CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

Half Year Report
31 December 2013

Contents

Contents	Page

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 2013. 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
Douglas A Jones	Executive Director
Stephen P Quin	Non-executive Director
Anthony W Kiernan	Non-executive Director

REVIEW OF OPERATIONS

1. Overview

During the period Chalice Gold Mines Limited continued to progress its business development strategy, targeting advanced exploration or development stage opportunities which, through access to the Company's funding and technical capability, have the potential to create significant shareholder value.

Chalice will focus on quality assets preferably with access to good infrastructure and, importantly, with the potential for low operating costs. During the period, Chalice, subject to certain conditions, agreed to acquire the Cameron Gold Camp Project (the "Cameron Project") in Ontario, Canada from Coventry Resources Inc. ("Coventry") (see commentary on the Coventry Transaction below). The Cameron Project meets many of the Company's selection criteria with good open pit grades, no known metallurgical issues, access to excellent infrastructure (including low cost grid power) as well as being located in a mature, low-risk mining jurisdiction.

2. Coventry Transaction

On 1 November 2013 Chalice agreed to acquire the Cameron Project from Coventry, subject to the satisfaction of certain conditions, for a consideration of 46 million Chalice shares which were to be distributed directly to Coventry shareholders on a pro rata basis.

The transaction was approved by Coventry shareholders on 21 January 2014 and the Supreme Court of British Columbia on 24 January 2014.

Following satisfaction of all conditions precedent, Chalice issued 46 million shares on 4 February 2014 with despatch of the Chalice holding statements to Coventry shareholders on 7 February 2014.

3. Cameron Project Outlook

Chalice considers there is potential to enhance the economics of the Cameron Project by expanding the mineral resource with potential to be mined via an open pit and delaying development of an underground mine to later in the project life. Chalice's immediate focus for the Cameron Project will be on exploration within a 5 km radius of the existing Cameron resource.

Planning has commenced for two phases of drilling at the Cameron Project during 2014, along with critical First Nations and community consultations. Development and project approval work scopes will progress in parallel with the field programs to ensure that the Company is well positioned to advance the project in the event a decision is made to proceed with a feasibility study or development.

4. GeoCrystal Limited (10.1%) – Webb Diamond Project

In September 2013, Chalice subscribed to 3,333,333 shares and 3,333,333 free attaching options in unlisted public company GeoCrystal Limited at an issue price of $0.15 ($500,000) per share, giving Chalice a 10.1 per cent interest. . The options are exercisable at $0.20 each and expire 30 September 2015.

In addition, Chalice has an option to acquire a further 2.1 million shares at $0.20 per share on or before 29 March 2014, which if exercised would increase Chalice's stake to 19.9 per cent on a fully diluted basis. Chalice has also a conditional first right of refusal on future financings until its stake has reached 51 per cent of GeoCrystal.

During the period, the funds contributed by Chalice were used primarily to fund loam sampling across the entire field and air-core drill testing of magnetic and/or EM anomalies at the Webb Diamond Project, located in the Gibson Desert. This included detailed analysis of the mineral chemistry of diamond indicator minerals.

5. Uranium Equities Limited – Oodnadatta and Marla Joint Venture

During the period, Chalice entered into a joint venture agreement with ASX-listed Uranium Equities Limited giving Chalice the right to earn up to 70% of both the Oodnadatta and Marla Projects in South Australia, by funding $5.5 million in exploration expenditure. Chalice has the right to earn an initial 51 per cent by sole funding $2.5 million. There is no minimum spend required before withdrawal.

Drilling commenced at the Marla project in November 2013, and consisted of combined rotary mud and diamond drilling testing of priority iron oxide-copper-gold-uranium (IOCGU) drill targets. A ground gravity survey over the Oodnadatta project is planned to occur early 2014.

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

During the period statutory technical and expenditure reports were compiled at the Mogoraib North Project.

The results of previous drilling confirm the presence of a new VMS system with the potential to host an economic deposit; however, to date the grades and thicknesses of mineralisation discovered have been uneconomic. The Company is currently considering various options to advance the project.

7. Financial Review

At the end of the half year period the Group had net assets of $62,737,365 (30 June 2013: $61,764,356) and an excess of current assets over current liabilities of $55,394,727 (30 June 2013: $55,949,754). At 31 December 2013 cash at bank totalled $55,088,731.

The Group reported a net profit for the period of $487,912 (31 December 2012: $40,164,043) which predominately related to the impact of exchange rates on the Group's cash balance. The Group's focus during the half year period was mainly on business development activities and total business development costs to 31 December 2013 totalled $1,123,817 (31 December 2012: $257,131).

