



CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

**Half Year Report
31 December 2017**

Chalice Gold Mines Limited

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Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2017

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 2017. 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
Morgan S Ball	Non-executive Director
Stephen P Quin	Non-executive Director

REVIEW OF OPERATIONS

1. Exploration Overview

Chalice Gold Mines Limited ("Chalice" or "the Company") reports on an active first half of the year with major exploration programs continuing across its key gold and base metal projects in Canada and Australia.

Exploration activity at the **East Cadillac Gold Project** in Quebec has ramped up significantly, with an initial 7,700m diamond drilling program (Phase 1) increased by 21,000m to 28,700m (Phase 2). In addition to the East Cadillac Gold Project program, a 1,800m diamond drilling program also commenced at the **Kinebik Gold Project**.

The decision to significantly expand and extend the drilling program at East Cadillac reflects the Company's commitment to aggressively explore this highly-endowed region. The aim of the program is to continue building a high-grade resource base, leveraging Chalice's strong financial position and strong in-house technical expertise.

In Australia, drilling programs were undertaken at the **Warrego North Project**, **Latitude Hill Project** and the **West Pilbara Project** during the period. Results are currently being interpreted to determine the extent of future exploration at Warrego and Latitude Hill. The Company has recently withdrawn from the West Pilbara Project.

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

1.1 **East Cadillac Gold Project, Quebec, Canada**

During the period, the Company commenced an initial Phase 1 diamond drilling program of 14 holes for approximately 7,700m. Drilling has confirmed an extension of the mineralised structures at the Nordeau West deposit by a further 150m west and down to the -800m vertical level.

Regionally, an assessment of recently completed surface rock chip, Mobile Metal Ion (MMI) geochemical sampling and geophysical surveys including 3D Induced Polarization (3D IP), aeromagnetic and Lidar surveys resulted in 14 new high-priority targets being identified. These targets ("Phase 2") have been prioritised based on regional structural position, surface geochemical results and 3D IP chargeability response. As a result, subsequent to the half year end, the Company commenced an additional 21,000m diamond drilling program, which will be completed in the second quarter of 2018.

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The targets to be tested by the expanded Phase 2 drilling program have been grouped into three areas:

- **Larder Lake – Cadillac Fault corridor (the central mineralised trend).** Targets in this area are considered lower risk with portions of the trend already assessed, and the focus of drilling will be on testing areas down-plunge of existing showings and untested anomalies;
- **Hanging wall targets** located north of the trend which are poorly tested to date – a similar area in the Val-d'Or district has delivered deposits such as Sigma Lamaque (owned by Eldorado Gold - ~9Moz of historical gold production); and
- **Footwall targets** to the south which are almost entirely untested – a similar area in the Malartic district has delivered deposits such as Canadian Malartic (owned by Agnico Eagle and Yamana Gold - total reserves and resources of >10Moz Au), however current data is widely spaced (400m) except for immediate area around the Marilynne showing.

To the date of this report, the Company has made significant progress toward the completion of the 29,000m diamond drill program at the East Cadillac Gold Project. Drilling to date has confirmed gold mineralisation along ~3.5km of strike of the Larder Lake-Cadillac Fault in the Simon West area and assay results to date have confirmed significant gold mineralisation intersections at the Simon West prospect and North Contact prospect. As at the date hereof, only ~ 40% of the 29,000m program has been assayed.

In addition to a number of direct greenfields acquisitions, the Company has taken a further step towards consolidating a significant ground position at East Cadillac after entering into a binding option and farm-in agreement to acquire up to a 70% interest in the Forsan Gold Project from Khalkos Exploration Inc. The Company may acquire the interest through total option payments of C\$375,000 and incurring exploration expenditures of C\$1.75m within five years and shall grant a 1% Net Smelter Royalty to Khalkos on the claims. Chalice now has 145km² in this highly endowed region of the Abitibi greenstone belt under various agreements.

1.2 Kinebik Gold Project, Quebec, Canada (100% owned)

Geochemical sampling completed in 2016 and 2017, including MMI soil and Black Spruce bark geochemical surveys have defined numerous overlapping anomalies located in a region dominated by meta-sediments and banded Iron Formation. A 3D-IP and ground magnetic survey was completed and combined with the historical geochemistry to define several reconnaissance drill targets.

A maiden drill program of nine holes for 1,800m (200m hole depth) has recently been completed with assays pending.

