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chalice

# Annual Financial Report

30 JUNE 2019

CHALICE GOLD MINES LIMITED



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**Directors**

| | |
|---|---|
| Tim Goyder | Executive Chairman |
| Alex Dorsch | Managing Director |
| Morgan Ball | Independent Non-executive Director |
| Stephen Quin | Independent Non-executive Director |

**Company Secretary**
Jamie Armes

**Principal Place of Business & Registered Office**
Level 2, 1292 Hay Street
WEST PERTH WA 6005
Tel: (+61) (8) 9322 3960
Fax: (+61) (8) 9322 5800
Web: www.chalicegold.com
Email: info@chalicegold.com

**Auditors**
HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WESTERN AUSTRALIA 6000

**Home Exchange**
Australian Securities Exchange Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WESTERN AUSTRALIA 6000

**Toronto Stock Exchange**
130 King Street West,
Toronto, Ontario M5X 1J2

**OTCQB**
300 Vesey Street, 12th Floor
New York, NY 10282

**Share Registry Australia**
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WESTERN AUSTRALIA 6000
Tel: 1300 850 505

**Share Registry Canada**
Computershare Investor Services
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Tel: +1 416 263 9200

**ASX** Share Code: CHN
**TSX** Share Code: CXN
**OTCQB** Share Code: CGMLF



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# Chairman's Letter



Tim Goyder
Executive Chairman

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**Dear Fellow Shareholder,**

I am pleased to report on what has been a very active and positive year for Chalice, both operationally and financially.

High impact exploration along with timely project acquisitions and divestments remain at the core of our strategy for continued business growth. The significant advances made in both respects during 2019 have started to be reflected in our market capitalisation which, in our view, still undervalues the Company when considering our strong financial position.

Our business model has a strong track record of value-creation, and Chalice delivered on this once again in 2019 with a capital return to shareholders of ~$10.7 million in December 2018.

The subsequent sale of our Canadian Projects to O3 Mining Inc for ~3.1 million shares and a partial 1% royalty in July 2019 marked another milestone for the Company – further strengthening our balance sheet while also allowing Chalice to simplify and refine its focus on home soil.

The global deficit in tier-1 scale mineral discoveries (those with an NPV of >US$1bn) continues to present a challenge for the industry. Worldwide, these major discoveries now represent less than 2% of all discoveries, and I believe there is a compelling long-term value proposition in hunting for the next major find. As a result, our focus for the year ahead will remain firmly on exploring for greenfield discoveries in frontier high-grade gold and nickel provinces.

Our Australian portfolio now includes two district-scale exploration projects, both of which present significant potential for discovery and value creation for shareholders. We have continued our refined business strategy and are not afraid of undertaking large scale exploration in greenfield, underexplored terranes in tier-1 jurisdictions.

The Pyramid Hill Gold Project is now firmly on the map in the hotly contested Bendigo Zone of Victoria – a region that has produced more than 60Moz of high-grade gold. During the year, we continued to expand the Project, with Chalice now having over 5,000km$^2$ under licence, all 100% owned. This district-scale exploration footprint sits adjacent to one of the world's most profitable gold mines, Kirkland Lake Gold's Fosterville Mine, and represents an outstanding opportunity for high-grade gold discovery in Australia under shallow cover.

Chalice has made rapid progress on the Project in a short timeframe, successfully completing over 39km of drilling since November 2018. While exploration is still in its early stages, we are very encouraged by the large-scale targets we have defined thus far. We are currently preparing for the next phase of drilling which is due to start in late September, and I look forward to providing further updates in the months ahead.

Our exploration progress at Pyramid Hill has coincided with a period of strength for the gold sector, with the Australian Dollar gold price recently touching record highs. I believe Chalice's proven business model in successful gold exploration and development positions the Company well to capitalise on this supportive environment.

While gold continues to remain a key focus, Chalice has also been active in identifying and securing growth opportunities in nickel. The successful acquisition of the Ruins Nickel Sulphide Project in the west Kimberley region of WA was an example of this, forming the cornerstone of our new King Leopold Nickel Project, which gives us a district-scale 1,800km$^2$ footprint in this largely unexplored, frontier province.

The project represents an exciting new nickel sulphide discovery opportunity and we have already made great progress in advancing the project to drill-ready status.

On the corporate front, the board was further strengthened with the appointment of Alex Dorsch as Managing Director in November 2018. Alex previously held the role of Chief Executive Officer and the refined strategic direction for Chalice and growing market profile is a testament to his hard work. I would like to thank him and his excellent team of hard-working staff for their efforts during the year, and to congratulate them for the success they have achieved.

I would also like to take this opportunity to thank all our shareholders and my fellow directors and executives for their continued and valued support.

