



**CHALICE GOLD MINES LIMITED**

**ABN 47 116 648 956**

**Annual Financial Report  
30 June 2015**

# Chalice Gold Mines Limited

## Corporate Directory

### Directors

Anthony Kiernan	Chairman
Timothy (Tim) Goyder	Managing Director
Stephen Quin	Non-executive Director

### Company Secretary

Leanne Stevens

### Principal Place of Business & Registered Office

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WEST PERTH WA 6005  
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Email: [info@chalicegold.com](mailto:info@chalicegold.com)

### Auditors

HLB Mann Judd  
Level 4, 130 Stirling Street  
PERTH WESTERN AUSTRALIA 6000

### Home Exchange

Australian Securities Exchange Limited  
Level 40, Central Park  
152-158 St Georges Terrace  
PERTH WESTERN AUSTRALIA 6000

### Toronto Stock Exchange

The Exchange Tower  
P.O Box 421  
130 King Street West  
Toronto, Ontario M5X 1J2

### Share Registry

#### Australia

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
PERTH WESTERN AUSTRALIA 6000  
Tel: 1300 787 272

#### Canada

Computershare Investor Services  
100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

### ASX

Share Code: CHN

### TSX

Share Code: CXN

# Chalice Gold Mines Limited

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# Chalice Gold Mines Limited

## Directors' Report

The Directors present their report together with the financial report of Chalice Gold Mines Limited ('Chalice' or 'the Company') and its subsidiaries (together 'the Group') for the financial year ended 30 June 2015 and the independent auditor's report thereon. The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

### 1. Directors

**Anthony (Tony) W Kiernan**  
LLB  
Non-executive Chairman

Tony, previously a practising lawyer, is a corporate advisor with extensive experience in the administration and operation of listed public companies. He is the Chairman of BC Iron Limited, Venturex Resources Limited and is a director of Danakali Limited (previously South Boulder Mines Limited), all listed on ASX. During the past three years, Tony was a director of ASX listed Uranium Equities Limited and Liontown Resources Limited. Tony was appointed Chairman on 10 October 2014, and previously held the position of Non-executive Director.

Tony is Chairman of the Audit Committee and Remuneration Committee and has been a director since 2007 (8 years).

**Timothy (Tim) R B Goyder**  
Managing Director

Tim has considerable experience in the resource industry as an executive and investor. He has been involved in the formation and management of a number of publicly-listed and private companies and is currently Chairman of Uranium Equities Limited and Liontown Resources Limited, both listed on ASX. During the past three years Tim also served as a director of Strike Energy Limited.

Tim has been a director since 2005 (10 years) and was appointed Managing Director on 10 October 2014. Tim previously held the position of Executive Chairman.

**Stephen P Quin**  
PGeo, FGAC, FSEG, MIOM3  
Independent Non-executive  
Director

Stephen is a geologist with over 35 years' experience in the mining and exploration industry. Stephen is based in Vancouver, Canada, and has been the President & CEO of Midas Gold Corp. and its predecessor since January 2011. Stephen was previously President and COO of TSX listed copper producer Capstone Mining Corp. and, up until its merger with Capstone, President and CEO of TSX listed copper producer Sherwood Copper Corp. Prior to joining Sherwood, Stephen spent 18 years as Vice President and subsequently Executive Vice President of TSX listed Miramar Mining Corporation, a Canadian focused gold producer and developer. Stephen has extensive experience in the resources sector, and in the financing, development and operation of production companies.

Stephen is a member of the Audit Committee and Remuneration Committee and has been an independent non-executive director since 2010 (5 years).

**William B Bent**  
MBA, AusIMM, IChemE  
Managing Director

Bill was appointed Managing Director in February 2013 and resigned from the position and as a director on 10 October 2014.

**Douglas A Jones**  
PhD, AusIMM, CPGeo  
Executive Director

Doug was a director from 2008 until resigning on 10 October 2014.

# Chalice Gold Mines Limited

## Directors' Report

### 2. Chief Financial Officer and Company Secretary

**Richard K Hacker**  
B.Com, ACA, ACIS  
Chief Financial Officer

Richard is a Chartered Accountant and Chartered Secretary with over 20 years of professional and corporate experience in the energy and resources sector in Australia and the United Kingdom. Richard has previously worked in senior finance roles with global energy companies including Woodside Petroleum Limited and Centrica Plc. Prior to this, Richard was in private practice with major accounting practices. Richard is a director of ASX listed Uranium Equities Limited and resigned from the position of Company Secretary on 15 October 2014.

**Leanne Stevens**  
B.Com, CA, ACIS  
Company Secretary

Leanne is a Chartered Accountant who has 13 years of accounting and governance experience within the mining and energy industries. Leanne is also Company Secretary of ASX Listed Lontown Resources Limited. Leanne has been Company Secretary of Chalice since 2012.

### 3. Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Audit	Remuneration	Nomination
<b>Number of meetings held:</b>	6	2	2	-
<b>Number of meetings attended:</b>				
A W Kiernan	5	2	2	-
T R B Goyder	6	-	-	-
S P Quin	6	2	2	-
W B Bent <sup>1</sup>	2	-	-	-
D A Jones <sup>1</sup>	2	-	-	-

<sup>1</sup>Two directors' meetings were held while Mr Bent and Mr Jones were in office.

The Company has an audit committee and a separate remuneration committee. The nomination committee comprises the full membership of the board of directors. Members acting on the committees during the year were:

Audit	Remuneration	Nomination
A W Kiernan (Chairman)	A W Kiernan (Chairman)	Full Board
S P Quin	S P Quin	

### 4. Principal activities

The principal activities of the Company during the year were mineral exploration and evaluation. There has been no significant changes in the nature of these activities during the year.

### 5. Operating and financial review

The directors of Chalice Gold Mines Limited present the Operating and Financial Review of the Group, prepared in accordance with section 299A of the Corporations Act 2001 for the year ended 30 June 2015. The information provided in this review forms part of the Directors' Report and provides information to assist users in assessing the operations, financial position and business strategies of the Group.

# Chalice Gold Mines Limited

## Directors' Report

### 5.1 Business strategy and outlook

Chalice's vision is to grow a multi-asset resources company by acquiring and developing high quality mineral resource assets. To deliver this vision the Company is pursuing the following business strategy:

- **Grow and advance Chalice's Cameron Gold Project in Ontario, Canada by seeking to add additional high grade ounces in close proximity to the Cameron deposit whilst concurrently evaluating future development options.**
- **Targeting more advanced mineral resource project opportunities, or where Chalice's strong cash position may provide a funding solution to the development of the asset.**
- **Targeting quality base and precious metal exploration ground, preferably in lower risk mining jurisdictions.**

Looking forward, Chalice will continue to seek to grow and enhance the value of the Cameron Gold project and in parallel look for opportunities to secure good land positions in highly prospective belts in targeted jurisdictions. Maintaining the Company's strong cash position and pursuing opportunities for one or more advanced stage projects to add to the Cameron Project will continue to be a key focus of the Company. However, movements in commodity prices, foreign exchange rates and interest rates may adversely impact the achievement of these objectives.

### 5.2 Cameron Gold Project, Ontario, Canada (100% Chalice)

The Cameron Gold Project comprises the Cameron Gold property, the West Cedartree property and the Dubenski property and is located approximately 80 km to the southeast of Kenora in western Ontario, Canada.

The Project has a measured and indicated resource of 675,000 ounces of gold at 2.09 g/t and an additional inferred resource of 591,000 ounces of gold at 2.61 g/t (including Dogpaw and Dubenski) (Table 1).

Deposit	Description	Cut-off Gold g/t	Class	Tonnes	Gold g/t	Gold Oz <sup>1</sup>
<b>Cameron</b>	<b>Open Cut</b>	0.5g/t	Measured	2,872,000	2.3	213,000
			Indicated	5,417,000	1.76	307,000
			<b>Meas+Indicated</b>	<b>8,289,000</b>	<b>1.95</b>	520,000
			Inferred	881,000	2.07	59,000
	<b>Underground</b>	1.75g/t	Measured	157,000	2.77	14,000
	RL<750m		Indicated	559,000	3.23	58,000
			<b>Meas+Indicated</b>	<b>716,000</b>	<b>3.13</b>	72,000
			Inferred	5,709,000	2.78	510,000
<b>Dubenski</b>	<b>Open Cut</b>	1.00g/t	Measured			
			Indicated	806,000	2.28	59,000
			<b>Meas+Indicated</b>	<b>806,000</b>	<b>2.28</b>	59,000
			Inferred	392,000	1.44	18,000
<b>Dogpaw</b>	<b>Open Cut</b>	0.5g/t	Measured			
			Indicated	247,000	3.02	24,000
			<b>Meas+Indicated</b>	<b>247,000</b>	<b>3.02</b>	24,000
			Inferred	64,000	2.26	4,000
<b>Total</b>			Measured	3,029,000	2.33	227,000
			Indicated	7,029,000	1.98	448,000
			<b>Meas+Indicated</b>	<b>10,058,000</b>	<b>2.09</b>	<b>675,000</b>
			Inferred	7,046,000	2.61	591,000

Table 1- Cameron Gold Project Mineral Resource

<sup>1</sup>Number of ounces have been rounded to the nearest thousand.

# Chalice Gold Mines Limited

## Directors' Report

### **Cameron Gold Project Regional Exploration Potential**

The Cameron Gold Project ("Cameron") has excellent exploration potential, straddling several major regional structures, including the Cameron–Pipestone and Monte Christo Shear Zones. Although cumulative drilling on the properties exceeds 120,000 metres, until Chalice acquired the property, less than 5,000 metres of that drilling had been conducted outside of the main deposits.

Geochemical sampling of the glacial tills, a primary exploration tool in this glaciated terrane where outcrop is less than 10% has previously focused along access roads leaving major prospective structural corridors largely unexplored.

### **Exploration at Cameron Gold Project**

During the financial year ended 30 June 2015, the Company conducted a disciplined target generation and ranking exercise which has identified numerous exploration targets. Of these, approximately 10 high priority targets have been selected as having the potential to increase open pit tonnes within a 25km trucking distance of the Cameron mine which may materially improve the economics of the project.

The targets have been defined from co-incidental geochemical (MMI, rock chips, till), aeromagnetic and previous drill anomalism. The 2015 field exploration program, which commenced in June 2015, will focus on the 10 high priority targets by undertaking additional rock chip sampling, trenching and drilling and is expected to be completed by December 2015.

Regional soil sampling and prospecting over existing and newly acquired tenure has also commenced, the results of which are expected to form the basis of trenching and/or drilling during the 2016 field season.

### **Preliminary Economic Assessment ('PEA')**

With a weakening Canadian dollar versus the US dollar resulting in an increasing Canadian dollar gold price, the Company decided to undertake a PEA for the Cameron Gold Project as a prelude to possible feasibility studies. A PEA has been prepared by the previous owners, Coventry Resources Inc ("Coventry") in January 2013 which indicated favourable economics at that time. During the year, the Company progressed the engineering and costing aspects of the PEA. The initial results demonstrated material reductions in both the capital estimate and operating costs compared to the original January 2013 PEA prepared by Coventry.

As part of the PEA process, the Company is looking to de-risk the existing mineral resource by sampling and assaying core from historical drilling which had not previously been assayed and which has the potential to be included in a re-modelled and updated mineral resource.

At the date of this report, approximately 103,000m of core has been re-logged with approximately 30,000m re-sampled, largely from within the mineral resource envelopes. The re-logging and re-sampling exercise was completed in September 2015, and the data collected will be used to model a new mineral resource. The PEA, which will incorporate the updated mineral resource estimate, is expected to be completed by the end of the calendar year.

As the results of this program are currently being compiled and a new mineral resource estimate is in progress; until this estimate is complete, the impact on the previously disclosed mineral resources (refer table 1) cannot be determined.

### **Royalty buy-back**

The Company has exercised its right to buy-back two-thirds or 2% of the existing Net Smelter Return ('NSR') relating to the Cameron gold deposit for C\$2 million (~A\$2.05 million). Following the acquisition of this NSR royalty, the Cameron deposit will now carry only a 1% NSR and a separate smaller royalty of \$0.30 per short tonne of ore mined and milled.

### **5.3 Rainy River Project, Ontario, Canada (100% Chalice)**

Chalice acquired an extensive group of claims in the Rainy River area as part of the Coventry acquisition in 2014 in which till and MMI sampling identified low order anomalies including a single coherent gold anomaly at Conqueror. During the year, six diamond drill holes for 1,188 metres were drilled to test the anomaly at Conqueror and a pre-existing gold-in-till anomaly. There were no significant intersections as a result of the drilling, and the Company is considering its options in relation to this ground.