1.3 Warrego North Project, Northern Territory, Australia (earning up to 70%)

One Reverse Circulation ("RC") and three diamond drill holes with RC pre-collars for 1,575m were drilled to follow-up a previous encouraging result from drill hole WND17-001 (8m @ 1.74% Cu and 0.42g/t Au) central to the Parakeet anomaly. Follow-up drilling successfully identified two additional ironstone units in diamond hole WND17-006, located approximately 150m east of WND17-001. Diamond hole WND17-004, drilled directly beneath the previous intersection in diamond hole WND17-001 intersected a zone of intense chlorite alteration with accompanying elevated copper and gold values, which is interpreted to have narrowly missed a prospective ironstone.

Results are considered to be encouraging and a project wide assessment (including new adjacent tenement applications) is being undertaken to determine the extent of future exploration programs.

1.4 Latitude Hill Project, Western Australia (earning up to 70%)

A 3,576m RC drilling program was completed in the period to test the nine priority moving-loop electro-magnetic (MLEM) targets. A total of 15 RC drill-holes targeted and successfully tested each of the nine targets.

Results from drilling show that the interpreted MLEM conductors represent zones of strongly graphitic gneiss or metasediments hosted within either basement gneiss or dominantly metasedimentary sequences, both of which are poorly exposed in the region. Although minor disseminated sulphides are recognised at each locality, the MLEM conductors are explained by the strong abundance of graphite. Unfortunately, no significant nickel results were observed.

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A zone of copper mineralisation was identified at the Manyas target in drill hole LHRC010, which returned 19m at 0.45% Cu from 214m including 1m @ 2.23% Cu. The mineralisation was immediately followed-up with four additional holes to test potential strike and dip extensions, resulting in similar intersection of low-grade mineralisation to the west and up-dip of LHRC010. The Company is continuing to assess the results from the drilling.

1.5 West Pilbara Gold Project, Western Australia (earning up to 70%)

During the period, a total of 335 holes for 9,259m were drilled including 276 air-core ("AC") holes for 5,685m and 59 RC holes for 3,574m. While anomalous results were returned from several of the prospects, they are not considered sufficiently encouraging to warrant follow-up exploration. Accordingly, the Company has provided notification to Red Hill Iron Limited of its withdrawal from the farm-in and joint venture agreement, subsequent to half year end.

1.6 Generative Exploration

During the period, the Company applied for two Exploration Licences in Victoria (EL006661 and EL006669) which cover a combined area of 1300km². These applications are situated within the Murray Basin, west of the prospective Whitelaw-Tandarra Fault Corridor, with the southern tenement positioned approximately 10km north-west of the highly-fertile Bendigo Goldfield.

In addition, the Company continued to define targets for drilling at several of its 100% owned tenements in the Yilgarn region of Western Australia.

2. Nyanzaga Project, Tanzania (Entitlement to payment upon commercial mining)

Following Chalice's merger with Sub-Sahara Resources NL in 2009, Chalice became entitled to a payment of A\$5 million upon commercial production at the Nyanzaga Project in Tanzania. Orecorp Limited (ASX: ORR), which is currently earning a 51% interest in Nyanzaga, has completed a positive Scoping Study.

3. Investments

The Company holds 11.68 million shares (~23%) in unlisted diamond explorer GeoCrystal Limited after subscribing to a further 2 million shares in July 2017. The Company also holds 66 million shares (~12%) in ASX listed Ausgold Limited and 10 million options exercisable at 3.5 cents, as well as several other listed investments.

4. Corporate

4.1 Financial Review

At 31 December 2017, the Group had net assets of \$47,566,848 (30 June 2017: \$52,115,756) and an excess of current assets over current liabilities of \$46,281,172 (30 June 2017: \$51,309,812). At 31 December 2017, the Group's cash at bank totaled \$42,535,170 (30 June 2017: \$46,819,151).

The Group reported a net loss for the period of \$6,642,488 (31 December 2016: net loss of \$1,892,115) which has arisen primarily due to the increase in exploration and evaluation costs in the period and net gains/losses from the sale of exploration and evaluation assets and financial assets.

The Group has restated the prior year accounts due to a voluntary change in accounting policy in relation to exploration and evaluation expenditure. The new accounting policy was adopted to provide stakeholders with more relevant and transparent information and is considered a more conservative approach. In previous years, costs incurred in relation to exploration of areas with current rights of tenure were reported as assets, with costs written off as the asset was abandoned. The new policy requires the Group to expense all exploration costs in the year it is incurred. Therefore shareholders will notice and increase in expenses incurred in current and future periods.

