



CHALICE GOLD MINES LIMITED

ABN 47 116 648 956

**Half Year Report
31 December 2014**

Chalice Gold Mines Limited

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Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2014

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 2014. 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	(Appointed Chairman 10 October 2014, previously held the position of Non-executive Director)
Timothy R B Goyder	Managing Director	(Appointed Managing Director 10 October 2014, previously held the position of Executive Chairman)
Stephen P Quin	Non-executive Director	
Douglas A Jones	Executive Director	(Resigned 10 October 2014)
William B Bent	Managing Director	(Resigned 10 October 2014)

REVIEW OF OPERATIONS

1. Overview

During the December period, the Company continued both exploration and evaluation activities in Canada where the Company is focusing on advancing the Cameron Gold Project ("Cameron") and consolidating its strategic land position in the vicinity of Cameron.

Cameron is an advanced gold project located in the highly mineralised southern part of western Ontario in Canada, approximately 80km south-east of the town of Kenora. Cameron has a number of attractive attributes, including good grades (diluted open pit grade of 2g/t Au – Measured and Indicated Resource of 675,900oz of gold and additional Inferred Resources of 591,300oz of gold) (*refer Table 1 for full details*), low political risk in a mature mining jurisdiction, conventional metallurgy, and a mid-sized gold project that is within Chalice's funding and development capability.

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

2. Cameron Gold Project, Ontario, Canada

Preliminary Economic Assessment ("PEA")

With a weakening Canadian dollar vs. the US dollar resulting in an increasing Canadian dollar gold price, the Company has decided to undertake a PEA for the Cameron Gold Project as a prelude to possible feasibility studies. A PEA had been prepared by previous owners, Coventry Resources Inc., in January 2013 which indicated potentially favourable economics at that time. The results of the Company's PEA are expected in Q2 2015.

Exploration

During the period, Chalice undertook a disciplined target generation and ranking exercise to determine the next phase of exploration at Cameron with the objective of increasing near-mine (within a 25km trucking distance) open pittable ounces that could materially improve on the project economics.

Since acquisition of the Cameron Project in February 2014, Chalice has carried out the following exploration activities:

- Drilling at the Juno, Jupiter and Ajax prospects within Cameron;
- 1,457 line kilometres of Versatile Time Domain Electromagnetics ("VTEM") and 2,143 line kilometres of detailed aero magnetics;
- An extensive Mobile Metal Ion ("MMI") program, including analysis of 3,267 MMI samples;

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For the half year ended 31 December 2014

- Field checking opportunities in the vicinity of Cameron, including identified VTEM anomalies;
- Open file compilation of historic exploration in the Cameron area; and
- Staking or optioning an additional 152km² of claims, taking the total claims area at Cameron to 327.56km², an increase of 87%.

The above work has highlighted numerous targets, with 10 targets being prioritised for exploration in 2015. Follow-up programs are planned and to include trenching, mapping, channel sampling and, where warranted, drilling.

In addition to the above, areas of known mineralisation and previous drilling are being reviewed as potential sources of additional mill feed for any operation developed in and around Cameron.

Cameron Mineral Resource

In July 2014, the Company released a revised National Instrument 43-101 Technical Report with a revised Mineral Resource statement (Table 1).

Deposit	Description	Cut-off Gold g/t	Class	Tonnes	Gold g/t	Gold Oz
Cameron	Open Cut	0.5g/t	Measured	2,872,000	2.3	212,400
	RL>=750m		Indicated	5,417,000	1.76	306,600
			Meas+Indic	8,289,000	1.95	519,700
			Inferred	881,000	2.07	58,600
	Underground	1.75g/t	Measured	157,000	2.77	14,000
	RL<750m		Indicated	559,000	3.23	58,100
			Meas+Indic	716,000	3.13	72,100
			Inferred	5,709,000	2.78	510,300
Dubenski	Open Cut	1.00g/t	Measured			
	RL>=180m		Indicated	806,000	2.28	59,100
			Meas+Indic	806,000	2.28	59,100
			Inferred	392,000	1.44	18,200
Dogpaw	Open Cut	0.5g/t	Measured			
	RL>=210m		Indicated	247,000	3.02	24,000
			Meas+Indic	247,000	3.02	24,000
			Inferred	64,000	2.26	4,700
Total			Measured	3,029,000	2.33	226,900
			Indicated	7,029,000	1.98	447,500
			Meas+Indic	10,058,000	2.09	675,900
			Inferred	7,046,000	2.61	591,300

Table 1 – Cameron Gold Project Mineral Resource

3. Rainy River Project, Canada

Chalice acquired an extensive group of claims in the Rainy River area as part of the Coventry acquisition in 2014 in which till sampling has identified low order anomalies. A total of 303 MMI samples were collected and analysed during the period, resulting in a single coherent gold anomaly at Conqueror. A drill campaign is planned for the first quarter of 2015 at Conqueror.