# Chalice Gold Mines Limited

## Directors' Report

### 5.4 Croteau Est Project, Quebec, Canada (right to earn a 65% interest)

In April 2015, the Company entered into a joint venture agreement with Canadian gold explorer Northern Superior Resources Inc. ('Northern Superior') giving the Company the right to earn a 65% interest in the Croteau Est gold property located near Chibougamou in Quebec.

Under the Croteau Est agreement, Chalice can earn a 65% interest in the property by spending a total of C\$4 million on exploration over three years, with a minimum exploration commitment of \$500,000 in the first 12 months. Upon earning a 65% interest, the joint venture would become a contributing joint venture containing a standard dilution calculation.

The property is located close to a number of historical copper-gold mines in the Chapais-Chibougamou region. The project is well serviced by road, rail and air services, offering year-round access, and is located close to grid power.

The tenement package includes a 25km strike length of prospective stratigraphy, including 17 targets requiring follow-up and a significant body of quartz-carbonate-sericite alteration and pyrite mineralisation which has been defined as the Croteau Bouchard Shear Zone ("CBSZ"). An 11 hole (2,511 metre) diamond drill program and a 46 hole (485 metre) RC drill program was carried out over the 2015 summer. The results from this program are currently being compiled and interpreted.

### 5.5 GeoCrystal Limited – Webb Diamond Project, Australia (23% equity interest, 34% if all options were exercised)

Chalice has a 23% interest (with share options to increase its interest to 34%) in unlisted diamond explorer, GeoCrystal Ltd ("GeoCrystal"). GeoCrystal has now a 75% interest in the Webb Diamond Project via a joint venture with ASX-listed explorer Meteoric Resources Ltd ("Meteoric"). During the financial year, GeoCrystal carried out loam sampling and an RC drill program which confirmed the presence of numerous kimberlite bodies, however, no diamonds have been recovered to date from the kimberlite bodies.

### 5.6 Balagundi Project, Australia

During the year ended 30 June 2015, Chalice entered into an exploration Joint Venture with Alphabass Resources Pty Ltd ('Alphabass') targeting Archean volcanogenic massive sulphide (VMS) mineralisation. RC drilling was undertaken in December 2014. Results were not compelling and in January 2015, Chalice withdrew from the project.

### 5.7 Mogoraib North Project, Eritrea (60% Chalice, 40% ENAMCO)

As part of an orderly exit from exploration activities in Eritrea, the remaining plant and equipment owned by the Mogoraib North Joint Venture (Chalice 60%, ENAMCO 40%) was sold during the financial year, and proceeds of \$449,000 were received (Chalice's share).

### 5.8 Gnaweeda Project, Australia (12% Chalice, 88% Doray Minerals Limited)

Chalice has a 12% contributing joint venture interest in the Gnaweeda Project in the northern Murchison region of Western Australia with Doray Minerals Limited (ASX: DRM) ("Doray"). Recent results from drilling and ongoing exploration by Doray provides potential to delineate satellite mining operations for Doray's Andy Well Project.

### 5.9 Corporate

#### Minimum holding share buy-back

In December 2014, Chalice completed a buy-back of ordinary shares from holders of unmarketable parcels. 1,780,917 ordinary shares were acquired and cancelled at a price of 11.5 cents per share. The unmarketable parcel buy-back resulted in the number of shareholders being reduced from 3,740 to 1,976.

#### Share buyback

On 3 March 2014, the Company announced an on-market share buy-back of up to 25,073,088 ordinary shares as part of a capital management plan over the next 12 months. During the financial year, the Company acquired 3,000,000 shares at an average price of 10 cents per share for a total of approximately \$300,000, taking the number of shares acquired since inception of the facility, in March 2014 to 13,036,591 shares. The share buy-back facility ceased in March 2015.

# Chalice Gold Mines Limited

## Directors' Report

### 5.10 Financial performance

The Group reported a net profit after income tax of \$0.3 million for the year (2014: net loss of \$11.6 million) a large part of which is related to foreign exchange gains (\$4.9 million) and interest received (\$0.5 million). These were offset by corporate and administrative expenses (\$2.1 million) and business development and project acquisition costs (\$1.8 million).

The \$4.9 million net foreign exchange gain (2014: net loss of \$0.6 million) resulted from the impact of movements in the Australian Dollar against the US Dollar on the Company's US Dollar cash balances. At 30 June 2015, the Group had approximately US\$27 million cash on hand in US\$ denominated bank accounts.

Corporate administrative expenses of \$2.1 million (2014: \$1.9 million) increased due to termination and redundancy payments made during the year of \$0.6 million. Aside from these payments, corporate and administration costs decreased significantly due to a concerted effort to reduce overheads.

### 5.11 Statement of cash flows

Cash and cash equivalents at 30 June 2015 was \$39.9 million (30 June 2014: \$44.2 million). The reduction in cash of \$4.3 million is predominately due to:

- the acquisition of shares via the on-market share buyback (\$0.5 million);
- the acquisition of the Dubenski Gold Deposit for \$0.7 million;
- the acquisition of two thirds or 2% of a NSR related to the Cameron Project for \$2.1 million;
- exploration costs of \$2.9 million; and
- \$1.8 million being spent on business development activities related to assessing and reviewing projects for acquisition or investment.

These items are offset by the positive foreign exchange gain of \$4.9 million on the Company's US\$ denominated bank accounts.

In comparison to the 2014 financial year, net cash flows used in operating activities decreased by 5% from \$1.7 million in 2014 to \$1.6 million.

Net cash flows from investing activities decreased by 15% from a net outflow of \$8.4 million in 2014 to a net outflow of \$7.1 million in 2015. This was mainly due to an overall reduction of costs associated with business development and exploration activities.

Net cash used in financing activities decreased by \$1 million (66.02%) due to a reduction in the number of shares acquired under the share buy-back facility in 2015.

The effect of exchange rates on cash and cash equivalents at 30 June 2015 was a gain of \$4.9 million (2014: loss of \$0.6 million). The Company held approximately US\$27 million in US\$ denominated bank accounts at 30 June 2015.

### 5.12 Financial position

At balance date the Group had net assets of \$55.7 million and an excess of current assets over current liabilities of \$39.2 million. Current assets decreased by 10% to \$40.1 million (2014: \$44.6 million). Cash and cash equivalents decreased by 9.8% to \$39.9 million (2014: \$44.2 million). Refer to the statement of cash flows discussion above for further details regarding the movements in the 2015 cash balance.

Non-current assets increased by 37% to \$16.5 million (2014: \$12 million) mainly due to the increase in exploration and evaluation assets from \$9.1 million in 2014 to \$14 million in 2015. The increase in exploration and evaluation assets of 54% was mainly attributable to the acquisition of two-thirds or 2% of the NSR relating to the Cameron Project and a full year of exploration activities at the Cameron Project.

Current liabilities decreased by 40% to \$0.9 million (2014: \$1.5 million) due to the recognition of CAD\$700,000 payable in 2014, for the acquisition of the Dubenski deposit (at the Cameron Project in Canada).

## 6. Significant changes in state of affairs

Other than the progress documented above, the state of affairs of the Company was not affected by any other significant changes during the year.

# Chalice Gold Mines Limited

## Directors' Report

### 7. Remuneration report – audited

This report for the year ended 30 June 2015 outlines remuneration arrangements in place for directors and executives of Chalice Gold Mines Limited in accordance with the requirements of the Corporations Act 2001 (the "Act") and its regulations. This information has been audited as required by section 308 (3C) of the Act.

#### 7.1 Message from the Board

The Company's remuneration policy is structured to ensure it is aligned to the business strategy, shareholder interests and to ensure effective executive remuneration and retention. These objectives are designed to be achieved through the Company's short term and long term incentive plans which link the achievement of these objectives to the variable compensation of the Managing Director and staff. Further details are provided in this report.

#### 7.2 Introduction

The remuneration report details the remuneration arrangements for Key Management Personnel ('KMP') who are defined as those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group directly or indirectly. The following were the KMP for the Group at any time during the year:

Anthony Kiernan	Chairman (Non-executive Director to 10 October 2014)
Tim Goyder	Managing Director (Executive Chairman to 10 October 2014)
William Bent	Managing Director (resigned 10 October 2014)
Douglas Jones	Executive Director (resigned 10 October 2014)
Stephen Quin	Non-executive Director
Gary Snow	Chief Operating Officer (commenced 13 October 2014)
Richard Hacker	Chief Financial Officer

There were no changes in KMP after the reporting date and before the financial report was authorised for issue.

#### 7.3 Principles of compensation

##### 7.3.1 Remuneration governance

###### Remuneration committee

The Board is responsible for ensuring Chalice's remuneration strategy is aligned with Company performance and shareholder interests and is equitable for participants. To assist with this, the Board has established a Remuneration Committee consisting of the following directors:

- Anthony Kiernan (Chairman)
- Stephen Quin

The Remuneration Committee has delegated decision-making authority for some matters related to the remuneration arrangements for KMP, and is required to make recommendations to the Board on other matters.

Specifically, the Board approves the remuneration arrangements of the Managing Director and other executives including awards made under the Short Term Incentive Plan ("STIP") and Employee Long Term Incentive Plan ("ELTIP"), following recommendations from the Remuneration Committee. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels.

The Remuneration Committee meets through the year when appropriate. The Managing Director may attend certain Remuneration Committee meetings by invitation, where management input is required. The Managing Director is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration Committee's role, responsibilities and membership can be seen at [www.chalicegold.com](http://www.chalicegold.com).

# Chalice Gold Mines Limited

## Directors' Report

### Use of remuneration consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, the Remuneration Committee may seek external advice, as it requires, on remuneration policies and practices. Remuneration consultants are able to be engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee would consider potential conflicts of interest and independence from the Group's key management personnel and other executives. During the financial year, the Remuneration Committee did not seek specific advice and recommendations from external consultants.

### Remuneration report approval at 2014 Annual General Meeting

The Remuneration Report for the financial year ended 30 June 2014 received positive shareholder support at the 2014 Annual General Meeting ('AGM') with a vote of 98.9% in favour.

### 7.3.2 Remuneration principles and components of remuneration

The Company has adopted the following principles in its remuneration framework:

1. Seeking aggregate remuneration at a level which provides the Company with the ability to attract and retain directors and executives of high calibre at a cost which is acceptable to shareholders; and
2. Key management personnel interest being aligned with shareholder value and Company performance by:
  - providing fair, consistent and competitive compensation and rewards to attract and retain appropriate employees;
  - ensuring that total remuneration is competitive with its peers by market standards;
  - incorporating in the remuneration framework both short and long term incentives linked to the strategic goals and performance of the individuals and the Company and shareholder returns;
  - demonstrating a clear relationship between individual performance and remuneration; and
  - motivating employees to pursue and achieve the long term growth and success of the Company.

The following table is an overview of the components of remuneration:

	Element	Non-executive directors	Executives
Fixed remuneration	Base salary	x	✓
	Base fee	✓	x
	Committee fees	✓	x
	Superannuation	✓#	✓
	Consultancy fees	✓###	x
	Other benefits	✓	✓
Variable remuneration	Short term incentives (STI)	x	✓
	Share options	✓####	✓
	Performance rights	x	✓

# Only applies to Australian non-executives.

## Some directors are paid consultancy fees on an arm's length basis (refer below).

### Non-executive directors are eligible to participate in the share option plan at the discretion of the Board subject to shareholder approval where required (refer below for further details).

### 7.3.3 Non-executive director remuneration

The Company's Constitution and the ASX Listing Rules specify that the maximum aggregate fees to be paid to non-executive directors for their roles as directors are to be approved by shareholders at a general meeting. The latest determination was at the 2011 AGM, whereby Shareholders approved a maximum aggregate amount of \$450,000 per year (including superannuation). The Board does not propose to seek any increase for the non-executive director pool at the upcoming 2015 Annual General Meeting.

The fee structure for non-executive directors is reviewed annually and the Remuneration Committee and the Board may consider advice from external consultants, and undertake comparative analyses of the fees paid to non-executive directors

# Chalice Gold Mines Limited

## Directors' Report

of comparable companies in the resources sector with similar market capitalisations. Generally, the Company will position itself within the 50<sup>th</sup> and 75<sup>th</sup> percentile band of the comparative market data.

For the 2015 financial year, a non-executive director (excluding the Chairman) receives a fee of \$60,000 (inclusive of superannuation, where applicable) and the Chairman receives a fee of \$80,000 (inclusive of superannuation). Members of the Audit Committee and Remuneration Committee also receive an additional \$5,000 for their roles on each of those Committees. The additional payments recognise the additional time commitment by non-executive directors who serve on committees.

