



CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

**Half Year Report
31 December 2016**

Chalice Gold Mines Limited

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Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2016

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 2016. 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. Overview

Chalice Gold Mines Limited ("Chalice" or "the Company") reports on an active first half of the year having executed a number of exploration joint ventures both in Australian and in Canada. Planning for upcoming drilling programs also continued during the period in parallel with the process of obtaining drilling approvals in preparation for an active period of exploration set to commence over the next six months at four of the Company's projects.

- In Canada, farm-in and option agreements were executed with Globex Mining Enterprises Inc. and Richmond Mines Inc. at the **East Cadillac Gold Project** resulting in the consolidation of a significant ground position along the highly endowed Larder Lake-Cadillac fault in the Abitibi gold province in Quebec.
- The **Latitude Hill Project** farm-in and joint venture with Traka Resources Limited ("Traka") in the west Musgrave province of Western Australia is considered prospective for massive and disseminated nickel-copper-PGE sulphide mineralisation in Giles Complex mafic to ultramafic intrusives. This agreement provides Chalice with a counter-cyclical investment opportunity in an under-explored frontier province where there is excellent potential to make substantial new discoveries, similar to the discovery of the Nova-Bollinger nickel-copper sulphide deposit in the Albany-Fraser orogen.
- The **West Pilbara Gold Project** farm-in and joint venture with Red Hill Iron Limited ("Red Hill") opens up a new gold and base metal exploration opportunity for Chalice. The tenements are located in the prospective Ashburton Mineral Field in the Western Australia Pilbara region, which is significantly under-explored for gold and base metals and are located just 8km from the Paulsens Gold Mine, owned by Northern Star Resources.

These exploration initiatives are consistent with one of Chalice's core strategies, which is to identify and pursue innovative and low-cost exploration opportunities which have the potential to deliver significant upside. With minimum committed expenditures totalling approximately A\$3 million over a 12-month period, these opportunities can be advanced without detracting from the Company's focus of acquiring a substantial resource asset.

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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, Chalice entered into option and farm-in agreements allowing Chalice to acquire a 100% interest in all of TSX listed Globex Mining Enterprises Inc.'s ("Globex") interest in the Nordeau property and a 70% interest in Richmond Mines Inc.'s ("Richmont") Chimo property (together now named the "East Cadillac Gold Project").

The East Cadillac Gold Project consolidates a contiguous ~16km strike length along the Larder Lake-Cadillac fault, ~35km east of the >20Moz Val d'Or gold camp and provides a strategic foothold in the most prolific gold endowment trend in Canada which hosts approximately 100Moz of gold in past production and current mineral resources (Figure 1).

Chalice may acquire the interest in the Nordeau property by making annual option payments totaling C\$590,000 over four years to Globex (including an initial payment of C\$120,000 in the first year) and undertaking exploration expenditures of C\$2.5 million also over a four-year period. Upon exercising the option, Chalice will grant a 3% Gross Metal Royalty to Globex (there are currently no existing royalties in relation to the Nordeau Project and no government royalties). Chalice has the right to withdraw (with no minimum expenditure commitment) without earning an interest in the Nordeau property at any time.

Chalice may earn a 70% interest in the Chimo property by making total option payments of C\$200,000 to Richmont and funding exploration expenditures of C\$3.1 million over a period of four years. Upon meeting these requirements and exercising the option, Chalice shall then grant a 1% Net Smelter Royalty ("NSR") to Richmont on claims with no pre-existing royalties. Chalice has the right to withdraw without earning an interest in the Chimo project at any time.