Underpinned by a strong balance sheet, some quality assets and a clear strategic direction, Chalice is in a great position to continue to deliver value for shareholders into next year and beyond.

Yours faithfully,



Tim Goyder
Executive Chairman




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## Our Vision

Discover and grow to become a globally recognised specialist explorer and developer



### Our People Strategy

Create a culture of sustainable success, teamwork and career development

### Our Value Strategy

Actively manage the portfolio and undertake targeted, high impact activity on our projects

### Our Growth Strategy

Make timely, high impact acquisitions with an owner's mindset

## Our Core Values

| INTEGRITY | OWNERSHIP | URGENCY | ALIGNMENT | ADVANCEMENT |
|---|---|---|---|---|
| 'Do the right thing' | 'Think like an owner' | 'Act today, not tomorrow' | 'If Chalice wins, we all win' | 'Improve every day' |

Over the 2019 financial year, Chalice made significant progress towards achieving the Company Vision – to discover and grow to become a globally recognised specialist explorer and developer. Chalice's primary business activities are mineral exploration, where it aims to deliver superior returns for shareholders utilising its proven business model. The Company's three-part strategy set in the 2018 financial year continued to yield positive results.

Our growth strategy remains focused on tier-1 scale (>US$1bn NPV), high-grade gold and nickel exploration opportunities. Our flagship Pyramid Hill Gold Project in Victoria and recent acquisition of the King Leopold Nickel Project in the west Kimberley region of WA have the potential to meet this targeted portfolio mix.

The Company continues to evaluate acquisition opportunities, given its advantageous financial position and strong technical capabilities. The business development approach remains focused on internally driven opportunities with an owner's mindset in project evaluation. Chalice continues to have a strong emphasis on commercial feasibility and low-cost, high reward exploration in world-class jurisdictions.

On delivering value from existing assets, the Company's active portfolio management strategy has continued to deliver positive outcomes. The Company's strategy of optioning or acquiring projects, testing for large-scale discoveries, in as short a timeframe as possible and then reaching a commercial decision point remains on track.

Chalice's exploration portfolio has seen several major changes over the year, most notably the sale of the Company's two Canadian gold projects to O3 Mining Inc. (TSX-V: OIII), a new venture led by major Quebec based gold company Osisko Mining Inc. (TSX: OSK). The sale of the East Cadillac and Kinebik Gold Projects marked a successful exit from Canada and allows Chalice to focus on its growing portfolio of opportunities in Australia.

Our two district-scale gold and nickel projects in Victoria and Western Australia remain the focus over the coming year. Significant progress has been made in early stage targeting and reconnaissance work at both projects in 2019 and this provides an ideal platform for potential discoveries in the year ahead. A substantial exploration budget has been approved for the upcoming year, with a staged expenditure approach, based on results. The Company's strong balance sheet ensures it is well funded for the next phases of exploration.

The Company cautions key risks associated with external factors (movements in commodity prices, foreign exchange rates, interest rates and equity markets) may adversely impact the achievement of the aforementioned Company objectives.