The non-executive directors are not entitled to receive retirement benefits. Non-executive directors, at the discretion of the Board, may participate in the Employee Share Option Plan ("ESOP"), subject to approvals required by shareholders. The Board is conscious of the issue of share options to non-executive directors and will continue to balance the cost benefit of issuing share options to attract and retain quality directors against paying higher fixed directors' fees.

Non-executive directors are not eligible to participate in the Company's Long Term Incentive Plan ("LTIP").

Apart from their duties as directors, non-executive directors may undertake additional work for the Company on a consultancy basis on market terms. The use of consultancy by non-executive directors in addition to their duties as directors enables the Company to better utilise the skills offered by the Board particularly in light of the Company's current small management team. Under the terms of these consultancy agreements, non-executive directors typically receive a daily rate or monthly retainer for the work performed at a rate comparable to market rates that they would otherwise receive for their consultancy services.

The remuneration of non-executive directors for the years ended 30 June 2015 and 30 June 2014 is detailed further in this Remuneration Report. The amounts listed under 'Salary & Fees' includes both director fees and consultancy fees received by non-executive directors.

### **7.3.4 Executive remuneration**

Executive remuneration consists of fixed remuneration and may also comprise variable remuneration in the form of performance based cash bonuses (Short Term Incentive Plan ("STIP")), share options and performance rights (issued under the terms of the ESOP and Long Term Incentive Plan ("LTIP") respectively). The LTIP was approved by the Company's shareholders at the 2014 AGM. The structure of the plan is detailed below.

#### **(a) Fixed remuneration**

The level of fixed remuneration is set to provide a base level of remuneration which is both appropriate for the position and competitive in the market. The Company aims to pay within the 50<sup>th</sup> and 75<sup>th</sup> percentile band of benchmark data, but the Board has the discretion to pay above this to attract and retain key employees in achieving the Company's strategic goals.

Fixed remuneration is reviewed at appropriate times (and no less than on an annual basis) by the Remuneration Committee and approved by the Board having regard to the Company and individual performance, relevant comparable remuneration for similarly capitalised companies in the mining industry and independently compiled market data. Executives receive their fixed remuneration in the form of cash.

The fixed remuneration for executives is detailed further in this Report.

#### **(b) Variable remuneration - STIP**

The Board has implemented a formal STIP which includes cash bonuses to executives upon achievement of predefined targets. The maximum bonus percentage ("MBP") ranges between 10% and 50% of an executive's fixed annual salary depending on the position held and responsibilities to be undertaken. The STIP is based on achieving "Expected" and "Stretch" targets for the year. Achieving the expected target attracts 20% of the relevant MBP and achieving the stretch target or better attracts up to 100% of the relevant MBP.

In 2014, the Remuneration Committee recommended to the Board to suspend the STIP and move 100% of eligible KMP's incentive entitlements exclusively to the LTIP. The justification for this recommendation being that at this stage of the Company's development, all the key business objectives of KMP have longer dated time frames than the STIP's 12 month time frame.

Therefore, during the 2015 and 2014 financial year, no cash bonuses were paid to executives.

# Chalice Gold Mines Limited

## Directors' Report

### (c) Variable remuneration – employee long term incentive plan (LTIP)

Under the LTIP, the Board has the discretion to make annual awards of performance rights (which is a right to convert into ordinary shares after achievement of applicable criteria and targets) to executives and employees. The level of the award of performance rights is dependent on an employee's position within the Company. Subject to the performance criteria set out in the terms of the LTIP, performance rights held by an employee may convert into ordinary fully paid shares in the Company. In the event performance criteria are not achieved by the measurement date, the employee's performance rights lapse with no shares being issued.

A summary of the LTIP is set out below:

Key Design Feature	Design
Eligibility	All full-time employees and permanent part-time employees (including executive directors and the managing director) of the Company are eligible participants. Shareholder approval is required before any director or related party of the Company can participate in the LTIP.
Award quantum	The award quantum will be determined in consideration of total remuneration of the individual, market relativities and business affordability. The LTIP does not set out a maximum number of shares that may be issuable to any one person, other than the 5% limit of the total number of issued shares.
Performance conditions	The performance conditions that must be satisfied in order for the performance rights to vest are determined by the Board. The performance conditions may include one or more of the following: <ul style="list-style-type: none"> <li>• Employment of a minimum period of time;</li> <li>• achievement of specific objectives by the participant and/or the Company. This may include the achievement of share price targets and other major long term milestone targets; or</li> <li>• such other performance objectives as the Board may determine.</li> </ul>
Vesting	Vesting will occur at the end of a defined period, usually three years, and upon the achievement of the performance conditions.
Term and lapse	The term of the performance rights is determined by the Board in its discretion, but will ordinarily have a three year term up to a maximum of five years. Performance Rights are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry dates (if no other measurement date is specified) or if employment is terminated for cause or in circumstances as described below.
Price Payable by Participant	No consideration.
Cessation of Employment	If an employee leaves the Company prior to the expiration of the relevant vesting period for a particular award of performance rights, such performance rights would, as a general rule lapse, except in certain limited defined situations such as disability, redundancy or death.

# Chalice Gold Mines Limited

## Directors' Report

### Annual grant of performance rights - 2014/2015

The table below outlines the performance rights that were granted for the 2014/2015 financial year and have not yet vested.

Annual Award	KMP	Number of Rights	Measurement Date	Vesting Date
2014/2015	G Snow	1,399,775	30 June 2016	30 June 2017
	R Hacker	1,326,693	30 June 2016	30 June 2017

The performance rights shown above will not vest (and the underlying shares will not be issued) unless the performance conditions set by the Board have been satisfied. It is the longer term intention of the Company to use the "standard" measure of Total Shareholder Return ("TSR") as the performance measure for the LTIP, where the Company's TSR would be compared against that of a comparator group of companies over the selected performance period for each cycle of the LTIP. However, given the Company's current strategy and position (i.e. its most significant asset is cash) a comparator group of companies cannot yet be determined. The Board therefore selected absolute share price as the most appropriate measure for the above issued performance rights. The number of performance rights that will vest will be solely dependent on the Company's share price as at the measurement (or test) dates as per above as compared to share price hurdles outlined in the following table. The Company's share price will be calculated on its 60 day VWAP.

For the 2014/2015 annual grant of performance rights, the Remuneration Committee recommended to the Board that 100% of KMPs incentive entitlements are offered via the LTIP and that 50% of the LTIP is to be based on share price and remaining 50% to be based on achieving key business objectives. The following table outlines key business objectives and the weightings of the performance condition:

Overall Performance Condition	Specific Performance Conditions	Percentage of granted performance rights that will vest if performance conditions are met
Strategic objectives	<p><b>Undertake a significant acquisition:</b> acquire one or more assets in addition to the Cameron Gold Project with potential to generate returns above the Company's internal hurdle rates based on consensus commodity prices and cost assumptions.</p> <p>AND/OR</p> <p><b>Make a significant new discovery:</b> at the Cameron Gold Project or any other Projects/Joint Venture acquired by the Company which shows potential to be economic based on consensus commodity prices and cost assumptions.</p>	50%
Share price objectives	Below 23 cents	0%
If the 60 Day VWAP as at the measurement date is:	23 cents	16.5%
	Between 23 cents and 38 cents	Pro rata between 16.5% and 50%
	Above 38 cents	50%

In addition to the measurement period of 1 July 2014 to 30 June 2016, a 12 month service period must also be completed by each KMP, meaning that performance rights will not vest or convert into shares until 30 June 2017 at the earliest.

# Chalice Gold Mines Limited

## Directors' Report

### Annual grant of performance rights - 2015/2016

The following performance rights for 2015/2016 have been granted to KMP (\*those to Mr Goyder being subject to shareholder approval at the Company's 2015 AGM) as follows:

Annual Award	KMP	Number of Rights	Measurement Date	Vesting Date
2015/2016	Tim Goyder*	1,664,707	30 June 2017	30 June 2018
	Gary Snow	1,378,826	30 June 2017	30 June 2018
	Richard Hacker	1,306,837	30 June 2017	30 June 2018

The performance rights shown above will not vest (and the underlying shares will not be issued) unless the performance conditions set by the Board have been satisfied. For the 2015/2016 annual grant of performance rights, the Remuneration Committee recommended to the Board that 100% of KMPs incentive entitlements are offered via the LTIP and that 50% of the LTIP is to be based on share price and remaining 50% to be based on achieving key business objectives. The following table outlines key business objectives and the weightings of the performance condition:

Overall Performance Condition	Specific Performance Conditions	Percentage of granted performance rights that will vest if performance conditions are met
Strategic objectives	<p><b>Undertake a significant acquisition:</b> acquire one or more assets in addition to the Cameron Gold Project with potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions.</p> <p>AND/OR</p> <p><b>Value generation at existing assets through:</b></p> <ul style="list-style-type: none"> <li>• Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; or</li> <li>• Substantially increasing the Company's resource base; or</li> <li>• Conducting economic/feasibility studies which show the potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions; or</li> <li>• The sale of an asset(s) at a significant profit.</li> </ul> <p>NB: The determination as to whether the above objectives have been met will be done by the Board of the Company in a timely manner, acting reasonably and in good faith.</p>	50%
Share price objectives	Below 15 cents	0%
If the 30 Day VWAP as at the measurement date is:	15 cents	16.5%
	Between 15 cents and 30 cents	Pro rata between 16.5% and 50%
	Above 30 cents	50%

In addition to the measurement period of 1 July 2015 to 30 June 2017, a 12 month service period must also be completed by each KMP, meaning that performance rights will not vest or convert into shares until 30 June 2018 at the earliest.

# Chalice Gold Mines Limited

## Directors' Report

### (d) Variable remuneration – share option plan

Equity grants to executives have previously been delivered in the form of employee share options under the Company's Employee Share Option Plan which was approved by shareholders in 2013. Options are issued at an exercise price determined by the Board at the time of issue.

Generally, no performance hurdles were set on options issued to executives. The Company considered that as options were issued at a price in excess of the Company's current share price (at the date of issue of those options), there was an inherent performance hurdle as the share price of the Company's shares had to increase before any reward could accrue to the executive.

The vesting period for share options is at the discretion of the Board and the expiry date of share options is usually between 3 and 5 years.

Upon cessation of employment, participants have 3 months from the date of cessation to exercise the share options. This requirement may be waived at the Board's discretion.

It is currently the Board's preference to issue performance rights under the LTIP to KMP rather than share options.

#### 7.3.5 Link between performance and executive remuneration

The focus of executive remuneration over the financial year was fixed remuneration and performance rights under the LTIP (i.e. growing the value of the Company as reflected through share price) which seeks to ensure that executive remuneration is appropriately aligned with the business strategy and shareholder interests.

The share price performance over the last 5 years, adjusted to reflect the capital return of 10 cents per share in 2012, is as follows:

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Share price	\$0.23	\$0.10	\$0.16	\$0.15	\$0.11

Chalice Gold Mines Limited  
Directors' Report

7.4 Key management personnel remuneration (audited)

Key Management Personnel		Short-term benefits			Post-employment	Other long-term benefits	Share-based payments	Termination benefits	Total	Proportion of remuneration performance related
		Salary & fees	Non-monetary benefits	Other	Superannuation benefits	Long service leave	Long Term Incentives <sup>(5)</sup>			
		\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>										
T R B Goyder	2015	333,585	4,164	-	31,691	-	-	-	369,440	-%
	2014	275,229	8,074	-	25,459	-	-	-	308,762	-%
W B Bent <sup>(2)</sup>	2015	100,458	2,231	-	26,539	-	-	377,681	506,909	-%
	2014	357,798	3,659	-	33,096	-	34,008	-	428,561	8%
D A Jones <sup>(3)</sup>	2015	92,141	2,748	-	18,421	-	-	171,928	285,238	-%
	2014	284,404	6,034	-	26,307	-	15,326	-	332,071	5%
A W Kiernan <sup>(1)</sup>	2015	146,759	1,299	-	7,055	-	-	-	155,113	-%
	2014	132,959	1,684	-	4,667	-	-	-	139,310	-%
S P Quin	2015	66,250	6,544	-	-	-	-	-	72,794	-%
	2014	55,000	2,689	-	-	-	-	-	57,689	-%
<b>Executive</b>										
R K Hacker	2015	300,807	2,582	-	29,014	4,605	47,985	-	384,993	12%
	2014	290,102	2,729	-	26,834	44,456	14,688	-	378,809	4%
G Snow <sup>(4)</sup>	2015	256,545	971	-	34,999	-	50,519	-	343,034	15%
	2014	-	-	-	-	-	-	-	-	-%
<b>Total Compensation</b>	<b>2015</b>	<b>1,296,545</b>	<b>20,539</b>	<b>-</b>	<b>147,719</b>	<b>4,605</b>	<b>98,504</b>	<b>549,609</b>	<b>2,117,521</b>	
	<b>2014</b>	<b>1,395,492</b>	<b>24,869</b>	<b>-</b>	<b>116,363</b>	<b>44,456</b>	<b>64,022</b>	<b>-</b>	<b>1,645,202</b>	

<sup>(1)</sup>Includes the consulting and legal services of Mr Kiernan (\$72,500) during the course of the financial year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

<sup>(2)</sup>Mr Bent resigned as Managing Director on 10 October 2014.