EVENTS SUBSEQUENT TO REPORTING DATE

On 1 November 2013, Chalice agreed to acquire a 100 per cent interest in Coventry Resources Inc.'s ("Coventry") Cameron Gold Project for a consideration of 46 million shares in Chalice.

On 4 February 2014 all conditions to complete the transaction were satisfied and the 46 million shares were issued and distributed to Coventry shareholders on 7 February 2014.

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 2013.

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 25th day of February 2014

Competent persons statement

The information herein that relates to exploration results is based on information complied 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 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. Dr Jones consents to the release of information in the form and context in which it appears here.

Forward Looking Statements

This report 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 report 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, the estimation of mineral reserves and mineral resources, the realisation 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 2013, 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
25 February 2014

L DI GIALLONARDO
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 2013

	Note	Consolidated 31 December 2013 $	31 December 2012 $
Continuing Operations			
Other income	**3 (a)**	108,586	266,632
Foreign exchange gain/(loss)		2,494,656	(962,283)
Impairment of financial assets		-	(219,312)
Impairment of exploration and evaluation assets		-	(821,515)
Exploration expenditures not capitalised		(50,033)	(80,806)
Corporate and administrative expenses	**3 (b)**	(879,151)	(1,439,288)
Share based payments		(40,968)	(72,346)
Business development expenses	**3 (c)**	(1,123,817)	(257,131)
Net loss on sale of investments		(40,088)	-
Depreciation and amortisation expense		(42,851)	(33,014)
Profit/(loss) for the period from continuing operations before income tax		**426,334**	**(3,619,063)**
Income tax expense		-	-
Profit/(loss) for the period from continuing operations		**426,334**	**(3,619,063)**
Discontinued operation			
Net profit from discontinued operation	**4 (a)**	61,578	43,783,106
Profit for the period from discontinued operation		**61,578**	**43,783,106**
Total profit for the period		**487,912**	**40,164,043**
Attributable to:			
Owners of the parent		487,912	40,169,676
Non-controlling interests		-	(5,633)
		487,912	**40,164,043**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale investments		125,831	10,000
Exchange differences on translation of foreign operations		273,002	(1,007,493)
Total other comprehensive income/(loss)		**398,833**	**(997,493)**
Total comprehensive income for the period		**886,745**	**39,166,550**
Attributable to:			
Owners of the parent		886,745	39,172,183
Non-controlling interests		-	(5,633)
		886,745	**39,166,550**
Basic and diluted earnings/(loss) per share from continuing operations (cents)		0.2	(1.4)
Basic and diluted earnings/(loss) per share from discontinued operation (cents)		0.0	17.5
Basic and diluted earnings/(loss) per share from continuing and discontinued operations (cents)		0.2	16.1

Chalice Gold Mines Limited

Condensed Statement of Financial Position

As at 31 December 2013

	Note	Consolidated 31 December 2013 $	30 June 2013 $
Current assets			
Cash and cash equivalents		55,088,731	56,443,226
Trade and other receivables and prepayments	**5**	985,413	375,152
Total current assets		**56,074,144**	**56,818,378**
Non-current assets			
Financial assets	**6**	770,407	185,613
Exploration and evaluation assets		6,154,611	5,202,613
Property, plant and equipment		497,671	502,270
Total non-current assets		**7,422,689**	**5,890,496**
Total assets		**63,496,833**	**62,708,874**
Current liabilities			
Trade and other payables		607,614	829,890
Employee benefits		71,803	38,734
Total current liabilities		**679,417**	**868,624**
Non-current Liabilities			
Employee benefits		41,611	38,917
Other		38,440	36,977
Total non-current liabilities		**80,051**	**75,894**
Total liabilities		**759,468**	**944,518**
Net assets		**62,737,365**	**61,764,356**
Equity			
Share capital	**8**	39,285,086	39,239,790
Retained earnings		25,220,150	24,632,124
Reserves		(1,767,871)	(2,107,558)
Total equity		**62,737,365**	**61,764,356**

.

