



**CHALICE**  
GOLD MINES LIMITED

## **Quarterly Report**

**for the period ended 30 September 2008**

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- **At the end of the quarter, the Company held cash at bank of \$9.4M representing cash backing of 12.9 cents per share. A further \$1.1M is expected to be received next quarter in settlement of previous asset disposals and option agreements.**
- **Ongoing exploration expenditure is now largely funded through joint venture agreements with Teck Cominco, AngloGold Ashanti Australia and De Grey Mining.**
- **Mount Oxide Copper Cobalt Project acquisition terminated by agreement with Perilya Limited, in view of the recent downturn in capital markets and the copper price.**

### **1.0 Acquisition of the Mount Oxide Copper-Cobalt Project**

Following the execution of an agreement (as announced to ASX on 11 September 2008) to acquire the Mount Oxide Copper-Cobalt Project from Perilya Limited (and an associated option to acquire the subsidiary of Perilya Limited which holds a 50% interest in the Tampang Copper-Gold Project), the directors of Chalice advised Perilya Limited on 24 October 2008 that, due to the severe downturn in capital markets and the recent substantial fall in the copper price, that in exercising their respective fiduciary duties, they could not recommend that shareholders approve the acquisition in its current form.

Under the circumstances, Perilya Limited has consented to the request to terminate the agreement and a Deed of Termination and Release has been executed.

### **2.0 Wilga Gold Project (Chalice 100% - AngloGold earning up to 75%)**

The Wilga Gold Project comprises Exploration Licence 39/1003 and application for Prospecting Licence 39/4890 and is located about 55 km south of Laverton. The area is situated within the Laverton greenstone belt and is adjacent to the eastern margin of the Laverton Tectonic Zone, which hosts the world class gold deposits at Cleo/Sunrise Dam and which lie about 15 km to the northwest of the project.

Chalice entered into an agreement with AngloGold Ashanti Australia Ltd (AngloGold), whereby AngloGold has the right to earn a 75% interest in Chalice's Wilga Project through completion of \$2M of gold exploration expenditure at the project within the next four years.

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Upon earning its 75% interest, a joint venture will be established as between AngloGold and Chalice, with respective participating interests being AngloGold 75%: Chalice 25%.

AngloGold has the right to withdraw prior to earning its interest and will be manager of the project and the joint venture.

### 3.0 Yandearra Project (Chalice 100% - De Grey Mining earning up to 70%)

Exploration continued at the Yandearra Project during the quarter with soil geochemistry, stream sediment sampling, geological reconnaissance and rock chip sampling programs being undertaken by joint venture partner De Grey Mining Limited (De Grey).

#### Yandearra Soil Sampling Surveys

Follow-up work over previously reported soil anomalies identified several new gold and base metal occurrences, with assays up to 42.3g/t gold, 2.43% copper, 29g/t silver and 1.68% lead in different rock samples (see Table 1). Although infill soil sampling and geological reconnaissance have indicated they have limited size potential, discovery of these occurrences early in De Grey's exploration program supports the prospectivity of the project area in general.

Soil and rock chip sampling at the Seven G Prospect has identified a new gold-lead-copper-barium occurrence with soil samples collected containing up to 7.24g/t gold accompanied by elevated levels of lead (210ppm) silver (0.45g/t) and barium (566ppm). Initial reconnaissance rock sampling of a ferruginous gossan returned an encouraging base and precious metal geochemical signature of up to 5.10g/t gold, 0.28% copper, 5g/t silver, 1.64% lead and 3,860ppm barium (Table 1). Further rock chip sampling and geological reconnaissance is planned to determine whether this new occurrence represents a VMS (volcanogenic massive sulphide) style of mineralisation.

Reconnaissance soil sampling (400m x 40m) has identified a new high tenor gold anomaly 2.4km north of Seven G. Gold values up to 332ppb occur within the anomaly which extends over a strike length of 1.2km and is open to the north (Figure 1). Further work is planned to evaluate this new gold anomaly.