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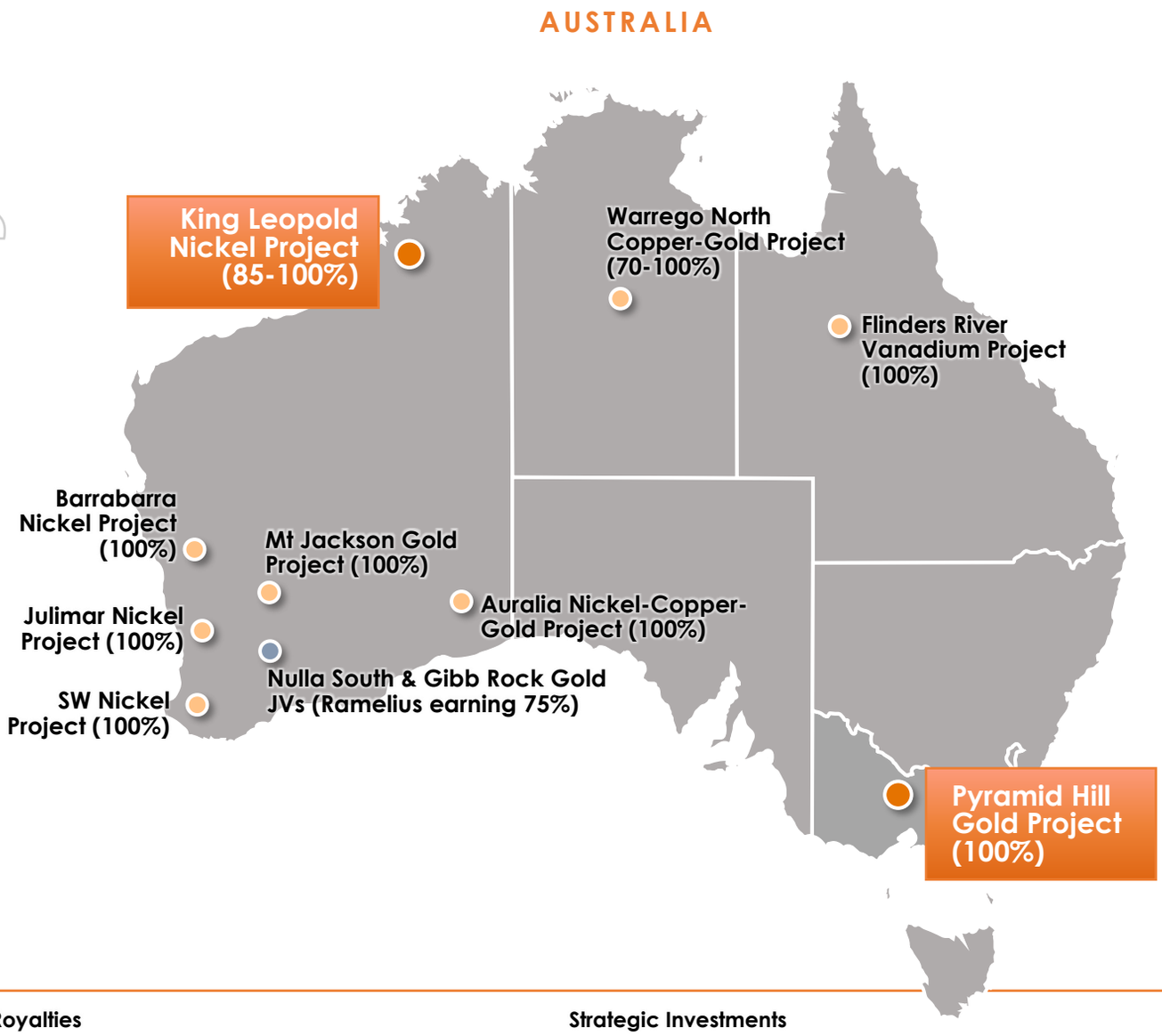


**Royalties**

- Nyanzaga, Tanzania – **A$5 million** payment receivable upon commercial production from Orecorp Limited (ASX: ORR)
- East Cadillac, Quebec – **1.0% NSR** (partial)
- Kinebik, Quebec – **1.0% NSR**
- Ardeen, Ontario – **0.12-1.0% NSR** (partial)
- Cameron, Ontario – **1.0% NSR** (partial)

**Strategic Investments**

- **~3.1 million shares** (~7%) in O3 Mining Inc. (TSX-V: OIII)
- **~72 million shares** (~5%) in Spectrum Metals (ASX: SPX)

**Key Project**

**Generative Project (reconnaissance and targeting)**

**Non-Operated Joint Venture**

Figure 1: Chalice's Project, Royalty and Investment Portfolio.



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## Pyramid Hill Gold Project, VIC

- Maiden ~39,000m reconnaissance AC drilling program successfully completed, as well as regional scale soil sampling and ground gravity surveys.
- Drilling to date has defined three large-scale targets outlined on wide-spaced drill lines under shallow cover.
- Multiple anomalous gold intersections in the highly weathered top of basement over these targets indicate the gold is from a primary bedrock source.
- This successful first phase of exploration has now provided the Company several areas of interest for the next phase of drilling to commence in late Q3 2019.
- Chalice has continued to significantly expand our licence holding in the region, now a district-scale 5,140km$^2$ area.

## King Leopold Nickel Project, WA

- Successful acquisition of the Ruins Nickel Sulphide Project expands the King Leopold Project to a district-scale 1,800km$^2$ in the frontier west Kimberley region of WA.
- The Project represents an exciting new nickel sulphide exploration opportunity along strike from an isolated high-grade Ni-Cu-Co discovery.
- Ground based and airborne EM surveys were completed in July-August 2019, providing drill targets for the upcoming maiden drill program to commence in late Q3 2019.

## East Cadillac Gold Project, Quebec

- East Cadillac and Kinebik Gold Projects in Quebec sold to O3 Mining Inc. (TSX-V: OIII) for 3.1 million shares, a partial 1.0% NSR royalty and ~C$1.3 million in cash (payable at end CY 2019).
- The O3 Mining transaction further strengthens Chalice's balance sheet and allows the company to focus on its opportunities in Australia.
- The sale follows two successful regional geochemistry, geophysics and diamond drilling campaigns totalling ~35,000m, which resulted in the expansion of two existing advanced prospects along strike and down plunge, as well as three new gold discoveries.
- Given the relatively high cost of exploration and new focus on exploration opportunities in Australia, the decision was made to sell the Quebec Projects and retain upside exposure through shares and royalties.