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4. GeoCrystal Limited – Webb Diamond Project, Australia

Chalice has a 24% interest (with share options to increase Chalice's interest to 36%) in unlisted diamond explorer, GeoCrystal Ltd ("GeoCrystal") which is exploring the Webb Diamond Project (GeoCrystal 70%) in joint venture with ASX-listed explorer Meteoric Resources Ltd ("Meteoric").

An RC drill program was conducted of 48 holes totalling 6,056m. Kimberlite samples from the program continue to be processed for microdiamonds and indicator minerals. Results of this work will be released upon compilation and interpretation of all the relevant laboratory reports.

5. Balagundi Project, Australia

During the period, Chalice entered into an exploration Joint Venture with Alphabrand Resources Pty Ltd ("Alphabrand") targeting Archaean volcanogenic massive sulphide (VMS) mineralisation. RC drilling was undertaken in December 2014. Results were not compelling and in January 2015 Chalice withdrew from the project.

6. Mogoraib North Project, Eritrea

As part of an orderly exit from exploration activities in Eritrea, the remaining plant and equipment owned by the Mogoraib North Joint Venture (Chalice 60%: ENAMCO 40%) has been sold and funds of \$449,000 have been received (Chalice share).

7. Corporate

Minimum Holding Share Buy-back

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

Share Buy-back

In March 2014, Chalice announced an on-market share buyback of up to 25,073,088 ordinary shares as part of a capital management plan over the next 12 months.

During the half year ended 31 December 2014, Chalice acquired 3,000,000 shares at an average price of 10 cents per share for a total of approximately \$300,000 taking to 13,036,591 the number of shares acquired to date under the buy-back. At 31 December 2014, the maximum remaining shares that can be acquired (before 18 March 2015) under the 10%/12 month rule is 12,036,497.

As at 31 December 2014, the issued capital of the Company is 282,710,802 shares.

8. Financial Review

At 31 December 2014 the Group had net assets of \$56,345,040 (30 June 2014: \$55,075,020) and an excess of current assets over current liabilities of \$42,998,840 (30 June 2014: \$43,090,405). At 31 December 2014 cash at bank totalled \$42,695,969 (30 June 2014: \$44,204,036)

The Group reported a net profit for the period of \$1,115,935 (31 December 2013: \$487,912) which predominately related to the positive impact of exchange rates on the Group's cash balance. The Group's focus during the half year period was on exploration activities in Canada with expenditure of \$2,306,935 and on business development activities. Total business development costs to 31 December 2014 totalled \$1,048,349 (31 December 2013: \$1,123,817).

EVENTS SUBSEQUENT TO REPORTING DATE

There were no significant events after balance sheet date.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 8 and forms part of this directors' report for the half-year ended 31 December 2014.

Chalice Gold Mines Limited

Directors' Report

For the half year ended 31 December 2014

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 16th day of February 2015

Competent Persons and Qualified Persons Statement

The information in this report that relates to Exploration Results in relation to the Cameron Gold Camp Project is based on information compiled by Mr Gary Snow, who is a Fellow of the Australasian Institute of Mining and Metallurgy and is a Fellow of the Australian Institute of Geoscientists. Mr Snow is a full-time employee of the company and has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Mr Snow consents to the release of information in the form and context in which it appears here.

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

Forward Looking Statements

This 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, except as required by law or regulation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the estimation of mineral reserves and mineral resources, the realisation of mineral reserve estimates, the likelihood of exploration success, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

In certain cases, forward-looking statements can be identified by the use of words such as plans, expects or does not expect, is expected, 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.

