



CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

**Half Year Report
31 December 2015**

Chalice Gold Mines Limited

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Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2015

Your directors submit the financial report for Chalice Gold Mines Limited ('Chalice' or 'the Company') and its subsidiaries (together 'the Group') for the half year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

| | |
|---------------------------|-------------------------------|
| Anthony W Kiernan | Chairman |
| Timothy R B Goyder | Managing Director |
| Stephen P Quin | Non-executive Director |

REVIEW OF OPERATIONS

1. Overview

Chalice Gold Mines Limited ("Chalice" or "the Company") is pleased to report on an active period during which it carried out work on a number of fronts to progress and de-risk its 100%-owned Cameron Gold Project ("the Project") in Ontario, Canada.

Independent specialist resource and mining consulting group, Optiro Pty Ltd, completed an updated mineral resource estimate for the Cameron deposit, the main deposit within the larger Cameron Gold Project. In addition to achieving its objective of upgrading the Cameron deposit mineral resource estimate, the Company has now updated a 3D geological model of the deposit that has further clarified its understanding of the controls on the mineralisation. As a result, the geological risks associated with the mineral resource model have been reduced.

During the period, Chalice also completed the first-ever modern, systematic exploration program to be undertaken at the Project, where the Company is focused on adding additional potentially economic open-pit ounces in close proximity to the main deposit. This program generated a number of encouraging results, establishing a pipeline of exploration opportunities to be progressed during 2016.

In addition, the Company has continued to assess numerous business development opportunities internationally with the objective of securing further high potential resource projects.

2. Cameron Gold Project, Ontario, Canada

Cameron Mineral Resource

In November 2015, Chalice updated the mineral resource estimate for the Cameron Gold Project. The mineral resource estimate was based on an extensive re-logging program of 771 existing diamond drill holes, assay results from approximately 30,000 new samples were collected from existing core, and the construction of a new geological model.

The updated measured, indicated and inferred mineral resource for the Cameron Gold Project – including the main Cameron deposit and satellite Dubenksi and Dogpaw deposits (which remain unchanged from those previously announced) - is summarised in Table 1 below:

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Directors' Report
For the half year ended 31 December 2015

Table 1: Consolidated Cameron Gold Project Mineral Resource estimate

| Deposit | Cut-off g/t | Class | Tonnes | Gold g/t | Gold Ounces | |
|--------------------------------------|---------------|------------------|-------------------|-------------|----------------|--|
| Cameron deposit^{1,2} | 0.5g/t | Measured | 3,723,000 | 2.64 | 316,000 | |
| | | Indicated | 4,101,000 | 1.92 | 253,000 | |
| | | M+I | 7,824,000 | 2.26 | 569,000 | |
| | | Inferred | 14,464,000 | 1.92 | 894,000 | |
| Dubenski deposit² | 1.0g/t | Measured | - | - | - | |
| | | Indicated | 806,000 | 2.28 | 59,000 | |
| | | M+I | 806,000 | 2.28 | 59,000 | |
| | | Inferred | 392,000 | 1.44 | 18,000 | |
| Dogpaw deposit² | 0.5g/t | Measured | - | - | - | |
| | | Indicated | 247,000 | 3.02 | 24,000 | |
| | | M+I | 247,000 | 3.02 | 24,000 | |
| | | Inferred | 64,000 | 2.27 | 5,000 | |
| Totals | | Measured | 3,723,000 | 2.64 | 316,000 | |
| | | Indicated | 5,154,000 | 2.03 | 336,000 | |
| | | M+I | 8,877,000 | 2.29 | 652,000 | |
| | | Inferred | 14,920,000 | 1.91 | 917,000 | |

Mineral resources are not mineral reserves and do not have demonstrated economic viability. These mineral resource estimates include inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to the measured and indicated categories through further drilling, or into mineral reserves once economic considerations are applied. All figures are rounded to reflect the relative accuracy of the estimate and therefore numbers may not appear to add precisely.

