CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

Half Year Report
31 December 2012

Contents

Your directors submit the financial report for Chalice Gold Mines Limited ('Chalice' or 'the Company') and its subsidiaries (together 'the Group') for the half year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Tim R B Goyder	Executive Chairman
William B Bent	Managing Director (appointed 1 February 2013)
Douglas A Jones	Technical Director
Stephen P Quin	Non-executive Director
Anthony W Kiernan	Non-executive Director

REVIEW OF OPERATIONS

1. Sale of the Zara Project, Eritrea

During the period, the Company completed the sale of its interest in the Zara Project in Eritrea to China SFECO Group ('SFECO') and the Eritrean National Mining Corporation ('ENAMCO'). The sale to SFECO was for a consideration of US$78 million plus a deferred payment of US$2 million upon commencement of commercial production at the Koka Gold Mine. The consideration for the sale by the Company to ENAMCO (for a 30% interest) was US$34 million.

The Company also discharged its residual contractual obligation (arising from the earlier purchase by the Company of Dragon's interest in the project) to Dragon Mining Limited by a payment of US$1.5 million.

2. Exploration in Eritrea

2.1 Mogoraib North Joint Venture (Chalice 60%: ENAMCO 40%)

The Mogoraib North Project is operated under a joint venture between Chalice and ENAMCO, where exploration expenditure is funded in accordance with each party's paid participating interest, being two thirds Chalice and one-third ENAMCO.

During the period, diamond drilling at the Mogoraib North Project intersected a zone of massive sulphides with highly anomalous copper and zinc values at Mogoraib River. 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.

The Company drilled a further nine widely spaced diamond drill holes testing further VTEM anomalies along the 6km long Mogoraib River trend, with all holes intersecting stringer, semi-massive or massive sulphides. Anomalous base and precious metal values were intersected in most of these holes. The wide spread occurrence of sulphides and the mineralogy intersected in drilling to date at Mogoraib River are suggestive of fringe mineralisation to a VMS system.

In December 2012 and early 2013, the Company completed further detailed geophysics. This work provided a more detailed picture of bedrock trends beneath the prevailing surficial cover and will greatly assist with targeting future drilling. Initial results have been encouraging with evidence of strong off-hole conductors in the vicinity of previous drilling. Further drilling at the Mogoraib North Project is planned to commence in late February 2013.

The Hurum exploration licence was relinquished during the period.

3. Corporate

3.1 Appointment of a new Managing Director

During the half year, the Company appointed Mr William (Bill) Bent as Managing Director with Mr Bent commencing on 1 February 2013. Mr Bent brings broad global experience having operated at the highest levels of the resources sector including corporate and operational management and strategy.

The previous Managing Director, Dr Jones, remains on the Company's Board as Technical Director, focusing on the geological and technical development of the Company.

3.2 Capital reduction and return

Following the completion of the sale of the Zara Project in September 2012, Chalice had approximately $81 million cash on hand. Following this, the Board reviewed the Company's capital management options and determined these funds exceeded the Company's current capital requirements, and resolved to return some of this capital to shareholders.

Shareholder approval was obtained at the Company's 2012 Annual General Meeting for a return of capital of 10 cents per share totalling approximately $25 million. Payment was made to shareholders registered on 10 December 2012 (9 December 2012 for TSX shareholders). Prior to the return of capital, the Company had received a Class Ruling from the Australian Taxation Office advising that the proposed distribution would be treated as a return of capital.

3.3 Business Development

Post completion of the capital return, at 31 December 2012, Chalice had cash of approximately $53.6 million. An experienced business development team has been formed to assess resource projects for acquisition.

EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in future periods.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

WILLIAM BENT
Managing Director

Dated at Perth this 6th day of March 2013

Competent Persons and Qualified Person Statement

The information in this report 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.

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.