## Generative Projects

- Chalice's portfolio includes several generative exploration opportunities, non-operated joint ventures, strategic investments and royalties (Figure 1).
- The Company completed several reconnaissance geochemistry and geophysical programs on our Generative Projects in 2019, with the aim of maintaining a pipeline of future greenfield discovery opportunities.

## Corporate

- Chalice maintains a strong financial position, with ~$21.2 million in working capital and liquid investments at 30 June 2019 (~$0.08 per share).
- Subsequent to year-end, Chalice was issued ~3.1 million shares in O3 Mining Inc. (TSX-V: OIII) and purchased ~72 million shares in Spectrum Metals Limited (ASX: SPX).
- In November 2018, Alex Dorsch was appointed to the Board as Managing Director. Mr Dorsch was previously appointed Chief Executive Officer in March 2018.
- In December 2018, Chalice completed a capital return to shareholders of $0.04 per share, for a total of ~$10.7 million.
- In June 2019, the Australian Taxation Office published a final Class Ruling (CR 2019/37) in relation to the Company's December 2018 equal capital return and reduction. The Class Ruling confirms that no portion of the capital return will be deemed to be a dividend for the class of entities to which the Class Ruling applies.
- In 2019, Chalice spent ~$9.0 million on exploration and ~$3.1 million on administration, business development and corporate costs.




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# Pyramid Hill Gold Project

VICTORIA, AUSTRALIA (100%)



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## Project Background

The 100%-owned Pyramid Hill Gold Project was staked in 2017 and now covers an area of ~5,140km$^2$ in the Central Goldfields region of Victoria; one of the most exciting, underexplored high-grade gold provinces worldwide. The Project encompasses three key districts within the Murray Basin covered North Bendigo and North Stawell Zones: Muckleford, Mt William and Percydale (Figure 2).

The central Muckleford Area extends to the north-west of the high-grade historic >22Moz Bendigo Goldfield. The Mt William Area extends to the north-east of one of the world's highest-grade and lowest cost producing gold mines, the >8Moz Fosterville Gold Mine owned by Kirkland Lake Gold (NYSE / TSX: KL | ASX: KLA). The Percydale Area is located north-west of the historical St Arnaud Goldfield within the Stawell Zone.

The 'Gold Undercover' initiative by the Victorian Government estimated a potential ~32Moz (P50 mean case) of undiscovered gold beneath Murray Basin cover in the Bendigo Zone, where Chalice holds ~60% of the total ~7,000km$^2$ prospective area.

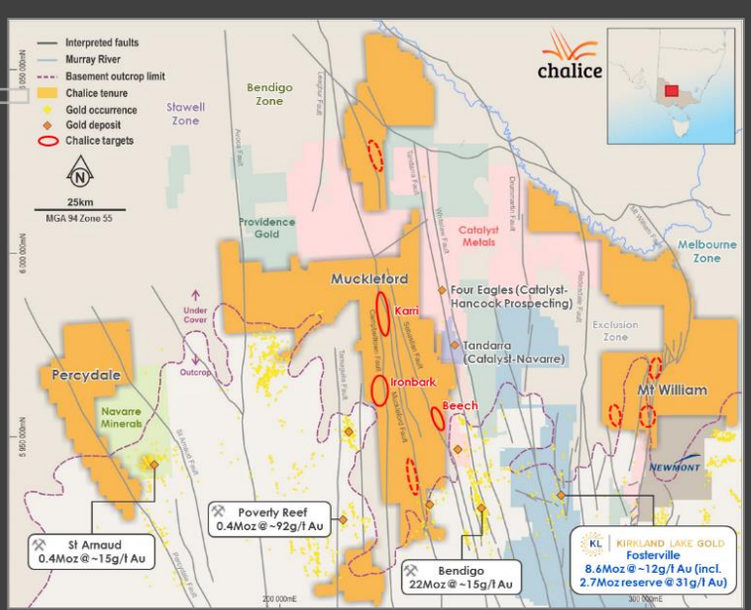


Figure 2: Pyramid Hill Gold Project tenure, regional land holders, gold deposits and occurrences.

## Exploration Activities

Chalice further strengthened the Company's position as a major player in the Bendigo Zone following the grant of 5 additional Exploration Licences over the course of the year, making the Pyramid Hill Gold Project a truly district-scale project with a total area of ~5,140km$^2$.

In November 2018, the Company commenced a maiden reconnaissance aircore (AC) drilling program designed to provide an initial shallow test of soil geochemical, gravity and structural targets, and to identify areas of anomalous gold and associated pathfinder elements – providing potential vectors to large-scale mineralised gold systems (Figure 3).