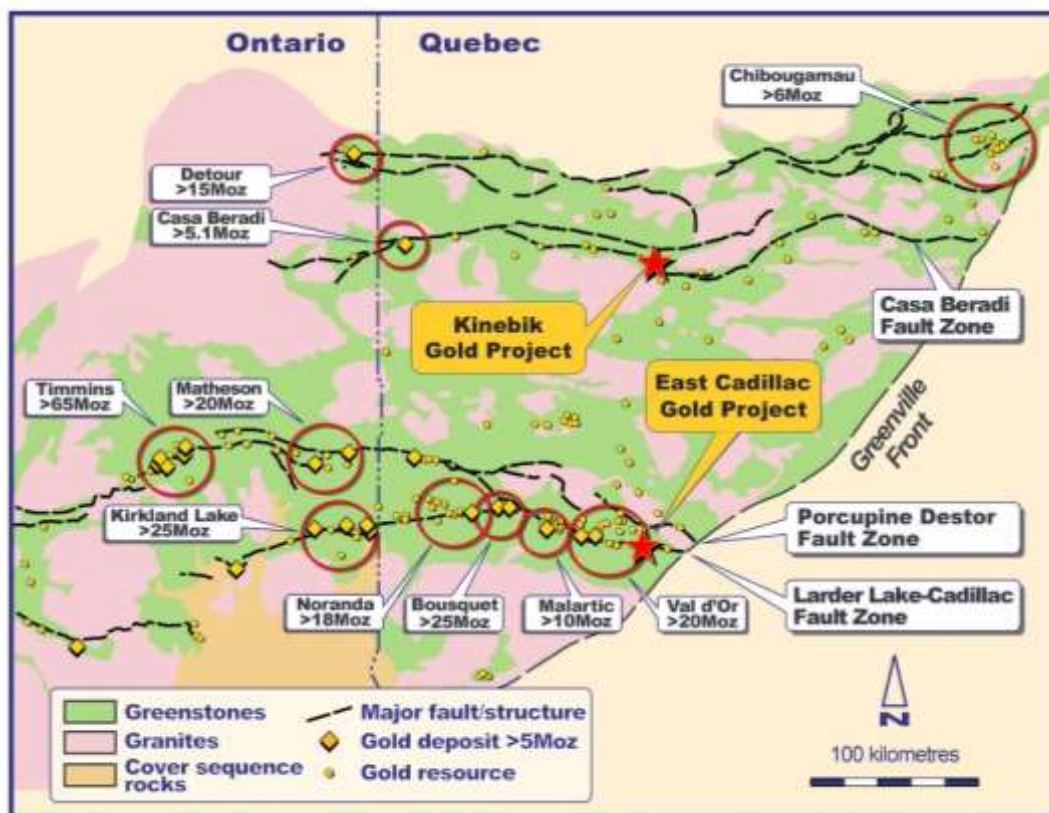


Figure 1. Location map of East Cadillac Gold Project in the Abitibi Sub-Province of Canada

Upcoming work will include high quality helicopter aeromagnetic and VLM-EM surveys and reconnaissance diamond drilling towards the end of the March quarter followed by further comprehensive surface mapping, sampling, stripping and additional diamond drilling later in the year.

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

Chalice completed an extensive surface geochemical sampling program over the Company's 100% owned Kinebik Gold Project in Canada. The geochemical sampling has identified an anomalous response with preliminary interpretations identifying a pathfinder element gradient and areas with anomalous gold adjacent to the Casa Berardi fault. Additional data integration and interpretation is in progress.

Proposed follow up work will include high quality geophysical surveys, infill surface sampling and reconnaissance drilling of existing anomalies during 2017.

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

The Warrego North Project is a farm-in and joint venture with Meteoric Resources Limited in the Tennant Creek Mineral Field in the Northern Territory of Australia.

During the period, Chalice completed a Mine Management Plan with the Department of Primary Industry and Resources for a proposed drilling program. Approval for the proposed drilling program was received late December 2016 and drilling is now anticipated to commence as soon as possible at the end of the Northern Australia wet season (March quarter), weather permitting.

Chalice plans to undertake an initial 2-hole (800m) Reverse Circulation/diamond drilling program to test the Parakeet targets at depth (~300m depth) as shown in Figure 2. Drilling is targeted to test magnetic and gravity inversion models where these are interpreted to intersect with the apparent trend of mineralisation as defined from previous intersections of low-grade copper, bismuth and/or gold.

The target for the proposed drill holes is high-grade copper-gold-bismuth of the Tennant Creek-style ironstone-hosted deposits. However it has been demonstrated from recent gold discoveries in the Tennant Creek Mineral Field that hematite ironstones are also important host rock (eg Edna Beryl, Emmerson Resources) and these deposits have a weak to non-magnetic expression. The Company will evaluate the potential for hematite ironstones within the broader project area.