The Group's focus during the half year period was on exploration and evaluation activities in Canada and Australia, with cash outflows of \$5,499,768 (31 December 2016: \$1,198,646). Total business development cash outflows to 31 December

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For the half year ended 31 December 2017

2017 totaled \$420,709 (31 December 2016: \$1,007,652). In addition, the Company paid capital gains taxes of \$1,077,920 in Canada primarily as a result of the profits on sale of First Mining Finance Corp shares.

EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events subsequent to reporting date.

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 8 and forms part of this directors' report for the half-year ended 31 December 2017.

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 9th day of March 2018

COMPETENT PERSONS & QUALIFYING PERSONS STATEMENT

The information in this report that relates to the East Cadillac Gold Project is extracted from the announcements entitled "Chalice expands exploration drilling program at East Cadillac Gold Project after identifying new high-priority targets" dated 16 January 2018 and "Significant new gold intersections at East Cadillac Project" dated 6 March 2018. The information in this report that relates to the Warrego North Project, Latitude Hill Project and the West Pilbara Project is extracted from the announcement entitled "December 2017 Quarterly Report" and the "September 2017 Quarterly Report" dated 19 January 2018 and 27 October 2017 respectively.

These announcements are available to view on the Company's website at 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 announcements and that all material assumptions in the market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's and Qualifying Persons findings are presented have not been materially modified from the original market announcements.

FORWARD LOOKING STATEMENTS

This report may contain forward-looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, forward-looking statements). These forward-looking statements are made as of the date of this 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 at the East Cadillac Gold Project, the realisation of mineral reserve estimates; the likelihood of exploration success including results of future geophysical surveys, drilling at the East Cadillac Gold Project, the Kinebik Project, the Latitude Hill Project, the Warrego North Project and the West Pilbara Project and other exploration activities; the timing and costs of future exploration activities on the Company's exploration projects; the potential to define future mineral resources and, if successful at any of the Company's exploration projects, the potential viability of any mineral resource so defined; planned expenditures and budgets and the execution thereof; the timing and availability of drill results;

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potential sites for additional drilling, the future share price performance of the Company's listed investments, that general business and economic conditions will not change in a materially adverse manner; 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, planning, expects or does not expect, is expected, will, may, would, potential, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, occur, or be achieved, 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 exploration activities; changes in exploration programs based upon results of exploration; future prices of mineral resources; possible variations in mineral resources or 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, 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 Limited for the half-year ended 31 December 2017, 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
9 March 2018**



**L Di Giallonardo
Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Chalice Gold Mines Limited
Condensed Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 (restated) \$
Continuing Operations			
Revenue	3 (a)	391,582	198,106
Net (loss)/gain on sale of available for sale financial assets	5	(1,215,258)	371,398
Net gain on sale of exploration and evaluation assets	3 (b)	489,647	1,270,754
Net loss on sale of property, plant and equipment		(31,697)	-
Foreign exchange (loss)/gain		(66,026)	659,819
Share of associate's loss		-	(20,552)
Exploration and evaluation expenditures	6	(5,932,785)	(1,185,684)
Corporate and administrative expenses	3 (c)	(920,768)	(883,906)
Share based payments		(228,515)	(234,548)
Business development expenses	3 (d)	(331,079)	(740,534)
Impairment of financial assets	3 (e)	-	(793,656)
Depreciation and amortisation expense		(29,616)	(24,766)
Loss for the period from continuing operations before income tax		(7,874,515)	(1,383,569)
Income tax benefit /(expense)	4	1,232,027	(508,546)
Loss for the period from continuing operations		(6,642,488)	(1,892,115)
Total loss for the period attributed to owners of the parent		(6,642,488)	(1,892,115)
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, net of tax		811,142	1,874,453
Exchange differences on translation of foreign operations		147,351	(334,944)
<i>Items reclassified to profit or loss during the period</i>			
Net change in fair value of available for sale investments sold		906,696	437,464
Total other comprehensive income		1,865,189	1,976,973
Total comprehensive (loss)/ income for the period attributable to owners of the parent		(4,777,299)	84,858
Basic and diluted loss per share from continuing operations (cents)		(2.5)	(0.7)

The accompanying notes form part of the financial statements.

