

ASX Announcement

December 2012 Quarterly Report

Highlights:

- **Massive sulphide discovery at Mogoraib River prospect, within >6km strike of prospective VMS trend, suggesting the potential for a significant VMS system similar to the nearby world-class Bisha Mine.**
- **Down-hole EM at Mogoraib River suggests that drilling to date has only intersected the up-dip portion of a very strong conductor that lies below and to the north of existing drilling.**
- **Ground and down-hole EM underway to outline the extent of mineralisation and to assist in vectoring in on higher grade zones.**
- **Drilling at Mogoraib River set to commence in late February 2013.**
- **Chalice returns \$25M to shareholders following the sale of the Zara Project to China SFECO Group.**
- **Experienced mining executive Mr Bill Bent appointed as Managing Director to lead the Company through its next phase of growth, commencing February 2013.**

Overview:

The December 2012 Quarter was a successful period for Chalice Gold Mines Limited ("Chalice or the Company") on several fronts, with the completion of a \$25 million capital return to shareholders, a potentially significant VMS discovery at its Mogoraib North Joint Venture Project in Eritrea and the selection of a highly experienced mining executive to spearhead the Company's next phase of growth.

Following the \$25 million capital return, Chalice had over \$53 million in cash at Quarter-end, putting it in a unique position in the junior mining sector in Australia.

With cash reserves of this magnitude, the Company has the capability to target, evaluate and acquire high quality resource projects worldwide, laying the foundations for its next growth chapter.

In the meantime, exploration drilling is set to resume in late February at Mogoraib North and will continue for the next few months to define the scale and potential of the VMS mineralisation intersected late last year.

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1. Mogoraib North Project

During the Quarter, Chalice intersected a zone of massive pyritic sulphides with highly anomalous copper and zinc values in drilling at Mogoraib River (previously the T209 prospect) at its Mogoraib North Project in Eritrea, East Africa (Chalice – 60%; Eritrean National Mining Corporation (ENAMCO) – 40%).

The Mogoraib River Volcanogenic Massive Sulphide (“VMS”) prospect is located 15km north of the Bisha polymetallic VMS deposit, currently being mined by Nevsun Resources (TSX.NSU) and ENAMCO (*see Figure 3*).

The prospect was discovered in the course of systematic drilling of numerous bedrock conductor targets generated by a 3,825 line kilometre Versatile Time-domain EM (“VTEM”) survey flown by Chalice in 2011.

The 21st hole of the program, **MOGD-00021**, intersected a **10m interval** of semi-massive to massive pyritic sulphides within a broader 41m wide zone of stringer and disseminated sulphides (*see Stock Exchange Announcement – November 1, 2012*).

Assay results for this intersection, reported in the Stock Exchange Announcement of November 21, 2012, included:

- **5m grading 0.86% Cu, 1.33% Zn, 0.1g/t Au, 7.48g/t Ag** from 145m, *including*:
 - **1m at 1.03% Cu, 2.3% Zn**
- **2.5m grading 0.49% Cu, 1.18% Zn, 0.28g/t Au, 8.22g/t Ag** from 154.5m, *including*:
 - **1m at 1.25% Cu, 2.55% Zn**

The widespread occurrence of sulphides and the mineralogy intersected in drilling to date at Mogoraib River are suggestive of fringe mineralisation to a large VMS system.

While a great deal of further drilling and exploration is required, Chalice is very encouraged by the promising results received to date.

Following the completion of hole MOGD-00021, the Company drilled a further nine widely spaced diamond drill holes testing further VTEM anomalies along the 6km long Mogoraib River trend (*see Figure 4*), with all holes intersecting stringer, semi-massive or massive sulphides. Highly anomalous base and precious metal values were intersected in most of these holes, including:

- **MOGD00024:**
2m @ 0.27g/t Au, 6g/t Ag, 0.48% Cu, 0.12% Zn from 206m
1m @ 0.09g/t Au, 2.25g/t Ag, 0.3% Cu, 0.57% Zn from 215m
- **MOGD00025:**
1m @ 0.03g/t Au, 10.3g/t Ag, 0.25% Cu, 1.08% Zn from 128m
- **MOGD00026:**
1m @ **22.2g/t Ag**, 0.01% Cu, 0.01% Zn from 26m
- **MOGD00027:**
1m @ 0.8g/t Ag, 0.21% Cu, from 50m

- **MOGD00028:**
7m @ 5.19g/t Ag, 0.4% Cu, 0.62% Zn from 93m
1m @ 2.8g/t Ag, 0.43% Cu, 0.3% Zn from 103m
- **MOGD00029:**
1m @ 0.9g/t Ag, 0.02% Cu, 2.01% Zn from 168m
1m @ 1.08g/t Au, 10.4g/t Ag, 0.82% Cu, 0.91% Zn from 171m
- **MOGD00031:**
1m @ 0.25% Cu, 0.67% Zn from 146m

A complete list of significant assays is provided in Table 1.

