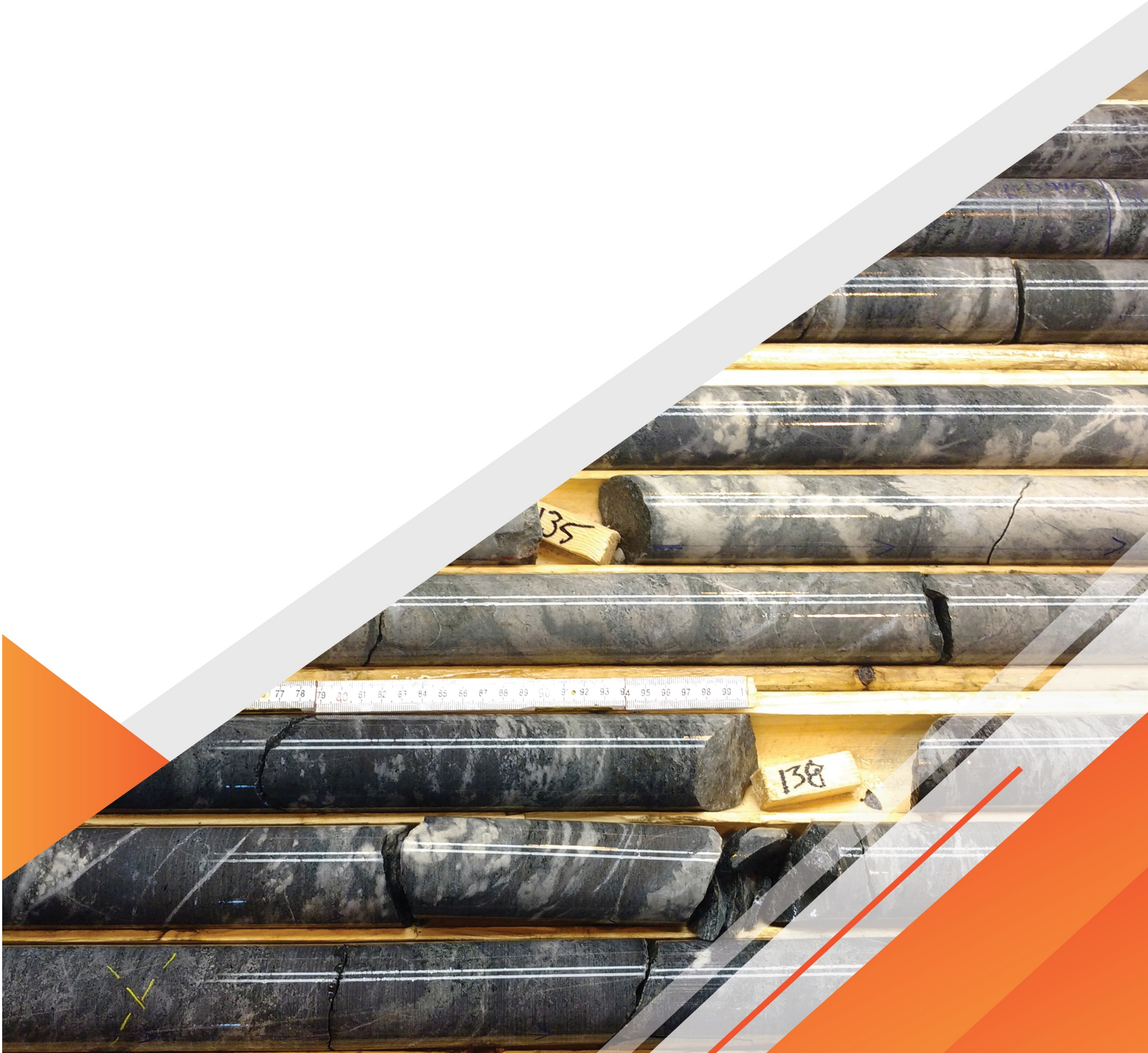
chalice

Chalice Gold Mines Limited

ABN 47 116 648 956

Half Year Report
31 December 2018



Contents

Chalice Gold Mines Limited
Directors' Report
For the half year ended 31 December 2018

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 2018. 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.

Timothy R B Goyder	Executive Chairman
Alexander C Dorsch	Managing Director (appointed 13 November 2018)
Morgan S Ball	Lead Independent Non-executive Director
Stephen P Quin	Independent Non-executive Director
Anthony W Kiernan	Non-executive Director (resigned 13 September 2018)

REVIEW OF OPERATIONS

1. Exploration Overview

Chalice Gold Mines Limited ("Chalice" or "the Company") reports on an active first half of the year with two major exploration programmes underway in premier, established gold provinces in Australia and Canada.