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Chalice Gold Mines Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
6 March 2013

W M CLARK
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Chalice Gold Mines Limited

Condensed Statement of Comprehensive Income

For the half year ended 31 December 2012

	Note	Consolidated 31 December 2012 $	31 December 2011 $
Continuing Operations			
Other income	3 (a)	266,632	273,546
Impairment of financial assets		(219,312)	-
Impairment of exploration and evaluation assets		(821,515)	(126,431)
Exploration expenditures not capitalised		(80,806)	-
Corporate and administrative expenses	3 (b)	(1,768,765)	(1,550,747)
Foreign exchange loss		(962,283)	(102,440)
Depreciation and amortisation expense		(33,014)	(46,722)
Loss for the period from continuing operations before income tax		**(3,619,063)**	**(1,552,794)**
Income tax expense		-	-
Loss for the period from continuing operations		**(3,619,063)**	**(1,552,794)**
Discontinued operation			
Net profit/(loss) from discontinued operation	4 (a)	43,783,106	(197,970)
Profit/(loss) for the period from discontinued operation		**43,783,106**	**(197,970)**
Total profit/(loss) for the period		**40,164,043**	**(1,750,764)**
Attributable to:			
Owners of the parent		40,169,676	(1,730,967)
Non-controlling interests		(5,633)	(19,797)
		40,164,043	**(1,750,764)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale investments		10,000	(12,000)
Exchange differences on translation of foreign operations		(1,007,493)	2,236,378
Total other comprehensive income		**(997,493)**	**2,224,378**
Total comprehensive income for the period		**39,166,550**	**473,614**
Attributable to:			
Owners of the parent		39,172,183	493,411
Non-controlling interests		(5,633)	(19,797)
		39,166,550	**473,614**
Basic and diluted loss per share from continuing operations (cents)		(1.4)	(0.6)
Basic and diluted earnings/(loss) per share from discontinued operation (cents)		17.5	(0.1)
Basic and diluted earnings/(loss) per share from continuing and discontinued operations (cents)		16.1	(0.7)

Chalice Gold Mines Limited
Condensed Statement of Financial Position
As at 31 December 2012

	Note	Consolidated 31 December 2012 $	30 June 2012 $
Current assets			
Cash and cash equivalents		53,570,819	3,074,530
Trade and other receivables		598,076	486,635
Assets held for sale – Zara Project	4	-	48,483,409
Total current assets		**54,168,895**	**52,044,574**
Non-current assets			
Financial assets		655,683	862,640
Exploration and evaluation assets		3,379,551	2,482,857
Property, plant and equipment		681,057	275,419
Total non-current assets		**4,716,291**	**3,620,916**
Total assets		**58,885,186**	**55,665,490**
Current liabilities			
Trade and other payables		1,108,697	859,855
Unearned income		-	2,979,441
Employee benefits		92,265	93,883
Liabilities held for sale – Zara Project	4	-	4,670,319
Total current liabilities		**1,200,962**	**8,603,498**
Non-current Liabilities			
Other		35,591	25,463
Total non-current liabilities		**35,591**	**25,463**
Total liabilities		**1,236,553**	**8,628,961**
Net assets		**57,648,633**	**47,036,529**
Equity			
Share capital	5	39,242,530	64,200,112
Retained earnings/(Accumulated losses)		21,137,939	(16,202,389)
Reserves		(2,731,836)	(4,636,037)
Total equity attributable to the owners of the parent		**57,648,633**	**43,361,686**
Non-controlling interests		-	**3,674,843**
Total equity		**57,648,633**	**47,036,529**

.

