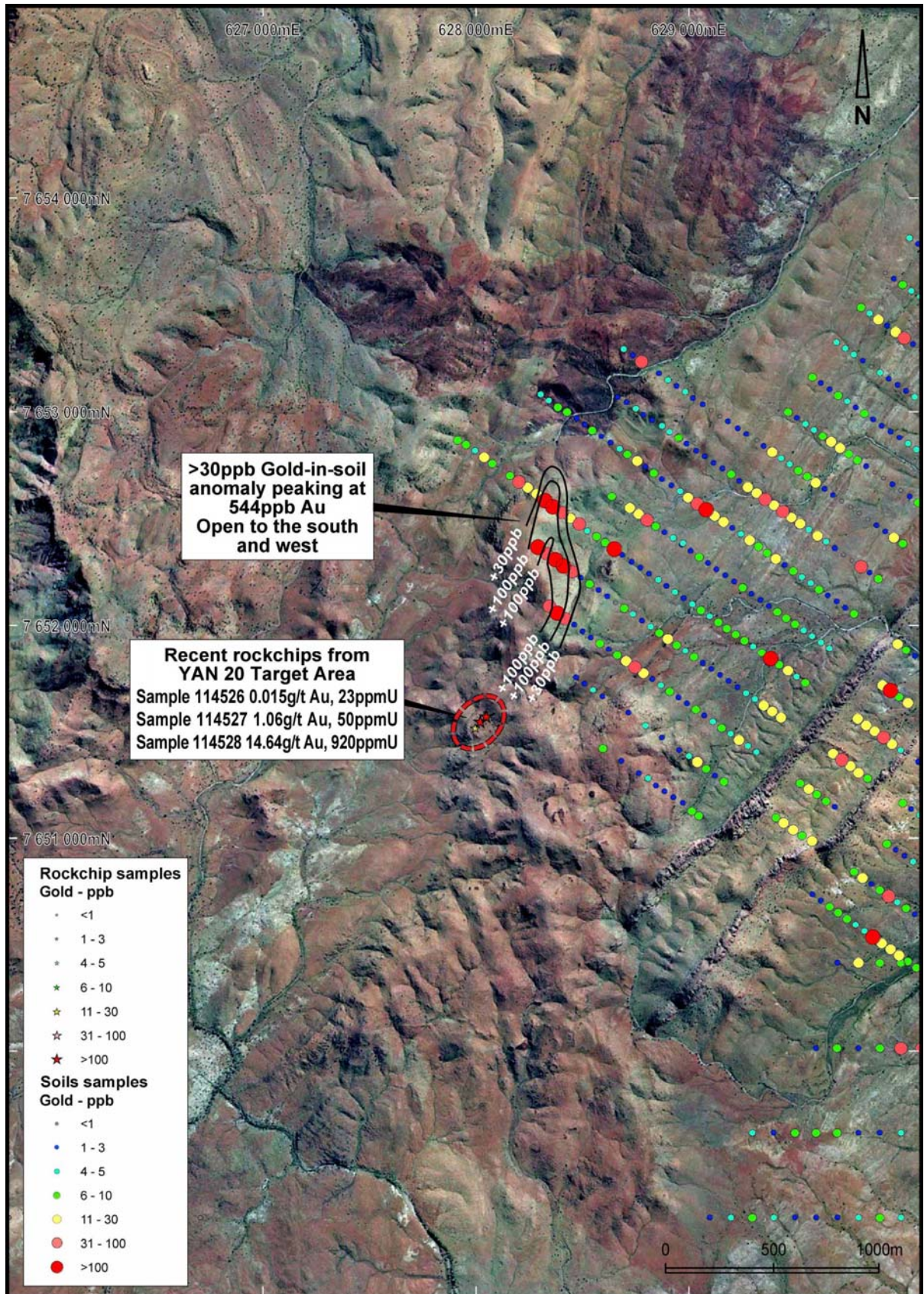


Figure 1: Nevada Prospect - Rock chip and soil sample results over aerial photography

A program of detailed mapping and sampling is proposed for the Nevada Prospect to further assess the extent and significance of the gold and uranium mineralisation defined to date.

Assay results from all rock chip samples are detailed within Table 2.