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Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry, 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 2014, 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
16 February 2015**

**L Di Giallonardo
Partner**

Chalice Gold Mines Limited
Condensed Statement of Comprehensive Income
For the half year ended 31 December 2014

		Consolidated	
	Note	31 December 2014 \$	31 December 2013 \$
Continuing Operations			
Other income	3 (a)	350,760	108,586
Net gain on sale of fixed assets	4	270,439	-
Foreign exchange gain		3,228,803	2,494,656
Share of associate's loss		(7,704)	-
Exploration expenditures not capitalised		-	(50,033)
Exploration expenditures written off		(268,484)	-
Corporate and administrative expenses	3 (b)	(1,383,272)	(879,151)
Share based payments	3 (d)	8,615	(40,968)
Business development expenses	3 (c)	(1,048,349)	(1,123,817)
Net loss on sale of investments		-	(40,088)
Depreciation and amortisation expense		(45,831)	(42,851)
Profit for the period from continuing operations before income tax		1,104,977	426,334
Overprovision for income tax expense		10,958	-
Profit for the period from continuing operations		1,115,935	426,334
Discontinued operation			
Net profit from discontinued operation		-	61,578
Profit for the period from discontinued operation		-	61,578
Total profit for the period attributed to owners of the parent		1,115,935	487,912
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale investments		-	125,831
Exchange differences on translation of foreign operations		684,931	273,002
Total other comprehensive income		684,931	398,833
Total comprehensive income for the period attributable to owners of the parent		1,800,866	886,745
Basic and diluted earnings per share from continuing operations (cents)			
		0.4	0.2
Basic and diluted earnings per share from discontinued operation (cents)			
		0.0	0.0
Basic and diluted earnings per share from continuing and discontinued operations (cents)			
		0.4	0.2

Chalice Gold Mines Limited
Condensed Statement of Financial Position
As at 31 December 2014

	Note	Consolidated	
		31 December 2014 \$	30 June 2014 \$
Current assets			
Cash and cash equivalents		42,695,969	44,204,036
Trade and other receivables and prepayments	5	657,250	416,205
Total current assets		43,353,219	44,620,241
Non-current assets			
Financial assets	6	180,663	229,671
Investment in associate		1,960,947	1,968,651
Exploration and evaluation assets		10,718,626	9,056,705
Property, plant and equipment		528,650	771,588
Total non-current assets		13,388,886	12,026,615
Total assets		56,742,105	56,646,856
Current liabilities			
Trade and other payables		311,193	1,312,052
Employee benefits		43,186	87,313
Income tax payable		-	130,471
Total current liabilities		354,379	1,529,836
Non-current Liabilities			
Other		42,686	42,000
Total non-current liabilities		42,686	42,000
Total liabilities		397,065	1,571,836
Net assets		56,345,040	55,075,020
Equity			
Share capital	7	43,633,180	44,140,306
Retained earnings		15,650,887	14,421,779
Reserves		(2,939,027)	(3,487,065)
Total equity		56,345,040	55,075,020

Chalice Gold Mines Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2014

	Note	Issued capital	Retained earnings	Share based payments reserve	Investment revaluation reserve	Foreign currency translation reserve	Total
		\$	\$	\$	\$	\$	\$
Balance at 30 June 2014		44,140,306	14,421,779	247,524	213,756	(3,948,345)	55,075,020
Exchanges differences on translation of foreign operations		-	-	-	-	669,826	669,826
Profit for the period		-	1,115,935	-	-	-	1,115,935
Total comprehensive income for the period		-	1,115,935	-	-	669,826	1,785,761
Minimum holding share buy-back	7(a)	(206,295)	-	-	-	-	(206,295)
Share buy-back	7(a)	(300,831)	-	-	-	-	(300,831)
Share based payments		-	-	(8,615)	-	-	(8,615)
Transfers between equity items		-	113,173	(113,173)	-	-	-
Balance at 31 December 2014		43,633,180	15,650,887	125,736	213,756	(3,278,519)	56,345,040
Balance at 30 June 2013		39,239,790	24,632,124	1,523,954	(32,000)	(3,599,512)	61,764,356
Revaluation of available for sale investments		-	-	-	125,831	-	125,831
Exchanges differences on translation of foreign operations		-	-	-	-	273,002	273,002
Profit for the period		-	487,912	-	-	-	487,912
Total comprehensive income for the period		-	487,912	-	125,831	273,002	886,745
Exercise of share options (net of transaction costs)		45,296	-	-	-	-	45,296
Share based payments		-	-	40,968	-	-	40,968
Transfers between equity items		-	100,114	(100,114)	-	-	-
Balance at 31 December 2013		39,285,086	25,220,150	1,464,808	93,831	(3,326,510)	62,737,365

The accompanying notes form part of the financial statements

Chalice Gold Mines Limited
Condensed Statement of Cash Flows
For the half year ended 31 December 2014