Chalice Gold Mines Limited

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2012

		Consolidated								
	Note	Issued capital	Retained earnings/(accumulated losses)	Share based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Non-controlling interest reserve	Attributable to owners of the parent	Non-controlling interest	Total
		$	$	$	$	$	$	$	$	$
Balance at 30 June 2012		**64,200,112**	**(16,202,389)**	**2,244,581**	**(20,000)**	**(3,144,126)**	**(3,716,492)**	**43,361,686**	**3,674,843**	**47,036,529**
Revaluation of available for sale investments		-	-	-	10,000	-	-	10,000	-	10,000
Exchanges differences on translation of foreign operations		-	-	-	-	(1,007,493)	-	(1,007,493)	-	(1,007,493)
Profit for the period		-	40,169,676	-	-	-	-	40,169,676	(5,633)	40,164,043
Total comprehensive income for the period		-	**40,169,676**	-	**10,000**	**(1,007,493)**	-	**39,172,183**	**(5,633)**	**39,166,550**
Capital return (net of transaction costs)		(25,082,582)	-	-	-	-	-	(25,082,582)	-	(25,082,582)
Exercise of share options		125,000	-	-	-	-	-	125,000	-	125,000
Share based payments		-	-	72,346	-	-	-	72,346	-	72,346
Transfers between equity items		-	(2,829,348)	(887,144)	-	-	3,716,492	-	-	-
Reversal of non- controlling interest on disposal of subsidiary	4 (b)	-	-	-	-	-	-	-	(3,669,210)	(3,669,210)
Balance at 31 December 2012	**5**	**39,242,530**	**21,137,939**	**1,429,783**	**(10,000)**	**(4,151,619)**	**-**	**57,648,633**	**-**	**57,648,633**
Balance at 30 June 2011		64,200,112	(12,108,824)	2,029,301	14,000	(5,706,708)	-	48,427,881	-	48,427,881
Revaluation of available for sale investments		-	-	-	(12,000)	-	-	(12,000)	-	(12,000)
Exchanges differences on translation of foreign operations		-	-	-	-	2,236,378	-	2,236,378	-	2,236,378
Loss for the period		-	(1,730,967)	-	-	-	-	(1,730,967)	(19,797)	(1,750,764)
Total comprehensive income for the period		-	(1,730,967)	-	(12,000)	2,236,378	-	493,411	(19,797)	473,614
Share based payments		-	-	94,998	-	-	-	94,998	-	94,998
Recognition of non- controlling interest on incorporation of subsidiary		-	-	-	-	-	(3,760,318)	(3,760,318)	3,760,318	-
Balance at 31 December 2011	**5**	**64,200,112**	**(13,839,791)**	**2,124,299**	**2,000**	**(3,470,330)**	**(3,760,318)**	**45,255,972**	**3,740,521**	**48,996,493**

The accompanying notes form part of the financial statements

Chalice Gold Mines Limited
Condensed Statement of Cash Flows
For the half year ended 31 December 2012

	Note	Consolidated 31 December 2012 $	31 December 2011 $
Cash flows from operating activities			
Cash receipts from operations		88,672	104,331
Cash paid to suppliers and employees		(1,431,719)	(1,456,522)
Interest received		173,312	200,181
Net cash used in operating activities		**(1,169,735)**	**(1,152,010)**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(2,443,894)	(5,529,034)
Share of joint venture cash calls		538,092	-
Acquisition of property, plant and equipment		(689,611)	(1,179,841)
Repayment of loan by non-controlling interests		-	1,082,358
Proceeds from sale of exploration and evaluation assets		53,434	-
Net proceeds from disposal of subsidiary	**4 (c)**	79,997,111	-
Net cash from/(used in) investing activities		**77,455,132**	**(5,626,517)**
Cash flows from financing activities			
Payment of capital return	**5**	(25,079,476)	-
Payments for capital return costs		(3,106)	-
Options exercised		125,000	-
Net cash from financing activities		**(24,957,582)**	**-**
Net decrease in cash and cash equivalents		51,327,815	(6,778,527)
Cash and cash equivalents at the beginning of the period		3,177,131	10,193,836
Effects of exchange rate fluctuations on cash held		(934,127)	92,478
Cash and cash equivalents at the end of the financial period		**53,570,819**	**3,507,787**

The accompanying notes form part of the financial statements

1. Significant accounting policies

(a) Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Chalice Gold Mines Limited ('Chalice' or 'the Group') and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the rules of the Australian Securities Exchange and the Toronto Stock Exchange.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

(c) Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

(d) Adoption of new and revised Accounting Standards

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2012. The directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2012.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2012. As a result of these reviews the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the company and, therefore, no change is necessary to the Group's accounting policies.

2. Segment Reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the allocation of costs; whether they are corporate related costs, exploration costs or mine development costs. Results of these segments are reported to the Board of Directors on a monthly basis. Exploration and mine development expenditure is reflected as a segment which occurs in one geographical area – Eritrea.