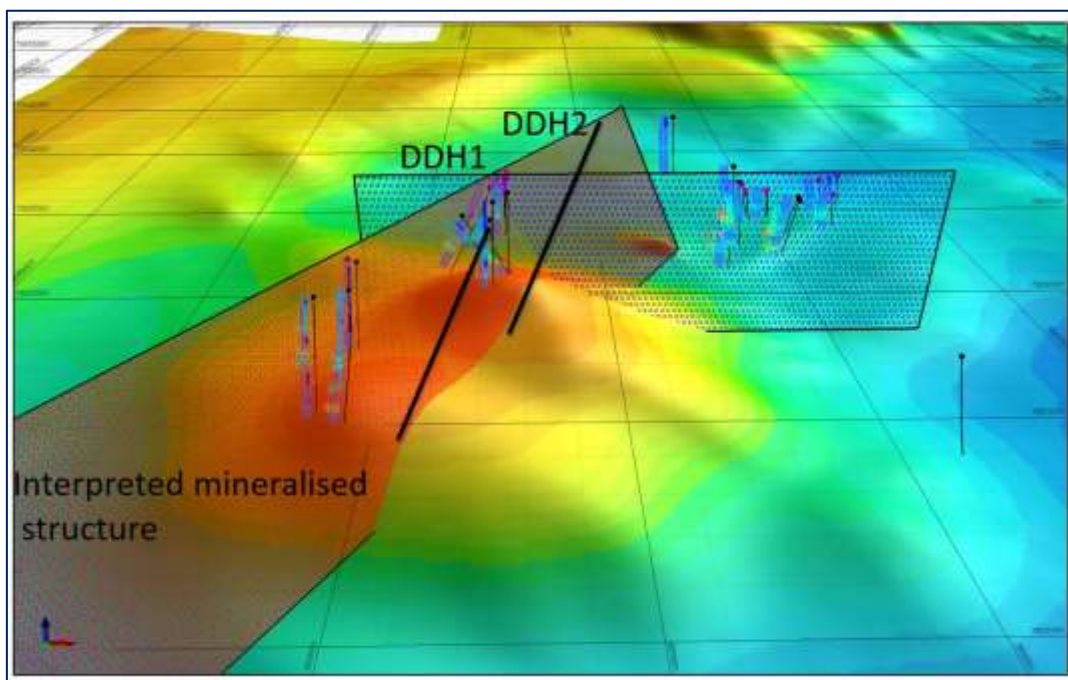


Figure 2. Parakeet target showing previous and proposed drilling and interpreted mineralised structure on a TMI image.

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

Chalice entered into an Agreement with Traka Resources Limited ("Traka") to earn up to a 70% interest in the Latitude Hill Nickel-Copper-PGE Project, located in the west Musgrave Province of Western Australia.

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The Project covers an area of 1,007 km² and is centered approximately 40km south-west of the Wingellina nickel deposit (Figure 3).

The Company is targeting high-grade orthomagmatic nickel-copper-PGE sulphide deposits in the highly prospective Giles Complex mafic to ultramafic intrusives in the west Musgrave Province. A 2012 Spectrem EM airborne survey has identified seven priority targets modelled as bedrock conductors at depths of between 50-160m below surface and the Company plans to follow up these promising targets with ground EM and shallow geochemical sampling to define targets for drill testing.

Under the terms of the farm-in agreement, Chalice may earn up to 70% interest in the Latitude Hill Project, which consists of five tenement applications by funding A\$10 million worth of exploration (within six years) with a minimum commitment of A\$1 million within the first 12 months from tenement grant. Chalice may spend A\$5 million within three years from grant (including the minimum commitment) to earn 51%, at which point Traka has a one-off election to contribute to its 49% pro rata interest. If Traka elects not to contribute, Chalice may then spend another \$5 million to earn a further 19% within an additional three years. If Chalice earns a 70% interest (or 51%, as the case may be), both parties will contribute proportionally to all expenditures going forward.