The sulphides intersected in this drilling are hosted by a sequence of metamorphosed and recrystallised mafic, rhyolitic and andesitic volcanics and range from disseminated and stringer to semi-massive and massive pyrite and pyrrhotite, together with visible chalcopyrite and sphalerite.

Individual semi-massive to massive sulphide units from 0.5 to 6.5m in width occur within broader envelopes of disseminated and stringer sulphides associated with intense alteration of the host volcanics.

In December, the Company completed a detailed ground gravity survey and gradient array IP survey covering the 6km strike of the prospective trend. This work provided a more detailed picture of bedrock trends beneath the prevailing 5-10m of surficial cover than the relatively wide spaced airborne geophysics completed previously.

In particular, the gravity and IP mapped the distribution of dense and chargeable lithologies (potential massive sulphides) to allow for the optimal positioning of ground EM surveys currently underway (see Figures 2 and 5).

Initial results from the ground EM, including both down-hole and fixed loop arrays, are encouraging, with evidence of strong off-hole conductors in the vicinity of previous drilling.

At VTEM target T209, down-hole EM suggests that drilling to date has only intersected the up-dip portion of a very strong conductor that lies below and to the north of the existing drilling (see Figure 1).

A 5,000-8,000 metre drilling program at the Mogoraib River prospect is planned to recommence in late February.

In addition to the work at Mogoraib River, the Company continued to drill test regional VTEM targets in other parts of the Mogoraib North licence, with 14 diamond drill holes completed.

Semi-massive pyritic and pyrrhotitic sulphides with low but anomalous levels of Cu, Ag and Au were intersected at several of these targets (see Table 1). Further geological mapping, trenching and ground geophysics is planned for these areas, with up to 3,000m of Reverse Circulation drilling planned, if results are encouraging.