	Exploration and Evaluation		**Corporate**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**	**$**	**$**
Other Income	-	-	88,627	112,347	88,627	112,347
Corporate and administrative expenses	-	-	(1,768,765)	(1,550,747)	(1,768,765)	(1,550,747)
Depreciation and amortisation	-	-	(33,014)	(46,722)	(33,014)	(46,722)
Exploration expenditures not capitalised	(80,806)	-	-	-	(80,806)	-
Impairment of exploration and evaluation assets	(821,515)	(126,431)	-	-	(821,515)	(126,431)
Segment loss before tax	**(902,321)**	**(126,431)**	**(1,713,152)**	**(1,485,122)**	**(2,615,473)**	**(1,809,523)**
Unallocated income/(expenses)						
Net financing income					178,005	161,199
Net profit/(loss) from discontinued operation					43,783,106	(197,970)
Foreign exchange loss					(962,283)	(102,440)
Impairment of financial assets					(219,312)	-
Total profit/(loss) for the period					**40,164,043**	**(1,750,764)**

	Exploration and Evaluation		Corporate		Total	
	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012
	$	$	$	$	$	$
Segment assets:						
Exploration and evaluation assets	3,379,551	2,482,857	-	-	3,379,551	2,482,857
Other	1,035,740	371,349	466,458	390,705	1,502,198	762,054
	4,415,291	**2,854,206**	**466,458**	**390,705**	**4,881,749**	**3,244,911**
Unallocated assets					54,003,437	3,937,170
Assets held for sale					-	48,483,409
Total assets					**58,885,186**	**55,665,490**
Segment Liabilities	**(762,611)**	**(3,544,485)**	**(473,942)**	**(414,157)**	**(1,236,553)**	**(3,958,642)**
Liabilities held for sale					-	(4,670,319)
Total liabilities					**(1,236,553)**	**(8,628,961)**

3. Revenue and expenses

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

(a) Other Income

	2012 $	2011 $
Corporate and administration service fees	88,627	112,347
Net finance income	178,005	161,199
	266,632	**273,546**

(b) Corporate and administrative expenses

	2012 $	2011 $
Insurance	31,458	52,508
Travel Costs	50,700	128,342
Business development costs	257,131	-
Legal fees	55,542	110,777
Head office costs	228,397	118,563
Personnel expenses	844,803	770,835
Regulatory and compliance	145,062	180,542
Consultants	6,150	83,462
Other	149,522	105,718
	1,768,765	**1,550,747**

4. Sale of the Zara Project in Eritrea

On 4 September 2012, Chalice completed the sale of the Zara Project in Eritrea to China SFECO Group and the Eritrean National Mining Corporation ("ENAMCO"). The Company sold its 60 per cent interest in the Zara Project to China SFECO Group for US$78 million plus a deferred consideration of US$2 million which is payable upon commencement of first commercial production at the Koka Gold Mine. In addition, the sale of Chalice's 30 per cent interest (plus a 10 per cent free carried interest) to the Eritrean National Mining Corporation ('ENAMCO') for US$34 million was settled. All associated profit taxes in Eritrea on both the China SFECO Group transaction and the ENAMCO transaction were paid.

At 30 June 2012, the Zara Project was classified as a discontinued operation and an asset held for sale. Following completion of the sale, the profit on disposal was realised as presented below:

(a) Consideration received

	2012 $	2011 $
Proceeds from sale – China SFECO Group	76,778,453	-
Proceeds from sale – Eritrean National Mining Corporation	30,090,898	-
Interim payment received – Eritrean National Mining Corporation[(1)]	2,924,780	-
Funds held in escrow – China SFECO Group[(2)]	151,121	-
Funds outstanding – Eritrean National Mining Corporation	115,689	-
Interest on sale – Eritrean National Mining Corporation	873,882	-
Total disposal consideration	**110,934,823**	-
Less:		
Net assets disposed of – Zara Project (refer 4 (b))	(39,404,476)	-
Transaction costs	(697,112)	-
Contract termination payment – Dragon Mining Limited	(1,500,000)	-
Gain on disposal before income tax	**69,333,235**	**-**
Income tax expense[(3)]	(25,493,802)	-
Gain on disposal after tax	**43,839,433**	**-**
Share of net loss on subsidiary up to date of disposal (Depreciation)	(56,327)	(197,970)
Net profit/(loss) from discontinued operation	**43,783,106**	**(197,970)**

[(1)]On 27 January 2012, Chalice received US$3 million from ENAMCO as an interim payment for ENAMCO's acquisition of a 30 per cent interest in the Zara Project.