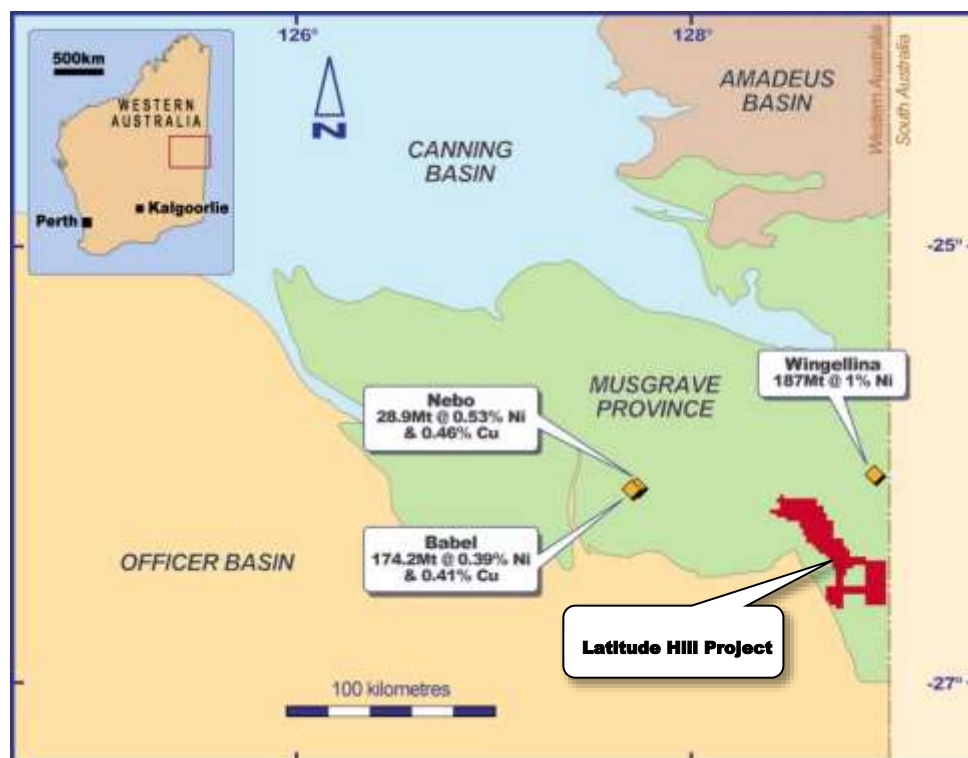


Figure 3. Location of the Latitude Hill Project.

During the period, Chalice and Traka held discussions with representatives of the Ngaanyatjarra Council in November 2016 to progress the tenements to grant. All parties agreed to terms for the grant of the tenements and a land access agreement is expected to be progressed during the March 2017 quarter.

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

In September 2016, Chalice and Red Hill entered into an Agreement allowing Chalice to farm-in to all minerals other than iron ore within Red Hill's West Pilbara Gold Project (the "WPG Project").

The project area, covering 1,390km², is located approximately 160km south-southwest of Karratha, and extends almost continuously some 90km north from the northern margin of the Wyloo Dome, an important regional geological feature which hosts the +3Moz Paulsens gold deposit. The Paulsens gold mine, which is owned and operated by successful mid-tier gold miner Northern Star Resources, is located 8km south-west of the southern extent of the project.

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Chalice can earn up to a 70% interest in the WPG Project by funding A\$3 million worth of exploration with a minimum commitment of A\$500,000 within the first 12 months. Chalice may spend an aggregate of A\$1 million within the first two years (including the minimum commitment) to earn 51%, at which point Red Hill has a one-off election to contribute to its 49% pro rata interest. If Red Hill elects not to contribute, Chalice may then spend a further A\$2 million to earn a further 19% within no set time period, or withdraw and retain no interest.

A reconnaissance program of geological mapping and rock chip sampling was completed during the period and sampling results have confirmed localised gold in quartz veining and broader areas of low-level surface gold anomalism associated with major regional NNW and ENE trending structures. The Company is currently reviewing the results of the recent field sampling, geological mapping and historic soil sampling programs.

1.6 Yilgarn Gold Projects, Western Australia (100% owned)

During the period a number of Prospecting Licences (PL) and Exploration Licences (EL) were granted by the Department of Mines and Petroleum over the company's Yilgarn Gold projects in Western Australia. Chalice has undertaken an extensive compilation of previous exploration data for all tenements under grant or application for the Dumbleyung and Southern Cross gold projects and has commenced a field program in early February 2017 to follow-up on historic rock-chip samples and anomalous regional gold-in-soil exploration results.

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 recently completed a positive Scoping Study. Chalice sees this as a positive step towards the development of the Nyanzaga Project and increases the potential for this payment to be made.

3. GeoCrystal Limited

The Company holds 9.68 million shares (~23%) in unlisted diamond explorer GeoCrystal Limited.

4. Corporate

4.1 TSX Listing Review

Following the sale of the Cameron Gold Project, the Toronto Stock Exchange ("TSX") commenced a review on the ordinary shares of the Company in respect to its continued listing requirements of the TSX. In December 2016, the TSX advised that it had completed its review and determined that the Company meets the applicable requirements for its continued listing.

4.2 Share buy-back

In July 2016, the Company commenced a discretionary on-market share buy-back of up to 28,271,080 ordinary shares as part of a capital management plan over the next 12 months. To date the Company has acquired 20,017,266 shares for a total costs of \$3,545,076.

4.3 Financial Review

At 31 December 2016, the Group had net assets of \$59,773,320 (30 June 2016: \$61,469,420) and an excess of current assets over current liabilities of \$58,023,578 (30 June 2016: \$61,141,063). At 31 December 2016, the Group's cash at bank totalled \$41,048,843 (30 June 2016: \$35,733,786) and the Group held 18.2 million shares in First Mining Finance Corp. (TSX-V: FF) which were valued at A\$16.0 million at 31 December 2016.