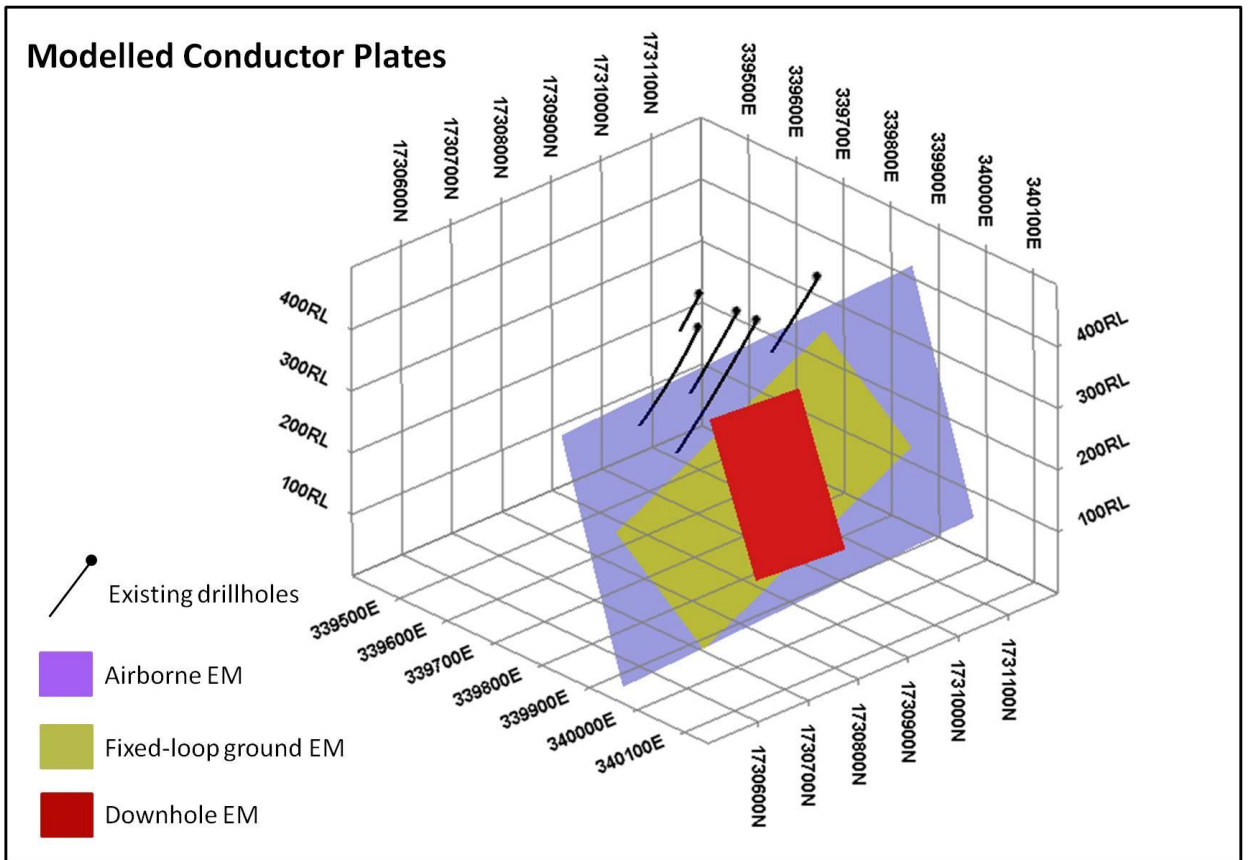


Figure 1: T209 Anomaly, Mogoraib River Prospect showing airborne EM (VTEM), ground EM (FLTEM) and down-hole EM relative to existing drilling.