The information relating to the Cameron Gold Project mineral resource estimate is extracted from the ASX Announcement entitled "Updated 1.57Moz Mineral Resource for the Cameron Gold Project" and the TSX news release entitled "Updated 652,000oz Measured and Indicated Mineral Resource and 917,000oz Inferred Mineral Resource for Cameron Gold Project in Canada" both released on 16 November 2015 and available to view at www.chalicegold.com and on SEDAR. 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 relation to these deposits 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 and Qualifying Person's findings are presented have not materially modified from the original market announcement.

Cameron exploration

During the period, the Company completed the first-ever modern, project-wide, systematic exploration program at the Cameron Gold Project.

Exploration activities completed as part of this initiative included a comprehensive surface sampling program that included channel sampling of 10 new targets located in priority areas that had been identified from a previous desktop study, widespread rock chip sampling across the entire property, six reconnaissance mobile metal ion soil sampling grids and a structural study of key mineralised outcrops.

The key outcomes of the new sampling included:

- significant gold rock chip results;
- the identification of several new mineralised zones; and
- an improvement in the Company's understanding of the controls on mineralisation across the property.

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The recognition of areas of co-incidental pathfinder elements (gold, arsenic, tungsten and antimony) in close proximity to either known mineral occurrences, 2015 trench anomalism or previously unexplored areas is encouraging and will be followed up in 2016.

3. Croteau Est Joint Venture

Following a strategic view of the Company's exploration assets, in December 2015, Chalice withdrew from the farm-in joint venture with Northern Superior Resources Inc. (TSX-V: SUP) without earning an interest in the project. Pursuant to the joint venture agreement, the Company met its minimum commitment to spend CAD\$500,000. Total exploration and evaluation expenditure written off at 31 December 2015 relating to the Croteau Est. Project was \$691,800.

4. Gnaweeda Gold Project (Chalice 12%, Doray 88%)

The Company's joint venture partner, Doray Minerals Limited released high grade results from a drilling program carried out at the Gnaweeda Gold Project. Chalice has elected to maintain its participation level in the project.

5. Corporate

Financial Review

At 31 December 2015, the Group had net assets of \$56,933,208 (30 June 2015: \$55,669,168) and an excess of current assets over current liabilities of \$39,074,791 (30 June 2015: \$39,166,398). At 31 December 2015, the Group's cash at bank totalled \$36,700,661 (30 June 2015: \$39,864,989).

The Group reported a net profit for the period of \$2,316,852 (31 December 2014: \$1,115,935) which has arisen primarily due to the positive impact of exchange rates on the Group's cash balances, which are predominantly held in US dollars, and the initial recognition of the deferred consideration receivable from China SFECO group from the sale of the Zara Project in Eritrea which became payable on first gold pour.

The Group's focus during the half year period was on exploration and evaluation activities in Canada with expenditure of \$3,916,847 (31 December 2014: \$1,581,614) and on business development activities. Total business development costs to 31 December 2015 totalled \$608,597 (31 December 2014: \$1,048,349).

EVENTS SUBSEQUENT TO REPORTING DATE

On 21 January 2016, the Company received the deferred consideration of US\$2.0 million from China SFECO Group, which represents the final tranche from the sale of the Zara Gold Project in Eritrea.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2015.

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



TIM GOYDER
Managing Director

Dated at Perth this 3rd day of February 2016

Chalice Gold Mines Limited
Directors' Report
For the half year ended 31 December 2015

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, the estimation of mineral reserve and mineral resources, the realisation of mineral reserve estimates, the likelihood of exploration success, the potential future economics of the Cameron Gold Project, 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 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 or future exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in mineral resources or mineral 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. 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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Chalice Gold Mines Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
3 February 2016