The Company completed ~39,000m of AC drilling from November 2018 to June 2019, successfully outlining three new large-scale targets under shallow cover (Figure 4).

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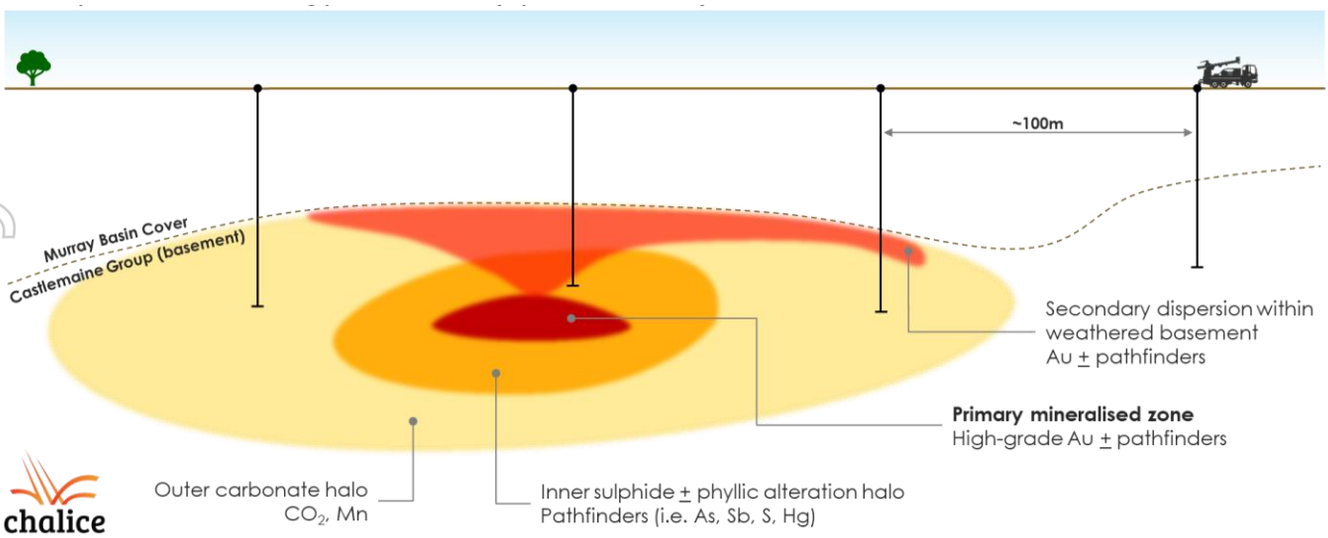


Figure 3. Conceptual cross section of Phase 1 AC drilling approach, mineralised halo and secondary dispersion targeting (representative scale) [2].