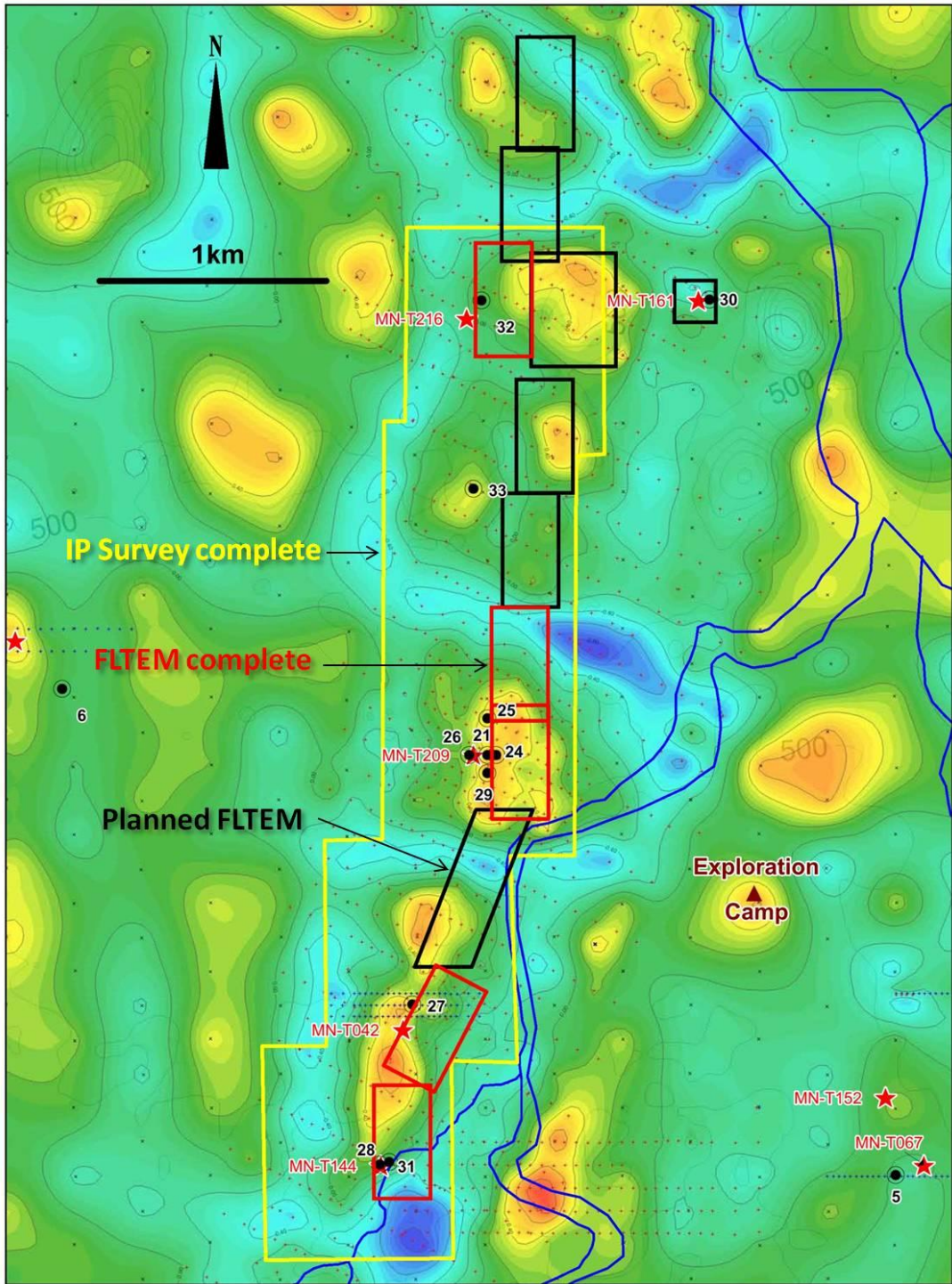


Figure 2: Mogoraib River Prospect - Gravity image showing IP and ground EM (FLTEM) grids, VTEM anomalies (red stars) and completed drillholes (numbered black circles)

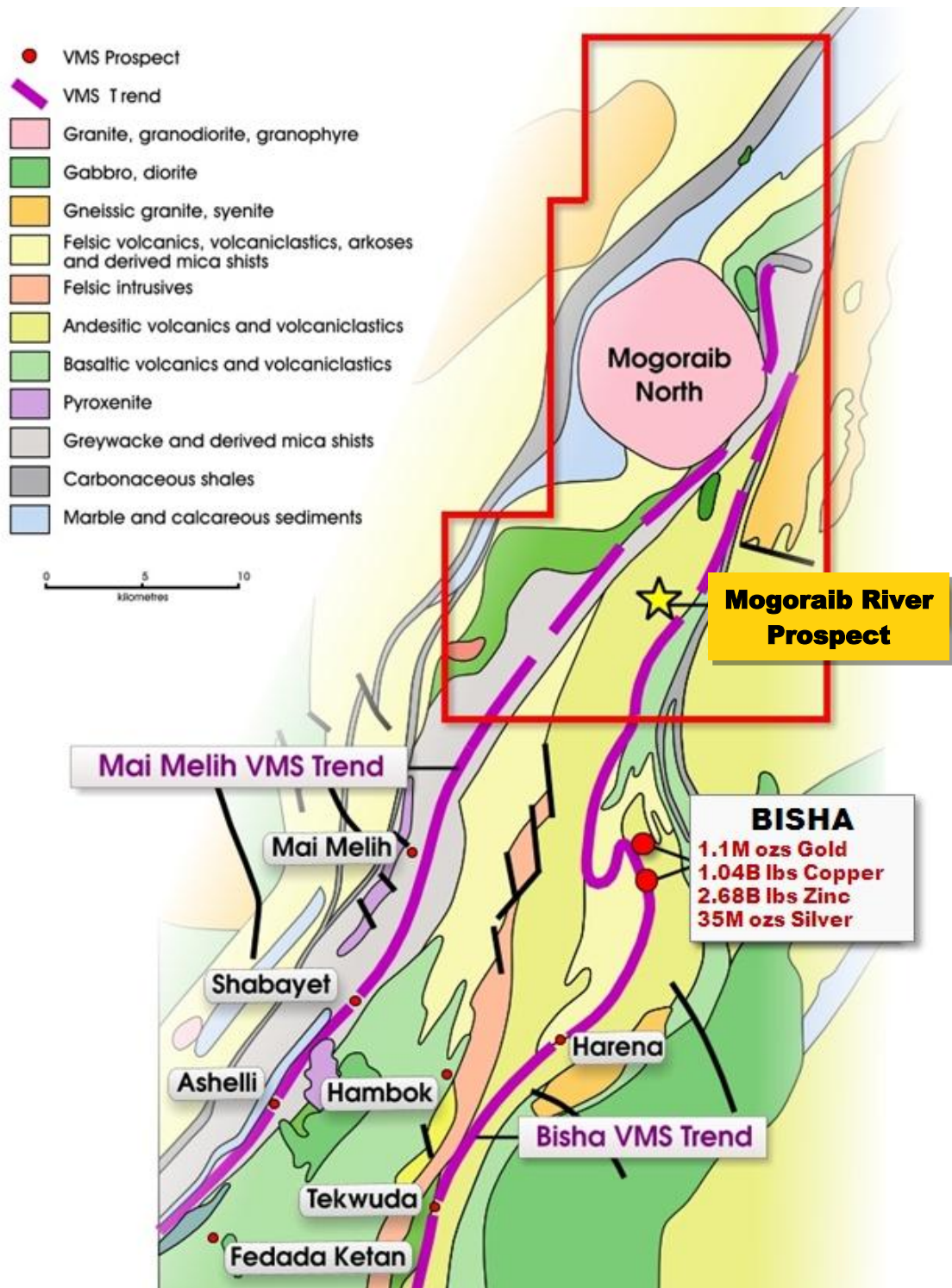


Figure 3: Mogoraib-Bisha regional geology showing location of Mogoraib River Prospect