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Cash flows from operating activities		
Cash receipts from operations	51,758	72,000
Cash paid to suppliers and employees	(1,320,943)	(1,020,999)
Income tax paid	(379,043)	-
Interest received	200,780	46,311
Net cash used in operating activities	(1,447,448)	(902,688)
Cash flows from investing activities		
Payments for exploration and evaluation assets	(1,581,614)	(816,892)
Business development related costs	(1,046,691)	(1,094,355)
Costs associated with the acquisition of the Cameron Gold Project	-	(473,633)
Acquisition of the Dubenski Gold Project	(725,321)	-
Proceeds from sale of available for sale investments	-	3,912
Acquisition of available for sale investments	-	(500,000)
Share of joint venture cash calls	-	94,691
Acquisition of property, plant and equipment	(11,442)	(41,330)
Proceeds from sale of fixed assets	449,050	-
Net cash from/(used in) investing activities	(2,916,018)	(2,827,607)
Cash flows from financing activities		
Minimum shareholding buy-back	(206,295)	-
Share buy-back	(300,831)	-
Payments for capital return costs	-	(4,703)
Options exercised	-	50,000
Net cash from/(used in) financing activities	(507,126)	45,297
Net increase/(decrease) in cash and cash equivalents	(4,870,592)	(3,684,998)
Cash and cash equivalents at the beginning of the period	44,204,036	56,443,226
Effects of exchange rate fluctuations on cash held	3,362,525	2,330,503
Cash and cash equivalents at the end of the financial period	42,695,969	55,088,731

Chalice Gold Mines Limited

Notes the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

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 2014 and any public announcements made by Chalice Gold Mines Limited ('Chalice' or 'the Group') and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the rules of the Australian Securities Exchange and the Toronto Stock Exchange.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(b) Basis of preparation

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

(c) Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

(d) Adoption of new and revised Accounting Standards

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014. The directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2014.

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.

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Notes the Condensed Consolidated Financial Statements
For the half year ended 31 December 2014

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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Other Income	-	-	-	-	49,758	54,000	49,758	54,000
Net gain on sale of fixed assets	270,439	-	-	-	-	-	270,439	-
Business development costs	-	-	(1,048,349)	(1,123,817)	-	-	(1,048,349)	(1,123,817)
Total Income	270,439	-	(1,048,349)	(1,123,817)	49,758	54,000	(728,152)	(1,069,817)
Corporate and administrative expenses	-	-	-	-	(1,374,657)	(920,119)	(1,374,657)	(920,119)
Depreciation and amortisation	-	-	-	-	(45,831)	(42,851)	(45,831)	(42,851)
Exploration expenditures not capitalised	-	(50,033)	-	-	-	-	-	(50,033)
Exploration expenditures written off	(268,484)	-	-	-	-	-	(268,484)	-
Segment loss before tax	1,955	(50,033)	(1,048,349)	(1,123,817)	(1,370,730)	(908,970)	(2,417,124)	(2,082,820)
Unallocated income/(expenses)								
Net financing income							301,002	54,586
Net loss on sale of investments							-	(40,088)
Share of associate's loss							(7,704)	-
Net profit from discontinued operation							-	61,578
Foreign exchange gain/(loss)							3,228,803	2,494,656
Overprovision for income tax							10,958	-
Total profit for the period							1,115,935	487,912

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Notes the Condensed Consolidated Financial Statements
For the half year ended 31 December 2014

	Exploration and Evaluation		Business Development		Corporate		Total	
	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets:								
Exploration and evaluation assets	10,718,626	9,056,705	-	-	-	-	10,718,626	9,056,705
Investment in Associate	1,976,052	1,968,651	-	-	-	-	1,976,052	1,968,651
Other	1,249,107	675,033	-	-	386,679	606,531	1,635,786	1,281,564
	13,943,785	11,700,389	-	-	386,679	606,531	14,330,464	12,306,920
Unallocated assets							42,426,746	44,339,936
Total assets							56,757,210	56,646,856
Segment Liabilities	(137,076)	(1,230,949)	(38,686)	(34,494)	(221,303)	(306,393)	(397,065)	(1,571,836)

Chalice Gold Mines Limited

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

3. Revenue and expenses

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

(a) Other Income	2014	2013
	\$	\$
Corporate and administration service fees	49,758	54,000
Net finance income	301,002	54,586
	<u>350,760</u>	<u>108,586</u>