<sup>(3)</sup>Dr Jones resigned as Executive Director on 10 October 2014 and ceased employment on 31 October 2014.

<sup>(4)</sup>Mr Snow was appointed Chief Operating Officer on 13 October 2014, and prior to this date, he was employed as a consultant.

<sup>(5)</sup>The fair value of the options is calculated at the date of grant using a Black-Scholes Option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. The fair value of the performance rights is calculated at the date of grant using a binomial option-pricing model. In valuing the options and performance rights, market based vesting conditions have been taken into account.

# Chalice Gold Mines Limited

## Directors' Report

### 7.5 Equity instruments (audited)

#### 7.5.1 Employee share options

During the reporting period no options over ordinary shares in the Group were granted or vested as compensation to key management personnel. Furthermore, no options over ordinary shares granted to KMP were exercised or lapsed during the reporting period.

#### 7.5.2 Employee long term incentive plan - performance rights

During the reporting period the following performance rights were granted as compensation to KMP and details of performance rights that vested during the reporting period are as follows:

	Number of rights granted during 2015	Grant date	Fair value of rights at grant date \$	Expiry date	Number of rights vested during 2015
<b>Executives</b>					
G Snow	1,257,425	1 October 2014	104,729	30 June 2018	-
	142,350	17 November 2014	10,752	30 June 2018	-
	1,378,826	25 June 2015	104,500	30 June 2019	-
R Hacker	1,326,693	1 October 2014	110,499	30 June 2018	-
	1,306,837	25 June 2015	114,352	30 June 2019	-

During the reporting period, no shares were issued on the exercise of performance rights granted as compensation. Refer below.

Details of the vesting profile of performance rights granted as remuneration to each KMP of the Group are outlined below.

	Number of rights	Grant date	% vested in year	% forfeited in year	Vesting date
<b>Executive</b>					
W B Bent	1,453,444	5 June 2013	-	100%	-
D Jones	655,000	5 June 2013	-	100%	-
G Snow	1,257,425	1 October 2014	-	-	30 June 2016
	142,350	17 November 2014	-	-	30 June 2016
	1,378,826	25 June 2015	-	-	30 June 2017
R Hacker	402,139	6 June 2013	-	100%	-
	1,326,693	1 October 2014	-	-	30 June 2016
	1,306,837	25 June 2015	-	-	30 June 2017

The movement during the reporting period, by value of performance rights over ordinary shares in the Group held by each KMP is detailed below:

	Value of performance rights granted in year(A) \$	Value of performance rights exercised in year(B) \$	Value of performance rights lapsed in year(C) \$
<b>Directors</b>			
D Jones	-	-	75,325
<b>Executives</b>			
W B Bent	-	-	167,146
G Snow	221,086	-	-
R Hacker	224,851	-	42,225

(A) The value of performance rights granted in the year is the fair value of performance rights calculated at grant date using a binomial option-pricing model. The total value of the performance rights granted is included in the table above. This amount is allocated to remuneration over the vesting period.

## Chalice Gold Mines Limited

### Directors' Report

- (B) The value of performance rights exercised during the year is calculated as the market price of shares of the Company on ASX as at close of trading on the date the performance rights were exercised after deducting the price paid to exercise the performance right.
- (C) The value of performance rights that lapsed during the year represents the benefit foregone and is calculated at the date the performance right lapsed using the binomial option-pricing model or market value of shares with no adjustments for whether performance criteria have or have not been achieved.

#### 7.5.3 Equity holdings of key management personnel

##### Option holdings and performance rights of key management personnel

The movement during the reporting period in the number of options and performance rights over ordinary shares in the Group held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2014	Granted as compensation	Exercised/ Forfeited	Held at 30 June 2015	Vested during the year	Vested and exercisable at 30 June 2015
<b>Director</b>						
W B Bent	1,453,444	-	(1,453,444)	-	-	-
A W Kiernan	750,000	-	-	750,000	-	750,000
D A Jones	655,000	-	(655,000)	-	-	-
S P Quin	300,000	-	-	300,000	-	300,000
<b>Executive</b>						
G Snow	-	2,778,601	-	2,778,601	-	-
R K Hacker	402,139	2,633,530	(402,139)	2,633,530	-	-

##### Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares in the Group held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2014	Additions	Received on exercise of Options/ Performance rights	Held at 30 June 2015	Sales	Held at 30 June 2015
<b>Director</b>						
T R B Goyder	41,733,533	-	-	41,733,533	-	41,733,533
A W Kiernan	1,662,041	-	-	1,662,041	-	1,662,041
W B Bent	876,214	-	-	-	(876,214)	-
D A Jones	379,137	-	-	379,137	-	379,137
S P Quin	26,321	-	-	26,321	-	26,321
<b>Executive</b>						
G Snow	-	-	-	-	-	-
R K Hacker	335,890	-	-	335,890	(203,890)	132,000

#### 7.5.4 Other transactions with key management personnel and their related parties

A number of KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons or their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate expense/(income) recognised during the year relating to key management personnel or their related parties was as follows:

# Chalice Gold Mines Limited

## Directors' Report

Key management personnel	Transaction	Note	2015 \$	2014 \$
A W Kiernan	Consulting services	(i)	72,500	82,500
<b>Other related parties</b>				
Liontown Resources Limited	Corporate services	(ii)	(66,000)	(108,000)
Uranium Equities Limited	Corporate services	(ii)	(49,500)	-
PhosEnergy Limited	Corporate services	(ii)	(10,000)	-

- (i) The Group used the consulting services of Mr Kiernan during the course of the financial year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.
- (ii) The Group supplied corporate services including accounting and company secretarial services under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), Uranium Equities Limited ("UEL") and PhosEnergy Limited ("PEL"). Mr Goyder is a director of LTR, UEL and PEL and Mr Kiernan is Chairman of PEL. Amounts were billed on a proportionate share of the cost to the Group of providing the services and are due and payable under normal payment terms.

Amounts outstanding (to)/from the above related parties at reporting date arising from these transactions were as follows:

Assets and liabilities arising from the above transactions	2015 \$	2014 \$
Current payables	(6,000)	-
Trade debtors	19,154	66,296
	13,154	66,296

### 7.6 Executive contracts

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

#### Managing Director

The Managing Director ("MD") is employed under an ongoing contract which can be terminated with notice by either the Group or the MD.

Under the terms of the present contract, as disclosed to the ASX on 13 October 2014:

- The MD receives fixed remuneration of \$390,000 per annum (inclusive of superannuation).
- The MD may participate in incentive plans that may be in place from time to time subject to the Boards discretion and any shareholder approvals required.
- The MD's termination provisions are as follows:

	Notice Period	Payment in lieu of notice
Resignation	3 months	3 months
Termination for cause	None	None
Termination in cases of death, disablement, redundancy or notice without cause	3 months	3 months
Diminution of responsibility	12 months	N/A

# Chalice Gold Mines Limited

## Directors' Report

### Other KMP

	Notice Period	Payment in lieu of notice
Resignation	3 months	3 months
Termination for cause	None	None
Termination in cases of death, disablement, redundancy or notice without cause	3 months	3 months
Diminution of responsibility	6 months	N/A

### 8. Dividends

No dividends were declared or paid during the year and the directors recommend that no dividend be paid.

### 9. Likely developments

There are no likely developments that will impact on the Company other than as disclosed elsewhere in this report.

### 10. Significant events after balance date

There were no significant events after balance date that require disclosure in this report.

### 11. Directors' interests

The relevant interest of each director in the shares, rights or options over such instruments issued by Chalice and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares	Performance rights
T R B Goyder	41,733,533	-	-
S P Quin	26,321	300,000	-
A W Kiernan	1,662,041	750,000	-

### 12. Share options and performance rights

#### Unissued shares under option

At the date of this report 1,550,000 unissued ordinary shares (1,550,000 at reporting date) of the Company are under option on the following terms and conditions:

Expiry date	Exercise price (\$)	Number of shares
30 June 2016	0.30	1,050,000
31 October 2017	0.25	500,000

Unless exercised, these options do not entitle the holder to participate in any share issue of Chalice or any other body corporate.

#### Performance rights

At the date of this report 6,931,130 performance rights (7,314,380 at reporting date) have been issued on the following terms and conditions:

Exercise price (\$)	Number of rights	Expiry date
Nil	3,147,457	30 June 2018
Nil	3,783,673	30 June 2019

# Chalice Gold Mines Limited

## Directors' Report

### Shares issued on exercise of options or performance rights

No shares were issued during or since the end of the year as a result of the exercise of options or performance rights.

### 13. Environmental legislation

The Group is subject to environmental legislation and obligations within the jurisdictions in which it operates, which during the period has been primarily Canada.

### 14. Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

### 15. Indemnification and insurance of directors and officers

Chalice has agreed to indemnify all the directors and officers who have held office during the year, against all liabilities to another person (other than Chalice or a related body corporate) that may arise from their position as directors and officers of Chalice, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that Chalice will meet the full amount of any such liabilities, including costs and expenses.

During the year the Group paid insurance premiums of \$8,763 in respect of directors and officers indemnity insurance contracts, for current and former directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The amount of insurance paid is included in KMP remuneration in section 7.4 of the Remuneration Report.

### 16. Non-audit services

During the year HLB Mann Judd, the Company's auditors, provided no services in addition to their statutory duties.

### 17. Auditor's independence declaration

The auditor's independence declaration is set out on page 25 and forms part of the Directors' Report for the year ended 30 June 2015.

This Report is made in accordance with a resolution of the Directors:



Tim Goyder  
Managing Director

Dated at Perth the 28<sup>th</sup> day of September 2015

# Chalice Gold Mines Limited

## Directors' Report

### Competent Person and Qualifying Person Statements

The information in this report that relates to Exploration Results in relation to the Cameron Gold Project and the Croteau Est Project is based on information compiled by Mr Gary Snow, who is a Fellow of the Australasian Institute of Mining and Metallurgy and is a Fellow of the Australian Institute of Geoscientists. Mr Snow is a full-time employee of the company and 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, 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. Mr Snow consents to the release of information in the form and context in which it appears here.

The information relating to the Cameron Gold Project mineral resource is extracted from the ASX Announcement entitled "Chalice Files Updated 43-101 Technical Report" released on 29 July 2014 and is available to view at [www.chalicegold.com](http://www.chalicegold.com). Other than as outlined in this report the company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement.

The information relating to the **Croteau Est Project** is extracted from the ASX Announcement entitled "Chalice expands North American presence with farm-in deal on advanced and highly prospective Canadian gold project" released on 22 April 2015 and is available to view at [www.chalicegold.com](http://www.chalicegold.com). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement.

### 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 regarding the impact of additional logging and sampling at the Cameron Project on mineral resources, the results of drilling at Croteau Est on any mineral resource estimate, the impact of potential material reductions in costs on the economics of a future PEA at the Cameron Project, the results of business development activities which may result in a corporate transaction or investment, the estimation of mineral reserve 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, will, may would, 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

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results, performance or achievements expressed or implied by the forward-looking statements. Such factors may 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; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at [sedar.com](http://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.

## Chalice Gold Mines Limited

### Corporate Governance Statement

Chalice Gold Mines Limited ACN 116 648 956 (**Company**) has established a corporate governance framework, the key features of which are set out in its Corporate Governance statement which can be found on the Company's website at [www.chalicegold.com](http://www.chalicegold.com), under the section marked "Corporate Governance".