Chalice Gold Mines Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31 December 2017	30 June 2017 (restated)
		\$	\$
Current assets			
Cash and cash equivalents		42,535,170	46,819,151
Trade and other receivables and prepayments		800,658	315,798
Financial assets	5	3,336,973	5,807,628
Income tax receivable	4	1,209,188	389,338
Total current assets		47,881,989	53,331,915
Non-current assets			
Financial assets	5	319,659	224,968
Investment in associate		584,167	484,167
Property, plant and equipment		421,018	308,600
Total non-current assets		1,324,844	1,017,735
Total assets		49,206,833	54,349,650
Current liabilities			
Trade and other payables		1,051,774	503,071
Employee benefits		223,270	191,021
Income tax payable	4	325,773	1,328,011
Total current liabilities		1,600,817	2,022,103
Non-current Liabilities			
Other		39,168	39,170
Deferred tax liabilities		-	172,621
Total non-current liabilities		39,168	211,791
Total liabilities		1,639,985	2,233,894
Net assets		47,566,848	52,115,756
Equity			
Issued capital	7	39,836,040	39,836,164
Retained earnings		10,149,049	16,791,537
Reserves		(2,418,241)	(4,511,946)
Total equity		47,566,848	52,115,756

The accompanying notes form part of the financial statements.

Chalice Gold Mines Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Issued capital	Retained earnings	Share based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
Restated balance at 30 June 2017	39,836,164	16,791,537	508,678	(906,696)	(4,113,927)	52,115,756
Loss for the period	-	(6,642,488)	-	-	-	(6,642,488)
Other comprehensive income for the period						
Net change in fair value of available for sale investments	-	-	-	811,142	-	811,142
Net change in fair value of available for sale investments sold	-	-	-	906,696	-	906,696
Exchanges differences on translation of foreign operations	-	-	-	-	147,351	147,351
Total comprehensive loss for the period	-	(6,642,488)	-	1,717,838	147,351	(4,777,299)
Share issue costs	(124)	-	-	-	-	(124)
Share based payments	-	-	228,515	-	-	228,515
Balance at 31 December 2017	39,836,040	10,149,049	737,193	811,142	(3,966,576)	47,566,848
	Issued capital	Retained earnings	Share based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
Restated balance at 30 June 2016	43,622,887	21,572,003	179,559	(1,003,499)	(3,718,216)	60,652,734
Loss for the period	-	(1,892,115)	-	-	-	(1,892,115)
Other comprehensive income for the period						
Net change in fair value of available for sale investments	-	-	-	1,874,453	-	1,874,453
Net Change in fair value of available for sale investments sold	-	-	-	437,464	(321,908)	115,556
Exchanges differences on translation of foreign operations	-	-	-	-	(13,036)	(13,036)
Total comprehensive income for the period	-	(1,892,115)	-	2,311,917	(334,944)	84,858
Share buy-back	(2,562,072)	-	-	-	-	(2,562,072)
Share based payments	-	-	234,548	-	-	234,548
Restated balance at 31 December 2016	41,060,815	19,679,888	414,107	1,308,418	(4,053,160)	58,410,068

The accompanying notes form part of the financial statements.

Chalice Gold Mines Limited
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2017

	31 December 2017	31 December 2016 (restated)
	\$	\$
Cash flows from operating activities		
Cash receipts from operations	76,417	77,231
Cash paid to suppliers and employees	(1,156,841)	(744,277)
Payments for exploration and evaluation assets	(5,499,768)	(1,198,646)
Business development related costs	(420,709)	(1,007,652)
Interest received	301,768	131,711
Interest paid	(640)	-
Income tax paid	(1,077,920)	-
Net cash used in operating activities	(7,777,693)	(2,741,633)
Cash flows from investing activities		
Proceeds from sale of exploration and evaluation assets	-	25,249
Proceeds from sale of available for sale financial assets	4,639,421	9,710,369
Acquisition of available for sale financial assets	(915,278)	-
Acquisition of property, plant and equipment	(171,946)	(36,333)
Proceeds from sale of fixed assets	-	3,086
Net cash from investing activities	3,552,197	9,702,371
Cash flows from financing activities		
Share buy-back	-	(2,551,667)
Bank guarantee costs	(8,871)	-
Share issue costs	(124)	-
Net cash used in financing activities	(8,995)	(2,551,667)
Net increase/(decrease) in cash and cash equivalents	(4,234,491)	4,409,071
Cash and cash equivalents at the beginning of the period	46,819,151	35,733,786
Effects of exchange rate fluctuations on cash held	(49,490)	905,986
Cash and cash equivalents at the end of the financial period	42,535,170	41,048,843

The accompanying notes form part of the financial statements.