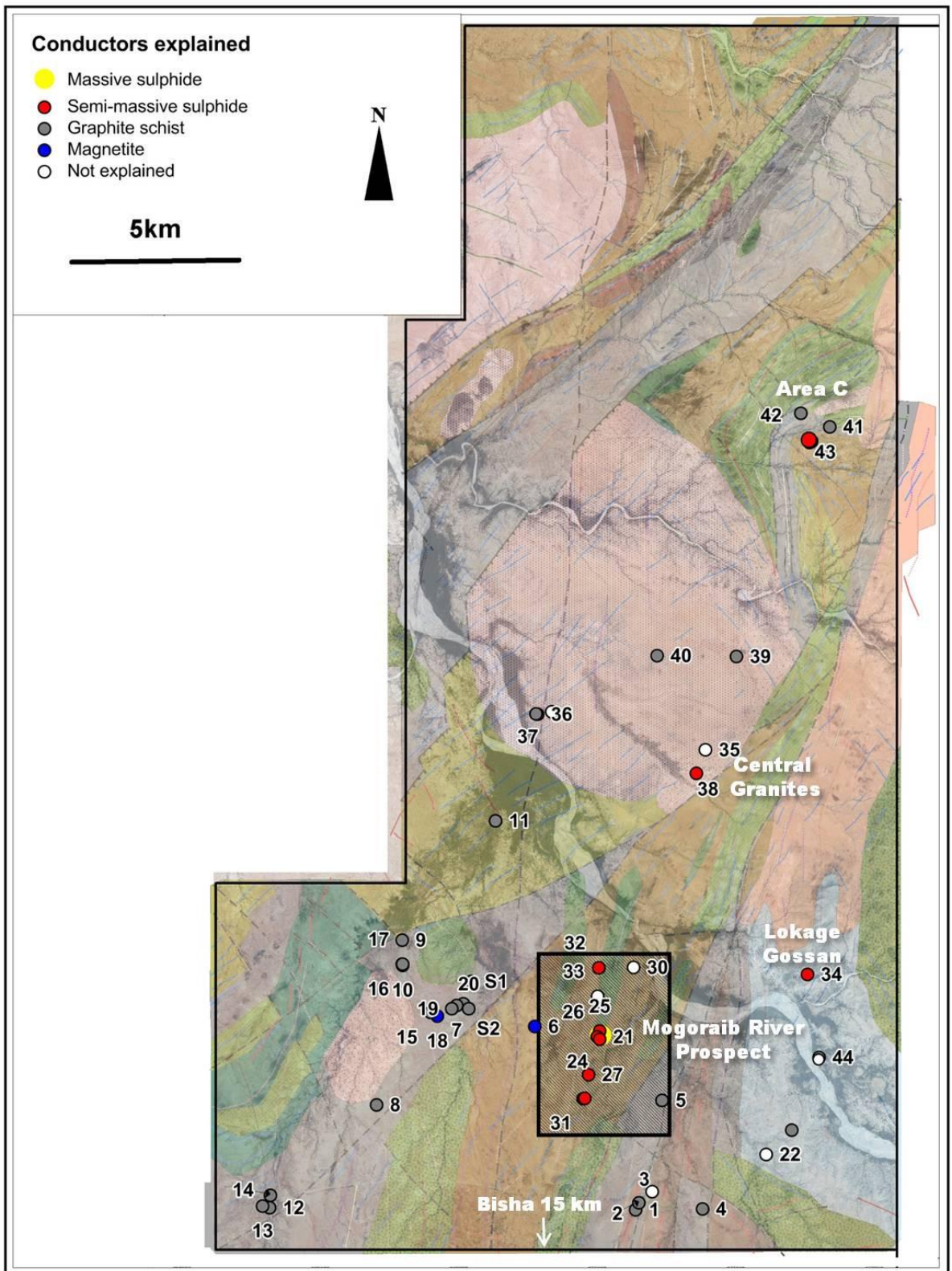


Figure 4: Geology of Mogoraib North tenement showing location of Mogoraib River Prospect and drilling completed to date