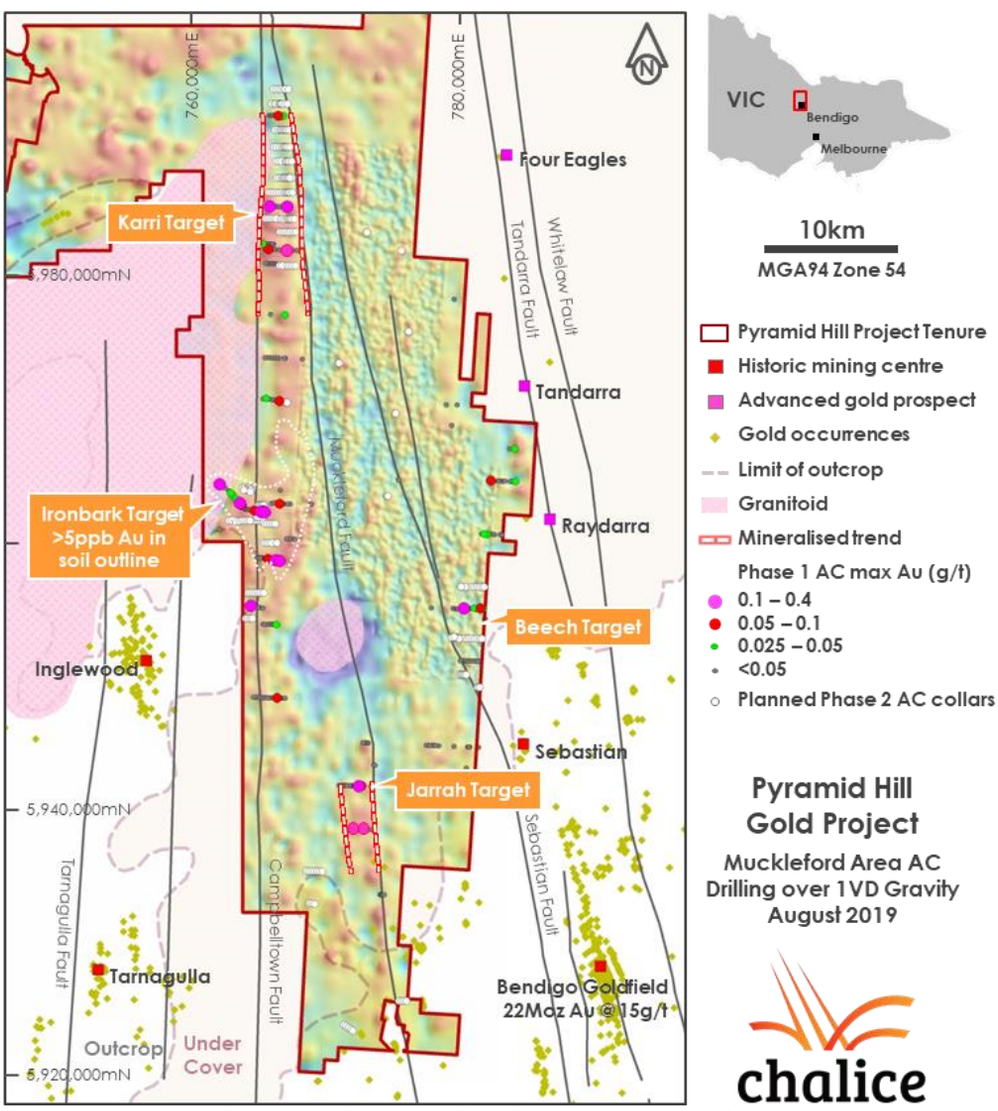


Figure 4: Muckleford Area Phase 1 AC drilling results over 1VD gravity geophysics.

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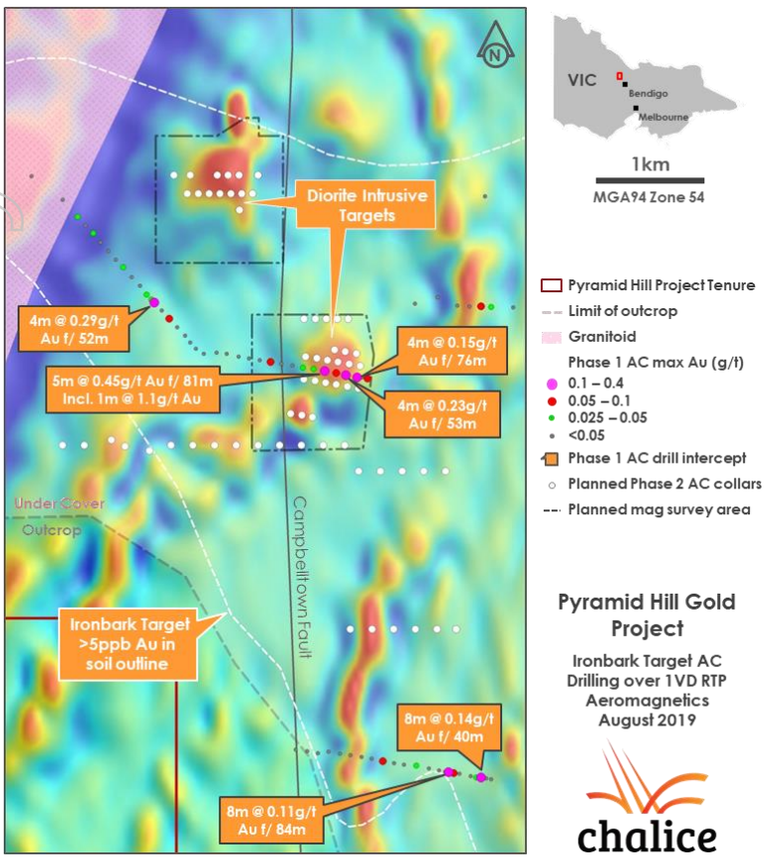


Figure 5. Ironbark Target Phase 1 AC drilling and soil geochemistry results over 1VD RTP aeromagnetics.