Chalice Gold Mines Limited

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

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 2017 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.

(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. For the purposes of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

(c) Accounting policies and methods of computation

The accounting policies and method of computation adopted are consistent with those of the previous financial year and corresponding half year except as mentioned below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Voluntary Change in Accounting Policy – Exploration and evaluation expenditure

The financial report for the half year ended 31 December 2017 has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure. In previous financial reporting periods, the costs incurred in connection with exploration of areas with current rights of tenure were capitalised in the Statement of Financial Position. The criteria for carrying forward the costs were:

- (i) Such costs were expected to be recovered through successful development and exploitation of the area of interest or alternatively by its sale; and
- (ii) Exploration and/or evaluation activities were continuing in the area of interest and had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable resources, and active and significant operations in, or in relation to, the area were continuing.

Costs carried forward in respect of an area of interest that was abandoned were written off in the year in which the decision to abandon was made.

The new accounting policy was adopted as of 1 July 2017 and has been applied retrospectively. Under the new policy, exploration and evaluation expenditure including the cost of acquisition is expensed to the Statement of Comprehensive Income in the year when it is incurred.

Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable financial information as the policy is more transparent and less subjective. Both the previous and new accounting policies are compliant with AASB 6 Exploration for and Evaluation of Mineral Resources. The impact of this change in accounting policy is reflected below:

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Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

The capitalised exploration and evaluation asset previously reported as at 30 June 2017 has decreased by \$3,245,539. Retained earnings brought forward at 1 July 2017 decreased by \$3,315,129. Net loss after tax previously reported at 31 December 2016 has increased by \$533,530 to \$1,892,115.

Basic and diluted loss per share have also been restated. The amount of the impact for the new result for the half year ended 31 December 2016 of the change in accounting policy is stated as follows:

Loss per share attributable to owners of the parent:	31 December 2017
Basic and diluted loss per share (cents)	(0.3)

Exploration and evaluation expenditure that is expensed is included as part of cash flows from operating activities, whereas previously capitalised exploration and evaluation expenditure was included as part of cash flows from investing activities. As a result, for the half year ended 31 December 2016, net cash used in operating activities has increased from \$535,335 to \$2,741,633 and net cash from investing activities has increased from \$7,496,073 to \$9,702,371.

(d) 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 2017.

(e) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2017

In the half-year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 July 2017.

As a result of this review, other than the potential effects of *AASB 16 Leases*, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2018. As a result of this review, other than the potential effect of *AASB 16 Leases* below, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to Group accounting policies.

AASB 16 Leases

AASB 16 Leases replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee- effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense. Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

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Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2017

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	
	2017	2016 (restated)	2017	2016 (restated)	2017	2016 (restated)	2017	2016 (restated)
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	431	-	-	76,800	76,800	76,800	77,231
Net gain on sale of exploration and evaluation assets	-	1,270,754	-	-	-	-	-	1,270,754
Total Income	-	1,271,185	-	-	76,800	76,800	76,800	1,347,985
Corporate and administrative expenses	-	-	-	-	(920,768)	(883,906)	(920,768)	(883,906)
Business development costs	-	-	(331,079)	(740,534)	-	-	(331,079)	(740,534)
Depreciation and amortisation	-	-	-	-	(29,616)	(24,766)	(29,616)	(24,766)
Exploration expenditures written off	(5,932,785)	(1,185,684)	-	-	-	-	(5,932,785)	(1,185,684)
Segment profit/(loss) before tax	(5,932,785)	85,501	(331,079)	(740,534)	(873,584)	(831,872)	(7,137,448)	(1,486,905)
Unallocated income/(expenses)								
Other income							25,217	-
Net financing income							289,565	120,875
Net gain on sale of property, plant and equipment							(31,697)	-
Net gain on sale of available for sale financial assets							(1,215,258)	371,398
Impairment of financial assets							-	(793,656)
Share based payments							(228,515)	(234,548)
Share of associate's loss							-	(20,552)
Net profit from sale of tenements							489,647	-
Foreign exchange gain/(loss)							(66,026)	659,819
Total loss for the period before tax							(7,874,515)	(1,383,569)