L Di Giallonardo
Partner

Chalice Gold Mines Limited
Condensed Statement of Comprehensive Income
For the half year ended 31 December 2015

| | Note | Consolidated | |
|---|-------|---------------------------|---------------------------|
| | | 31 December 2015 \$ | 31 December 2014 \$ |
| Continuing Operations | | | |
| Other income | 3 (a) | 128,731 | 350,760 |
| Net gain on sale of fixed assets | | - | 270,439 |
| Foreign exchange gain | | 1,768,332 | 3,228,803 |
| Share of associate's loss | | (36,412) | (7,704) |
| Exploration expenditures written off | | (902,741) | (268,484) |
| Corporate and administrative expenses | 3 (b) | (604,903) | (1,383,272) |
| Share based payments | 3 (d) | (160,721) | 8,615 |
| Business development expenses | 3 (c) | (608,597) | (1,048,349) |
| Depreciation and amortisation expense | | (32,184) | (45,831) |
| Profit/(loss) for the period from continuing operations before income tax | | (448,495) | 1,104,977 |
| Income tax benefit | | 78,516 | - |
| Profit/(loss) for the period from continuing operations | | (369,979) | 1,104,977 |
| Discontinued operation | | | |
| Deferred consideration | 4 | 2,739,726 | - |
| Overprovision for income tax expense | | - | 10,958 |
| Income tax expense | | (52,895) | - |
| Profit for the period from discontinued operation | | 2,686,831 | 10,958 |
| Total profit for the period attributed to owners of the parent | | 2,316,852 | 1,115,935 |
| Other comprehensive income net of income tax | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Net change in fair value of available for sale investments | | (90,955) | - |
| Exchange differences on translation of foreign operations | | (1,122,578) | 669,826 |
| Total other comprehensive income | | (1,213,533) | 669,826 |
| Total comprehensive income for the period attributable to owners of the parent | | 1,103,319 | 1,785,761 |
| Basic and diluted earnings/(loss) per share from continuing operations (cents) | | (0.1) | 0.4 |
| Basic and diluted earnings per share from discontinued operation (cents) | | 1.0 | 0.0 |
| Basic and diluted earnings per share from continuing and discontinued operations (cents) | | 0.8 | 0.4 |

Chalice Gold Mines Limited
Condensed Statement of Financial Position
As at 31 December 2015

| | | Consolidated | |
|---|-------------|-----------------------------|-------------------------|
| | Note | 31 December 2015 | 30 June 2015 |
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | | 36,700,661 | 39,864,989 |
| Trade and other receivables and prepayments | 4 | 3,083,613 | 231,020 |
| Total current assets | | 39,784,274 | 40,096,009 |
| Non-current assets | | | |
| Financial assets | | 185,522 | 182,216 |
| Investment in associate | | 1,699,620 | 1,826,987 |
| Exploration and evaluation assets | | 15,535,402 | 13,982,545 |
| Property, plant and equipment | | 482,711 | 554,154 |
| Total non-current assets | | 17,903,255 | 16,545,902 |
| Total assets | | 57,687,529 | 56,641,911 |
| Current liabilities | | | |
| Trade and other payables | | 423,905 | 625,138 |
| Employee benefits | | 51,248 | 44,522 |
| Income tax payable | | 234,330 | 259,951 |
| Total current liabilities | | 709,483 | 929,611 |
| Non-current Liabilities | | | |
| Other | | 44,838 | 43,132 |
| Total non-current liabilities | | 44,838 | 43,132 |
| Total liabilities | | 754,321 | 972,743 |
| Net assets | | 56,933,208 | 55,669,168 |
| Equity | | | |
| Share capital | 5 | 43,622,887 | 43,622,887 |
| Retained earnings | | 17,207,252 | 14,890,400 |
| Reserves | | (3,896,931) | (2,844,119) |
| Total equity | | 56,933,208 | 55,669,168 |