Excellent progress continues to be made at the **Pyramid Hill Gold Project**, Victoria, with early drilling intersecting encouraging anomalous gold and pathfinder zones in Q4 2018. The Company's recent decision to expand and extend the drilling programme reflects Chalice's commitment to the Bendigo region, currently regarded as one of the world's most promising high-grade gold districts.

In Canada, exploration activities also continued at the **East Cadillac Gold Project**, Quebec, with two very strong and sizeable targets being drill tested for the first time in Q1 2019. The programme follows two years of ground consolidation and systematic regional exploration by the Company.

The Company has refined its growth strategy to focus principally on high-impact gold exploration opportunities over the period. Chalice remains in a strong financial position with a cash balance of over ~A$21 million at 31 December 2018, following the return of excess capital of ~A$10.7 million (A$0.04 per share) to shareholders.

Key Highlights for Half Year

- **Two high impact drilling programmes underway, targeting >5Moz gold discoveries**
- **Return of excess capital to shareholders (A$0.04 per share)**
- **Chalice remains in a strong financial position allowing the Company to explore aggressively at scale**
- **Focus now squarely on two key gold exploration projects in Australia and Canada**

1.1 Pyramid Hill Gold Project, Victoria, Australia (100% owned)

During the period, the Company commenced a maiden 8,500m reconnaissance aircore (AC) drilling programme at the Muckleford Area and continued its soil sampling and targeting programme at the Mt William Area. A total of 4,733m of AC drilling has been completed to the end of 2018 along five east-west drill traverses at the South and West Targets. Assay results have been received for the first 57 AC drill holes and encouraging early anomalous gold and pathfinder results received to date include:

- **South Target**: Anomalous gold-in-quartz intersected ~3km to the north along strike from anomalous gold values in historical drill holes, indicating a possible strike-extensive gold zone associated with the Muckleford Fault; and,
- **West Target**: 15-30m wide zones of anomalous arsenic intersected within four contiguous, 100m spaced holes, indicating a possible halo to proximal gold mineralisation.

Additional high quality drill targets have been defined resulting in a decision to expand the initial AC programme to 15,000m, with drilling continuing at the Muckleford area at the time of reporting.

Chalice also continued to expand its highly prospective ground position over the period, with a further three Exploration Licence Applications lodged to cover vacant ground contiguous with granted licences within the Muckleford Area. The Company is now a well-established and active explorer in the Bendigo region with ~4,500km^2 of Exploration Licences and applications in three districts (Muckleford, Mt William and Percydale).

1.2 East Cadillac Gold Project, Quebec, Canada (80-100% owned)

A successful geochemistry and geophysics field season in the middle of the year defined several new gold-in-soil anomalies; including the large-scale Anderson and Legrand Targets. An ~8,100m reconnaissance diamond drill programme designed to test these two large-scale targets commenced in January 2019.

- **Legrand Target**: a ~3.4km x 1.3km gold-plus-pathfinder MMI geochemical anomaly, with similarities to the >16Moz Canadian Malartic gold mine, located ~70km to the west; and,
- **Anderson Target**: a ~2.3km x 0.5km gold-plus-pathfinder MMI geochemical anomaly located on a sub-parallel fault north of the Larder Lake – Cadillac Fault.

These targets are the largest and most coherent geochemical anomalies found to date and represent exceptional scale drill targets. A 3D Induced Polarisation survey is underway, with approximately 90 of 115 line km completed over the Lac Rapides, Legrand and Makwa Targets by year-end. Initial results show strong chargeability responses along strike from zones of known gold mineralisation.

1.3 Yilgarn Gold Project, Western Australia (95-100% owned)

Yilgarn Gold Project – Gibb Rock, Western Australia (Ramelius earning 75%)

The Company executed a conditional farm-out agreement of the Gibb Rock Project (part of the Yilgarn Project) with Ramelius Resources Limited (ASX: RMS). As part of the agreement, Ramelius may earn a 75% interest in the Project by spending A$2 million on exploration within three years and reimbursing Chalice A$50,000 in cash.

Yilgarn Gold Project – Nulla South, Western Australia (Ramelius earning 75%)

On 10 December 2018, Ramelius announced exploration results from the Nulla South Joint Venture. Ramelius commenced initial exploration drilling initially focused around the historical Felstead's Find workings. During the period, 11,175m of AC drilling was completed from 167 holes (NUSA series) along with 5 shallow RC drill holes (NUSC series) for 385m with encouraging results reported to date.