Field reconnaissance and scintillometer surveying at the Nevada Prospect



Panoramic view at Yandearra during heli-supported fieldwork campaign

Sample Number	Easting (GDA 94)	Northing (GDA94)	Target Area	Au Average (ppb)	Au 1 (ppb)	Au 2 (ppb)	Au 3 (ppm)	U (ppm)
114501	608966	7652030	YAN04	4	4			4.82
114502	608893	7652230	YAN04	<1	<1			7.44
114503	608772	7652249	YAN04	39	47	32		2.55
114504	608911	7651945	YAN04	3	3			2.87
114505	632306	7657375	YAN08	3	3			2.93
114506	632143	7657476	YAN08	<1	<1			2.12
114507	631904	7657769	YAN08	<1	<1			3.01
114508	631872	7657818	YAN08	3	3			0.24
114509	631233	7659220	YAN08	9	9			4.33
114510	630078	7659902	YAN07	<1	<1			0.57
114511	630158	7659754	YAN07	<1	<1			3.49
114512	630158	7659754	YAN07	<1	<1			0.58
114513	630213	7659554	YAN07	<1	<1			3.22
114514	630409	7600617	YAN23	<1	<1			0.20
114515	639353	7658213	YAN25	<1	<1			0.51
114516	639266	7658153	YAN25	<1	<1			0.34
114517	639112	7658047	YAN25	<1	<1			0.16
114518	609550	7665695	YAN01	<1	<1			0.77
114519	609539	7665717	YAN01	<1	<1			0.85
114520	628125	7653058	YAN11	<1	<1			9.18
114521	627927	7653198	YAN11	<1	<1			34.25
114522	627660	7653319	YAN11	2	2			1.95
114523	627132	7653473	YAN11	<1	<1			6.00
114524	627757	7653608	YAN24	1	1			0.42
114525	626670	7653630	YAN24	<1	<1			0.31
114526	627994	7651508	YAN20	15	15			23.90
114527	628047	7651563	YAN20	1069	1138		1.00	50.71
114528	628020	7651540	YAN20	14640	16360		12.92	920.70
114529	635029	7649350	YAN10	74	79	69		24.98
114530	635269	7649524	YAN10	65	70	61		22.71
114531	636895	7652122	YAN12	12	12			14.76
114532	636909	7650560	YAN12	4	4			34.85
114533	634280	7652260	YAN13	<1	<1			4.29
114534	614530	7646288	YAN22	5	5			5.66

Analyses on 2 - 3kg surface rockchip samples by Genalysis Laboratory Services, Perth. Gold and uranium assays were carried out by Method B/MS to a detection limit of 1 ppb (Au) and 0.01 ppm (U) respectively.

Table 2: Rock chip sample results – Yandearra Project

### 3.0 GNAWEEDA (100% CHALICE GOLD MINES LIMITED – TECK COMINCO EARNING 70% INTEREST)

Exploration undertaken during the quarter by Teck Cominco Australia Ltd ("Teck Cominco"), as project manager, included a program of 2,300m of aircore drilling (45 holes) and one metre re-sampling of recent RC drillholes completed at the Turnberry Prospect.

The aircore drilling program predominantly targeted a prominent north-south linear magnetic feature on the western side of the Project area. A portion of the aircore program was reserved for infill drilling around an anomalous historical gold intercept of 1m @ 12.12g/t gold at the Old Chiddle Well Prospect.

Results from drilling over the magnetic feature were not significant, returning a maximum value of 65 ppb gold on the northern-most line. Drilling on the Old Chiddle Well Prospect returned a maximum value of 215ppb gold, with broadly associated arsenic anomalism. The 12g/t gold intercept appears localized and was not repeated in any of the surrounding holes.

Mineralised intervals from RC holes GNRC001 – 004, previously drilled at the Turnberry Prospect in February 2007, were resampled at one metre intervals and submitted for analysis (Figure 2).

One metre re-samples returned narrow high grade gold intercepts from three of the RC holes, including the best result of 1m @ 37.60g/t gold from 50m in GNRC003.

The results indicate relatively thin, high-grade gold zones with broader haloes of anomalous gold at below 0.5g/t level. The gold mineralisation remains open at depth and along strike.

Significant gold results from the resplits are shown in Table 3 (5m composite values were reported in the March 2007 quarterly report).

Hole No.	From (m)	To (m)	Interval (m)	Au g/t
GNRC001	213	214	1	1.07
	234	235	1	<b>10.58</b>
	235	236	1	1.12
	236	237	1	1.48
GNRC002	82	83	1	1.86
	147	148	1	1.06
	149	150	1	1.21
	157	158	1	1.93
	207	208	1	<b>5.72</b>
	208	209	1	0.87
	216	217	1	<b>11.06</b>
	217	218	1	2.30
GNRC003	218	219	1	1.20
	39	40	1	1.34
	50	51	1	<b>37.60</b>
	51	52	1	1.50
	52	53	1	0.98
	61	62	1	1.44
	62	63	1	1.22
	63	64	1	0.82
	64	65	1	1.10
	248	249	1	1.13
	251	252	1	1.07
	252	253	1	<b>6.76</b>
253	254	1	<b>5.75</b>	
276	277	1	3.12	
293	294	1	1.01	
Original samples resplit at one metre intervals with gold analysed by 50g fire assay				