In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Chalice Gold Mines Limited for the year ended 30 June 2015, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia  
28 September 2015

L Di Giallonardo  
Partner

Chalice Gold Mines Limited  
**Consolidated Statement of Comprehensive Income**  
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Continuing operations</b>			
Other income	3(a)	608,263	212,204
Foreign exchange gains/(losses)		4,925,210	(631,276)
Net gain on sale of fixed assets		270,439	-
Net loss on sale of investments		-	(40,088)
Share of associate's loss	8	(45,510)	(15,105)
Exploration and evaluation assets written off	11	(1,207,782)	(6,758,654)
Corporate administrative expenses	3(b)	(2,057,106)	(1,889,160)
Business development and project acquisition costs	3(d)	(1,796,800)	(2,275,236)
Depreciation and amortisation expense		(92,694)	(93,456)
<b>Profit/(loss) before tax from continuing operations</b>		<b>604,020</b>	<b>(11,490,771)</b>
Income tax (expenses)/benefit	6	(259,529)	259,529
<b>Profit/(loss) for the year from continuing operations</b>		<b>344,491</b>	<b>(11,231,242)</b>
<b>Discontinued operations</b>			
Net profit/(loss) after tax for the year from discontinued operations	4	-	(328,422)
Overprovision for income tax expenses		10,958	-
<b>Profit/(loss) for the year from discontinued operations</b>		<b>10,958</b>	<b>(328,422)</b>
<b>Total profit/(loss) for the year</b>		<b>355,449</b>	<b>(11,559,664)</b>
<b>Total profit/(loss) for the year attributable to owners of the parent</b>		<b>355,449</b>	<b>(11,559,664)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of available for sale investments		(96,154)	245,756
Exchanges differences on translation of foreign operations		788,764	(348,833)
<b>Other comprehensive income/(loss) for the year</b>		<b>692,610</b>	<b>(103,077)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>1,048,059</b>	<b>(11,662,741)</b>
<b>Total comprehensive income/(loss) for the year attributable to owners of the parent</b>		<b>1,048,059</b>	<b>(11,662,741)</b>
Basic and diluted profit/(loss) per share from continuing operations (cents)	7	0.1	(4.3)
Basic and diluted loss per share from discontinued operations	7	0.0	(0.1)
Basic and diluted earnings/(loss) per share from continuing and discontinued operations (cents)	7	0.1	(4.3)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Chalice Gold Mines Limited  
Consolidated Statement of Financial Position  
As at 30 June 2015

	Note	2015 \$	2014 \$
<b>Current assets</b>			
Cash and cash equivalents	21	39,864,989	44,204,036
Trade and other receivables	9	231,020	416,205
<b>Total current assets</b>		<b>40,096,009</b>	<b>44,620,241</b>
<b>Non-current assets</b>			
Financial assets	10	182,216	229,671
Investment in associate	8	1,826,987	1,968,651
Exploration and evaluation assets	11	13,982,545	9,056,705
Property, plant and equipment	12	554,154	771,588
<b>Total non-current assets</b>		<b>16,545,902</b>	<b>12,026,615</b>
<b>Total assets</b>		<b>56,641,911</b>	<b>56,646,856</b>
<b>Current liabilities</b>			
Trade and other payables	13	625,138	1,312,052
Income tax payable	6	259,951	130,471
Employee benefits	14	44,522	87,313
<b>Total current liabilities</b>		<b>929,611</b>	<b>1,529,836</b>
<b>Non-current liabilities</b>			
Other	15	43,132	42,000
<b>Total non-current liabilities</b>		<b>43,132</b>	<b>42,000</b>
<b>Total liabilities</b>		<b>972,743</b>	<b>1,571,836</b>
<b>Net assets</b>		<b>55,669,168</b>	<b>55,075,020</b>
<b>Equity</b>			
Issued capital	16	43,622,887	44,140,306
Retained earnings	17(a)	14,890,400	14,421,779
Reserves	17(b)	(2,844,119)	(3,487,065)
<b>Total equity</b>		<b>55,669,168</b>	<b>55,075,020</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

Chalice Gold Mines Limited  
**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2015

	Issued capital \$	Retained earnings \$	Share based payments reserve \$	Investment revaluation reserve \$	Foreign currency translation reserve \$	Total \$
<b>Balance at 30 June 2014</b>	<b>44,140,306</b>	<b>14,421,779</b>	<b>247,524</b>	<b>213,756</b>	<b>(3,948,345)</b>	<b>55,075,020</b>
Net change in fair value of investments in associates	-	-	-	(96,154)	-	(96,154)
Exchange differences on translation of foreign operations	-	-	-	-	788,764	788,764
Profit for the year	-	355,449	-	-	-	355,449
<b>Total comprehensive profit for the year</b>	-	355,449	-	(96,154)	788,764	1,048,059
Share buy-back	(311,124)	-	-	-	-	(311,124)
Minimum holding share buy-back	(206,295)	-	-	-	-	(206,295)
Share based payments	-	-	63,508	-	-	63,508
Transfers between equity items	-	113,172	(113,172)	-	-	-
<b>Balance at 30 June 2015</b>	<b>43,622,887</b>	<b>14,890,400</b>	<b>197,860</b>	<b>117,602</b>	<b>(3,159,581)</b>	<b>55,669,168</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Chalice Gold Mines Limited  
**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2015

	Issued capital	Retained earnings	Share based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2013</b>	<b>39,239,790</b>	<b>24,632,124</b>	<b>1,523,954</b>	<b>(32,000)</b>	<b>(3,599,512)</b>	<b>61,764,356</b>
Net change in fair value of available for sale investments and investments in associates	-	-	-	245,756	-	245,756
Exchange differences on translation of foreign operations	-	-	-	-	(348,833)	(348,833)
Loss for the year	-	(11,559,664)	-	-	-	(11,559,664)
<b>Total comprehensive loss for the year</b>	-	(11,559,664)	-	245,756	(348,833)	(11,662,741)
Acquisition of the Cameron Gold Project	6,440,000	-	-	-	-	6,440,000
Share buy-back	(1,549,244)	-	-	-	-	(1,549,244)
Exercise of share options	50,000	-	-	-	-	50,000
Share transaction costs	(40,240)	-	-	-	-	(40,240)
Share based payments	-	-	72,889	-	-	72,889
Transfers between equity items	-	1,349,319	(1,349,319)	-	-	-
<b>Balance at 30 June 2014</b>	<b>44,140,306</b>	<b>14,421,779</b>	<b>247,524</b>	<b>213,756</b>	<b>(3,948,345)</b>	<b>55,075,020</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Chalice Gold Mines Limited  
**Consolidated Statement of Cash Flows**  
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Cash receipts from operations		125,258	129,000
Cash paid to suppliers and employees		(2,114,343)	(1,941,576)
Income tax paid		(379,043)	-
Research and development tax credit		259,952	-
Interest received		479,068	94,601
<b>Net cash used in operating activities</b>	21	<b>(1,629,108)</b>	<b>(1,717,975)</b>
<b>Cash flows from investing activities</b>			
Payments for mining exploration and evaluation		(2,822,084)	(3,512,947)
Payments for business development activities		(1,823,283)	(2,244,030)
Costs associated with the acquisition of Cameron Gold Project		-	(929,947)
Acquisition of the Dubenski Gold Project		(725,321)	-
Buy-back of Cameron Royalty	11	(2,075,327)	-
Share of joint venture cash calls		-	203,203
Acquisition of property, plant and equipment		(120,765)	(117,378)
Acquisition of associate		-	(1,770,000)
Proceeds from sale of fixed assets		449,050	-
Proceeds from sale of shares		-	3,912
<b>Net cash used in investing activities</b>		<b>(7,117,730)</b>	<b>(8,367,187)</b>
<b>Cash flows from financing activities</b>			
Share buy-back		(311,124)	(1,549,244)
Minimum shareholding buy-back		(206,295)	-
Options exercised		-	50,000
Share issue costs		-	(23,508)
<b>Net cash used in financing activities</b>		<b>(517,419)</b>	<b>(1,522,752)</b>
Net decrease in cash and cash equivalents		(9,264,257)	(11,607,914)
Cash and cash equivalents at the beginning of the year		44,204,036	56,443,226
Effect of exchange rate fluctuations on cash held		4,925,210	(631,276)
<b>Cash and cash equivalents at 30 June</b>	21	<b>39,864,989</b>	<b>44,204,036</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Chalice Gold Mines Limited

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2015

#### 1. Significant accounting policies

Chalice Gold Mines Limited is a dual listed Australian Securities Exchange ('ASX') and Toronto Stock Exchange ('TSX') listed public company domiciled in Australia at Level 2, 1292 Hay Street, West Perth, Western Australia. The consolidated financial report comprises the financial statements of Chalice Gold Mines Limited ('Company') and its subsidiaries ('the Group') for the year ended 30 June 2015.

##### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. Chalice is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

The financial report was authorised for issue by the directors on 28 September 2015.

##### (b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

##### (c) Adoption of new and revised standards

###### (i) Standards and interpretations application to 30 June 2015

For the year ended 30 June 2015, 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 that are effective for annual reporting periods beginning on or after 1 July 2014. It has been determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group. The Group has adopted the following new and amended Standards and AASB Interpretations as of 1 July 2014:

- AASB 9 Financial Instruments
- AASB 1031 Materiality
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non Financial Assets
- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- INT 21 Levies
- AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle
- AASB 2014-1 Part A – Annual Improvements 2011-2013 Cycle

# Chalice Gold Mines Limited

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2015

#### (ii) Accounting Standards and Interpretations issued but not yet effective

The following new accounting standards and interpretations which are not yet effective and have not been applied by the Company, have been assessed to have no material impact on the Company:

- AASB 9 Financial Instruments
- AASB 2014-3 Amendments to AASB 1 and AASB 11 – Accounting for Acquisitions of Interests in Joint Operation
- AASB 2014-4 Amendments to AASB 116 and AASB 138 – Clarification of acceptable methods of depreciation and amortisation.
- AASB 15 Revenue from Contracts with Customers.
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.
- AASB 2010-10 – Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- AASB 2015-1 - Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 – Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.
- AASB 2015-3 – Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- AASB 2015-5 - Amendments to Australian Accounting Standards – Investment entities: Applying the Consolidation Exception.

#### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Chalice Gold Mines Limited ('Company' or 'Parent') and its subsidiaries as at 30 June each year (the 'Group'). Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries and special purpose entities are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Chalice Gold Mines Limited are accounted for at cost in the financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

# Chalice Gold Mines Limited

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2015

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interest are allocated their share of net result after tax in the consolidated statement of comprehensive income and are presented in equity in the consolidated statement of financial position, separately from the equity of the owners of the Parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### **(e) Significant accounting judgements, estimates and assumptions**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance-s, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Group.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### **(i) Recoverability of exploration expenditure**

The recoverability of the carrying amount of exploration and evaluation expenditure carried forward is dependent on the future successful outcome from exploration activity or alternatively the sale of the respective areas of interest. Where exploration results are unsuccessful, or no further work is to be undertaken, the directors will then assess whether an impairment write-down is required, which will be recognised in the statement of comprehensive income.

#### **(ii) Share-based payment transactions**

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using a Black-Scholes Option model taking into account the terms and conditions upon which the instruments were granted. The details and assumptions used in determining the value of these transactions are detailed in note 14.

# Chalice Gold Mines Limited

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

### **(f) Foreign currency translation**

The functional currency of the Company is Australian dollars and the functional currency of subsidiaries based in Canada is Canadian Dollars (CAN\$). The presentation currency of the Group is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss as incurred. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates as at the date of the initial transaction.

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Chalice Gold Mines Limited at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of recognised foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

### **(g) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

### **(h) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

#### **(i) Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the buyer.

#### **(ii) Services rendered**

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at balance date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and the costs incurred or to be incurred cannot be measured reliably.

#### **(iii) Interest received**

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

Chalice Gold Mines Limited  
Notes to the Consolidated Financial Statements  
For the year ended 30 June 2015

**(i) Expenses**

**(i) Operating lease payments**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

**(ii) Depreciation**

Depreciation is calculated on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates used in the current and comparative periods are as follows:

- plant and equipment 7%-40%
- fixtures and fittings 11%-22%
- motor vehicles 18.75%-25%

the residual value, if not insignificant, is reassessed annually.

**(j) Income taxes and other taxes**

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the country where the company's subsidiaries operate and generate taxable income. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance date.

Income tax in the statement of comprehensive income comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

# Chalice Gold Mines Limited

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2015

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **(k) Other taxes**

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST') or other taxes, except where the amount of GST or other taxes incurred are not recoverable from the taxation authority. In these circumstances, the GST or other taxes incurred, are recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the statement of financial position.

Other taxes payable in foreign jurisdictions are included as a current payable in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. Taxes paid in foreign jurisdictions are classified as investing cash flows in the statement of cash flows.

#### **(l) Impairment**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income. Receivables with a short duration are not discounted.

# Chalice Gold Mines Limited

## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2015

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of six months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### **(n) Trade and other receivables**

Trade and other receivables are stated at cost less impairment losses (see accounting policy (l)).

#### **(o) Non-current assets held for sale and discontinued operations**

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable AIFRS. Then, on initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from the discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and tangible assets once classified as held for sale are not depreciated or amortised.

#### **(p) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The carrying values of plant and equipment are reviewed for impairment at each balance date in line with the Group's impairment policy (see accounting policy (l)).

#### **(q) Financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value, through profit or loss, directly attributable transactions costs. The

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## Notes to the Consolidated Financial Statements

### For the year ended 30 June 2015

Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

**(i) Financial assets at fair value through profit or loss**

Financial assets classified as held-for-trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognised in profit or loss.