Yilgarn Gold Project – Mt Jackson, Western Australia

A single tenement application E77/2577 covering an area of 207.8 km^2 was lodged. The tenement is interpreted to be prospective for orogenic style gold mineralisation given the presence of an interpreted juncture between two regional scale faults at the northern termination of the Southern Cross greenstone belt. A review of open file reporting indicates no previous exploration work and the Company intends to conduct a surface geochemical survey once the tenement is granted.

Yilgarn Gold Project – Kurrajong Bore, Western Australia

Assay results were received for a 72-hole Aircore drilling programme totalling 4,850m earlier in the year. Several anomalous intercepts were returned and additional follow-up work is being assessed.

Yilgarn Gold Project – Bunjarra Well, Western Australia

Assay results were received for a 12-hole Aircore programme totalling 832m designed to test for strike extensions to anomalous gold (up to 1g/t Au) intersected in historical drilling. Geological logging by Chalice indicates that gold mineralisation is associated with transported regolith (base of palaeochannel).

1.4 Warrego North Project, Northern Territory, Australia (70-100% owned)

Four RC drill holes for 1,206m were completed on EL31610 as a first-pass test of the Emu prospect. The drilling targeted coincidental aeromagnetic and gravity anomalies thought to possibly represent ironstone units prospective for Tennant Creek-style IOCG mineralisation.

The geology in all holes intersected highly magnetic dolerite intrusives with accompanying sporadic, low tenor copper mineralisation. There were no significant gold readings. The magnetic dolerites intersected satisfactorily explain the targeted anomalies and, based on the geology and tenor of mineralisation observed, and no further work is planned over this target.

1.5 Julimar Nickel-Vanadium Project, Western Australia, Australia (100% owned)

One of two Exploration Licence Applications were granted on the Julimar Project. Field reconnaissance work, followed by targeted ground magnetic, gravity and electromagnetic surveys over selected target zones (potential feeder zones), will commence once the final tenement is granted. Any anomalies generated from the initial surface geophysical surveys will form the basis for follow-up drill testing.

1.6 Other Projects

1.6.1 Flinders River, Queensland, Australia (100% owned)

Ten Exploration Licence Applications lodged with DNRME (QLD) were granted over the period. Land access discussions with pastoral owners progressed during the first half of the year.

1.6.2 King Leopold Nickel-Copper-PGE Project, Western Australia

The Company is progressing four tenement applications (E04/2566 & 2567; E80/5269 & 5270) covering an area of 644 km^2, situated 80km north-east of Fitzroy Crossing, Western Australia. These tenements are considered prospective for nickel, copper and PGEs.

1.6.3 Auralia Nickel-Copper-Gold Project, Western Australia

Chalice lodged two tenement applications (E69/3636 & 3637) covering an area of 830km^2 situated 500km east of Kalgoorlie, Western Australia. The Company considers these tenements prospective for intrusive-hosted nickel, copper and gold.

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

No activity was conducted during the reporting period on the Kinebik Project.

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 $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 Pre Feasibility Study.

3. Investments

The Company holds 11.68 million shares (~19.67%) in unlisted diamond explorer GeoCrystal Limited. At 31 December 2018, the Company also held 66 million shares (~10%) in ASX listed Ausgold Limited (ASX: AUC), that were subsequently sold in February 2019 for gross proceeds of $1.32 million, as well as several other minor shareholdings in other listed entities.

4. Capital Return

Following a change in company strategy, the Board reviewed the Company's capital requirements and determined that cash reserves exceeded the Company's current requirements and resolved to return excess capital to shareholders.

Shareholder approval was obtained at the Company's 2018 Annual General Meeting for a return of capital of 4 cents per share totaling approximately $10.7 million. Payment was made to shareholders registered on 30 November 2018 (29 November 2018 for TSX shareholders). The capital return was completed on 7 December 2018.

The Company applied for a Class Ruling from the Australian Taxation Office to confirm the tax treatment on behalf of shareholders, in relation to the capital reduction and return. The ATO is currently reviewing the Company's application and has not yet made its determination.

5. Corporate

5.1 Financial Review

At 31 December 2018, the Group had net assets of $27,136,650 (30 June 2018: $41,632,908) and an excess of current assets over current liabilities of $26,482,365 (30 June 2018: $40,486,389). At 31 December 2018, the Group's cash at bank totaled $21,341,824 (30 June 2018: $35,739,484).

