

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")

30 September 2012

Consolidated statement of cash flows

	Current quarter	Year to date
	\$A'000	(3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	50	50
1.2 Payments for		
(a) exploration & evaluation	(748)	(748)
(b) development	-	-
(c) production	-	-
(d) administration	(716)	(716)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	889	889
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(276)	(276)
Net Operating Cash Flows	(801)	(801)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(1,500)	(1,500)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	106,275	106,275
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	314	314
1.12 Other (provide details if material)	(26,053)	(26,053)
Net investing cash flows	79,036	79,036
1.13 Total operating and investing cash flows (carried forward)	78,235	78,235

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1.13	Total operating and investing cash flows (brought forward)	78,235	78,235
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	78,235	78,235
1.20	Cash at beginning of quarter/year to date	3,177	3,177
1.21	Exchange rate adjustments to item 1.20	(1,582)	(1,582)
1.22	Cash at end of quarter	79,830	79,830

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	369
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 1.7 – represents development costs incurred (in particular, costs associated with certain environmental approvals) prior to the sale of the Zara Project in Eritrea.

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

Non-cash financing and investing activities

+ See chapter 19 for defined terms.

- 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

Chalice has completed the sale of the Zara Gold Project in Eritrea to SFECO for a total of US\$80 million, which includes a deferred payment of US\$2 million upon commencement of commercial production at the Koka Gold Mine.

- 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	1,100
4.2 Development	-
4.3 Production	-
4.4 Administration	730
Total	1,830

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	78,263	2,319
5.2 Deposits at call	1,567	858
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	79,830	3,177

Changes in interests in mining tenements

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	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	Zara North Exploration License Zara South Exploration License Zara 1,2,3,4 Exploration Licenses Koka Mining License	Joint Venture Interest Joint Venture Interest Joint Venture Interest Joint Venture Interest	90% 90% 90% 90%	0% 0% 0% 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	Nil	Nil	Nil	Nil
7.2	N/A	N/A	N/A	N/A
7.3	250,030,886	250,030,886	N/A	N/A
7.4	Nil	Nil	N/A	N/A
7.5	Nil	Nil	N/A	N/A

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7.6	Changes during quarter				
	(a) Increases through issues	Nil	Nil	N/A	N/A
	(b) Decreases through securities matured, converted	Nil	Nil	N/A	N/A
7.7	Options (<i>description and conversion factor</i>)			<i>Exercise price</i>	<i>Expiry date</i>
		500,000	Nil	\$0.25	1 December 2012
		500,000	Nil	\$0.20	31 July 2013
		1,250,000	Nil	\$0.35	31 March 2014
		1,250,000	Nil	\$0.45	31 March 2014
		187,500	Nil	\$0.55	30 April 2014
		187,500	Nil	\$0.65	30 April 2014
		375,000	Nil	\$0.75	30 April 2014
		750,000	Nil	\$0.45	14 September 2014
		100,000	Nil	\$0.45	30 November 2014
	Performance Rights	400,000	Nil	Nil	1 October 2014
7.8	Issued during quarter:				
	Options	Nil	Nil	N/A	N/A
	Performance Rights	Nil	Nil	N/A	N/A
7.9	Exercised during quarter:				
	Options	Nil	Nil	N/A	N/A
	Performance Rights	Nil	Nil	N/A	N/A
7.10	Expired during quarter:				
	Options	2,500,000	Nil	0.50	30 November 2014
		750,000	Nil	0.50	1 September 2012
	Performance Rights	500,000	Nil	N/A	30 June 2015
7.11	Debentures (<i>totals only</i>)	Nil	Nil		
7.12	Unsecured notes (<i>totals only</i>)	Nil	Nil		

Compliance statement

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

Sign here:



Company secretary

Date: 24 October 2012

Print name:

Richard Hacker

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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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