The Group reported a net loss for the period of \$1,358,385 (31 December 2015: net profit of \$2,316,852) which has arisen primarily due to corporate and administration costs, impairment of financial assets, and business development costs which were offset by net gains from the sale of financial assets, exploration and evaluation assets and a favourable movement in the USD/AUD dollar on USD cash balances held.

Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2016

The Group's focus during the half year period was on exploration and evaluation activities in Canada, with total cash outflows of \$1,198,646 (31 December 2015: \$3,916,847) and on business development activities. Total business development cash outflows to 31 December 2016 totalled \$1,007,652 (31 December 2015: \$509,679).

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2016, the Company acquired 18,968,850 shares on-market in ASX listed Oklo Resources Limited (ASX: OKU) for A\$3.5 million before brokerage costs. This represents a 7.86% shareholding in Oklo Resources Limited.

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 10 and forms part of this directors' report for the half-year ended 31 December 2016.

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 13th day of March 2017

COMPETENT PERSONS & QUALIFYING PERSONS STATEMENT

The information in this report that relates to the Latitude Hill Project is extracted from the announcement entitled "Chalice secures farm-in agreement on west Musgrave Nickel-Copper-PGE Project, WA" dated 22 September 2016.

The information in this report that relates to the East Cadillac Gold Project (formerly the Chimo Gold Project) is extracted from the announcement entitled "Chalice secures second Gold Project in Canada's world-class Abitibi region" dated 23 November 2016.

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 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 announcement.

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 results of business development activities which may result in a corporate transaction or investment, the actual number of shares and price which may be purchased pursuant to the share buy-back, the future share price performance of First Mining Finance Corp and Oklo Resources Limited, the likelihood of exploration success, the timing and

Chalice Gold Mines Limited
Directors' Report
For the half year ended 31 December 2016

amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

In certain cases, forward-looking statements can be identified by the use of words such as plans, expects or does not expect, is expected, will, may would, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors may include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; 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 Mines Limited for the half-year ended 31 December 2016, 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
13 March 2017

L Di Giallonardo
Partner

Chalice Gold Mines Limited
Condensed Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Continuing Operations			
Revenue	3 (a)	198,106	128,731
Net gain on sale of available for sale financial assets	7	371,398	-
Net gain on sale of exploration and evaluation assets	3 (b)	755,712	-
Foreign exchange gain/(loss)		659,819	1,768,332
Share of associate's loss		(20,552)	(36,412)
Exploration expenditures written off		(137,112)	(902,741)
Corporate and administrative expenses	3 (c)	(883,906)	(604,903)
Share based payments	3 (e)	(234,548)	(160,721)
Business development expenses	3 (d)	(740,534)	(608,597)
Impairment of financial assets	3 (f)	(793,656)	-
Depreciation and amortisation expense		(24,766)	(32,184)
Loss for the period from continuing operations before income tax		(850,039)	(448,495)
Income tax (expense)/benefit	4	(508,546)	78,516
Loss for the period from continuing operations		(1,358,585)	(369,979)
Discontinued operation			
Deferred consideration		-	2,739,726
Income tax expense		-	(52,895)
Profit for the period from discontinued operation	5	-	2,686,831
Total (loss)/profit for the period attributed to owners of the parent		(1,358,585)	2,316,852
Other comprehensive income net of income tax			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale investments		1,874,453	(90,955)
Exchange differences on translation of foreign operations		(321,908)	(1,122,578)
Items reclassified to profit or loss during the period			
Net change in fair value of available for sale investments sold		437,464	-
Total other comprehensive income/(loss)		1,990,009	(1,213,533)
Total comprehensive income for the period attributable to owners of the parent		631,424	1,103,319
Basic and diluted loss per share from continuing operations (cents)		(0.4)	(0.1)
Basic and diluted earnings per share from discontinued operation (cents)		-	1.0
Basic and diluted (loss)/earnings per share from continuing and discontinued operations (cents)		(0.4)	0.8