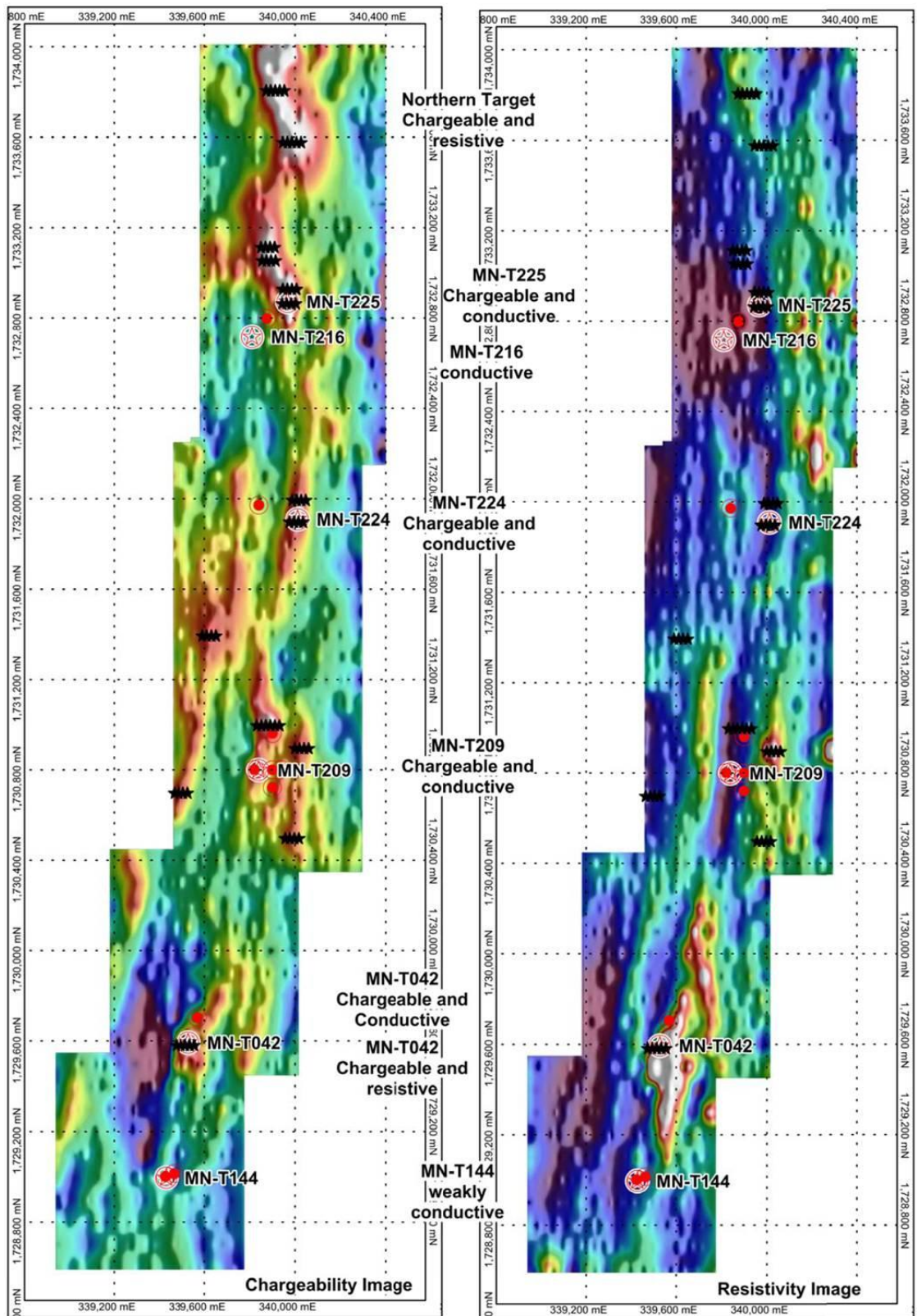


Figure 5: Mogoraib River Prospect – Gradient array IP chargeability and resistivity images. VTEM targets (MN series red stars), completed drillholes (red circles) and shallow chargeability targets (black stars)