The Group reported a net loss after tax for the period of $4,501,530 (31 December 2017: net loss of $6,642,488).

The Group's focus during the half year period was on exploration and evaluation activities in Canada and Australia, with cash outflows of $3,146,909 (31 December 2017: $5,499,768). Total business development cash outflows to 31 December 2018 totaled $475,841 (31 December 2017: $420,709). In addition, the Company made a capital return of 4 cents per share to shareholders ($10,662,725).

5.2 Board Changes

During the period, Mr Anthony Kiernan resigned as a director of the Company and Mr Alex Dorsch was appointed Managing Director. Mr Kiernan was a director of the Company since 2007 and his resignation coincided with his appointment as Chairman of Saracen Mineral Holdings Limited.

EVENTS SUBSEQUENT TO REPORTING DATE

In February 2019, the Company received C$2 million from Revenue Quebec, representing a portion of the outstanding foreign exploration tax credits receivable at 30 June 2018.

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 9 and forms part of this directors' report for the half-year ended 31 December 2018.

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.

ALEX DORSCH
Managing Director

Dated at Perth this 14th day of March 2019

COMPETENT PERSONS & QUALIFYING PERSONS STATEMENT

The Information in this report that relates to the exploration results for the Pyramid Hill Project is extracted from ASX announcements entitled "Chalice secures extensive strategic position in highly prospective northern Bendigo region, Victoria", "Chalice identifies two 12km+ gold-in-soil anomalies at Pyramid Hill Project, Bendigo", "Chalice set to drill large-scale gold targets at Pyramid Hill Gold Project, Victoria" and "Quarterly Activities and Cashflow Report – December 2018" released on 26 February,12 July, 27 September 2018 and 18 January 2019 respectively.

The Information in this report that relates to exploration results for the East Cadillac Gold Project is extracted from ASX announcements entitled "Chalice expands exploration drilling programme at East Cadillac Gold Project after identifying 14 new high priority targets", "Significant new gold intersections at East Cadillac Project", Quebec confirm mineralisation over ~3.5km", "Two new gold discoveries expand the district-scale potential of East Cadillac Gold Project, Canada", "New phase of exploration underway at East Cadillac Project in Quebec", "Newly defined large-scale gold anomalies prioritised for drill testing at East Cadillac Gold Project, Quebec" and "Chalice prepares for major new drill programme to test large-scale gold targets at East Cadillac Gold Project in Quebec" released on 16 January, 6 March, 31 May, 10 July, 25 October and 20 November 2018 respectively.

The information in this report that relates to the Yilgarn Project, Warrego North Project, Julimar Project, Flinders River Project, King Leopold Project and Auralia Project is extracted from the announcement entitled "Quarterly Activities and Cashflow Report – December 2018" and the "Quarterly Activities and Cashflow Report – September 2018"" dated 18 January 2019 and 29 October 2018 respectively.

The above 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 relevant original market announcements. The Company confirms that the form and context in which the Competent Person and Qualified Person's findings are presented have not been materially modified from the relevant 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 report 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 Company's strategy, the estimation of mineral reserve and mineral resources, the realisation of mineral resource estimates, the likelihood of exploration success including results of drilling at the Pyramid Hill Gold Project and East Cadillac Gold Project and at the Company's other exploration projects, the prospectivity of the Company's exploration projects, the timing of future exploration activities on the Company's exploration projects, planned expenditures and budgets and the execution thereof, the timing and availability of drill results, potential sites for additional drilling, the timing, 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; 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", "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 or planned exploration activities; changes in project parameters as plans continue to be refined; changes in exploration programs based upon the 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; the ultimate outcome for shareholders of any Class Ruling received from the Australian Tax Office ("ATO") in relation to any capital return, 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 Mines Limited for the half-year ended 31 December 2018, 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
14 March 2019