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
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	Exploration and Evaluation		Business Development		Corporate		Total	
	31 December 2017	30 June 2017 (restated)	31 December 2017	30 June 2017 (restated)	31 December 2017	30 June 2017 (restated)	31 December 2017	30 June 2017 (restated)
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets:								
Investment in Associate	584,167	484,167	-	-	-	-	584,167	484,167
Other	689,693	886,214	-	-	838,939	311,494	1,528,632	1,197,708
	1,273,860	1,370,381	-	-	838,939	311,494	2,112,799	1,681,875
Unallocated assets							47,094,034	52,667,775
Total assets							49,206,833	54,349,650
Segment Liabilities	(695,193)	(350,256)	-	(10,488)	(619,019)	(402,963)	(1,314,212)	(763,707)
	(695,193)	(350,256)	-	(10,488)	(619,019)	(402,963)	(1,314,212)	(763,707)
Unallocated liabilities							(325,773)	(1,569,567)
Total liabilities							(1,639,985)	(2,333,283)

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2017

3. Revenue and expenses

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

(a) Revenue	2017	2016
	\$	\$
Corporate and administration service fees	76,800	76,800
Net finance income	289,565	120,875
Other	25,217	431
	391,582	198,106

(b) Net gain on sale of exploration and evaluation assets

Net gain on sale of exploration and evaluation assets relates to the sale of Dumbleyung tenements to Ausgold Limited in September 2017. As consideration for the tenements, the Company received 15 million ordinary shares in Ausgold Limited and 10 million options exercisable at 3.5cents. The options expire in September 2019 and the shares are subject to an escrow period of 12 months from the date of issue. The gain calculated is the difference between the consideration received and the total carrying value of the Dumbleyung tenements.

In the prior year, net gain on sale of exploration and evaluation assets represents the net gain from the sale of the Company's 12% interest in the Gnaweeda Project, Western Australia and the sale of the Company's 51% interest in the Ardeen Project, Ontario, Canada in July 2016.

(c) Corporate and administrative expenses	2017	2016
	\$	\$
Insurance	15,486	5,781
Travel costs	329	409
Legal fees	10,386	5,280
Head office costs	56,552	74,865
Personnel expenses	549,049	590,051
Regulatory and compliance	197,257	189,683
Other	91,709	17,837
	920,768	883,906

(d) Business development costs

Along with exploration and evaluation activities, the Company undertakes business development in order to review and potentially acquire new resource projects. Business development costs represent the costs associated with the review of these new business opportunities and potential asset acquisitions.

	2017	2016
	\$	\$
Personnel expenses	165,378	516,263
Consultants and legal fees	89,659	37,034
Travel and conferences	20,622	46,224
Other	55,420	141,013
	331,079	740,534

(e) Impairment of financial assets

The Company recorded an impairment in the fair value of the shares held in Doray Minerals Limited and Kesselrun Resources Limited for the period ended 31 December 2016 of \$793,656. The impairment was recognised as part of continuing operations in the Statement of Comprehensive Income due to the prolonged decline in market prices for these financial assets.

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2017

4. Income tax			
Income tax expense/benefit		2017	2016
		\$	\$
Current income tax (expense)/benefit		729,105	(160,353)
Over/under provision of prior year tax (expense)/benefit		67,756	-
Foreign exploration incentive tax credits		127,492	-
Deferred income tax benefit/(expense) relating to available for sale investments		307,674	(348,193)
		1,232,027	(508,546)
		31 December 2017	30 June 2017
Income tax receivable			
Current income tax expense/benefit		811	-
Foreign exploration incentive tax credits		1,208,377	389,338
		1,209,188	389,338
Income tax payable			
R&D tax credit		259,951	259,951
Current income tax expense/benefit		65,822	1,068,060
		325,773	1,328,011
5. Financial assets		31 December 2017	30 June 2017
Current		\$	\$
Available for sale investments		3,336,973	5,807,628
		3,336,973	5,807,628
<p>Available for sale investments represents investments in various companies listed on the ASX and TSX. During the half year ended 31 December 2017, the Company sold its remaining 6,960,836 shares held in First Mining Finance Corp for net proceeds of \$3.9 million. Total net loss on sale of available for sale investments was approximately \$1.2 million.</p>			
		31 December 2017	30 June 2017
Non-current		\$	\$
Share options- listed entity		84,647	-
Bonds and bank guarantees		235,012	224,968
		319,659	224,968
6. Exploration and evaluation expenditures		31 December 2017	31 December 2016 (restated)
		\$	\$
West Pilbara		841,316	42,903
Latitude Hill		632,224	42,987
Warrego North		433,394	36,203
East Cadillac		3,084,650	328,015
Kinebik		432,680	437,869
Australian Tenements		41,937	23,954
Generative Exploration		475,804	-
Other		(9,220)	273,753
		5,932,785	1,185,684