Chalice Gold Mines Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
Current assets			
Cash and cash equivalents		41,048,843	35,733,786
Trade and other receivables and prepayments		150,098	209,932
Financial assets	7	16,519,255	25,421,978
Other receivables	6	1,752,433	-
Assets held for sale	3 (b)	-	520,078
Total current assets		59,470,629	61,885,774
Non-current assets			
Financial assets		223,650	202,908
Investment in associate		947,782	968,333
Exploration and evaluation assets	8	1,363,251	296,609
Property, plant and equipment		264,655	274,733
Total non-current assets		2,799,338	1,742,583
Total assets		62,269,967	63,628,357
Current liabilities			
Trade and other payables		313,658	557,608
Employee benefits		141,454	59,489
Income tax payable		991,939	127,614
Total current liabilities		1,447,051	744,711
Non-current Liabilities			
Other		37,703	46,591
Deferred tax liabilities		1,011,893	1,367,635
Total non-current liabilities		1,049,596	1,414,226
Total liabilities		2,496,647	2,158,937
Net assets		59,773,320	61,469,420
Equity			
Issued capital	9	41,060,815	43,622,887
Retained earnings		21,029,927	22,388,512
Reserves		(2,317,422)	(4,541,979)
Total equity		59,773,320	61,469,420

Chalice Gold Mines Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2016

	Issued capital	Retained earnings	Share based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2016	43,622,887	22,388,512	179,559	(1,003,499)	(3,718,039)	61,469,420
Loss for the period	-	(1,358,585)	-	-	-	(1,358,585)
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	-	437,464
Exchanges differences on translation of foreign operations	-	-	-	-	(321,908)	(321,908)
Total comprehensive income for the period	-	(1,358,585)	-	2,311,917	(321,908)	631,424
Share buy-back	(2,562,072)	-	-	-	-	(2,562,072)
Share based payments	-	-	234,548	-	-	234,548
Balance at 31 December 2016	41,060,815	21,029,927	414,107	1,308,418	(4,039,947)	59,773,320
	Issued capital	Retained earnings	Share based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2015	43,622,887	14,890,400	197,860	117,602	(3,159,581)	55,669,168
Profit for the period	-	2,316,852	-	-	-	2,316,852
Other comprehensive income for the period						
Revaluation of investment in associate	-	-	-	(90,955)	-	(90,955)
Exchanges differences on translation of foreign operations	-	-	-	-	(1,122,578)	(1,122,578)
Total comprehensive income for the period	-	2,316,852	-	(90,955)	(1,122,578)	1,103,319
Share based payments	-	-	160,721	-	-	160,721
Balance at 31 December 2015	43,622,887	17,207,252	358,581	26,647	(4,282,159)	56,933,208

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 2016

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Cash receipts from operations	77,231	52,018
Cash paid to suppliers and employees	(744,277)	(581,107)
Interest received	131,711	49,105
Net cash used in operating activities	(535,335)	(479,984)
Cash flows from investing activities		
Payments for exploration and evaluation assets	(1,198,646)	(3,916,847)
Proceeds from sale of exploration and evaluation assets	25,249	-
Proceeds from sale of available for sale investments	9,710,369	-
Business development related costs	(1,007,652)	(509,679)
Acquisition of property, plant and equipment	(36,333)	(26,694)
Proceeds from sale of fixed assets	3,086	544
Net cash from/(used in) investing activities	7,496,073	(4,452,676)
Cash flows from financing activities		
Share buy-back	(2,551,667)	-
Net cash used in financing activities	(2,551,667)	-
Net increase/(decrease) in cash and cash equivalents	4,409,071	(4,932,660)
Cash and cash equivalents at the beginning of the period	35,733,786	39,864,989
Effects of exchange rate fluctuations on cash held	905,986	1,768,332
Cash and cash equivalents at the end of the financial period	41,048,843	36,700,661

Chalice Gold Mines Limited

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2016

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 2016 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.

(c) Accounting policies and methods of computation

The accounting policies and method of computation the adopted are consistent with those of the previous financial year and corresponding half year. 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 2016.

(e) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2016

In the half-year ended 31 December 2016, 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 2016.

As a result of this review, 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 applicable to 31 December 2016

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 2017.

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2016

As a result of this review, 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.

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

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2016

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	431	-	-	-	76,800	79,636	77,231	79,636
Net gain on sale of exploration and evaluation assets	755,712	-	-	-	-	-	755,712	-
Income tax (expense)/benefit	(160,353)	78,516	-	-	-	-	(160,353)	78,516
Total Income	595,790	78,516	-	-	76,800	79,636	672,590	158,152
Corporate and administrative expenses	-	-	-	-	(883,906)	(765,624)	(883,906)	(765,624)
Business development costs	-	-	(740,534)	(608,597)	-	-	(740,534)	(608,597)
Depreciation and amortisation	-	-	-	-	(24,766)	(32,184)	(24,766)	(32,184)
Exploration expenditures written off	(137,112)	(902,741)	-	-	-	-	(137,112)	(902,741)
Segment gain/(loss)	458,678	(824,225)	(740,534)	(608,597)	(831,872)	(718,172)	(1,113,728)	(2,150,994)
Unallocated income/(expenses)								
Net financing income							120,875	49,095
Net gain on sale of available for sale financial assets							371,398	-
Impairment of financial assets							(793,656)	-
Income tax expense							(348,193)	-
Share based payments							(234,548)	-
Share of associate's loss							(20,552)	(36,412)
Net profit from discontinued operation							-	2,686,831
Foreign exchange gain/(loss)							659,819	1,768,332
Total (loss)/profit for the period							(1,358,585)	2,316,852