Table 3 : Gold results of resplits from GNRC 001 – 003 – Turnberry Prospect

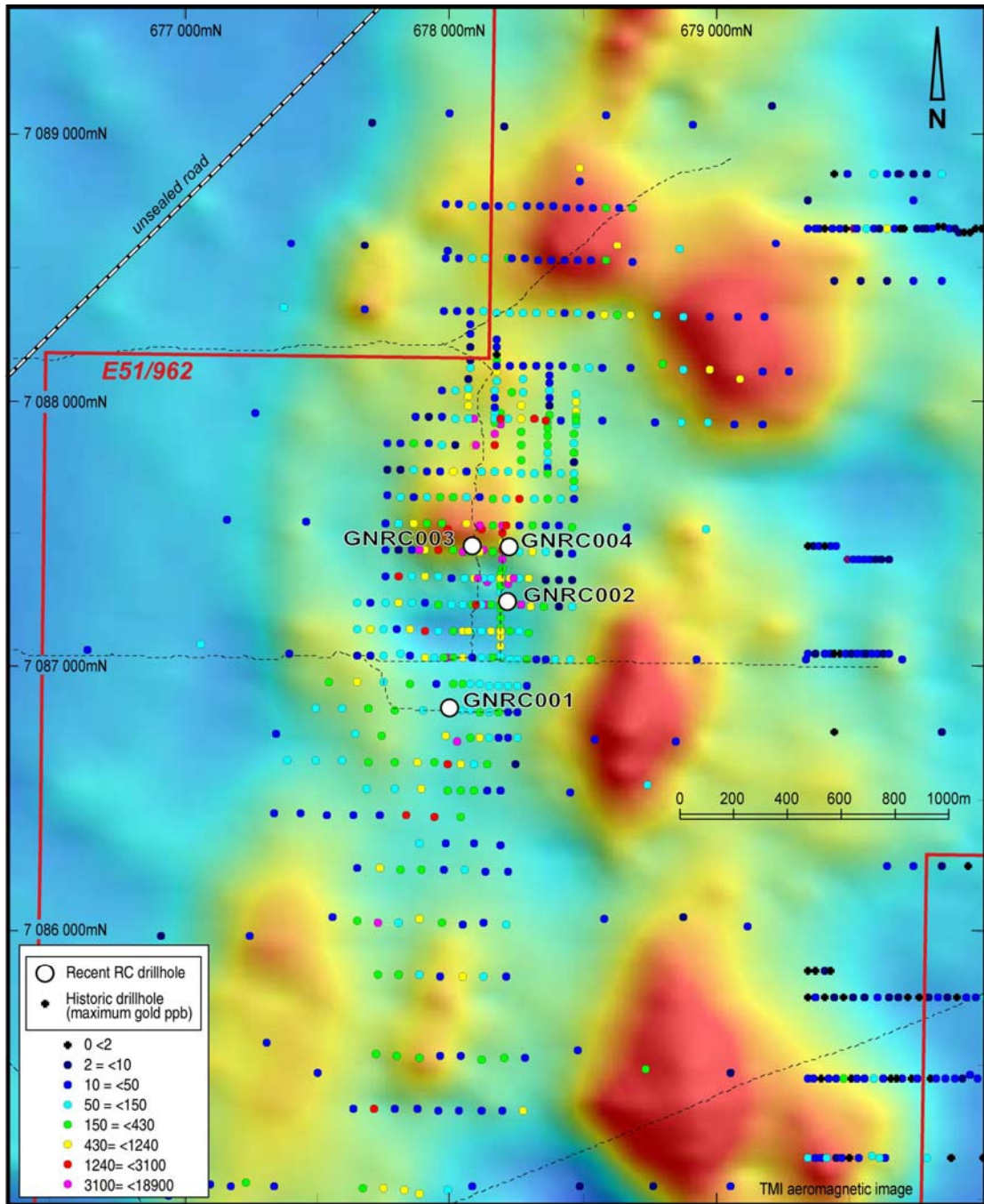


Figure 2: Gnaweeda Project – maximum gold in drilling at the Turnberry Prospect



#### 4.0 WILGA (100% CHALICE GOLD MINES LIMITED)

A recently completed auger drilling program defined an extensive, low order (>10ppb gold, peak 31ppb gold) gold anomaly in an area of cover to the west of the main mineralised banded iron formation. The anomaly trends north to north-north east and is semi-continuous over a strike distance of approximately 1,800m at the >10ppb gold contour (Figure 3).