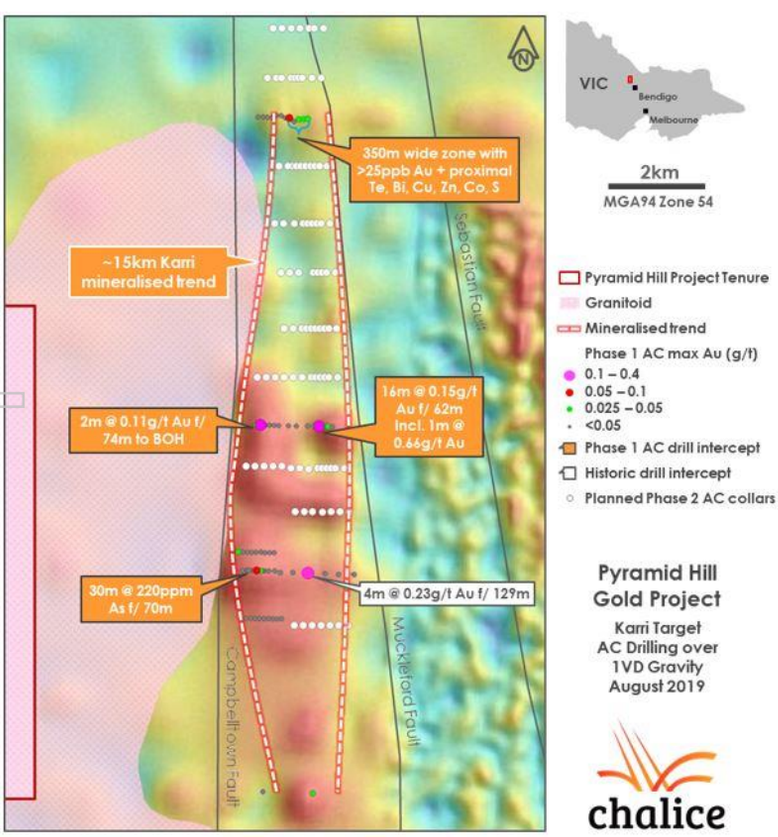


Figure 6.Karri Target Phase 1 AC drilling results over 1VD gravity geophysics.

The newly defined Ironbark, Karri and Beech Targets are defined by anomalous gold intersections in highly weathered Castlemaine Group sediments, directly beneath the Murray Basin cover interface, indicating the gold is from a primary bedrock source.

- **Ironbark Target** shallow gold intersections up to 1.1g/t Au under 25-75m of Murray Basin cover, within a ~380m diameter diorite intrusion, co-incident with a large >5ppb gold-in-soil anomaly (Walhalla-Woods Point style target).
- **Karri Target** shallow gold intersections up to 0.66g/t Au over ~15km of strike, under 50-70m of Murray Basin cover, ~20km west of Four Eagles (typical Bendigo style target) .
- **Beech Target** outlined by highly anomalous As and Sb (gold pathfinders) in basement, ~25km north-west of Bendigo (~22Moz Au) along the Sebastian Fault.

Similar shallow, anomalous gold intercepts on wide-spaced drill lines has led to significant gold discoveries undercover by other explorers in the region.

## Future Exploration

A ~25,000m Phase 2 AC drilling program is planned at the Karri, Ironbark and Beech Targets, which aims to further refine the multi-kilometre Target areas. AC drilling at Karri will be on a grid pattern at a line spacing of approximately 0.5 to 1.0km and a hole spacing of 100 to 200m.

AC drilling at the Ironbark diorite as well as on a second identified magnetic anomaly aims to refine the target for deeper RC/diamond drilling.

The Phase 2 drilling program is scheduled to commence in late September 2019, with all access agreements in place and all statutory approvals received.

*1) Lisitsin, V., Olshina, A., Moore, D.H. & Willman, C.E., 2007. Assessment of undiscovered mesozonal orogenic gold endowment under cover in the northern part of the Bendigo Zone. GeoScience Victoria Gold Undercover Report 2, Department of primary Industries.*

*2) Adapted from Arne, D.C., House, E. & Lisitsin, V., 2008. Lithogeochemical haloes surrounding central Victorian gold deposits: Part 1 – Primary alteration systems, Gold Undercover Report 4. Department of Primary Industries, Victoria.*



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## Project Background

The King Leopold Nickel Project covers an area of ~1,800km$^2$ in the west Kimberley region of WA (Figure 7). The Project covers several known areas of Ruins and Hart Dolerite, which are both considered highly prospective for magmatic nickel sulphides as well as other related metals (Cu, Co and PGEs).

The Ruins Dolerite has been demonstrated to host high-grade nickel sulphides (drill intercept grades up to 8% Ni) following the Merlin discovery in 2015 of Buxton Resources (ASX: BUX). Buxton has since executed two option and earn-in joint venture agreements with Independence Group (ASX: IGO) in late 2018 and exploration activities are currently ramping up in the region. The JV has also substantially increased its licence holding in the frontier province.

The Project is a combination of several 100%-owned exploration licence applications, 100%-owned hard rock rights, as well as an earn-in agreement (earning up to 85%).