Hole ID	Location	UTM Coordinates		Maximum assay per hole											
		East	North	From	To	Au g/t	From	To	Ag g/t	From	To	Cu %	From	To	Zn %
MOGD00001	Hashekito Gossan	340940	1725795	143	144	0.01	135	136	0.9	54	55	0.05	146	147	0.06
MOGD00002	Hashekito Gossan	341030	1725990	82	83	0.03	119	120	1	119	120	0.01	111	112	0.06
MOGD00006	West Mogoraib River	338025	1731090	229	230	0.01	222	223	<0.5	247	248	0.05	225	226	0.03
MOGD00007	Silver Anomaly	335760	1731700	189	190	0.04	224	225	21	216	217	0.02	213	214	0.08
MOGD00015	Silver Anomaly	335015	1731500	73	74	0.03	72	73	3.7	67	68	0.03	64	65	0.08
MOGD00020	Silver Anomaly	336110	1731605	116	117	0.04	78	79	1.6	97	98	0.17	99	100	0.06
MOGD00021	Mogoraib River	339900	1730799	155.5	156	0.76	156	156	11.5	149	150	1.78	155	156	2.86
MOGD00024	Mogoraib River	339940	1730800	217	218	0.87	207	208	6.7	207	208	0.59	216	217	0.63
MOGD00025	Mogoraib River	339900	1730960	127	128	0.05	128	129	10.3	128	129	0.25	128	129	1.08
MOGD00026	Mogoraib River	339820	1730800	27	27.5	0.02	26	27	22.2	41	42	0.04	22	23	0.02
MOGD00027	Mogoraib River	339569	1729703	56	57	0.03	54	55	1.5	50	51	0.21	55	56	0.02
MOGD00028	Mogoraib River	339425	1729000	98	99	0.19	98	99	10.6	98	99	0.79	95	96	0.93
MOGD00029	Mogoraib River	339900	1730720	171	172	1.08	171	172	10.4	171	172	0.82	168	169	2.01
MOGD00031	Mogoraib River	339465	1729012	146	147	0.03	146	147	3.9	146	147	0.26	146	147	0.67
MOGD00032	Mogoraib River	339875	1732796	90	91	0.02	91	92	7.9	91	92	0.05	91	92	2.13
MOGD00034	Lokage Gossan	345900	1732600	128.3	128.5	0.04	129	129	7.6	129	129	0.42	128	128	0.10
MOGD00036	Central Granite	338100	1740130	84	85	0.01	86	87	2.5	86	87	0.03	88	89	0.03
MOGD00038	Central Granite	342690	1738420	36	36.5	0.15	36	37	13.2	36	37	0.10	36	37	0.50
MOGD00040	Central Granite	341555	1741825	100	101	0.03	100	101	3	101	102	0.03	100	101	0.98
MOGD00041	Area C	346550	1748445	90	91	0.05	89	90	1.3	95	96	0.01	103	104	0.03
MOGD00043	Area C	346028	1748022	49	50	0.66	Assays awaited								

Note: Holes not listed in the sequence above lack visual sulphides and have not been assayed.

Table 1: Complete listing of significant assays – 2012 drilling at Mogoraib North

2. Capital Reduction and Return

Following shareholder approval at the Company's 2012 Annual General Meeting, the Company completed a capital return to shareholders, amounting to 10 cents per share and totalling approximately \$25 million.

Payment was made to shareholders registered at the close of business on 10 December 2012 (9 December 2012 for TSX shareholders). Chalice has received a Class Ruling from the Australian Taxation Office indicating that the proposed distribution will be treated as a return of capital.

Full details of the Class Ruling have been released to the ASX and on SEDAR in Canada.

3. Corporate

During the Quarter, the Company appointed experienced international mining and corporate executive Mr Bill Bent as Managing Director. Mr Bent will commence with the Company on 1 February 2013. Dr Jones will remain on the board in the role of Technical Director.

Chalice had approximately A\$53.6 million at 31 December 2012. Full details are available in the attached Appendix 5B.



DR DOUGLAS JONES
Managing Director

24 January 2013

For further information, please contact:

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Competent Persons and Qualified Person Statement

The information in this news release that relates to exploration results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Chartered Professional Geologist. Dr Jones 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 is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Dr Jones consents to the release of information in the form and context in which it appears here.

Forward Looking Statements

This document may contain forward-looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this document and Chalice Gold Mines Limited (the Company) does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law or regulation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the likelihood of exploration success, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

In certain cases, forward-looking statements can be identified by the use of words such as plans, expects or does not expect, is expected, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry, as well as those factors detailed from time to time in the Company's interim and annual financial statements, all of which are filed and available for review on SEDAR at sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements.

Sampling Procedures and Quality Assurance

Diamond drill core is logged and photographed prior to splitting with a core saw. One half of the core is retained on site whilst the other half is bagged and dispatched to the Africa Horn Preparation facility (a division of NATA-accredited Intertek-Genalysis Laboratories) in Asmara for crushing to -2mm and splitting. Certified reference materials (CRMs) are submitted with all sample batches at the rate of 1 per 20-25 routine samples. The CRM's inserted have values ranging from very low to high grade. The coarse reject is stored and the split sub-sample is pulverized to a nominal 95% passing -75 micron using an LM2 pulverizer.

The pulverized pulp is further split into two 100g to 150g sub-samples; a primary pulp sample is sent for analysis and a duplicate pulp sample is kept as a reference and the remaining fine (-75 micron) reject is stored. A quartz wash is pulverized between samples and is stored for random testing of preparation contamination.