(b) Corporate and administrative expenses	2014	2013
	\$	\$
Insurance	33,221	29,578
Travel costs	-	29,685
Legal fees	23,928	59,570
Head office costs	110,689	96,950
Personnel expenses	404,256	496,701
Redundancies and terminations	557,622	-
Regulatory and compliance	137,764	75,149
Consultants	240	1,125
Other	115,552	90,393
	<u>1,383,272</u>	<u>879,151</u>

(c) Business development costs

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

	2014	2013
	\$	\$
Legal fees	12,345	9,025
Personnel expenses	504,156	593,301
Consultants	233,013	149,561
Travel and conferences	85,742	193,510
Other	213,093	178,420
	<u>1,048,349</u>	<u>1,123,817</u>

(d) Share based payments	2014	2013
	\$	\$
Share based payments	60,649	40,968
Reversal of previously expensed share based payments	(69,264)	-
	<u>(8,615)</u>	<u>40,968</u>

4. Net gain on sale of fixed assets

Represents Chalice's 60% share of the net gain from the sale of fixed assets of the Mogoraib North joint venture. During the half year ended 31 December 2014, the fixed assets of the Mogoraib North Joint Venture (owned 60% by Chalice and 40% by the Eritrean National Mining Corporation) were sold for USD\$627,700, representing 100% of total proceeds.

5. Trade and other receivables and prepayments	31 December 2014	30 June 2014
	\$	\$
Trade receivables	316,470	258,686
R&D Incentive receivable	259,529	-
Prepayment	81,251	157,519
	<u>657,250</u>	<u>416,205</u>

Chalice Gold Mines Limited
Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2014

6. Financial assets	31 December 2014	30 June 2014
	\$	\$
Security deposits and bank guarantees	180,663	229,671
	180,663	229,671
7. Issued capital	31 December 2014	30 June 2014
(a) Issued and fully paid ordinary shares	43,633,180	44,140,306
	No.	\$
Movements in ordinary shares on issue:		
At 1 July 2014	287,491,719	44,140,306
Unmarketable parcel share buy-back ⁽¹⁾	(1,780,917)	(206,295)
Share buy-back ⁽²⁾	(3,000,000)	(300,831)
At 31 December 2014	282,710,802	43,633,180
<i>⁽¹⁾During the half year ended 31 December 2014, the company completed an unmarketable parcel minimum holding buy-back. Of the eligible parcels held at 17 October 2014 (the record date), a total of 1,780,917 ordinary shares were acquired and cancelled at a price of 11.5 cents per share.</i>		
<i>⁽²⁾During the half year ended 31 December 2014, 3,000,000 shares were acquired under the share buy-back facility.</i>		
(b) Share options	31 December 2014	30 June 2014
	No.	No.
Movements in options over ordinary shares on issue:		
At 1 July	1,900,000	5,650,000
Options granted	500,000	-
Options forfeited	-	(3,250,000)
Options exercised	-	(500,000)
Options lapsed	(850,000)	-
Outstanding at the end of the period	1,550,000	1,900,000
(c) Performance rights	31 December 2014	30 June 2014
	No.	No.
Movements in performance rights:		
At 1 July	2,754,149	2,954,149
Performance rights lapsed	(2,274,276)	-
Performance rights issued	3,530,707	-
Performance rights vested	-	(200,000)
Outstanding at the end of the period	4,010,580	2,754,149

8. Commitments and contingencies

Exploration expenditure commitments

Exploration expenditure commitments remain unchanged since 30 June 2014.

Chalice Gold Mines Limited

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2014

Contingent asset

In the 30 June 2014 annual report, Chalice disclosed a contingent asset relating to the deferred consideration of US\$2 million contingent upon the achievement of first gold pour at the Koka Gold Mine in Eritrea. This remains unchanged since 30 June 2014.

9. 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 \$1,379,363 for the six months ended 31 December 2014 (six months ended 31 December 2013: \$808,852). Total compensation for the half year ended 31 December 2014 includes the termination and redundancy payments made to Mr Bent (\$357,795) and Mr Jones (\$165,000) in October 2014.

Other related parties transactions

The Group used the consulting services of Mr Anthony Kiernan during the six months ended 31 December 2014. 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 \$25,000 (six months ended 31 December 2013: \$58,500). No amounts were outstanding or payable at the end of the period.

10. Events subsequent to reporting date

There were no significant events after balance sheet date.

Chalice Gold Mines Limited
Directors' Declaration
For the half year ended 31 December 2014

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 2014 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 16th day of February 2015



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 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 consolidated entity's financial position as at 31 December 2014 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
Chartered Accountants



L Di Giallonardo
Partner

Perth, Western Australia
16 February 2015