M R Ohm
Partner

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Chalice Gold Mines Limited
Condensed Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		$	$
Continuing Operations			
Revenue	3 (a)	360,628	391,582
Net loss on sale of available for sale financial assets	5	-	(1,215,258)
Net gain on sale of exploration and evaluation projects	3 (b)	-	489,647
Net loss on sale of property, plant and equipment		-	(31,697)
Foreign exchange (loss)/gain		682,035	(66,026)
Derecognition of investment in associate	6	148,828	-
Exploration and evaluation expenditures	3 (f)	(3,799,046)	(5,932,785)
Corporate and administrative expenses	3 (c)	(1,092,742)	(920,768)
Share-based payments		(451,822)	(228,515)
Business development expenses	3 (d)	(363,335)	(331,079)
Depreciation and amortisation expense		(36,800)	(29,616)
Loss for the period from continuing operations before income tax		**(4,552,254)**	**(7,874,515)**
Income tax benefit	4	50,724	1,232,027
Loss for the period from continuing operations		**(4,501,530)**	**(6,642,488)**
Total loss for the period attributed to owners of the parent		**(4,501,530)**	**(6,642,488)**
Other comprehensive income net of income tax			
Items that will not be reclassified to profit or loss			
Net fair value gain/(loss) on fair value of equity investments, net of tax		(203,387)	811,142
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		86,423	147,351
Items reclassified to profit or loss during the period			
Net change in fair value of available for sale investments sold		-	906,696
Total other comprehensive income		**(116,964)**	**1,865,189**
Total comprehensive loss for the period attributable to owners of the parent		**(4,618,494)**	**(4,777,299)**
Basic and diluted loss per share from continuing operations (cents)		(1.8)	(2.5)

The accompanying notes form part of the financial statements.

Chalice Gold Mines Limited

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018	30 June 2018
		$	$
Current assets			
Cash and cash equivalents		21,341,824	35,739,484
Trade and other receivables		344,794	619,930
Financial assets	5	2,846,946	2,646,670
Income tax receivable	4	2,867,513	2,497,597
Total current assets		27,401,077	41,503,681
Non-current assets			
Financial assets	5	363,611	375,111
Investment in associate	6	-	435,339
Property, plant and equipment		334,649	378,372
Total non-current assets		698,260	1,188,822
Total assets		28,099,337	42,692,503
Current liabilities			
Trade and other payables		484,704	500,684
Employee benefits		174,057	259,951
Income tax payable	4	259,951	256,657
Total current liabilities		918,712	1,017,292
Non-current Liabilities			
Other		43,975	42,303
Total non-current liabilities		43,975	42,303
Total liabilities		962,687	1,059,595
Net assets		27,136,650	41,632,908
Equity			
Issued capital	7	29,807,871	39,836,041
Retained earnings/(accumulated losses)		(2,947,456)	956,081
Reserves		276,235	840,786
Total equity		27,136,650	41,632,908

The accompanying notes form part of the financial statement

Chalice Gold Mines Limited

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

	Issued capital $	Retained earnings/ (Accumulated Losses) $	Share-based payments reserve $	Investment revaluation reserve $	Foreign currency translation reserve $	Total $
Balance at 30 June 2018	**39,836,041**	**956,081**	**977,078**	**243,572**	**(379,864)**	**41,632,908**
Modified retrospective standard application (AASB 9)	-	552,368	-	(552,368)	-	-
Loss for the period	-	(4,501,530)	-	-	-	(4,501,530)
Other comprehensive income for the period						
Net change in fair value of equity investments	-	-	-	(203,387)	-	(203,387)
Exchange differences on translation of foreign operations	-	-	-	-	86,423	86,423
Total comprehensive loss for the period	**-**	**(4,501,530)**	**-**	**(203,387)**	**86,423**	**(4,618,494)**
Share issue costs	(20,907)	-	-	-	-	(20,907)
Capital return	(10,662,725)	-	-	-	-	(10,662,725)
Shares issued to acquire a Joint Venture interest	415,114	-	-	-	-	415,114
Performance rights vested	240,348		(240,348)	-	-	-
Transfers between equity items	-	45,625	(45,625)	-	-	-
Share based payments	-	-	390,754	-	-	390,754
Balance at 31 December 2018	**29,807,871**	**(2,947,456)**	**1,081,859**	**(512,183)**	**(293,441)**	**27,136,650**

	Issued capital $	Retained earnings $	Share based payments reserve $	Investment revaluation reserve $	Foreign currency translation reserve $	Total $
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
Exchange 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**

