

ASX Announcement

March 2013 Quarterly Report

Drilling resumes at Mogoraib North VMS prospect; Business Development activities gather momentum

Highlights:

- **Drilling re-commences at Mogoraib River prospect in Eritrea, East Africa, within a +6km strike length of prospective VMS trend where there is potential for a significant VMS system.**
- **With cash reserves of A\$51.3M, Chalice is actively targeting high quality gold and copper resource projects worldwide, to lay the foundations for its next growth chapter.**

Overview:

The March 2013 Quarter has seen the resumption of exploration drilling at the Company's Mogoraib North Project in Eritrea, East Africa (Chalice – 60%; Eritrean National Mining Corporation (ENAMCO) – 40%) to define the scale and potential of the Volcanogenic Massive Sulphide ("VMS") mineralisation intersected late last year.

In addition, there has been a significant focus on business development activities targeting advanced exploration or development-stage opportunities which, through access to Chalice's funding and technical capability, have the potential to create significant shareholder value.

The Board is considering most jurisdictions with a preference for gold and copper assets, although other commodities are being considered on a case-by-case basis.

1. Mogoraib North Project

Drilling re-commenced during the Quarter at the Mogoraib River Prospect, located within the Company's Mogoraib North Project, where drilling late last year intersected several zones of massive pyritic sulphides with highly anomalous copper and zinc values.

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 1*).

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.

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Since the start of the new drilling program in early March, the Company has completed a further six diamond core holes for 1,701 metres, focused on the 6km strike length of the Mogoraib River trend.

The drilling has been guided by data from the program of Fixed-loop and Down-Hole EM (DHEM) surveys which commenced in late 2012 designed to better define the sulphide conductors identified by the VTEM survey.

All holes drilled so far within the Mogoraib River trend have intersected sulphides at the interpreted EM conductor depths. As with the previously reported intersections (*see ASX Announcement – 21 November 2012*), the sulphides intersected in the latest round of 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 minor chalcopyrite and sphalerite.

Individual semi-massive to massive sulphide units from 0.5 to 3.5m in width occur within broader envelopes of disseminated and stringer sulphides associated with intense alteration of the host volcanics.

Assays from this drilling are still pending, with results expected in late April.

The program of Fixed-loop and Down-Hole EM surveys continued throughout the period, covering most of the Mogoraib River trend as well as all accessible holes within this trend. The surveys were then extended to regional targets, including the Central Granite zone where 2012 drilling identified semi-massive sulphides within roof-pendants of volcanics within the intrusive.

The coverage achieved by the FLTEM and DHEM surveys is shown in Figures 2 & 3. The EM surveys have been supplemented by detailed geological mapping and petrographic studies which will assist in the ongoing interpretation of the geophysical and drilling results.

2. Corporate

Chalice's cash reserves were A\$51.3 million as at 31 March 2013. Full details are available in the attached Appendix 5B.