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
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	Exploration and Evaluation		Business Development		Corporate		Total	
	31 December 2016 \$	30 June 2016 \$	31 December 2016 \$	30 June 2016 \$	31 December 2016 \$	30 June 2016 \$	31 December 2016 \$	30 June 2016 \$
Segment assets:								
Exploration and evaluation assets	1,363,251	296,609	-	-	-	-	1,363,251	296,609
Investment in Associate	947,782	968,333	-	-	-	-	947,782	968,333
Assets held for sale	-	520,078	-	-	-	-	-	520,078
Other	293,257	290,496	-	-	263,943	311,494	557,200	601,990
	2,604,290	2,075,516	-	-	263,943	311,494	2,868,233	2,387,010
Unallocated assets							59,401,734	61,241,347
Total assets							62,269,967	63,628,357
Segment Liabilities	(335,599)	(483,400)	(4,621)	(14,089)	(395,700)	(293,813)	(735,920)	(791,302)
	(335,599)	(483,400)	(4,621)	(14,089)	(395,700)	(293,813)	(735,920)	(791,302)
Unallocated liabilities							(1,760,727)	(1,367,635)
Total liabilities							(2,496,647)	2,158,937

Chalice Gold Mines Limited
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3. Revenue and expenses

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

(a) Revenue	2016	2015
	\$	\$
Corporate and administration service fees	77,231	79,636
Net finance income	120,875	49,095
	198,106	128,731

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

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. These assets were disclosed as "Assets held for sale" at 30 June 2016 and the sale of both projects completed in July 2016.

(c) Corporate and administrative expenses	2016	2015
	\$	\$
Insurance	5,781	18,321
Travel costs	-	5,150
Legal fees	5,280	38,660
Head office costs	74,865	61,546
Personnel expenses	590,051	359,260
Regulatory and compliance	186,683	106,747
Other	21,246	15,219
	883,906	604,903

(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.

	2016	2015
	\$	\$
Personnel expenses	516,263	335,197
Consultants and legal fees	37,034	98,550
Travel and conferences	46,224	32,609
Other	141,013	142,241
	740,534	608,597

(e) Share based payments

	2016	2015
	\$	\$
Share based payments	234,548	174,358
Reversal of previously expensed share based payments	-	(13,637)
	234,548	160,721

(f) 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 (31 December 2015: nil). 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 2016

4. Income tax	2016	2015
	\$	\$
Current income tax (expense)/benefit	160,353	-
Foreign exploration incentive tax credits	-	(78,516)
Deferred income tax expense relating to available for sale investments	348,193	-
	<u>508,546</u>	<u>(78,516)</u>

5. Discontinued operations

Discontinued operations reported for the prior period ended 31 December 2015 includes the deferred consideration of US\$2 million from China SFECO Group and resulting income tax payable. The US\$2 million represented the final tranche for the sale of Chalice's interest in the Zara Gold Project which was completed in 2012.

6. Other receivables	31 December	30 June
	2016	2016
	\$	\$
Other receivables	1,752,433	-
	<u>1,752,433</u>	<u>-</u>

This balance represents proceeds receivable from the sale of shares held in First Mining Finance Corp. that occurred late December 2016 with settlement occurring in January 2017. Outstanding funds were subsequently received in January 2017.

7. Financial assets	31 December	30 June
	2016	2016
	\$	\$
Current		
Available for sale investments	16,519,255	25,421,978
	<u>16,519,255</u>	<u>25,421,978</u>

Available for sale investments represents 18,197,086 shares in First Mining Finance Corp (at 30 June 2016 the Company held 32,260,836 shares), 400,000 shares in Doray Minerals Limited received on the sale of the Company's interest in the Gnaweeda Project and 2,040,000 shares held in Kesselrun Resources Limited received on the sale of the Company's interest in the Ardeen Project. The value of the shares held in First Mining Finance Corp. at 31 December 2016 was A\$16.0 million.

During the half year ended 31 December 2016, the Company sold 14,063,750 shares held in First Mining Finance Corp. for net proceeds of \$11,461,463. The total net gain on sale of shares sold was \$371,398.