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2017

7. Issued capital

(a) Issued and fully paid ordinary shares

	31 December 2017		30 June 2017	
	No.	\$	No.	\$
Movements in ordinary shares on issue:				
At 1 July	261,210,294	39,836,164	282,710,802	43,622,887
Share issue costs	-	(124)	-	-
Share buy-back	-	-	(21,500,508)	(3,786,723)
	261,210,294	39,836,040	261,210,294	39,836,164

In July 2016 the Company commenced a discretionary on-market share buy-back. The on market share buy-back was completed on 4 July 2017.

(b) Share options

	31 December	30 June
	2017	2017
	No.	No.
Movements in options over ordinary shares on issue:		
At 1 July	2,250,000	500,000
Options granted	-	1,750,000
Options lapsed	(500,000)	-
Outstanding at the end of the period	1,750,000	2,250,000

The fair value of options is estimated at the date of grant using a Black-Scholes option-pricing model. 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 rendered.

(c) Performance rights

	31 December	30 June
	2017	2017
	No.	No.
Movements in performance rights:		
At 1 July	8,541,744	5,817,236
Performance rights lapsed	-	(2,232,664)
Performance rights issued ⁽¹⁾	5,544,347	4,957,172
Outstanding at the end of the period	14,086,091	8,541,744

(1) During the period ended 31 December 2017, 5,544,347 performance rights were issued to Key Management Personnel ('KMP') and employees of the Company on three separate dates- 27 July 2017, 9 November 2017 and 28 November 2017.

The following table gives the assumptions made in determining the fair value of the performance rights granted during the period:

	31 December
	2017
Share prices at grant dates	\$0.16 to \$0.205
Exercise price	Nil
Expected volatility	50%
Weighted average performance period (years)	2.82
Weighted average vesting period (years)	2.82
Expected dividends	-
Weighted average risk-free interest rate	1.92%

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2017

The performance rights contain both market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services rendered.

10. 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 in order to meet the minimum expenditure requirements specified by various governments in order to maintain exploration tenements in good standing. Due to the nature of the Groups' operations in exploration and evaluation areas of interest, it is difficult to accurately forecast the nature and amount of expenditure, and these obligations are subject to renegotiation when application for a mining lease is made and at other times. Therefore amounts stated are based on maximum commitments known within the next 1 to 2 years. The Group may in certain situations apply for exemptions under relevant mining legislation or enter in joint venture arrangements which significantly reduce working capital commitments. These obligations are not provided for in the financial report and are payable:

	31 December 2017	30 June 2017
	\$	\$
Within 1 year	310,619	1,152,272
Within 2-5 years	-	-
Later than 5 years	-	-
	310,619	1,152,272

Office lease commitments

	31 December 2017	30 June 2017
	\$	\$
Within 1 year	240,751	259,260
Within 2-5 years	438,851	566,284
Later than 5 years	-	-
	679,602	825,544

Contingent asset

There are no contingent assets at 31 December 2017.

12. Events subsequent to reporting date

There have been no events subsequent to reporting date.

13. Financial instruments

The directors consider the carrying value of financial assets and financial liabilities recognised in the consolidated financial statements to approximate their fair values. In particular, available for sale investments which comprise various ASX and TSX listed entities are measured at fair value using quoted market prices at the reporting date (Level 1 fair value measurement).

The directors have assessed the fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Chalice Gold Mines Limited
Directors' Declaration
For the half year ended 31 December 2017

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 2017 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 9th day of March 2018

A handwritten signature in blue ink, appearing to read 'Tim Goyder', with a stylized flourish at the end.

TIM GOYDER
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chalice Gold Mines Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Chalice Gold Mines Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2017 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*.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim 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 interim 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 2017 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.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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

Independence

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

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
9 March 2018**

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

**L Di Giallonardo
Partner**