BILL BENT
Managing Director

16 April 2013

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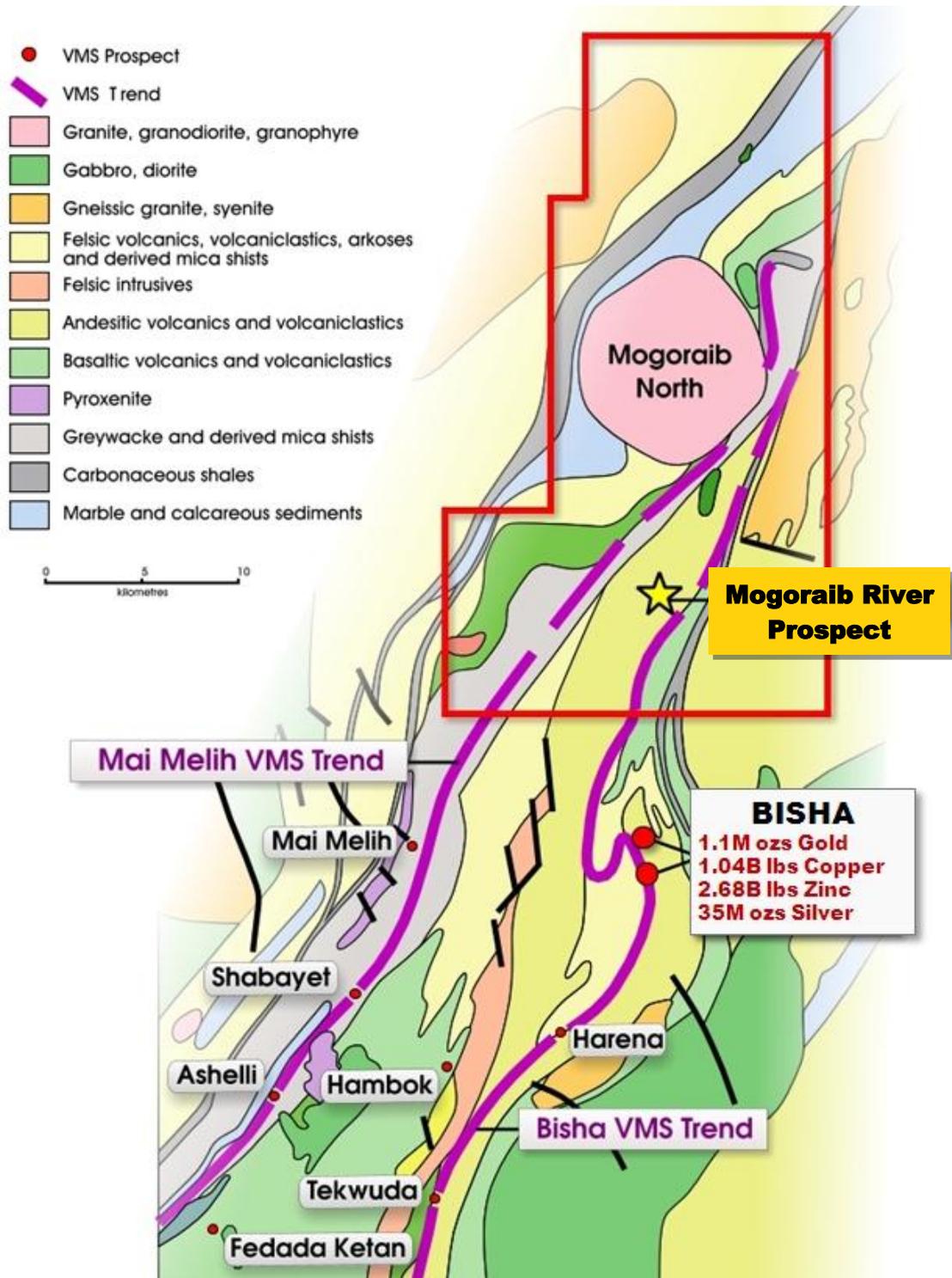


Figure 1: Mogoraib-Bisha regional geology showing location of Mogoraib River Prospect