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 2018

	31 December 2018	31 December 2017
	$	$
Operating activities		
Cash receipts from service charges	74,163	76,417
Cash paid to suppliers and employees	(1,085,872)	(1,156,841)
Payments for exploration and evaluation assets	(3,146,909)	(5,499,768)
Business development related costs	(475,841)	(420,709)
Interest received	273,061	301,768
Interest paid	(10)	(640)
Income tax paid	(1,530)	(1,077,920)
Net cash used in operating activities	**(4,362,938)**	**(7,777,693)**
Investing activities		
Proceeds from sale of available for sale financial assets	-	4,639,421
Acquisition of available for sale financial assets	-	(915,278)
Acquisition of property, plant and equipment	(7,438)	(171,946)
Proceeds from sale of fixed assets	-	-
Net cash from investing activities	**(7,438)**	**3,552,197**
Financing activities		
Payment of capital return	(10,662,725)	-
Tenement security deposits	(55,000)	(8,871)
Share issue and capital return costs	(8,784)	(124)
Net cash used in financing activities	**(10,726,509)**	**(8,995)**
Net decrease in cash and cash equivalents	(15,096,885)	(4,234,491)
Net foreign exchange difference	699,225	(49,490)
Cash and cash equivalents at the beginning of the period	35,739,484	46,819,151
Cash and cash equivalents at the end of the financial period	**21,341,824**	**42,535,170**

The accompanying notes form part of the financial statements.

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 2018 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.

(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 2018.

(e) Adoption of new and revised Accounting Standards
Standards and Interpretations applicable to 31 December 2018
In the half-year ended 31 December 2018, 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 2018.

As a result of this review, the Group has initially applied AASB 9 from 1 July 2018. Due to the transition methods chosen by the Group in applying AASB 9, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

Other than the above, the Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the Group and therefore no material change is necessary to Group accounting policies.

AASB 9 Financial Instruments
AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI) on initial recognition or date of initial application of AASB 9. Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or losses on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on the expected credit loss on day 1 rather than needing the evidence of an incurred loss, which is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively, with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

On initial application date, an election has been made to designate available-for-sale equity instruments that are non-derivative equity instruments not held for trading as fair value through other comprehensive income (FVOCI). Previously recognised impairment losses in profit or loss are transferred from retaining earnings/(accumulated losses) to the investment revaluation reserve. As from the initial application date further gains or losses will be recognised in the investment revaluation reserve. Where applicable, individually immaterial FVOCI equity instruments have been aggregated for disclosure purposes.

An adjustment of $552,368 in relation to formerly booked impairment losses has been made to retained earnings/(accumulated losses) and investment revaluation reserve as at 1 July 2018 and has been recognised in the Statement of Changes in Equity for the six months ended 31 December 2018.

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 117 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.

This Standard will primarily affect the accounting for the Group's operating lease commitments predominately relating to the Group's corporate office leases and storage leases. The Group is considering available options to account for this transition which may result in a decrease in reported losses before tax and increase in lease assets and liabilities recognition. The Standard may also have an impact on deferred tax balances. This will however be dependent on the lease arrangements in place when the new Standard is effective. The Group has commenced the process of evaluating the impact of the new Standard.

AASB 16 is effective for annual reporting periods on or after 1 July 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to Group accounting policies.

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	
	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
Revenue	-	-	-	-	112,800	76,800	112,800	76,800
Net gain on sale of exploration and evaluation assets	-	489,647	-	-	-	-	-	489,647
Total Income	**-**	**489,647**	**-**	**-**	**112,800**	**76,800**	**112,800**	**566,447**
Corporate and administrative expenses	-	-	-	-	(1,092,742)	(920,768)	(1,092,742)	(920,768)
Business development costs	-	-	(363,335)	(331,079)	-	-	(363,335)	(331,079)
Depreciation and amortisation	-	-	-	-	(36,800)	(29,616)	(36,800)	(29,616)
Exploration and evaluation expenditure	(3,799,046)	(5,932,785)	-	-	-	-	(3,799,046)	(5,932,785)
Segment profit/(loss) before tax	(3,799,046)	(5,443,138)	(363,335)	(331,079)	(1,016,742)	(873,584)	(5,179,123)	(6,647,801)
Unallocated income/(expenses)								
Other income							163	25,217
Net financing income							247,665	289,565
Net gain on sale of property, plant and equipment							-	(31,697)
Net gain on sale of available for sale financial assets							-	(1,215,258)
Derecognition of associate							148,828	
Share based payments							(451,822)	(228,515)
Foreign exchange gain/(loss)							682,035	(66,026)
Total loss for the period before tax							(4,552,254)	(7,874,515)