Chalice Gold Mines Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2015

| | Issued capital | Retained earnings | Share based payments reserve | Investment revaluation reserve | Foreign currency translation reserve | Total |
|--|-----------------------|--------------------------|-------------------------------------|---------------------------------------|---|-----------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 30 June 2015 | 43,622,887 | 14,890,400 | 197,860 | 117,602 | (3,159,581) | 55,669,168 |
| Revaluation of investment in associate | - | - | - | (90,955) | - | (90,955) |
| Exchanges differences on translation of foreign operations | - | - | - | - | (1,122,578) | (1,122,578) |
| Profit for the period | - | 2,316,852 | - | - | - | 2,316,852 |
| Total comprehensive income for the period | - | 2,316,852 | - | (90,955) | (1,122,578) | 1,103,319 |
| Share based payments | - | - | 160,721 | - | - | 160,721 |
| Balance at 31 December 2015 | 43,622,887 | 17,207,252 | 358,581 | 26,647 | (4,282,159) | 56,933,208 |
| Balance at 30 June 2014 | 44,140,306 | 14,421,779 | 247,524 | 213,756 | (3,948,345) | 55,075,020 |
| Exchanges differences on translation of foreign operations | - | - | - | - | 669,826 | 669,826 |
| Profit for the period | - | 1,115,935 | - | - | - | 1,115,935 |
| Total comprehensive income for the period | - | 1,115,935 | - | - | 669,826 | 1,785,761 |
| Minimum holding share buy-back | (206,295) | - | - | - | - | (206,295) |
| Share buy-back | (300,831) | - | - | - | - | (300,831) |
| Share based payments | - | - | (8,615) | - | - | (8,615) |
| Transfers between equity items | - | 113,173 | (113,173) | - | - | - |
| Balance at 31 December 2014 | 43,633,180 | 15,650,887 | 125,736 | 213,756 | (3,278,519) | 56,345,040 |

The accompanying notes form part of the financial statements

Chalice Gold Mines Limited
Condensed Statement of Cash Flows
For the half year ended 31 December 2015

| | Consolidated | |
|---|-----------------------------------|-----------------------------------|
| | 31 December 2015 \$ | 31 December 2014 \$ |
| Cash flows from operating activities | | |
| Cash receipts from operations | 52,018 | 51,758 |
| Cash paid to suppliers and employees | (581,107) | (1,320,943) |
| Income tax paid | - | (379,043) |
| Interest received | 49,105 | 200,780 |
| Net cash used in operating activities | (479,984) | (1,447,448) |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation assets | (3,916,847) | (1,581,614) |
| Business development related costs | (509,679) | (1,046,691) |
| Acquisition of the Dubenski Gold Project | - | (725,321) |
| Acquisition of property, plant and equipment | (26,694) | (11,442) |
| Proceeds from sale of fixed assets | 544 | 449,050 |
| Net cash used in investing activities | (4,452,676) | (2,916,018) |
| Cash flows from financing activities | | |
| Minimum shareholding buy-back | - | (206,295) |
| Share buy-back | - | (300,831) |
| Net cash used in financing activities | - | (507,126) |
| Net decrease in cash and cash equivalents | (4,932,660) | (4,870,592) |
| Cash and cash equivalents at the beginning of the period | 39,864,989 | 44,204,036 |
| Effects of exchange rate fluctuations on cash held | 1,768,332 | 3,362,525 |
| Cash and cash equivalents at the end of the financial period | 36,700,661 | 42,695,969 |

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2015

1. Significant accounting policies

(a) Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Chalice Gold Mines Limited ('Chalice' or 'the Group') and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the rules of the Australian Securities Exchange and the Toronto Stock Exchange.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) Basis of preparation

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

(c) Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015.

(d) Adoption of new and revised Accounting Standards

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 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 effective for annual reporting periods beginning on or after 1 July 2015.

The Group has adopted all of the new and revised Standards and Interpretations effective for the current year that are relevant to the Group. The directors note that there is no significant impact on the financial reports as a result.

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 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. The business development segment represents the costs associated with the review of the new business opportunities and potential asset acquisitions.