Chalice Gold Mines Limited

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2013

	Note	Consolidated								
		Issued capital	**Retained earnings**	**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 2013		**39,239,790**	**24,632,124**	**1,523,954**	**(32,000)**	**(3,599,512)**	**-**	**61,764,356**	**-**	**61,764,356**
Revaluation of available for sale investments		-	-	-	125,831	-	-	125,831	-	125,831
Exchanges differences on translation of foreign operations		-	-	-	-	273,002	-	273,002	-	273,002
Profit for the period		-	487,912	-	-	-	-	487,912	-	487,912
Total comprehensive income for the period		**-**	**487,912**	**-**	**125,831**	**273,002**	**-**	**886,745**	**-**	**886,745**
Exercise of share options (net of transaction costs)		45,296	-	-	-	-	-	45,296	-	45,296
Share based payments		-	-	40,968	-	-	-	40,968	-	40,968
Transfers between equity items		-	100,114	(100,114)	-	-	-	-	-	-
Balance at 31 December 2013		**39,285,086**	**25,220,150**	**1,464,808**	**93,831**	**(3,326,510)**	**-**	**62,737,365**	**-**	**62,737,365**
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		-	-	-	-	-	-	-	(3,669,210)	(3,669,210)
Balance at 31 December 2012		**39,242,530**	**21,137,939**	**1,429,783**	**(10,000)**	**(4,151,619)**	**-**	**57,648,633**	**-**	**57,648,633**

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 2013

	Note	Consolidated 31 December 2013 $	31 December 2012 $
Cash flows from operating activities			
Cash receipts from operations		72,000	88,672
Cash paid to suppliers and employees		(1,020,999)	(1,431,719)
Interest received		46,311	173,312
Net cash used in operating activities		**(902,688)**	**(1,169,735)**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(816,892)	(2,443,894)
Business development related costs		(1,094,355)	-
Costs associated with the acquisition of the Cameron Gold Project		(473,633)	-
Proceeds from sale of available for sale investments		3,912	-
Acquisition of available for sale investments		(500,000)	-
Share of joint venture cash calls		94,691	538,092
Acquisition of property, plant and equipment		(41,330)	(689,611)
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		**(2,827,607)**	**77,455,132**
Cash flows from financing activities			
Payment of capital return		-	(25,079,476)
Payments for capital return costs		(4,703)	(3,106)
Options exercised		50,000	125,000
Net cash from/(used in) financing activities		**45,297**	**(24,957,582)**
Net increase/(decrease) in cash and cash equivalents		(3,684,998)	51,327,815
Cash and cash equivalents at the beginning of the period		56,443,226	3,177,131
Effects of exchange rate fluctuations on cash held		2,330,503	(934,127)
Cash and cash equivalents at the end of the financial period		**55,088,731**	**53,570,819**

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 2013 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 2013.

(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 2013. 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 2013.

The Group has adopted all of the new and revised Standards and Interpretations effective for the current year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement Standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement Standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement Standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement Standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'.

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has the power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee.

The directors of the Company have assessed the classification of the Group's investments in subsidiaries and other entities in accordance with AASB 10. The directors have concluded that there is no change to the recognition of its subsidiaries.

Impact of the application of AASB 11

AASB 11 replaces AASB 131 'Interests in Joint Ventures' and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Ventures', has been incorporated in AASB 128 (revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and the obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously AASB 131 'Interests in Joint Ventures' contemplated three basic types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (Including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the operation) and its expenses (including its share of any expenses incurred jointly). Each joint operation accounts for the assets and, liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with AASB 11. The directors concluded that the Group's investment in the Mogoraib North Project, which was classified as a jointly controlled entity under AASB 131 and was accounted for using the proportionate consolidation method, should be classified as a joint operation under AASB 11 and therefore there is no change in accounting for the Group's investment in the Mogoraib North Project and there is no impact on the consolidated financial statements as a result of the change in accounting standard.

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. However this did not result in any changes to the half year report.

Impact of application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items where other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-Based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principle (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period. The application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

Impact of the application of AASB 119

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerated the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount under AASB 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, AASB 119 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

These changes have not had an impact on the consolidated financial statements of the Group as there are no defined benefit plans in place.

Impact of the application of AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'.

The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the half year report.

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 business development costs. Results of these segments are reported to the Board of Directors on a monthly basis. The below segment report has been adjusted for the half year period to include a new segment - "business development". This segment is now included in the Company's segment report as the Company is actively reviewing potential acquisitions of new resource projects and has a defined business development strategy in place. As this segment has been included for the first time at 31 December 2013, prior year comparatives have been restated. Business development costs represent the costs associated with the review of new business opportunities and potential asset acquisitions.