	Exploration and Evaluation		Business Development		Corporate		Total	
	31 December 2018 $	30 June 2018 $	31 December 2018 $	30 June 2018 $	31 December 2018 $	30 June 2018 $	31 December 2018 $	30 June 2018 $
Segment assets:								
Investment in Associate	-	435,339	-	-	-	-	-	435,339
Other	3,608,077	4,107,586	-	-	437,908	447,117	4,045,985	4,554,703
	3,608,077	**4,542,925**	**-**	**-**	**437,908**	**447,117**	**4,045,985**	4,990,042
Unallocated assets							24,053,352	37,702,461
Total assets							**28,099,337**	**42,692,503**
Segment Liabilities	(564,493)	(572,477)	(19,881)	(57,264)	(378,313)	(429,854)	(962,687)	(1,059,595)
	(564,493)	**(572,477)**	**(19,881)**	**(57,264)**	**(378,313)**	**(429,854)**	**(962,687)**	**(1,059,595)**
Unallocated liabilities							-	-
Total liabilities							**(962,687)**	**(1,059,595)**

3. REVENUE AND EXPENSES

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

(a) Revenue

	2018 $	2017 $
Corporate and administration service fees	112,800	76,800
Net finance income	247,665	289,565
Other	163	25,217
	360,628	391,582

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

Net gain on sale of exploration and evaluation projects for the previous period ended 31 December 2017 represents the net gain from the sale of the Company's Dumbleyung tenements to Ausgold Limited in September 2017.

(c) Corporate and administrative expenses

	2018 $	2017 $
Insurance	23,259	15,486
Travel costs	56,848	61,566
Legal fees	3,632	10,386
Head office costs	76,016	56,552
Personnel expenses	632,802	549,049
Regulatory and compliance	248,296	197,257
Other	51,889	30,472
	1,092,742	920,768

Corporate and administrative expenses have increased in the current period as a result of increases in regulatory and compliance costs associated with the Company's TSX listing and due to an increase in staff numbers compared to the half year ended 31 December 2017.

(d) Business development costs

Along with exploration and evaluation activities, the Company undertakes business development 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.

	2018 $	2017 $
Personnel expenses	190,037	165,378
Consultants and legal fees	15,522	89,659
Travel and conferences	77,936	20,622
Other	79,840	55,420
	363,335	331,079

(f) Exploration and evaluation expenditure	2018 $	2017 $
Pyramid Hill, Victoria	744,253	-
Yilgarn Projects, Western Australia	105,588	41,937
West Pilbara, Western Australia[1]	-	841,316
Latitude Hill, Western Australia[1]	-	632,224
Flinders River, Queensland	134,105	-
Julimar, Western Australia	169,625	-
Warrego North, Northern Territory	36,083	433,394
East Cadillac, Quebec	2,041,525	3,084,650
Kinebik, Quebec	41,142	432,680
Other[2]	526,725	466,584
	3,799,046	5,932,785

[1]The Company withdrew from the West Pilbara and Latitude Hill Farm-in agreements during the financial year ended 30 June 2018.

[2]Other includes generative opportunity evaluations within existing or in close proximity to the Group's current exploration projects.

4. INCOME TAX

Income Tax benefit	2018 $	2017 $
Current income tax (expense)/benefit	(1,530)	729,105
Over/under provision of prior year tax (expense)/benefit	(24,990)	67,756
Foreign exploration incentive tax credits	363,908	127,492
Deferred income tax benefit/(expense) relating to available for sale investments	(286,664)	307,674
	50,724	1,232,027

Income tax receivable	31 December 2018 $	30 June 2018 $
Foreign exploration incentive tax credits	2,867,513	2,497,597
	2,867,513	2,497,597

In February 2019, the Company received C$2 million from Revenue Quebec, representing a portion of the outstanding foreign exploration tax credits receivable at 30 June 2018.

Income tax payable	31 December 2018 $	30 June 2018 $
R&D tax credit	259,951	259,951
	259,951	259,951

5. FINANCIAL ASSETS

Current	31 December 2018 $	30 June 2018 $
Equity instruments designated at fair value through other comprehensive income		
Listed equity investments	2,262,779	2,646,670
Non-listed equity investments	584,167	-
	2,846,946	2,646,670

Listed equity investments represents investments in various companies listed on the ASX and TSX. In the previous half year ended 31 December 2017, the net loss on sale of financial assets represents the net loss position incurred as a result of the sale of shares held in various ASX and TSX listed entities. No financial assets were sold during the half year ended 31 December 2018.

Non-listed equity investments represents the Company's investment in unlisted GeoCrystal Limited ("GeoCrystal"), which was previously accounted for as an investment in an associate – refer note 6.

