



**CHALICE**  
GOLD MINES LIMITED

## Quarterly Report

for the period ended 31 December 2007

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### HIGHLIGHTS

#### Gnaweeda Gold Project

- Encouraging results have been received from drilling at the Gnaweeda Gold Project (Teck Cominco earning 70% interest), including:
  - 5m @ 11.6g/t gold from 15m (hole GNRC007);
  - 5m @ 13.5g/t gold from 80m (hole GNRC008);
  - 1m @ 59.3g/t gold from 168m (hole GNRC009); and
  - 1m @ 23.0g/t gold from 277m (hole GNRC005).

#### Yandearra Gold Project

- Joint venture agreement negotiated with De Grey Mining Limited ('De Grey'); De Grey to spend \$1.67 million over 3 years to earn 80% of rights to all minerals over the Yandearra Gold Project, other than iron ore and uranium.
- Option agreement negotiated with Atlas Iron Limited ('Atlas Iron'), whereby Atlas Iron may acquire the iron ore rights over the Yandearra Gold Project for a total of \$1.25 million.

Andrew Bantock  
Executive Chairman

18 January 2007

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

During the quarter, six RC holes were drilled at the Gnaweeda Gold Project for a total of 1,546m. Five RC holes, GNRC005 to GNRC009, were drilled at the Turnberry Prospect and one hole was drilled at the St Anne's Prospect (Figure 1).

The holes were designed to follow up results from Teck Cominco's previous four RC holes and to test open zones in the north of the prospect.

Results from the previous four holes (GNRC001 to GRNC004), presented in the March and June quarterly reports, 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.

Preliminary gold results from the five new holes are summarised in Table 2.

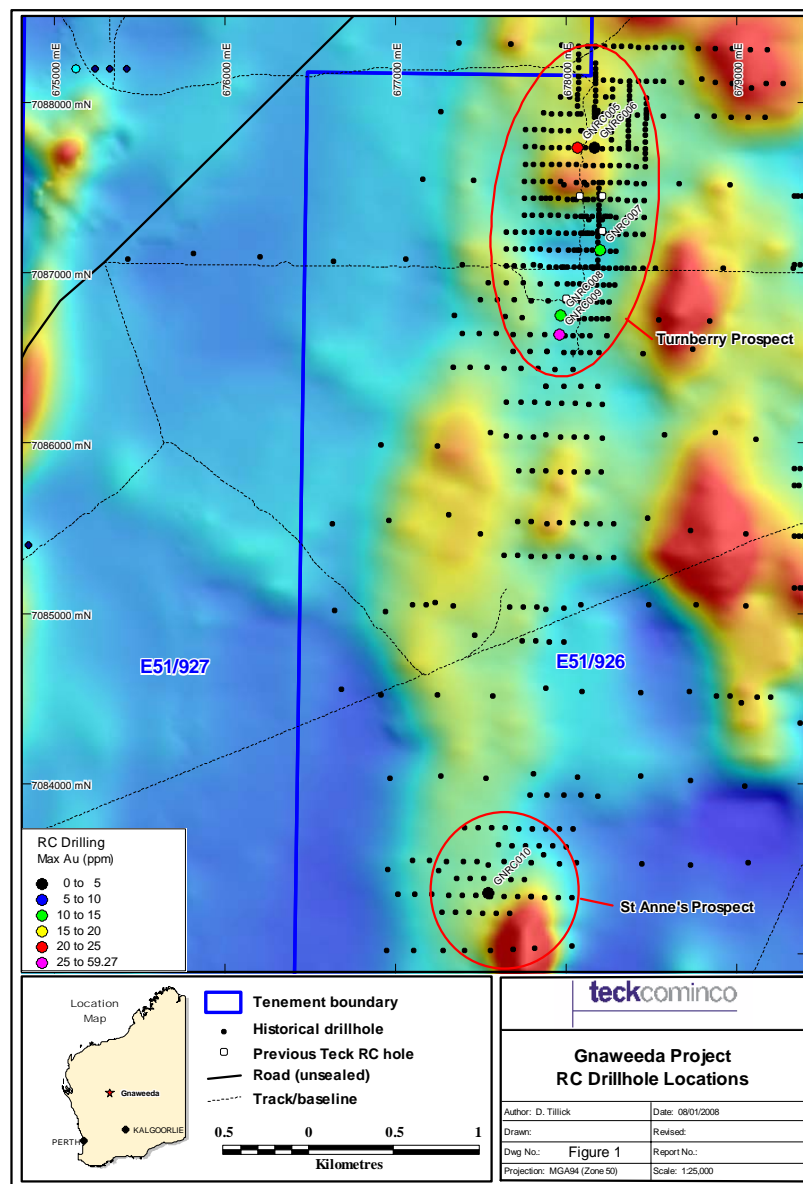


Figure 1: Gnaweeda Project RC Drillhole Locations.

The holes encountered a mixed package of foliated mafic volcanics, dolerite, shale, ultramafic schist and minor feldspar porphyry (GNRC005). Nearly all holes encountered zones of strong carbonate, quartz, pyrite veining and wallrock alteration.

The strongest gold mineralisation occurs in foliated fine-grained mafic volcanics that have been strongly carbonated and contain disseminated pyrite and quartz veining (GNRC005), and a shale/fine mafic volcanic unit with abundant quartz veining, chlorite and sericite alteration, and minor pyrite (GNRC009).