	Exploration and Evaluation		**Business Development**		**Corporate**		**Total**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Other Income	-	-	-	-	54,000	88,627	54,000	88,627
Business development costs	-	-	(1,123,817)	(257,131)	-	-	(1,123,817)	(257,131)
Corporate and administrative expenses	-	-	-	-	(920,119)	(1,511,634)	(920,119)	(1,511,634)
Depreciation and amortisation	-	-	-	-	(42,851)	(33,014)	(42,851)	(33,014)
Exploration expenditures not capitalised	(50,033)	(80,806)	-	-	-	-	(50,033)	(80,806)
Impairment of exploration and evaluation assets	-	(821,515)	-	-	-	-	-	(821,515)
Segment loss before tax	**(50,033)**	**(902,321)**	**(1,123,817)**	**(257,131)**	**(823,268)**	**(1,456,021)**	**(2,082,820)**	**(2,615,473)**
Unallocated income/(expenses)								
Net financing income							54,586	178,005
Net loss on sale of investments							(40,088)	-
Net profit from discontinued operation							61,578	43,783,106
Foreign exchange gain/(loss)							2,494,656	(962,283)
Impairment of financial assets							-	(219,312)
Total profit for the period							**487,912**	**40,164,043**

	Exploration and Evaluation		Business Development		Corporate		Total	
	31 Dec 2013	30 June 2013	31 Dec 2013	30 June 2013	31 Dec 2013	30 June 2013	31 Dec 2013	30 June 2013
	$	$	$	$	$	$	$	$
Segment assets:								
Exploration and evaluation assets	6,154,611	5,202,613	-	-	-	-	6,154,611	5,202,613
Other	1,052,455	657,618	-	-	1,039,220	560,537	2,091,675	1,218,155
	7,207,066	**5,860,231**	**-**	**-**	**1,039,220**	**560,537**	**8,246,286**	**6,420,768**
Unallocated assets							55,250,547	56,288,106
Total assets							**63,496,833**	**62,708,874**
Segment Liabilities	**(227,338)**	**(309,369)**	**(185,561)**		**(346,669)**	**(635,149)**	**(759,468)**	**(944,518)**

3. Revenue and expenses

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

(a) Other Income

	2013	2012
	$	$
Corporate and administration service fees	54,000	88,627
Net finance income	54,586	178,005
	108,586	**266,632**

(b) Corporate and administrative expenses

	2013	2012
	$	$
Insurance	29,578	31,458
Travel costs	29,685	50,700
Legal fees	59,570	55,542
Head office costs	96,950	228,397
Personnel expenses	496,701	772,457
Regulatory and compliance	75,149	145,062
Consultants	1,125	6,150
Other	90,393	149,522
	879,151	**1,439,288**

(c) Business development costs

Along with exploration and evaluation activities, the Company's main focus was business development and the acquisition of new resource projects. Business development costs represent the costs associated with the review of these new business opportunities and potential asset acquisitions. In the prior year accounts, business development costs were included within "corporate and administrative expenses". These costs are now presented separately and thus the prior year comparatives have been restated.

	2013	2012
	$	$
Legal fees	9,025	-
Personnel expenses	593,301	123,053
Consultants	149,561	133,563
Travel and conferences	193,510	515
Other	178,420	-
	1,123,817	**257,131**

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. Following completion of the sale, the profit on disposal was realised as presented below:

		2013	2012
(a)	**Consideration received**	**$**	**$**
	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	-	2,924,780
	Funds held in escrow – China SFECO Group	-	151,121
	Funds outstanding – Eritrean National Mining Corporation	61,578	115,689
	Interest on sale – Eritrean National Mining Corporation	-	873,882
	Total disposal consideration	**61,578**	**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	**61,578**	**69,333,235**
	Income tax expense	-	(25,493,802)
	Gain on disposal after tax	**61,578**	**43,839,433**
	Share of net loss on subsidiary up to date of disposal (Depreciation)	-	(56,327)
	Net profit from discontinued operation	**61,578**	**43,783,106**

(b) **Net assets at date of sale**

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

	2013	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. Trade and other receivables and prepayments

	2013	2012
	$	$
Trade receivables	289,846	284,428
Prepayments[1]	695,567	90,724
	985,413	**375,152**

[1]Includes prepaid acquisition costs of $629,722 relating to the acquisition of four subsidiaries from Coventry Resources Inc. The transaction completed subsequent to the half year period. For further details refer to note 11.

6. Financial assets

	2013	2012
	$	$
Security deposits and bank guarantees	176,576	173,613
Available for sale investments[1]	593,831	12,000
	770,407	**185,613**

[1]Available for sale investments at 31 December 2013 represent Chalice's 10.1 per cent share in unlisted public company GeoCrystal Limited, acquired on 24 September 2013.

7. Financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/13	31/12/12				
1) Available for sale investments – listed equity securities	N/A – Listed equity securities were sold during the half year period.	Listed equity securities - $12,000	Level 1	Quoted share price on the ASX.	N/A	N/A
2) Available for sale investments – a) Options in unlisted company	Options in unlisted company – $93,831	-	Level 3	Black Scholes valuation model	Discount for lack of marketability determined.	The higher the discount the lower the fair value.
b) Shares in unlisted company	shares in unlisted company - $500,000	-	Level 3	Recent sale transaction and capital raising.	N/A	N/A

There were no transfers between Levels 1 and 2 in the period.

(b) Carrying amounts versus fair values

The carrying amounts of the financial assets and financial liabilities recognised in the half year report approximate their fair values.

(c) Reconciliation of Level 3 fair value measurements

	31 December 2013 $	31 December 2012 $
Opening balance	-	-
Total gains or losses:		
- in profit or loss	-	-
- in other comprehensive income	93,831	-
Purchases	-	-
Issues	-	-
Disposals/settlements	-	-
Transfers out of level 3	-	-
Closing balance	**93,831**	**-**

Gains and losses included in other comprehensive income relate to unlisted shares held at the end of the reporting period and are reported as changes in the 'Investment Revaluation Reserve'.

8. Issued capital

	31 December 2013 $	30 June 2013 $
(a) Issued and fully paid ordinary shares	39,285,086	39,239,790

	No.	$
Movements in ordinary shares on issue:		
At 1 July 2013	250,730,886	39,239,790
Exercise of options	500,000	45,296
Performance rights vested[1]	297,424	-
At 31 December 2013	**251,528,310**	**39,285,086**

[1]During the half year ended 31 December 2013, 200,000 Performance Rights vested and were converted into 297,424 fully paid ordinary shares. The number of shares issued was adjusted to take into account the effect of the capital return on the Performance Rights, which occurred in December 2012. This adjustment was in accordance with the rules of the Company's Employee Long Term Incentive Plan and the ASX Listing Rules.

(b) Share options

	No.
Movements in options over ordinary shares on issue:	
At 1 July 2013	5,650,000
Options exercised	(500,000)
At 31 December 2013	**5,150,000**

(c) Performance rights

	No.
Movements in performance rights:	
At 1 July 2013	2,954,149
Performance rights vested[(2)]	(200,000)
At 31 December 2013	2,754,149

[(2)] Refer to note (1) above for further details on vested performance rights.

9. Commitments and contingencies

Exploration expenditure commitments

Exploration expenditure commitments remain unchanged since 30 June 2013.

Contingent asset

In the 30 June 2013 annual report, Chalice disclosed a contingent asset relating to the deferred consideration of US$2 million contingent upon the achievement of first gold pour at the Koka Gold Mine in Eritrea. This remains unchanged since 30 June 2013.

10. Related parties

Key Management Personnel

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 $808,852 for the six months ended 31 December 2013 (six months ended 31 December 2012: $1,064,494).

Other related parties transactions

The Group used the consulting services of Mr Anthony Kiernan during the six months ended 31 December 2013. 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 $58,500 (six months ended 31 December 2012:$202,000). No amounts were outstanding or payable at the end of the period.

11. Events subsequent to reporting date

Acquisition of the Cameron Gold Project in Ontario, Canada

On 1 November 2013, Chalice agreed to acquire a 100 per cent interest in Coventry Resources Inc.'s ("Coventry") Cameron Gold Project by Plan of Arrangement ("Arrangement") under the British Columbia Business Corporations Act for total consideration of 46 million shares in Chalice.

On 4 February 2014 all conditions to complete the transaction were satisfied and 46 million shares were issued and distributed to Coventry shareholders on 7 February 2014.

Total consideration to acquire the four Coventry subsidiaries holding the Cameron Gold Project at 4 February 2014 was 6,440,000, which is based on the issue of 46 million shares, at a closing share price of 14 cents. The cost associated with the acquisition of the Coventry subsidiaries at 31 December 2013 was $629,722. This amount is included as part of the prepayments balance at 31 December 2013 (refer note 5).

Chalice Gold Mines Limited
Directors' Declaration
For the half year ended 31 December 2013

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 2013 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 25th day of February 2014

WILLIAM BENT
Managing Director

HLB Mann Judd

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 2013, the 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 2013 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

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2013 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

Giallonardo.

Perth, Western Australia
25 February 2014

L DI GIALLONARDO
Partner