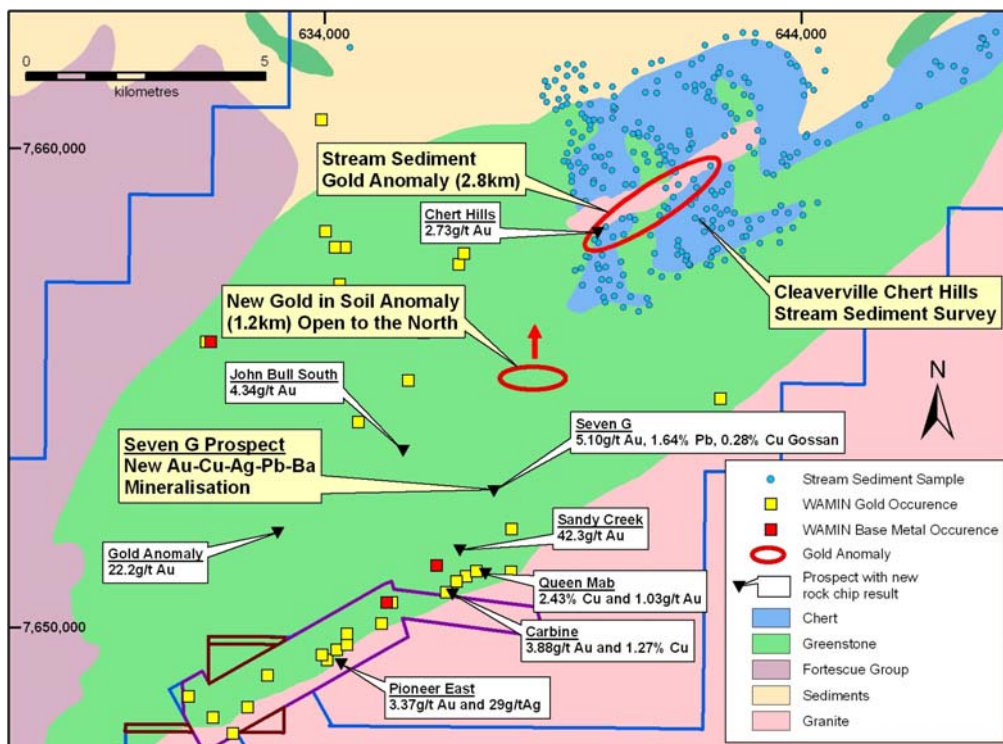


Figure 1: September Quarter 2008 surface sampling results, Yandearra Project

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Project	Prospect	SAMPLE ID	East	North	Gold g/t	Copper %	Silver g/t	Lead %	
Yandearra JV	Pioneer East	550168	634,295	7,649,280	3.37	0.00	<b>29</b>	0.08	
	Sandy Creek	550172	636,677	7,651,511	<b>42.3</b>	0.00	6	0.00	
	Carbine	550178	636,637	7,650,817	3.88	<b>1.27</b>	7	0.20	
	Queen Mab	550181	636,961	7,651,026	1.03	<b>2.43</b>	2	0.06	
	Gold Anomaly		550187	633,457	7,651,801	1.78	0.03	12	<b>1.68</b>
			550188	633,443	7,651,800	1.98	0.01	12	0.19
			550189	633,494	7,651,866	<b>22.2</b>	0.01	12	0.12
	Arizona	550217	637,436	7,657,163	1.14	0.00	0	0.00	
	John Bull South	550229	635,608	7,653,667	4.34	0.01	0	0.00	
	John Bull Line	550241	635,169	7,654,465	2.72	0.00	0	0.00	
	Seven G		550243	637,777	7,652,677	1.90	<b>0.28</b>	5	<b>1.64</b>
			550244	637,777	7,652,673	<b>5.10</b>	0.12	2	<b>0.44</b>
	Granite 2	550255	638,378	7,652,076	1.06	0.00	1	0.01	
Chert Hills	550264	640,051	7,658,292	2.73	0.00	0	0.00		

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

#### Cleaverville Chert Hills Stream Sediment Sampling

Stream sediment sampling (275 sample sites) was completed over a 13km strike length of complexly folded and faulted Cleaverville Chert (which hosts De Grey's Wingina Well gold deposit at Turner River) in the north east of the Yandearra Project area. At each site a 2kg sample was collected for bulk leach gold analysis (BLEG) and a second (200g) sample was collected for conventional gold and base metal analysis by Aqua Regia digest.

A spatially coherent high tenor gold anomaly defined by the BLEG and / or Aqua Regia results occurs over a 2.8km strike length, covering a structurally controlled chert ridge in the centre of the hills (see Figure 1). The BLEG results range up to 235ppb gold (background less than 8 ppb) and the Aqua Regia results range up to 254ppb gold (background less than 4ppb).

Follow-up soil sampling over the southern portion of the Cleaverville Chert did not identify any gold in soil anomalism, but further soil and rock sampling is planned over the northern portion to identify the source of the stream sediment gold anomaly.

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

During the quarter, the project manager, Teck Cominco Australia Pty Ltd ('Teck'), a 100%-owned subsidiary of Canadian company Teck Cominco Limited, completed rehabilitation of the previous Teck reverse circulation ('RC') drill holes and planned the location of the next round of holes, which will be drilled with diamond core. The diamond drilling program, which will consist of four

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~250m long holes at the Turnberry Prospect, and one ~200m long hole at the St Annes Prospect, is planned for the December quarter following aboriginal heritage clearances.

*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.*



Tim Goyder  
Executive Director

28 October 2008

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