8. Exploration and evaluation assets	31 December	30 June
	2016	2016
	\$	\$
Balance at beginning of period	296,609	13,982,545
Expenditure incurred	1,185,304	5,016,791
Sale of the Cameron Project	-	(15,973,802)
Transferred to assets held for sale	-	(520,078)
Exploration and evaluation assets written off	(137,112)	(2,201,005)
Effects of movements in exchange rate	18,450	(7,842)
	<u>1,363,251</u>	<u>296,609</u>

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2016

9. Issued capital

(a) Issued and fully paid ordinary shares

	31 December 2016		30 June 2016	
	No.	\$	No.	\$
Movements in ordinary shares on issue:				
At 1 July	282,710,802	43,622,887	282,710,802	43,622,887
Share buy-back	(13,874,967)	(2,562,072)	-	-
	268,835,835	41,060,815	282,710,802	43,622,887

In July 2016 the Company commenced a discretionary on-market share buy-back. During the period, the company acquired 13,874,967 shares for \$2,562,072 net of brokerage costs.

(b) Share options

	31 December 2016 No.	30 June 2016 No.
Movements in options over ordinary shares on issue:		
At 1 July	500,000	1,550,000
Options granted	1,500,000	-
Options lapsed	-	(1,050,000)
Outstanding at the end of the period	2,000,000	500,000

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

	31 December 2016	30 June 2016
Share price at grant date	\$0.155	-
Exercise price	\$0.25	-
Expected volatility	51.4%	-
Option life (expressed as weighted average life)	2.86 years	-
Expected dividends	-	-
Risk-free interest rate	1.86%	-

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 2016 No.	30 June 2016 No.
Movements in performance rights:		
At 1 July	5,817,236	7,314,380
Performance rights lapsed	(1,747,682)	(3,161,851)
Performance rights issued ⁽¹⁾	3,957,172	1,664,707
Outstanding at the end of the period	8,026,726	5,817,236

During the period ended 31 December 2016, 3,957,172 performance rights were issued to Key Management Personnel 'KMP' and other senior managers.

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Notes to the Condensed Consolidated Financial Statements
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The following table gives the assumptions made in determining the fair value of the performance rights granted during the year:

	31 December 2016	30 June 2016
Share price at grant date	\$0.185	\$0.11
Exercise price	Nil	Nil
Expected volatility	50%	47%
Weighted average performance period (years)	2.8	3
Weighted average vesting period (years)	2.8	3
Expected dividends	-	-
Weighted average risk-free interest rate	1.72%	2.11%

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.

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. 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 2016	30 June 2016
	\$	\$
Within 1 year	2,098,481	400,000
Within 2-5 years	500,000	258,276
Later than 5 years	-	-
	2,598,481	658,276

Contingent asset

There are no contingent assets at 31 December 2016.

11. Related parties

Key Management Personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards. Key management personnel received total compensation of \$843,491, for the six months ended 31 December 2016 (six months ended 31 December 2015: \$781,640).

Other related parties transactions

The Group used the consulting services of a director, Mr Anthony Kiernan, during the six months ended 31 December 2016. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. The total amount paid during the period was \$42,000 (six months ended 31 December 2015: \$27,000). There were no outstanding amounts payable to Mr Kiernan at the end of the period (30 June 2016: \$15,000).

The Group supplied corporate services including accounting and company secretarial services under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), Uranium Equities Limited ("UEQ") and PhosEnergy Limited ("PEL"). Mr Tim Goyder is a director of LTR, UEL and PEL, and Mr Anthony Kiernan is Chairman of PEL. Amounts were billed on a proportionate share of the cost to the Group of providing the services and are due and payable under normal

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For the half year ended 31 December 2016

payment terms. The total amount received during the period was \$76,800 (six months ended 31 December 2015: \$79,636). The total receivables outstanding from the above related parties at the end of the period are \$12,800 (30 June 2016: \$12,800).

12. Events subsequent to reporting date

Subsequent to 31 December 2016, the Company acquired 18,968,850 shares on-market in ASX listed Oklo Resources Limited (ASX: OKU) for \$3.5 million before brokerage costs. This represents a 7.86% shareholding in Oklo Resources Limited.

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 18,197,086 shares in TSX-V listed First Mining Finance Corp., 400,000 shares in ASX listed Doray Minerals Limited and 2,040,000 shares in TSX-V listed Kesselrun Resources Limited 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 2016

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 2016 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 13th day of March 2017

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 Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Chalice Gold Mines Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, 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.

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 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

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

**L Di Giallonardo
Partner**

**Perth, Western Australia
13 March 2017**