**(ii) Held-to-maturity investments**

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

**(iii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**(iv) Available-for-sale investments**

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

**(r) Derecognition of financial assets and financial liabilities**

**(i) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised when:

- the rights to receive cash flows from the asset have expired; and/or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risk and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership.

When it has neither transferred nor retained substantially all of the risk and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially

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different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option-pricing models.

**(s) Impairment of financial assets**

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**(i) Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be, recognised are not included in a collective assessment of impairment.

If there are objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

**(ii) Financial assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

**(iii) Available-for-sale investments**

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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**(t) Exploration, evaluation, development and tenement acquisition costs**

Exploration, evaluation, development and tenement acquisition costs in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the statement of financial position so long as the following conditions are satisfied:

- (1) the rights to tenure of the area of interest are current; and
- (2) at least one of the following conditions is also met:
  - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
  - (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation expenditures where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount and where this is the case an impairment loss is recognised. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, reclassified to development costs and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

**(u) Trade and other payables**

Trade and other payables are stated at amortised cost. Trade and other payables are presented as current liabilities unless payment is not due within 12 months

**(v) Provisions and employee benefits**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**(w) Employee benefits**

**(i) Wages, salaries and annual leave**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as superannuation, workers' compensation insurance and payroll tax.

**(ii) Long service leave and other long term employee benefits**

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. This benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit cost method.

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**(iii) Superannuation**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

**(iv) Share-based payment transactions**

The Group currently provides benefits under an Employee Share Option Plan. The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model and further details are provided at note 14. The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(x) Share Capital**

**(i) Ordinary share capital**

Ordinary shares and partly paid shares are classified as equity.

**(ii) Transaction costs**

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit

**(y) Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in associates is accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in the associate is

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### For the year ended 30 June 2015

not tested separately; rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from the associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long term receivables and loans, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

#### **(z) Interest in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- (i) its assets, including its share of any assets held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and
- (v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

#### **(aa) Parent entity financial information**

The financial information for the parent entity, Chalice Gold Mines Limited, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements.

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For the year ended 30 June 2015

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 exploration and evaluation costs, business development costs or corporate related costs. Results of those segments are reported to the Board of Directors at each Board meeting. The exploration and evaluation segment includes all of the Company's exploration projects grouped into one combined segment.

	Exploration and Evaluation		Business development		Corporate		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Other income	-	-	-	-	125,758	108,000	125,758	108,000
Net gain on sale of fixed assets	270,439	-	-	-	-	-	270,439	-
Exploration and evaluation assets written off	(1,207,782)	(6,758,654)	-	-	-	-	(1,207,782)	(6,758,654)
Depreciation	-	-	-	-	(92,694)	(93,456)	(92,694)	(93,456)
Business development and project acquisition costs	-	-	(1,796,800)	(2,275,236)	-	-	(1,796,800)	(2,275,236)
Corporate administrative expenses	-	-	-	-	(2,057,106)	(1,889,160)	(2,057,106)	(1,889,160)
<b>Segment profit/(loss) before tax</b>	<b>(937,343)</b>	<b>(6,758,654)</b>	<b>(1,796,800)</b>	<b>(2,275,236)</b>	<b>(2,024,042)</b>	<b>(1,874,616)</b>	<b>(4,758,185)</b>	<b>(10,908,506)</b>
<b>Unallocated income/(expenses)</b>								
Net financing income							482,505	104,204
Foreign exchange gains/(losses)							4,925,210	(631,276)
Income tax expense/(benefit)							(259,529)	259,529
Net loss on sale of investments							-	(40,088)
Share of associate's net loss							(45,510)	(15,105)
Gain/(loss) from discontinued operations							10,958	(328,422)
<b>Profit/(loss) attributable owners of the parent</b>							<b>355,449</b>	<b>(11,559,664)</b>

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	Exploration and Evaluation		Business development		Corporate		Total	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Segment assets:</b>								
Exploration and evaluation assets	13,982,545	9,056,705	-	-	-	-	13,982,545	9,056,705
Investment in associate	1,826,987	1,968,651	-	-	-	-	1,826,987	1,968,651
Other	491,098	675,033	-	-	338,258	606,531	829,356	1,281,564
	<b>16,300,630</b>	<b>11,700,389</b>	<b>-</b>	<b>-</b>	<b>338,258</b>	<b>606,531</b>	<b>16,638,888</b>	<b>12,306,920</b>
Unallocated assets							40,003,023	44,339,936
<b>Total assets</b>							<b>56,641,911</b>	<b>56,646,856</b>
<b>Segment liabilities</b>	(703,381)	(1,230,949)	(20,672)	(34,494)	(248,690)	(306,393)	(972,743)	(1,571,836)
<b>Total Liabilities</b>	<b>(703,381)</b>	<b>(1,230,949)</b>	<b>(20,672)</b>	<b>(34,494)</b>	<b>(248,690)</b>	<b>(306,393)</b>	<b>(972,743)</b>	<b>(1,571,836)</b>

**Geographical information**

*Revenues from external customers*

	30 June 2015	30 June 2014
	\$	\$
Australia	125,758	108,000
Eritrea	270,439	-
<b>Total</b>	<b>396,197</b>	<b>108,000</b>

*Non-current assets*

	30 June 2015	30 June 2014
	\$	\$
Australia	2,036,666	2,254,992
Canada	14,327,020	9,424,010
Eritrea	-	117,942
<b>Total</b>	<b>16,363,686</b>	<b>11,796,944</b>

Non-current assets for this purpose consist of property, plant and equipment, exploration and evaluation assets, and investment in associates.

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		2015	2014
		\$	\$
<b>3.</b>	<b>Revenue and expenses</b>		
	<b>(a) Other income</b>		
	Corporate and administration service fees	125,758	108,000
	Net finance income	482,505	104,204
		<b>608,263</b>	<b>212,204</b>
	<b>(b) Corporate administrative expenses</b>		
	Consultants	240	1,125
	Insurance	49,040	79,170
	Legal fees	43,470	93,225
	Travel	8,491	819
	Head office costs	119,032	192,613
	Regulatory and compliance	335,130	264,211
	Personnel expenses (note 3(c))	1,428,597	1,168,318
	Other	73,106	89,679
		<b>2,057,106</b>	<b>1,889,160</b>
	<b>(c) Personnel expenses</b>		
	Wages and salaries	309,805	657,716
	Redundancies and terminations	560,825	-
	Directors' fees	152,808	110,474
	Other associated personnel expenses	170,637	123,669
	Superannuation contributions	167,315	175,369
	(Decrease)/increase in liability for annual leave	(927)	25,507
	(Decrease)/increase in liability for long service leave	4,626	2,694
	Equity-settled share- based payment transactions	63,508	72,889
		<b>1,428,597</b>	<b>1,168,318</b>
	<b>(d) Business development costs</b>		
	Personnel expenses	852,843	1,132,109
	Head office costs	297,234	329,299
	Consultants	468,606	320,198
	Travel and conferences	121,598	439,638
	Other	56,519	53,992
		<b>1,796,800</b>	<b>2,275,236</b>

**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 (\$76.9 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 ENAMCO for US\$34 million (\$33.1 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:

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	2015	2014
	\$	\$
<b>Consideration received</b>		
Funds outstanding – Eritrean National Mining Corporation	-	61,578
<b>Total disposal consideration</b>	-	61,578
<b>Gain on disposal before income tax</b>	-	61,578
Underprovision for income tax	-	(10,958)
Income tax expense	-	(379,042)
<b>Loss on disposal after tax</b>	-	(328,422)
Share of net loss on subsidiary up to date of disposal (depreciation)	-	-
<b>Net loss from discontinued operation</b>	-	(328,422)
<b>5. Auditor’s remuneration</b>		
<b>Audit services</b>		
HLB Mann Judd:		
Audit and review of financial reports	43,000	50,500
Other services	-	-
	43,000	50,500

**6. Income tax**

The prima facie income tax expense on pre-tax accounting result on operations and discontinued operations reconciles to the income tax benefit in the financial statements as follows:

	2015	2014
	\$	\$
Accounting profit/(loss) from continuing operations	604,020	(11,490,771)
Income tax calculated at the Australian corporate rate of 30%	181,206	(3,447,231)
Non-deductible expenses	277,142	2,047,201
Share based payments	19,053	-
Deferred tax assets and liabilities not recognised	(477,402)	1,400,030
Research and development tax claim (payable)/benefit	(259,529)	259,529
Income tax (expense)/benefit reported in the statement of comprehensive income	(259,529)	259,529

The tax rate used in the above reconciliation is the corporate rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

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**Unrecognised deferred tax balances**

The following deferred tax assets and liabilities have not been brought to account:

*Deferred tax assets comprise:*

	2015 \$	2014 \$
Revenue losses available for offset against future taxable income	2,995,094	4,504,645
Other deferred tax assets	1,006,136	737,934
	<b>4,001,230</b>	<b>5,242,579</b>
<i>Deferred tax liabilities comprise:</i>		
Unrealised foreign exchange gains	(338,048)	(1,323,720)
Other deferred tax liabilities	(1,997)	(1,729)
Net deferred tax assets recognised	<b>(340,045)</b>	<b>(1,325,449)</b>
<b>Income tax benefit not recognised directly in equity during the year:</b>		
Share issue costs	(3,830)	(11,179)

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

**7. Earnings per share**

**Basic and diluted earnings per share**

The calculation of basic earnings per share for the year ended 30 June 2015 was based on the profit attributable to ordinary equity holders of the parent of \$355,449 (2014: loss of \$11,559,664) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2015 of 284,997,126 (2014: 268,147,888).

	2015 \$	2014 \$
<b>Profit/(loss) attributable to ordinary shareholders</b>		
Profit/(loss) attributable to ordinary equity holders of the parent from continuing operations	344,491	(11,231,242)
Profit/(loss) attributable to ordinary equity holders of the parent from a discontinued operation	10,958	(328,422)
<b>Net profit/(loss) attributable to ordinary equity holders of the parent for basic earnings</b>	<b>355,449</b>	<b>(11,559,664)</b>
<b>Net profit/(loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution</b>	<b>355,449</b>	<b>(11,559,664)</b>

Diluted earnings per share have not been disclosed as the impact from options and performance rights is anti-dilutive.

**8. Investment in associates**

The Company has a 23.17% interest in unlisted Australian based GeoCrystal Limited ("GeoCrystal"). The principal activity of the company is exploring diamonds in Australia.

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**Reconciliation of movements in investments in associates**

	2015 \$	2014 \$
Balance at 1 July	1,968,651	-
Payments made to acquire interest	-	1,770,000
Unlisted options	-	213,756
Revaluation of unlisted options	(96,154)	-
Share of loss of associate	(45,510)	(15,105)
Balance at 30 June	1,826,987	1,968,651
<b>Summary of financial information of associate:</b>		
<b>Financial Position</b>		
Total assets	7,981,031	8,253,967
Total liabilities	(95,891)	(51,255)
Net assets	7,885,140	8,202,712
Share of associate's net assets	1,826,987	1,968,651
<b>Financial Performance</b>		
Total revenue	53,156	13,281
Total loss for the year	(196,418)	(62,938)
Share of associate's loss	(45,510)	(15,105)

The associate had no contingent liabilities or assets at 30 June 2015 (30 June 2014: nil) and exploration commitments payable within 1 year of \$408,000.

	2015 \$	2014 \$
<b>9. Trade and other receivables</b>		
Other trade receivables	142,971	258,686
Prepayments	88,049	157,519
	231,020	416,205
<b>10. Financial assets</b>		
<b>Non-current</b>		
Bond in relation to office premises	66,628	65,456
Bank guarantee and security deposits	115,588	164,215
	182,216	229,671
<b>11. Exploration and evaluation expenditure</b>		
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	9,056,705	5,202,613
Expenditure incurred	3,383,788	3,226,797
Acquisition of the Cameron Project	-	6,149,471
Cost associated with the acquisition of the Cameron Project	-	877,170
Acquisition of the Dubenski Property	-	694,960
Acquisition of two thirds of a 3% royalty at the Cameron Project <sup>(1)</sup>	2,075,327	-
Exploration and evaluation assets written off	(1,207,782)	(6,758,654)
Effects of movements in exchange rate	674,507	(335,652)
<b>Total exploration expenditure</b>	13,982,545	9,056,705

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

<sup>(1)</sup>In March 2015, the Company exercised its right to buy-back two-thirds, or 2% of the existing 3% Net Smelter Royalty ("NSR") relating to the Cameron Gold Deposit for C\$2 million.