| | Exploration and Evaluation | | Business Development | | Corporate | | Total | |
|--|----------------------------|----------------|----------------------|--------------------|------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other Income | - | - | - | - | 79,636 | 49,758 | 79,636 | 49,758 |
| Net gain on sale of fixed assets | - | 270,439 | - | - | - | - | - | 270,439 |
| Income tax benefit | 78,516 | - | - | - | - | - | 78,516 | - |
| Total Income | 78,516 | 270,439 | - | - | 79,636 | 49,758 | 158,152 | 320,197 |
| Corporate and administrative expenses | - | - | - | - | (765,624) | (1,374,657) | (765,624) | (1,374,657) |
| Business development costs | - | - | (608,597) | (1,048,349) | - | - | (608,597) | (1,048,349) |
| Depreciation and amortisation | - | - | - | - | (32,184) | (45,831) | (32,184) | (45,831) |
| Exploration expenditures written off | (902,741) | (268,484) | - | - | - | - | (902,741) | (268,484) |
| Segment gain/(loss) | (824,225) | 1,955 | (608,597) | (1,048,349) | (718,172) | (1,370,730) | (2,150,994) | (2,417,124) |
| Unallocated income/(expenses) | | | | | | | | |
| Net financing income | | | | | | | 49,095 | 301,002 |
| Share of associate's loss | | | | | | | (36,412) | (7,704) |
| Net profit from discontinued operation | | | | | | | 2,686,831 | 10,958 |
| Foreign exchange gain/(loss) | | | | | | | 1,768,332 | 3,228,803 |
| Total profit for the period | | | | | | | 2,316,852 | 1,115,935 |

Chalice Gold Mines Limited

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

| | Exploration and Evaluation | | Business Development | | Corporate | | Total | |
|-----------------------------------|----------------------------|-------------------|----------------------|-----------------|---------------------|------------------|---------------------|-------------------|
| | 31 December 2015 | 30 June 2015 | 31 December 2015 | 30 June 2015 | 31 December 2015 | 30 June 2015 | 31 December 2015 | 30 June 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Segment assets: | | | | | | | | |
| Exploration and evaluation assets | 15,535,402 | 13,982,545 | - | - | - | - | 15,535,402 | 13,982,545 |
| Accrued income | 2,739,726 | - | - | - | - | - | 2,739,726 | - |
| Investment in Associate | 1,699,620 | 1,826,987 | - | - | - | - | 1,699,620 | 1,826,987 |
| Other | 859,906 | 491,098 | - | - | 317,529 | 338,258 | 1,177,435 | 829,356 |
| | 20,834,654 | 16,300,630 | - | - | 317,529 | 338,258 | 21,152,183 | 16,638,888 |
| Unallocated assets | | | | | | | 36,535,346 | 40,003,023 |
| Total assets | | | | | | | 57,687,529 | 56,641,911 |
| Segment Liabilities | (436,323) | (703,381) | (75,199) | (20,672) | (242,799) | (248,690) | (754,321) | (972,743) |

Chalice Gold Mines Limited

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

3. Revenue and expenses

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

(a) Other Income

| | 2015 | 2014 |
|---|----------------|----------------|
| | \$ | \$ |
| Corporate and administration service fees | 79,636 | 49,758 |
| Net finance income | 49,095 | 301,002 |
| | 128,731 | 350,760 |

(b) Corporate and administrative expenses

| | 2015 | 2014 |
|-------------------------------|----------------|------------------|
| | \$ | \$ |
| Insurance | 18,321 | 33,221 |
| Travel costs | 5,150 | - |
| Legal fees | 38,660 | 23,928 |
| Head office costs | 61,546 | 110,689 |
| Personnel expenses | 359,260 | 404,256 |
| Redundancies and terminations | - | 557,622 |
| Regulatory and compliance | 106,747 | 137,764 |
| Consultants | - | 240 |
| Other | 15,219 | 115,552 |
| | 604,903 | 1,383,272 |

(c) Business development costs

Along with exploration and evaluation activities, the Company's main focus was business development and the acquisition of new resource projects. Business development costs represent the costs associated with the review of these new business opportunities and potential asset acquisitions.

| | 2015 | 2014 |
|------------------------|----------------|------------------|
| | \$ | \$ |
| Legal fees | 26,542 | 12,345 |
| Personnel expenses | 335,197 | 504,156 |
| Consultants | 72,008 | 233,013 |
| Travel and conferences | 32,609 | 85,742 |
| Other | 142,241 | 213,093 |
| | 608,597 | 1,048,349 |

