

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 2012

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	42	146
1.2 Payments for (a) exploration & evaluation	(1,037)	(6,632)
(b) development	(597)	(1,464)
(c) production	-	-
(d) administration	(863)	(2,382)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	51	251
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - GST	11	73
Net Operating Cash Flows	(2,393)	(10,008)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(110)	(356)
1.9 Proceeds from sale of: (a) prospects	2,895	2,895
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	1,051	2,133
1.12 Other (provide details if material)	(167)	(167)
Net investing cash flows	3,669	4,505
1.13 Total operating and investing cash flows (carried forward)	1,276	(5,503)

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	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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	1,276	(5,503)
1.20	Cash at beginning of quarter/year to date	3,508	10,194
1.21	Exchange rate adjustments to item 1.20	(34)	59
1.22	Cash at end of quarter	4,750	4,750

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
1.2	Aggregate amount of payments to the parties included in item 1.2	173
1.2	Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Item 1.9(a) – Represents an interim payment of US\$3 million from ENAMCO for ENAMCO’s acquisition of a 30 per cent interest in the Zara Gold Project in Eritrea. The balance of ~US\$31 million (including reimbursement of certain costs) is payable on completion of the sale to China SFECO Group.

Item 1.11 – Relates to the contribution received from the Eritrean National Mining Corporation (“ENAMCO”) for funds owed to Zara Mining Share Company for exploration and development of the Zara Project in Eritrea (see 2.1 below).

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

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

Under the terms of the Shareholders Agreement between Chalice and ENAMCO, as at 31 December 2011, ENAMCO are required to contribute ~US\$4.0 million towards exploration and development costs at the Zara Project to bring them in line with their contribution obligations given that Chalice has been funding the project since 1 April 2011. After period end and until the date of this report, ENAMCO have contributed ~US\$2.2 million and will continue to be the sole contributor until such time as they have met their share of pro-rata costs since 1 April 2011. After ENAMCO have contributed ~US\$4.0 million, both Chalice and ENAMCO will revert to funding the Zara Project on a two-thirds/one-third basis (or until completion of the proposed sale of the Zara Project to China SFECO Group).

+ See chapter 19 for defined terms.

- 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	1,147
4.2 Development	253
4.3 Production	-
4.4 Administration	878
Total	2,278

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	3,702	1,975
5.2 Deposits at call	1,048	1,533
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,750	3,508

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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	Nil
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	250,030,886	250,030,886	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil	Nil	N/A
7.5	+Convertible debt securities <i>(description)</i>	Nil	Nil	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil	N/A

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7.7	Options (<i>description and conversion factor</i>)	500,000	Nil	Exercise price \$0.25	Expiry date 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		
		750,000	Nil	\$0.50	1 September 2012		
		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		
		2,500,000	Nil	\$0.50	30 November 2014		
		100,000	Nil	\$0.45	30 November 2014		
			Performance Rights	500,000	Nil	Nil	30 June 2015
				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	Nil	Nil	N/A	N/A		
7.10	Expired during quarter: Options	1,000,000	Nil	\$0.36	31 March 2012		
		500,000	Nil	\$0.40	31 March 2014		
	Performance Rights	750,000	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

- 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: 26 April 2012
Joint Company Secretary

Print name: Leanne Forgione

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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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