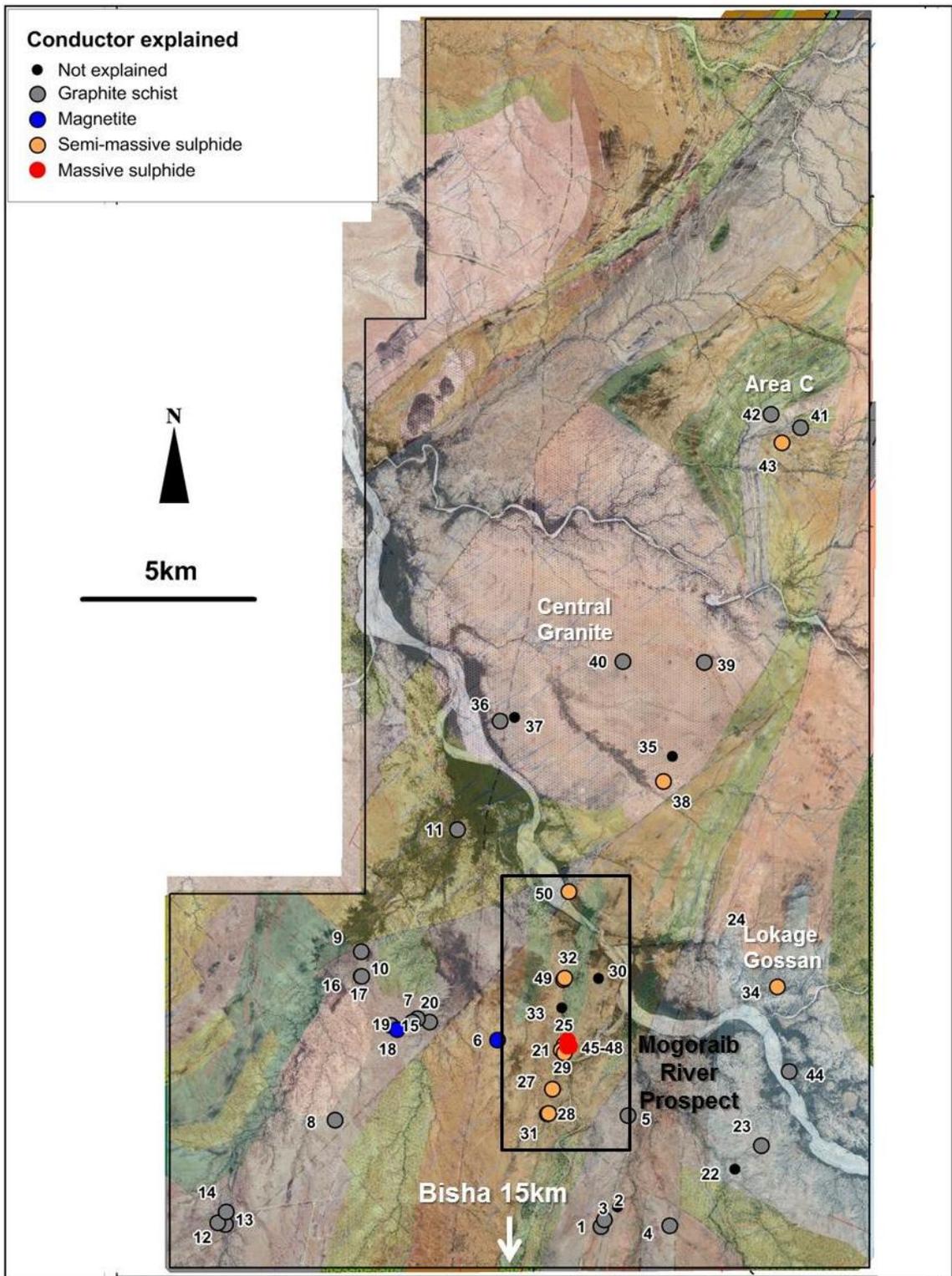


Figure 2: Geology of Mogoraib North tenement showing location of Mogoraib River Prospect and drilling completed to date