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**12. Property, plant and equipment**

	Plant and Equipment \$	Office Furniture and Equipment \$	Computer Equipment and Software \$	Motor Vehicles \$	Total \$
<b>Year ended 30 June 2015</b>					
At 1 July 2014 net of accumulated depreciation and impairment	360,199	106,808	149,326	155,255	771,588
Additions	100,018	-	29,746	-	129,764
Disposals	(68,987)	-	(5,648)	(125,448)	(200,083)
Exchange differences	22,595	969	220	11,835	35,619
Depreciation charge for the year	(85,261)	(17,176)	(63,614)	(16,683)	(182,734)
At 30 June 2015 net of accumulated depreciation and impairment	328,564	90,601	110,030	24,959	554,154
<b>At 30 June 2015</b>					
Cost	513,412	419,566	591,520	37,054	1,561,552
Accumulated depreciation and impairment	(184,848)	(328,965)	(481,490)	(12,095)	(1,007,398)
Net carrying amount	328,564	90,601	110,030	24,959	554,154
<b>Year ended 30 June 2014</b>					
At 1 July 2013 net of accumulated depreciation and impairment	107,329	105,958	138,217	150,766	502,270
Additions	45,701	-	71,677	-	117,378
Assets acquired from acquisition of the Cameron Project	279,339	19,503	-	36,013	334,855
Exchange differences	(6,886)	(658)	-	(2,483)	(10,027)
Depreciation charge for the year	(65,284)	(17,995)	(60,568)	(29,041)	(172,888)
At 30 June 2014 net of accumulated depreciation and impairment	360,199	106,808	149,326	155,255	771,588
<b>At 30 June 2014</b>					
Cost	499,375	415,749	596,625	193,195	1,704,944
Accumulated depreciation and impairment	(139,176)	(308,941)	(447,299)	(37,940)	(933,356)
Net carrying amount	360,199	106,808	149,326	155,255	771,588

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		2015	2014
		\$	\$
<b>13.</b>	<b>Trade and other payables</b>		
	Trade payables	27,521	14,072
	Other payables	47,702	77,933
	Amount due under contract <sup>(1)</sup>	-	694,960
	Accrued expenses	549,915	525,087
		<b>625,138</b>	<b>1,312,052</b>

<sup>(1)</sup>Represents amounts owing for the acquisition of the Dubenski property (C\$700,000), which was paid on 29 October 2014.

		2015	2014
		\$	\$
<b>14.</b>	<b>Employee benefits</b>		
	Annual leave accrued	44,076	86,927
	Provision for long service leave	446	386
		<b>44,522</b>	<b>87,313</b>

**Share based payments**

**(a) Employee share option plan**

The Group has an Employee Share Option Plan ('ESOP') in place. Under the terms of the ESOP, the Board may offer options for no consideration to full-time or part-time employees (including persons engaged under a consultancy agreement), executive and non-executive directors. In the case of the directors, the issue of options under the ESOP requires shareholder approval.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is determined by the Board.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period, if any.

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price	Number of options
	\$	
	2015	2015
Outstanding at the beginning of the year	0.32	1,900,000
Forfeited during the year	0.35	(850,000)
Exercised during the year	-	-
Granted during the year	0.25	500,000
Exercisable at the end of the year	0.28	1,550,000
Outstanding at the end of the year	0.28	1,550,000

	Weighted average exercise price	Number of options
	\$	
	2014	2014
Outstanding at the beginning of the year	0.33	5,650,000
Forfeited during the year	0.36	(3,250,000)
Exercised during the year	0.10	(500,000)
Granted during the year	-	-
Exercisable at the end of the year	0.32	1,900,000
Outstanding at the end of the year	0.32	1,900,000

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The options outstanding at 30 June 2015 have a weighted average exercise price of \$0.28 (2014: \$0.32) and a weighted average contractual life of 3 years (2014: 3 years).

The fair value of the options is estimated at the date of grant using a Black-Scholes option-pricing model. The following table gives the assumptions made in determining the fair value of the options granted during the year.

	2015	2014
Weighted average share price at grant date	\$0.117	-
Weighted exercise price	\$0.25	-
Expected volatility (expressed as weighted average volatility)	38.2%	-
Option life (expressed as weighted average life)	3 years	-
Expected dividends	-	-
Risk-free interest rate	2.61%	-

Share options are granted under service conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

**(b) Employee long term incentive plan**

The Company has in place an Employee Long Term Incentive Plan ('LTIP') and under the LTIP the Board may issue performance rights to employees and directors. A performance right is a right to be issued an ordinary share upon the satisfaction of certain performance conditions that are attached to the performance right, the conditions of which are determined by the Board.

Performance rights are granted for no consideration and the term of the performance rights are determined by the Board in its absolute discretion, but will ordinarily have a three year term up to a maximum of five years. Performance rights are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry date (if no other measurement date is specified) or if employment is terminated. There is no ability to re-test performance under the LTIP after the performance period.

The fair value of performance rights has been calculated at the grant date and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of fair value of the rights allocated to this reporting period.

The weighted average fair value of the performance rights outstanding at 30 June 2015 was 11.7 cents per performance right (2014: 4.8 cents).

A summary of performance rights in the Group and the Company is as follows:

**30 June 2015:**

Grant date	Opening balance	Granted	Vested	Lapsed/Forfeited	Closing balance	Share price at date of issue (\$)
5 June 2013	2,108,444	-	-	(2,108,444)	-	0.16
6 June 2013	645,705	-	-	(645,705)	-	0.17
1 October 2014	-	3,388,357	-	-	3,388,357	0.13
17 November 2014	-	142,350	-	-	142,350	0.11
25 June 2015	-	3,783,673	-	-	3,783,673	0.11
	<b>2,754,149</b>	<b>7,314,380</b>	-	<b>(2,754,149)</b>	<b>7,314,380</b>	



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**16. Issued Capital**

There were 282,710,802 shares on issue at 30 June 2015 (2014: 287,491,719).

**(a) Movements in ordinary shares on issue**

	2015		2014	
	No.	\$	No.	\$
Balance at beginning of financial year	287,491,719	44,140,306	250,730,886	39,239,790
Shares issued on exercise of unlisted options	-	-	500,000	50,000
Shares issued on vesting of performance rights	-	-	297,424	-
Shares issued on acquisition of the Cameron Gold Project	-	-	46,000,000	6,440,000
Share buy-back <sup>1</sup>	(3,000,000)	(311,124)	(10,036,591)	(1,549,244)
Minimum holding share buy-back <sup>2</sup>	(1,780,917)	(206,295)	-	-
Share issue costs	-	-	-	(40,240)
Balance at end of financial year	282,710,802	43,622,887	287,491,719	44,140,306

<sup>1</sup>On 3 March 2014, the Company announced an on-market share buy-back of up to 25,073,088 ordinary shares as part of a capital management plan over 12 months. During the year ended 30 June 2015, 3,000,000 shares were acquired under the share buy-back facility. The share buy-back facility ended 18 March 2015.

<sup>2</sup>During the year, the company completed an unmarketable parcel minimum holding share buy-back. Of the eligible parcels held at 17 October 2014 (the record date), a total of 1,780,917 ordinary shares were acquired and cancelled at a price of 11.5 cents per share.

**Issuance of Ordinary Shares**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, the ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

**(b) Share options**

	2015	2014
	No.	No.
On issue at 1 July	1,900,000	5,650,000
Options forfeited or cancelled	-	(3,250,000)
Options exercised during the year	-	(500,000)
Options lapsed during the year	(850,000)	-
Options issued during the year	500,000	-
On issue at 30 June	1,550,000	1,900,000

At 30 June 2015 the Company had 1,550,000 unlisted options on issue under the following terms and conditions:

Number	Expiry Date	Exercise Price \$
500,000	31 October 2017	0.25
1,050,000	30 June 2016	0.30

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<b>(c) Performance rights</b>	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
On issue at 1 July	2,754,149	2,954,149
Issue of performance rights under the Employee Long Term Incentive Plan	7,314,380	-
Performance rights vested	-	(200,000)
Performance rights lapsed	(2,754,149)	-
On issue at 30 June	<b>7,314,380</b>	<b>2,754,149</b>

At 30 June 2015 the Company had 7,314,380 performance rights options on issue under the following terms and conditions:

<b>Number</b>	<b>Terms</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
			<b>\$</b>
3,530,707	The number of performance rights that will vest will be solely dependent on the Company's share price as at the measurement date of 30 June 2016 as compared to the Share price hurdles outlined in the Remuneration Report.	30 June 2018	-
3,783,673	The number of performance rights that will vest will be solely dependent on the Company's share price as at the measurement date of 30 June 2017 as compared to the Share price hurdles outlined in the Remuneration Report.	30 June 2019	-

17.

**Retained earnings and reserves**

**(a) Movements in retained earnings attributable to owners of the parent:**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of financial year	14,421,779	24,632,124
Profit/(loss) for the year attributable to owners of the parent	355,449	(11,559,664)
Transfers between equity items	113,172	1,349,319
Balance at end of financial year	<b>14,890,400</b>	<b>14,421,779</b>

**(b) Nature and purpose of reserves**

**Other capital reserves**

**(i) Share-based payments reserve**

The share-based payments reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to note 14 for further details of these plans.

**All other reserves as stated in the consolidated statement of changes in equity**

**(ii) Foreign currency translation reserve**

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of exchange variances resulting from net investments in foreign operations.

**(iii) Investment revaluation reserve**

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets and investments in associates until the investments are derecognised or impaired.

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**18. Financial instruments**

**(a) Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in notes 16 and 17.

The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

**(b) Market risk exposures**

Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will have on the Group's income or value of its holdings of financial instruments.

**(i) Foreign exchange rate risk**

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not hedge this exposure. The cash at bank held by the Company currently comprises predominately US dollar funds. The Group manages its foreign exchange risk by constantly reviewing its exposure and ensuring that there are appropriate cash balances in order to meet its likely future commitments in each currency.

At 30 June 2015, Chalice had the following exposures to USD foreign currency:

	2015 \$	2014 \$
<b>Financial Assets</b>		
Cash and cash equivalents	35,258,192	43,973,035
Trade and other receivables	-	50,350
<b>Financial Liabilities</b>		
Trade and other payables	-	4,229

The following tables summarises the impact of increases/decreases in the relevant foreign exchange rates on the Group's post-tax result for the year and on the components of equity. The sensitivity analysis uses a variance of 10% movement in the USD against AUD.

		2015 \$	2014 \$
Impact on gain/(loss)	AUD/USD +10%	(3,205,290)	(4,001,741)
	AUD/USD -10%	3,525,819	4,401,916
Impact on equity	AUD/USD +10%	(3,205,290)	(4,001,741)
	AUD/USD -10%	3,525,819	4,401,916

**(ii) Equity prices**

The Group currently has no significant exposure to equity price risk.

**(iii) Interest rate risk**

At reporting date the Group's exposure to market risk for changes in interest rates relates primarily to the Group's short term cash deposits. The Group is not exposed to cash flow volatility from interest rate changes on borrowings, as it does not have any short or long term borrowings.

Chalice constantly analyses its exposures to interest rates, with consideration given to potential renewal of existing positions and the period to which deposits may be fixed.

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At reporting date, the following financial assets were exposed to fluctuations in interest rates:

	2015	2014
	\$	\$
Cash and cash equivalents	39,864,989	44,204,036

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. The sensitivity is based on a change of 100 basis points in interest rates at reporting date.

In the year ended 30 June 2015, if interest rates had moved by 100 basis points, with all other variables held constant, the post-tax result for the Group would have been affected as follows:

		<b>Impact on Profit</b>	
		2015	2014
		\$	\$
Impact on gain/(loss)	100 bp increase	398,079	441,060
	100 bp decrease	(398,079)	(441,060)
Impact on equity	100 bp increase	398,079	441,060
	100 bp decrease	(398,079)	(441,060)

**(c) Credit risk exposure**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the notes to the financial statements.

It is not the Company's policy to securitise its trade and other receivables, however, receivable balances are monitored on an ongoing basis.

**(d) Liquidity risk exposure**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board of Directors actively monitors the Group's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The Group has non-derivative financial liabilities which include trade and other payables of \$625,138 (2014: \$1,312,052) all of which are due within 60 days.

**(e) Net fair values of financial assets and liabilities**

The carrying amounts of all financial assets and liabilities approximate their net fair values.