	31 December 2018	30 June 2018
Non-current	**$**	**$**
Bond in relation to office premises	70,829	69,912
Bank guarantees and security deposits	223,051	166,590
Options and warrants in listed entities	69,731	138,609
	363,611	375,111

6. INVESTMENT IN ASSOCIATE

During the half year ended 31 December 2018, the Company's investment in GeoCrystal reduced from 20.46% to 19.67% via a dilutionary event and therefore the Company no longer has significant influence over GeoCrystal. As a result of the dilution, the Company's investment is now accounted for as an equity instrument through other comprehensive income rather than as an associate (refer note 5). $148,828 has been recognised in the statement of comprehensive income which represents the difference in the carrying value of the Company's investment in the associate and the fair value at the date the investment was no longer an associate.

7. ISSUED CAPITAL

(a) Issued and fully paid ordinary shares

	31 December 2018		30 June 2018	
Movements in ordinary shares on issue:	No.	$	No.	$
At 1 July	261,210,294	39,836,041	261,210,294	39,836,164
Shares issued on vesting of performance rights	2,357,840	240,348	-	-
Shares issued to acquire a joint venture interest[1]	3,000,000	415,114	-	-
Capital return[2]	-	(10,662,725)	-	-
Share issue costs	-	(20,907)	-	(123)
	266,568,134	29,807,871	261,210,294	39,836,041

[1]On 10 September 2018, the Company issued 3,000,000 fully paid ordinary shares to Monarques Gold Corporation to acquire the remaining 30% interest in the Company's joint venture property within the East Cadillac Gold Project, Quebec.

[2]Following Shareholder approval at the Company's 2018 Annual General Meeting, the Company completed a capital return to shareholders, amounting to $0.04 per share. Payment was made to Shareholders registered at the close of business on 30 November 2018.

(b) Share Options

Movements in options over ordinary shares on issue:	31 December 2018 No.	30 June 2018 No.
At 1 July	5,500,000	2,250,000
Options granted[1]	700,000	4,000,000
Options lapsed	-	(750,000)
Outstanding at the end of the period	**6,200,000**	**5,500,000**

[1]On 18 December 2018, the Company issued 700,000 unlisted share options to corporate advisors of the Company as partial consideration of services pursuant to contractual terms and conditions. The options vested immediately, have an exercise price of $0.20 and expire on 18 December 2021. In addition, the Board proposed to issue (subject to shareholder approval) 1,000,000 options to Mr. Alex Dorsch on appointment to Managing Director on 13 November 2018.

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

Movements in performance rights:	31 December 2018 No.	30 June 2018 No.
At 1 July	12,092,639	8,541,744
Performance rights lapsed	(1,711,714)	(1,993,452)
Performance rights issued[1]	6,301,804	5,544,347
Performance rights vested	(2,357,840)	-
Outstanding at the end of the period	**14,324,889**	**12,092,639**

[1] During the period ended 31 December 2018, 5,430,053 performance rights were issued to Key Management Personnel ('KMP') and employees of the Company on 26 July 2018 and at the Company's 2018 Annual General Meeting, Shareholder's approved the issue of 871,751 performance rights to the Company's Executive Chairman, Mr Tim Goyder.

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

	31 December 2018
Weighted average share price at grant date	$0.155
Exercise price	Nil
Expected volatility	50%
Weighted average performance period (years)	2.75
Weighted average vesting period (years)	2.75
Expected dividends	-
Weighted average risk-free interest rate	2.10%
Weighted average valuation per right	$0.13

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. Refer to the 2018 Annual Report for details of vesting and performance conditions set by the Board for the above grant of performance rights.

8. COMMITMENTS AND CONTINGENCIES

There has been no change in commitments and contingencies since the last annual reporting date.

9. SIGNIFICANT EVENTS AFTER BALANCE DATE

In February 2019, the Company received C$2 million from Revenue Quebec, representing a portion of the outstanding foreign exploration tax credits receivable at 30 June 2018.

There has not been any further matters or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial periods.

10. 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, listed equity investments designated at fair value through other comprehensive income 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).

Non-listed equity investments designated at fair value through other comprehensive income which includes the Company's investment in GeoCrystal is measured at fair value using unobservable inputs (Level 3 fair value measurement). As GeoCrystal is an unlisted company and there is no liquid market to reference a market value, the basis of valuation was derived from a recent capital raising carried out by GeoCrystal.

A movement of $148,828 (refer note 6) has been recognised within Level 3 fair value measurements.

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 2018

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 2018 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 14th day of March 2019

ALEX DORSCH
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chalice Gold Mines Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Chalice Gold Mines Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, 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 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 2018 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 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 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 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 2018 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.

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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
14 March 2019

M R Ohm
Partner