A field check is required to assess the significance of the defined auger anomaly. The results of the auger program will be fully appraised, together with the local regolith, prior to the preparation of a suitable forward exploration program.

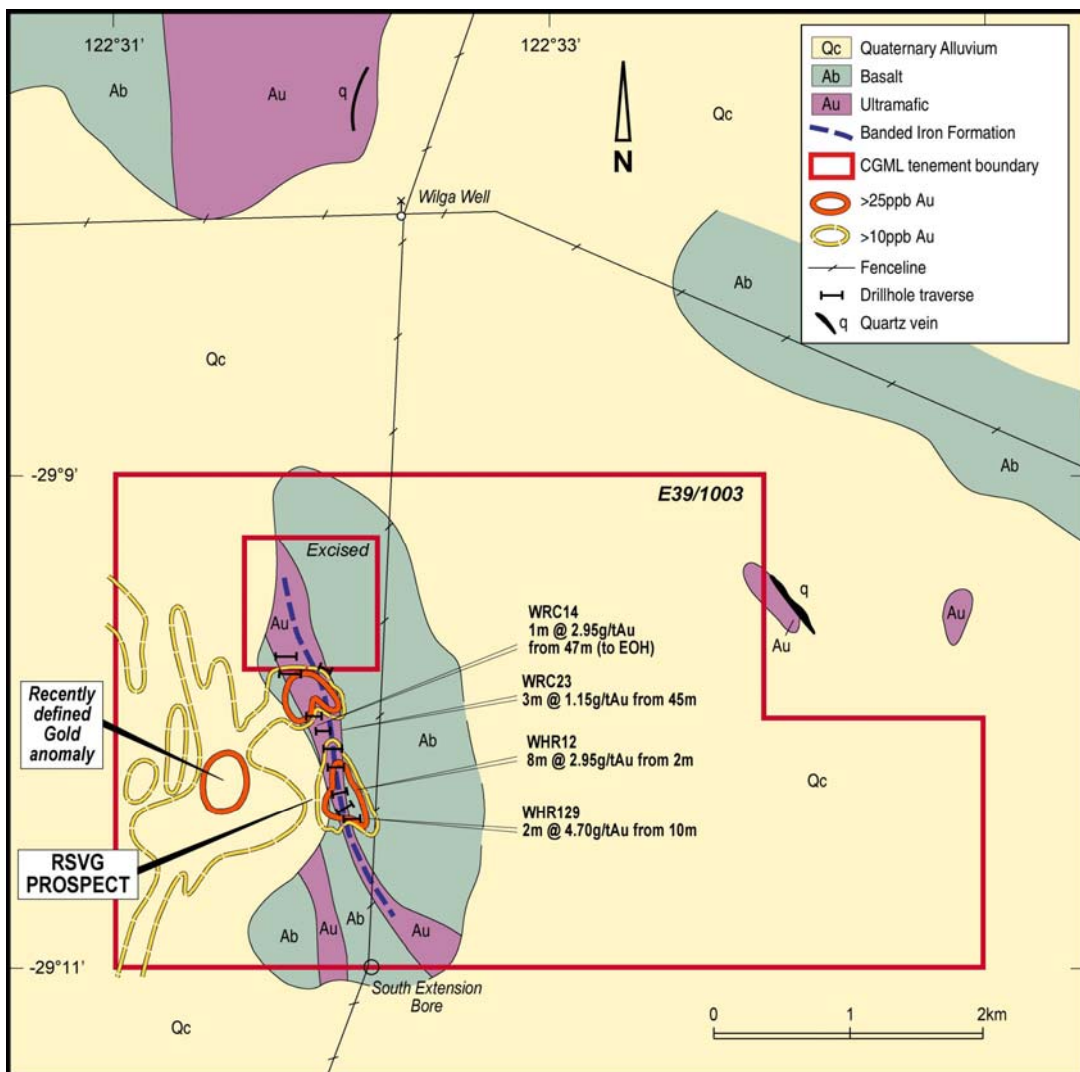


Figure 3: Wilga Project – gold in soil and auger geochemistry

The information in this report that relates to Exploration Results is based on information compiled by Mr Bryan Alexander, a full-time employee of Archaean Exploration Services Pty Ltd, who is a Member of the Australian Institute of Mining and Metallurgy. Archaean Exploration Services Pty Ltd consults to Chalice Gold Mines Ltd. Mr Alexander 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.