The sample pulps are transported by air to NATA-accredited Intertek-Genalysis Laboratories in Perth Western Australia for assay. For drill core and RC samples used for resource analysis the majority of gold assaying is completed using a lead collection of 50g fire assay method with an atomic absorption spectroscopy (AAS) finish. Additional specified multi-element assays are carried out by ICP-OES on 25g sub-sample prepared using aqua regia digest. Bulk density determinations using water immersion method are carried out on every metre of core within expected mineralisation and every 10m within waste zones. QA/QC monitoring is applied to all drill core assays as per the protocols described above.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Chalice Gold Mines Limited

ABN

47 116 648 956

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	39	89
1.2 Payments for (a) exploration & evaluation	(1,696)	(2,444)
(b) development	-	-
(c) production	-	-
(d) administration	(853)	(1,569)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	159	1,048
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	(276)
Net Operating Cash Flows	(2,351)	(3,152)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(1,500)
(b) equity investments	-	-
(c) other fixed assets	(399)	(399)
1.9 Proceeds from sale of:		
(a) prospects	653	106,928
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	224	538
1.12 Other (provide details if material)	(2)	(26,055)
Net investing cash flows	476	79,512
1.13 Total operating and investing cash flows (carried forward)	(1,875)	76,360

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,875)	76,360
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	125	125
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(25,083)	(25,083)
	Net financing cash flows	(24,958)	(24,958)
	Net increase (decrease) in cash held	(26,833)	51,402
1.20	Cash at beginning of quarter/year to date	79,830	3,177
1.21	Exchange rate adjustments to item 1.20	574	(1,008)
1.22	Cash at end of quarter	53,571	53,571

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'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	139
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Item 1.8 (a) – includes the payment of \$1.5 million to Dragon Mining Limited following the agreement to set aside the trailing payment of \$4 million on delineation of a 1 million ounce Ore Reserve at the Zara Project.

Item 1.9 – represents the following inflows:

- a) final payment of approximately US\$31 million from the Eritrean National Mining Corporation (“ENAMCO”) for ENAMCO’s acquisition of a 30 percent interest in the Zara Project; and
- b) total proceeds of approximately US\$78 million from China SFECO Group (“SFECO”) for the acquisition of Chalice’s 60 percent in the Zara Gold Project.

Item 1.12 – represents the following outflows:

- a) Eritrean taxes paid in respect of the sale of Chalice’s 60 percent interest in the Zara Project to SFECO; and the sale of Chalice’s 30 percent interest in the Zara Project to ENAMCO; and
- b) costs associated with the sale of the Zara Project.

Item 1.19 – represents an equal capital return and reduction of 10 cents per share for every share held at the record date of 10 December 2012.

Item 1.23 – Amounts paid to related parties include remuneration (including bonuses), directors’ fees, consulting fees and reimbursements of out of pocket expenses to directors.

+ See chapter 19 for defined terms.

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

Nil

- 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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,800
4.2 Development	-
4.3 Production	-
4.4 Administration	700
Total	2,500

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	Previous quarter \$A'000
5.1 Cash on hand and at bank	52,957	78,263
5.2 Deposits at call	614	1,567
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	53,571	79,830

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Hurum Exploration Licence	Owned 60%	0%
6.2	Interests in mining tenements acquired or increased	Nil		

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	N/A
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A
7.3	+Ordinary securities	250,730,886	250,730,886	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	700,000 Nil	700,000 Nil	N/A N/A
7.5	+Convertible debt securities <i>(description)</i>	Nil	Nil	N/A

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil Nil	Nil Nil	N/A N/A	N/A N/A
7.7	Options (description and conversion factor)	500,000 1,250,000 1,250,000 187,500 187,500 375,000 750,000 100,000	Nil Nil Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> 0.10 0.25 0.35 0.45 0.55 0.65 0.35 0.35	<i>Expiry date</i> 31 July 2013 31 March 2014 31 March 2014 30 April 2014 30 April 2014 30 April 2014 14 September 2014 30 November 2014
7.8	Performance Rights Issued during quarter	200,000 Nil	Nil Nil	Nil N/A	1 October 2014 N/A
7.9	Exercised during quarter Options Performance Rights	500,000 200,000	Nil Nil	0.25 Nil	1 December 2012 1 October 2014
7.10	Expired during quarter	Nil	Nil	N/A	N/A
7.11	Debentures (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)	Nil	Nil		

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 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 24 January 2013

(Joint Company Secretary)

Print name: Leanne Forgione

+ See chapter 19 for defined terms.

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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