Shallow 5m composite samples returned 11.64g/t gold from 15 to 20m in GNRC007 from lateritised clays directly beneath the transported cover, and 13.49g/t gold from 80 to 85m in GNRC008 from red-brown weathered saprolite.

A single RC hole, GNRC010, was drilled at St Anne's Prospect to test for down-dip extensions of shallower gold anomalism in AC/RAB drilling but it had to be terminated early at 174m due to excessive ground water. The hole encountered mostly massive dolerite with minor quartz veining. No significant gold results were returned from this hole, however, potential still exists for deeper mineralisation at St Anne's as the hole did not reach the target zone.

An assessment of results received to date is being undertaken by Teck Cominco to determine the nature and extent of future exploration. The results of this assessment are expected to be advised to Chalice Gold over the forthcoming quarter.

Hole No.	Easting (MGA 94)	Northing (MGA 94)	Azimuth (Mag)	Inclin.	From (m)	To (m)	Interval (m)	Au (g/t)
GNRC005	678070	7087735	085	-57.5°	91	92	1	1.02
					277	278	1	<b>23.02</b>
					278	279	1	<b>8.07</b>
					279	280	1	4.54
GNRC007	678200	7087135	087	-60°	15	20	5	<b>11.64</b>
GNRC008	677970	7086750	090	-60°	55	60	5	2.35
					80	85	5	<b>13.49</b>
GNRC009	677965	7086640	090	-60°	70	75	5	0.91
					151	152	1	1.93
					152	153	1	2.34
					168	169	1	<b>59.27</b>
					169	170	1	<b>8.60</b>
					170	171	1	1.88
					171	172	1	1.34
					223	224	1	2.63
					231	232	1	3.17
Analysis of composite (5m) and Individual (1m) samples by 50g fire assay.								

Table 2: Turnberry Prospect gold assay results

Teck Cominco is earning a 70% interest in the Gnaweeda Gold Project by spending \$1.5M. An initial 51% interest will be earned by Teck Cominco spending \$0.75M over 3 years. Teck Cominco may then elect to spend a further \$0.75M to earn an additional 19%.

Teck Cominco has advised that it has now expended approximately \$0.8M since the inception of the joint venture in January 2006.

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

### Joint Venture agreement with De Grey Mining Limited

During the quarter, Chalice Gold Mines reached agreement with De Grey Mining to enter into a joint venture to explore for gold and base metals at its Yandearra Gold Project in the West Pilbara.

Under the terms of the joint venture, De Grey Mining will make an initial payment comprising the issue of 2 million shares and 2 million unlisted, 3 year, 20 cent options, to Chalice Gold Mines upon executing a formal joint venture agreement.

De Grey Mining is required to spend \$835,000 over a two year period to earn 60% of the rights to all minerals other than iron ore and uranium. De Grey Mining may then elect to spend a further \$835,000 over a further 3 years to earn 80%. A minimum expenditure requirement of \$417,000 applies for the first year.

Chalice Gold Mines may then elect to contribute pro rata or convert its 20% interest to a 10% interest free carried through to completion of a bankable feasibility study.

This joint venture agreement includes conditions precedent typical of such arrangements including confirmation of ongoing tenure to the subject tenements.

### Option agreement with Atlas Iron Limited

Chalice Gold Mines entered into an option agreement with Atlas Iron Limited ('Atlas Iron') whereby Atlas Iron may acquire the iron ore rights over the Yandearra Gold Project in the West Pilbara.

The key terms of the option require Atlas Iron to make an initial payment of \$250,000 in cash or Atlas Iron shares to Chalice Gold Mines (valued based on the Volume Weighted Average Price (VWAP) for the 5 days prior to the agreement), within 60 days of signing the formal agreement between the parties.

Atlas Iron may then elect to make a further payment of \$1,000,000 in cash or Atlas Iron shares (valued at a 5 day VWAP) to exercise its option to purchase the iron ore rights, which will occur no later than 12 months after the date of the formal agreement.

Atlas Iron has agreed to spend \$200,000 on exploration for iron ore at the Yandearra Gold Project during the option period.

On definition of an iron ore resource exceeding 5 million tonnes, at the Yandearra Gold Project, Chalice Gold Mines will have a one-off right to "claw-back" a 30% interest in this resource at a cost of 4 times total exploration expenditure across the subject tenements. In the absence of a claw-back, Chalice Gold Mines retains a 2% Gross Sales Royalty and Atlas Iron retains a first right of refusal to acquire the royalty.

The option is subject to terms and conditions typical of such agreements including that the subject tenements remain in good standing during and at the end of the option period.

### Nevada Prospect

During the quarter, a report detailing the results of the mapping and sampling program undertaken previously at the Nevada Prospect was received. It was concluded that the anomalous gold and uranium results from three rock-chip samples over the radiometric anomaly are related to a volcanic vent or feeder for the Mt Roe Basalt present in the area.

The elevated gold values from an earlier soil geochemical program are most likely derived from erosion of conglomerates of the Hardey Formation. The anomalous rock chip samples and soil anomalies are therefore unrelated.

The nature and extent of future exploration at the Nevada Prospect is currently being evaluated.

### **3.0 WILGA (100% Chalice Gold Mines Limited)**

No work was undertaken during the period.

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.

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