(d) Share based payments

| | 2015 | 2014 |
|--|----------------|----------------|
| | \$ | \$ |
| Share based payments | 174,358 | 60,649 |
| Reversal of previously expensed share based payments | (13,637) | (69,264) |
| | 160,721 | (8,615) |

4. Trade and other receivables and prepayments

| | 31 December | 30 June |
|--|------------------|----------------|
| | 2015 | 2015 |
| | \$ | \$ |
| Trade receivables | 267,988 | 142,971 |
| Prepayments | 75,899 | 88,049 |
| Deferred consideration receivable ⁽¹⁾ | 2,739,726 | - |
| | 3,083,613 | 231,020 |

⁽¹⁾Represents the deferred consideration receivable of US\$2.0 million from the sale of the Zara Gold Project in Eritrea from China SFECO Group that was payable upon first gold pour at the Zara Gold Project. The Zara Gold Project was disposed 4 September 2012 and classified as a discontinued operation at that time. Subsequent to balance date, on 21 January 2016, US\$2.0 million was received in full settlement of the receivable.

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2015

| 5. Issued capital | 31 December 2015 | 30 June 2015 |
|---|---------------------|------------------|
| (a) Issued and fully paid ordinary shares | 43,622,887 | 43,622,887 |
| (b) Share options | | |
| | 31 December 2015 | 30 June 2015 |
| | No. | No. |
| Movements in options over ordinary shares on issue: | | |
| At 1 July | 1,550,000 | 1,900,000 |
| Options granted | - | 500,000 |
| Options lapsed | - | (850,000) |
| Outstanding at the end of the period | 1,550,000 | 1,550,000 |
| (c) Performance rights | | |
| | 31 December 2015 | 30 June 2015 |
| | No. | No. |
| Movements in performance rights: | | |
| At 1 July | 7,314,380 | 2,754,149 |
| Performance rights lapsed | (383,250) | (2,754,149) |
| Performance rights issued | 1,664,707 | 7,314,380 |
| Outstanding at the end of the period | 8,595,837 | 7,314,380 |

6. Commitments and contingencies

Exploration expenditure commitments

Exploration expenditure commitments remain unchanged since 30 June 2015.

Contingent asset

In the 30 June 2015 annual report, Chalice disclosed a contingent asset relating to the deferred consideration of US\$2 million contingent upon the achievement of first gold pour at the Zara Gold Project in Eritrea.

This deferred consideration was received on 21 January 2016 and has been recognised as a receivable at 31 December 2015.

7. Related parties

Key Management Personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-base payment awards. Key management personnel received total compensation of \$781,640, for the six months ended 31 December 2015 (six months ended 31 December 2014: \$1,379,363).

Other related parties transactions

The Group used the consulting services of a director, Mr Anthony Kiernan, during the six months ended 31 December 2015. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. The total amount paid during the period was \$27,000 (six months ended 31 December 2014: \$25,000). \$6,000 was payable to Mr Kiernan at the end of the period.

The Group supplied corporate services including accounting and company secretarial services under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), Uranium Equities Limited ("UEQ") and PhosEnergy Limited ("PEL"). Mr Tim Goyder is a director of LTR, UEL and PEL, and Mr Anthony 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

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2015

payable under normal payment terms. The total amount received during the period was \$79,636 (six months ended 31 December 2014: \$49,758). The total receivables outstanding from the above related parties at the end of the period are \$49,572.

8. Events subsequent to reporting date

Subsequent to reporting date, Chalice received US\$2.0 million from China SFECO Group representing the deferred consideration payable as part of the sale of the Zara Gold Project in Eritrea. Funds were received on 21 January 2016.

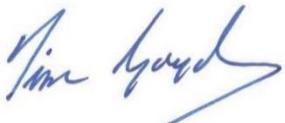
Chalice Gold Mines Limited
Directors' Declaration
For the half year ended 31 December 2015

In the opinion of the directors of Chalice Gold Mines Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 3rd day of February 2016



TIM GOYDER
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chalice Gold Mines Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Chalice Gold Mines Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

DiGiallonardo.

L Di Giallonardo
Partner

Perth, Western Australia
3 February 2016