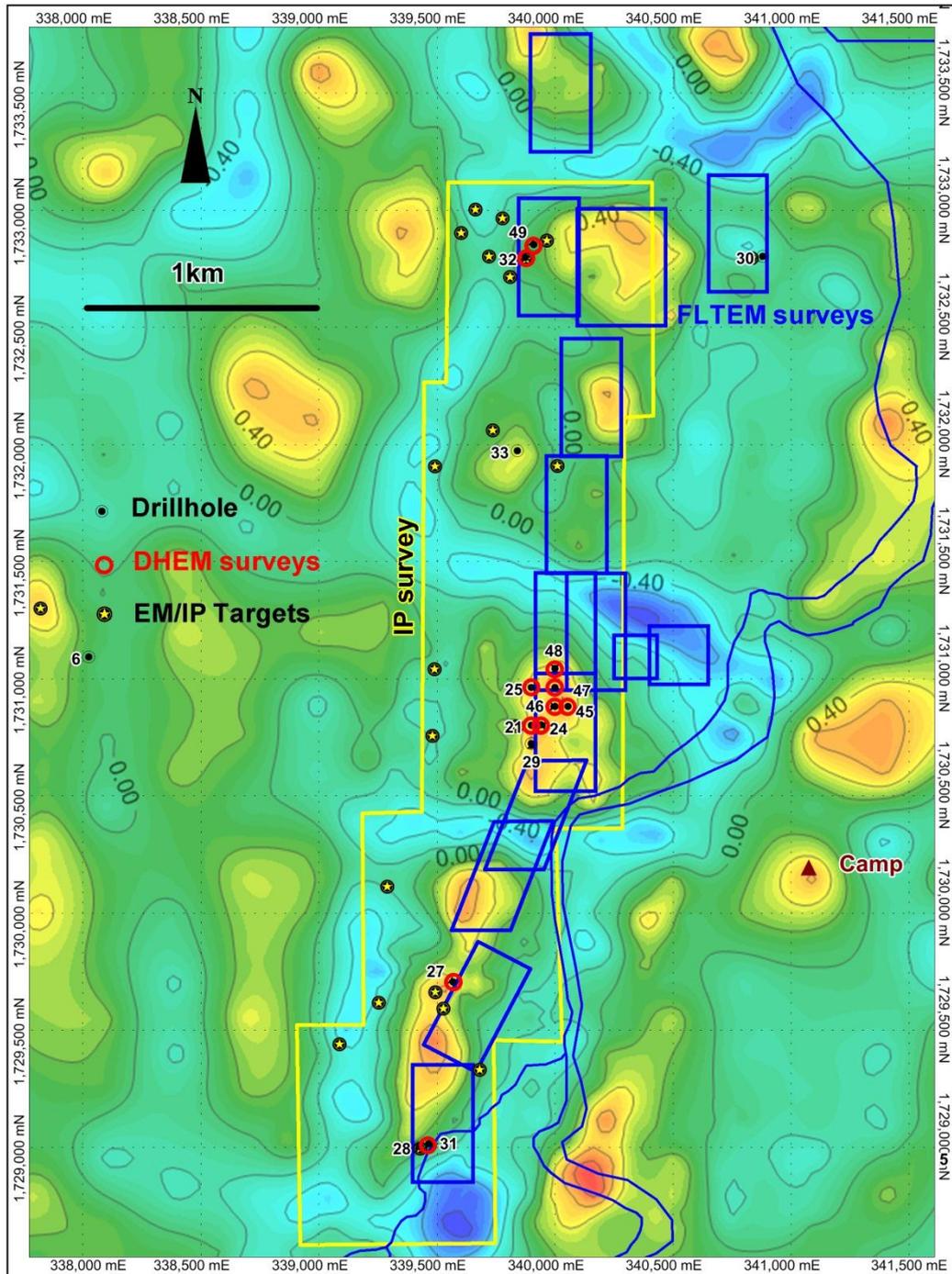


Figure 3: Mogoraib River Prospect – Gravity image showing IP, ground EM (FLTEM) grids, down-hole EM (DHTEM) and completed drill-holes (numbered black circles)

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 March 2013

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	36	125
1.2 Payments for (a) exploration & evaluation	(978)	(3,422)
(b) development	-	-
(c) production	-	-
(d) administration	(548)	(2,117)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	1,058
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	(1,480)	(4,632)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(1,500)
(b) equity investments	-	-
(c) other fixed assets	(27)	(426)
1.9 Proceeds from sale of:		
(a) prospects	151	107,079
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	198	736
1.12 Other:		
(a) costs associated with the sale of the Zara Project	(161)	(26,216)
(b) business development costs	(399)	(399)
Net investing cash flows	(238)	79,274
1.13 Total operating and investing cash flows (carried forward)	(1,718)	74,642

+ See chapter 19 for defined terms.

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Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,718)	74,642
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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)
	Net financing cash flows	-	(24,958)
	Net increase (decrease) in cash held	(1,718)	49,684
1.20	Cash at beginning of quarter/year to date	53,571	3,177
1.21	Exchange rate adjustments to item 1.20	(587)	(1,595)
1.22	Cash at end of quarter	51,266	51,266

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'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	178
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(a) – 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	1,400
4.2 Development	-
4.3 Production	-
4.4 Administration	600
Total	2,000

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	51,266	52,957
5.2 Deposits at call	-	614
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	51,266	53,571

+ 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	Nil		
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	Nil Nil	Nil Nil	N/A N/A
7.5	+Convertible debt securities <i>(description)</i>	Nil	Nil	N/A

+ See chapter 19 for defined terms.

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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	Options Exercised during quarter	Nil	Nil	Nil	N/A
	Performance Rights	Nil	Nil	Nil	N/A
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: 16 March 2013

(Join 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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