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**19. Parent Entity**

	2015 \$	2014 \$
<b>Financial position</b>		
<b>Assets</b>		
Current assets	39,955,881	44,644,348
Non-current assets	23,365,507	18,143,312
<b>Total assets</b>	<b>63,321,388</b>	<b>62,787,660</b>
<b>Liabilities</b>		
Current liabilities	473,715	520,429
Non-current liabilities	28,284,446	28,173,037
<b>Total liabilities</b>	<b>28,758,161</b>	<b>28,693,466</b>
<b>Net assets</b>	<b>34,563,227</b>	<b>34,094,194</b>
<b>Equity</b>		
Issued capital	43,622,888	44,140,306
Accumulated losses	(9,257,521)	(10,507,391)
Reserves	197,860	461,279
<b>Total equity</b>	<b>34,563,227</b>	<b>34,094,194</b>
<b>Financial performance</b>		
Loss for the year	(1,656,610)	(5,257,257)
Total comprehensive loss	(1,656,610)	(5,257,257)
<b>Commitments and contingencies</b>		
<b>(i) Contingencies</b>		
Other than as disclosed in note 20, the parent entity has no contingent assets or liabilities.		
<b>(ii) Operating lease commitments</b>		
Within 1 year	345,567	334,525
Within 2-5 years	350,441	605,741
Later than 5 years	-	-
	<b>696,008</b>	<b>940,266</b>

**20. Commitments and contingencies**

**Exploration expenditure commitments**

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. The amounts stated are based on the maximum commitments. The Group may in certain situations apply for exemptions under relevant mining legislation or enter into joint venture arrangements which significantly reduce working capital commitments. These obligations are not provided for in the financial report and are payable:

	2015 \$	2014 \$
Within 1 year	394,874	161,718
Within 2-5 years	630,540	1,979,248
Later than 5 years	-	1,020,340
	<b>1,025,414</b>	<b>3,161,306</b>

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**Office lease commitments**

Within 1 year  
Within 2-5 years  
Later than 5 years

	2015	2014
	\$	\$
	345,567	334,525
	350,441	605,741
	-	-
	696,008	940,266

**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 a 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, however it is considered probable that the consideration will be paid.

**21. Cash and cash equivalents**

Bank balances  
Term deposits  
Petty cash

	2015	2014
	\$	\$
	18,645,120	22,969,504
	21,213,621	21,229,796
	6,248	4,736
	39,864,989	44,204,036

**Reconciliation of cash flows from operating activities**

Gain/(loss) after tax from continuing operations  
Profit/(loss) from discontinuing operations  
Profit/(loss) before tax  
Adjustments for:  
Depreciation and amortisation  
Net loss on sale of securities  
Business development costs  
Income tax expense/(benefit)  
Profit/(loss) from discontinued operations  
Gain on sale of plant and equipment  
Foreign exchange (gains)/losses  
Exploration assets written off  
Share of associate's net loss  
Equity-settled share-based payment expenses  
**Operating loss before changes in working capital and provisions**  
  
(Increase)/decrease in trade and other receivables  
(Increase)/decrease in financial assets  
(decrease)/Increase in trade creditors and other liabilities  
(decrease)/increase in provisions  
**Net cash used in operating activities**

	2015	2014
	\$	\$
	355,449	(11,231,242)
	-	(328,422)
	355,449	(11,559,664)
	92,694	93,456
	-	40,088
	1,796,800	2,275,236
	259,951	(259,529)
	-	328,422
	(270,439)	-
	(4,925,210)	631,276
	1,207,782	6,758,654
	45,510	15,105
	63,508	72,889
	(1,373,955)	(1,604,067)
	122,383	(84,540)
	47,456	(56,058)
	(397,858)	39,578
	(27,134)	(12,888)
	(1,629,108)	(1,717,975)

**22. Related parties**

**Key management personnel**

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were Key Management Personnel ('KMP') for the entire period:

**Executive Directors**

T R B Goyder (Managing Director)  
W B Bent (Managing Director) (resigned 10 October 2014)  
D A Jones (Executive Director) (resigned as Executive Director on 10 October 2014 and ceased employment 31 October 2014)

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**Non-executive Directors**

A W Kiernan (Chairman)  
S P Quin

**Executives**

R K Hacker (Chief Financial Officer)  
G Snow (Chief Operating Officer) (commenced 13 October 2014)

The KMP compensation included in 'personnel expenses' (see note 3(c)) is as follows:

	2015 \$	2014 \$
Short-term employee benefits	1,317,084	1,420,361
Post-employment benefits	147,719	116,363
Termination benefits	549,609	-
Long term benefits	4,605	44,456
Share-based payment	98,504	64,022
	2,117,521	1,645,202

**Individual director's and executive's compensation disclosures**

The Group has transferred the detailed remuneration disclosures to the Directors' Report in accordance with Corporations Amendment Regulations 2006 (No. 4). These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Key Management Personnel remuneration and are designated as audited.

**Loans to key management personnel and their related parties**

No loans were made to KMP or their related parties.

**Other key management personnel transactions with the Group**

A number of KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons or their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate expense/(income) recognised during the year relating to key management personnel or their related parties was as follows:

Key management personnel	Transaction	Note	2015 \$	2014 \$
A W Kiernan	Consulting services	(i)	72,500	82,500
Liontown Resources Limited	Corporate services	(ii)	(66,000)	(108,000)
Uranium Equities Limited	Corporate services	(ii)	(49,500)	-
PhosEnergy Limited	Corporate services	(ii)	(10,000)	-

- (i) The Group used the consulting of Mr Kiernan during the course of the financial year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.
- (ii) The Group supplied corporate services including accounting and company secretarial services under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), Uranium Equities Limited ("UEL") and PhosEnergy Limited ("PEL"). Mr Goyder is a director of LTR, UEQ and PEL. Mr Kiernan is a director of PEL. Amounts were billed on a proportionate share of the cost to the Group of providing the services and are due and payable under normal payment terms.

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Amounts outstanding (to)/from the above related parties at reporting date arising from these transactions were as follows:

	2015 \$	2014 \$
<b>Assets and liabilities arising from the above transactions</b>		
Current payables	(6,000)	-
Trade debtors	19,050	66,296
	13,050	66,296

**23. Related party disclosure**

**(a) Significant investments in subsidiaries**

The consolidated financial statements include the financial statements of Chalice Gold Mines Limited and its subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest		Investment \$	
		2015	2014	2015	2014
<b>Parent entity</b>					
Chalice Gold Mines Limited	Australia				
<b>Subsidiaries</b>					
Chalice Operations Pty Ltd <i>(i)</i>	Australia	100	100	6,802,388	6,802,388
Chalice Gold Mines (Eritrea) Pty Ltd	Australia	100	100	-	-
Western Rift Pty Ltd <i>(ii)</i>	Australia	100	100	20,000	20,000
<b><i>(i) Subsidiaries of Chalice Operations Pty Ltd</i></b>					
Keren Mining Pty Ltd	Australia	100	100	-	-
Universal Gold Pty Ltd	Australia	100	100	1,358,223	1,358,223
Sub-Sahara Resources (Eritrea) Pty Ltd	Australia	100	100	-	-
<b><i>(ii) Subsidiaries of Western Rift Pty Ltd</i></b>					
Chalice Gold Mines (Ontario) Inc. <i>(iii)</i>	Canada	100	100	-	-
Coventry Rainy Inc.	Canada	100	100	1,402,414	1,402,414
Coventry Ontario Inc.	Canada	100	100	415,313	415,313
<b><i>(iii) Subsidiaries of Chalice Gold Mines (Ontario) Inc.</i></b>					
Cameron Gold Operations Ltd	Canada	100	100	5,709,942	5,551,687
Chalice Gold Mines (Quebec) Inc.	Canada	100	-	1.24	-
Chalice Gold Mines (Exploration) Inc.	Canada	100	-	1.24	-

**24. Interest in joint operation**

(a) At the end of the financial year the Group held the following interest in exploration licences:

	Country	2015 %	2014 %
Mogoraib North Exploration Licence	Eritrea	-	60

Chalice Gold Mines Limited  
**Notes to the Consolidated Financial Statements**  
For the year ended 30 June 2015

The Mogoraib North exploration licence was held through a joint operation, whereby the Company held a 60% interest and 40% was held by the Eritrean National Mining Corporation (“ENAMCO”). This joint operation was wound up in 2015, as part of the Company’s formal exit from Eritrea.

(b) Included in the assets and liabilities of the Group are the following items which represent the Group’s interest in the assets and liabilities of the joint operation

	2015 \$	2014 \$
<b>Current assets</b>		
Cash at bank	-	14,152
Trade and other receivables	-	50,350
	-	64,502
<b>Non-current assets</b>		
Exploration and evaluation assets	-	-
Property, plant and equipment	-	194,135
	-	194,135
<b>Total assets</b>	-	258,637
<b>Current liabilities</b>		
Trade and other payables	-	4,229
	-	4,229
<b>Total liabilities</b>	-	4,229

The joint operation has no contingent liabilities, assets or exploration commitments as at 30 June 2015 (30 June 2014: nil).

**25. Events subsequent to reporting date**

There were no significant events after balance date that require disclosure in the financial report.

# Chalice Gold Mines Limited

## Directors' Declaration

1. In the opinion of the directors of Chalice Gold Mines Limited (the 'Company'):
  - a. the financial statements, notes and the additional disclosures in the directors' report designated as audited, of the Group are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
    - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
  - b. there are reasonable grounds to be that the Company will be able to pay its debts as and when they become due and payable.
  - c. The financials and notes thereto are in accordance with international Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

This declaration is signed in accordance with a resolution of the Board of Directors.

Dated at Perth the 28th day of September 2015

Signed in accordance with a resolution of the Directors:



Tim Goyder  
Managing Director

## INDEPENDENT AUDITOR'S REPORT

To the members of Chalice Gold Mines Limited

### Report on the Financial Report

We have audited the accompanying financial report of Chalice Gold Mines Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Independence***

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

**Auditor's opinion**

In our opinion:

- (a) the financial report of Chalice Gold Mines Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

**Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion**

In our opinion the remuneration report of Chalice Gold Mines Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



**HLB Mann Judd**  
**Chartered Accountants**



**L Di Giallonardo**  
**Partner**

**Perth, Western Australia**  
**28 September 2015**

# Chalice Gold Mines Limited

## ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### Shareholdings

#### Substantial shareholders

The number of shares held by substantial shareholders advised to the Company and their associated interests as at 25 September 2015 were:

Shareholder	Number of ordinary shares held	Percentage of capital held %
Timothy Rupert Barr Goyder	41,733,533	14.76
Franklin Resources Inc	31,107,008	11.00
Lujeta Pty Ltd <The Margaret Account>	20,182,750	7.14

#### Class of shares and voting rights

At 25 September 2015 there were 1,830 holders of the ordinary shares of the Company, 3 holders of unlisted share options and 4 holders of performance rights. The share options and performance rights have been granted under the Company's Employee Share Option Plan and Employee Long Term Incentive Plan.

The voting rights to the ordinary shares set out in the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or Classes of shares -

- at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney; and
- on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options or performance rights do not have voting rights.

#### Distribution of equity security holders as at 25 September 2015:

Category	Number of equity security holders		
	Ordinary Shares	Unlisted Share Options	Performance Rights
1 – 1,000	104	-	-
1,001 – 5,000	230	-	-
5,001 – 10,000	469	-	-
10,000 – 100,000	827	-	-
100,001 and over	200	3	4
<b>Total</b>	<b>1,830</b>	<b>3</b>	<b>4</b>

The number of shareholders holding less than a marketable parcel at 25 September 2015 was 253.

Chalice Gold Mines Limited  
ASX Additional Information

Twenty largest Ordinary Fully Paid Shareholders  
as at 25 September 2015

Name	Number of ordinary shares held	Percentage of capital held %
Timothy R B Goyder	41,733,533	14.76
National Nominees Limited	40,891,058	14.46
Lujeta Pty Ltd <The Margaret Account>	20,182,750	7.14
J P Morgan Nominees Australia Limited	14,607,482	5.17
Citicorp Nominees Pty Limited	13,380,496	4.73
CDS & Co	10,580,401	3.74
HSBC Custody Nominees (Australia) Limited	9,732,248	3.44
Nefco Nominees	8,248,724	2.92
Jetosea Pty Ltd	7,561,241	2.68
Calm Holdings Pty Ltd <Clifton Super Fund A/C>	4,000,000	1.41
Claw Pty Ltd	4,000,000	1.41
Piat Corp Pty Ltd	3,650,000	1.29
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,595,027	1.27
Goldfire Enterprises Pty Ltd	3,490,237	1.23
Sundowner International Limited	1,949,115	0.69
Greenslade Holding Pty Ltd	1,816,667	0.64
Clement Pty Ltd <D&M Goyder Family S/Fund A/C>	1,810,681	0.64
Super Seed Pty Ltd <The Seed Family A/C>	1,500,000	0.53
Teragoal Pty Ltd <Gray Family A/C>	1,400,000	0.50
Mr Philip Scott Button + Ms Philippa Ann Nicol	1,348,261	0.48
<b>Total</b>	<b>195,447,921</b>	<b>69.13</b>