[(2)]Represents funds held in escrow to be released upon receipt of Eritrean Government environmental approvals.

[(3)]Income tax expense represents the profits taxes settled with the Eritrean Government as a result of the sale of Company's interest in the Zara Project.

(b) Net assets at date of sale

The carrying amount of assets and liabilities as at the date of sale were

	2012 $
Cash at bank	55,208
Trade and other receivables	145,998
Property, plant and equipment	33,232,839
Exploration and evaluation expenditure	13,727,618
Total assets	**47,161,663**
Trade and other payables	57,058
Loans and borrowings	4,030,919
Total liabilities	**4,087,977**
Net assets	**43,073,686**
Less minority interest	(3,669,210)
Total net assets of subsidiary	**39,404,476**

(c) Net cash inflow on disposal

The cash inflow on disposal is as follows:	
Total consideration on disposal	110,934,823
Less:	
Interim funds received	(2,924,780)
Funds held in escrow and outstanding	(266,810)
Net cash outflows	(27,690,914)
Net cash disposed of	(55,208)
Net cash inflow on disposal (refer statement of cash flows)	**79,997,111**

5. Issued capital

	31 December 2012 $	30 June 2012 $
(a) Issued and fully paid ordinary shares	39,242,530	64,200,112

	No.	$
Movements in ordinary shares on issue:		
At 1 July 2012	250,030,886	64,200,112
Exercise of options	500,000	125,000
Performance rights vested	200,000	-
Capital return[(1)]	-	(25,082,582)
At 31 December 2012	**250,730,886**	**39,242,530**

[(1)]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. Payment was made to shareholders registered at the close of business on 10 December 2012.

(b) Share options

	No.
Movements in options over ordinary shares on issue:	
At 1 July 2012	8,350,000
Options exercised	(500,000)
Options cancelled or forfeited	(3,250,000)
At 31 December 2012	**4,600,000**

(c) Performance rights

	No.
Movements in performance rights:	
At 1 July 2012	400,000
Performance rights vested	(200,000)
At 31 December 2012	200,000

6. Commitments and contingencies

Exploration expenditure commitments

At 30 June 2012, the Company disclosed exploration commitments (note 21) of $945,273 which related to the Hurum exploration licence in Eritrea. During the period, the Hurum exploration licence was relinquished; hence the explorations commitments reported at 30 June 2012 are no longer required to be met.

Contingent liability

In the 30 June 2012 Annual Report (note 21) a contingent liability was disclosed in relation to the agreement between the Company and Dragon Mining Limited (‘Dragon’) to set aside the trailing payment of $4 million in consideration for an up-front payment of $1.5 million. This payment was subject to the completion of Chalice’s sale of the Zara Project to China SFECO Group.

On 11 September 2012, Chalice paid Dragon $1.5 million following completion of the sale of the Zara Project to China SFECO Group. This discharged the Company’s residual contractual obligation (arising from the earlier purchase by the Company of Dragon’s interest in the project) to Dragon Mining Limited.

Contingent asset

On 27 April 2012, Chalice agreed to sell a 60 per cent interest in the Zara Project to China SFECO Group for US$78 million plus deferred consideration of US$2 million contingent upon the achievement of first gold pour at the Koka Gold Mine in Eritrea. The deferred payment has not been recorded as income in the financial statements as it is contingent upon the outcome of a possible future event.

7. Related parties

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards. Key management personnel received total compensation of $1,064,494 for the six months ended 31 December 2012 (six months ended 31 December 2011: $945,482).

Other related parties transactions

The Group used the consulting services of Mr Anthony Kiernan during the six months ended 31 December 2012. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. The total amount paid during the period was $202,000 (six months ended 31 December 2011:$62,000). No amounts were outstanding or payable at the end of the period.

8. Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in future periods.

Chalice Gold Mines Limited
Directors’ Declaration
For the half year ended 31 December 2012

In the opinion of the directors of Chalice Gold Mines Limited (‘the company’):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Group’s financial position as at 31 December 2012 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dated this 6th day of March 2013

WILLIAM BENT
Managing Director

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Chalice Gold Mines Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Chalice Gold Mines Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2012, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Chalice Gold Mines Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

WMClark

Perth, Western Australia
6 March 2013

W M CLARK
Partner