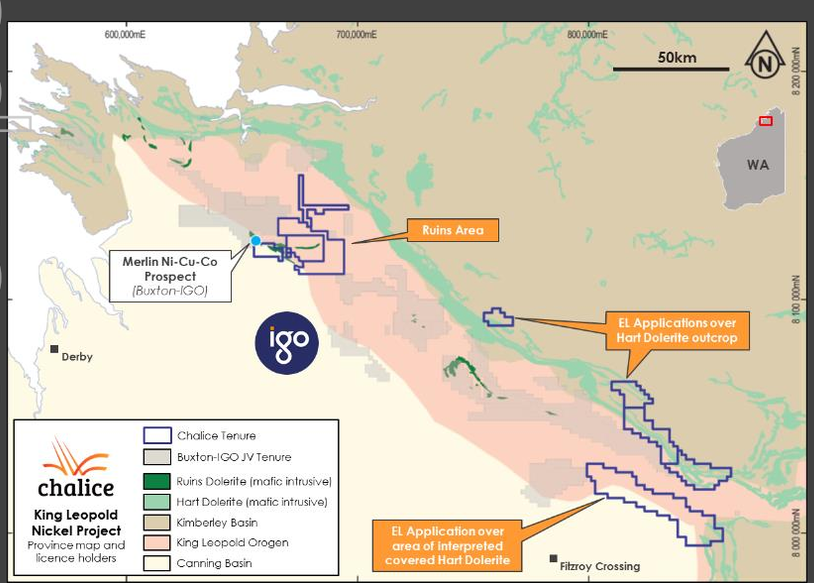


Figure 7. King Leopold Project tenure and Buxton-IGO tenure over geological domains.

## Acquisition

Chalice acquired the highly prospective Ruins Nickel Project from private nickel explorer North West Nickel Pty Ltd ("NWN") in late June 2019, which now forms a central part of the King Leopold Project.

The Ruins Project is located immediately south-east of the Merlin Prospect, owned by Buxton Resources (ASX: BUX) and Independence Group (ASX: IGO) and is considered highly prospective for nickel sulphides as well as other associated metals (Cu, Co and PGEs). The Merlin Prospect includes several high-grade nickel sulphide drill intercepts (up to 8% Ni), which indicates a fertile and highly prospective magmatic source in the area.

An airborne electromagnetic (EM) survey conducted over the south-west part of the Project (E04/1169) by NWN identified several late-time EM anomalies co-incident with known Ruins Dolerite geology, along strike to the south-east of the Merlin Prospect (Figure 8)

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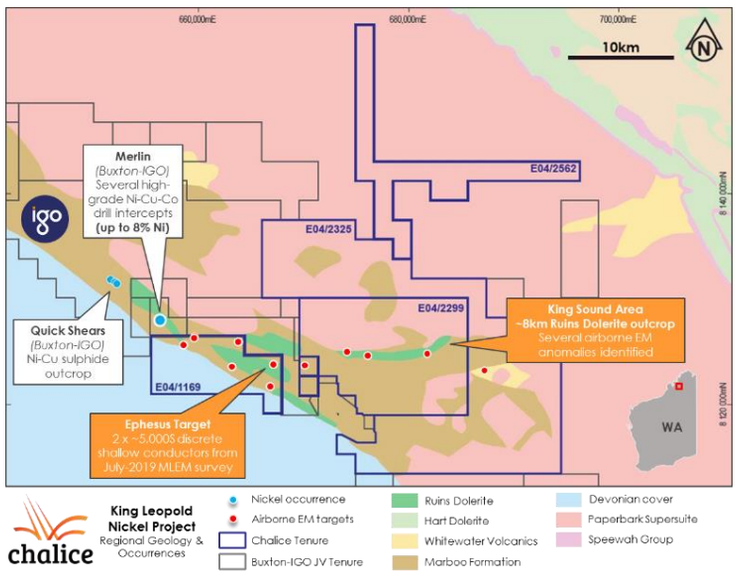


Figure 8. Ruins Area tenure and nickel occurrences over regional geology.

Under the NWN acquisition agreement, which was completed in July 2019, Chalice acquired all of the outstanding shares in NWN by issuing 7.5 million fully paid ordinary Chalice shares to NWN, effectively reimbursing NWN for costs incurred to date.

The agreement also included a contingent deferred consideration whereby, subject to the following milestones being achieved at the Ruins Project, Chalice will pay to NWN:

- $1.75 million in cash or Chalice shares, at Chalice's election, within 60 days of Chalice releasing to the ASX a Mining Scoping Study or Feasibility Study in relation to the Ruins tenure;
- $4.5 million in cash or Chalice shares, at Chalice's election, within 60 days of commencement of commercial production and cumulative gross sales exceeding $300 million from the Ruins tenure.

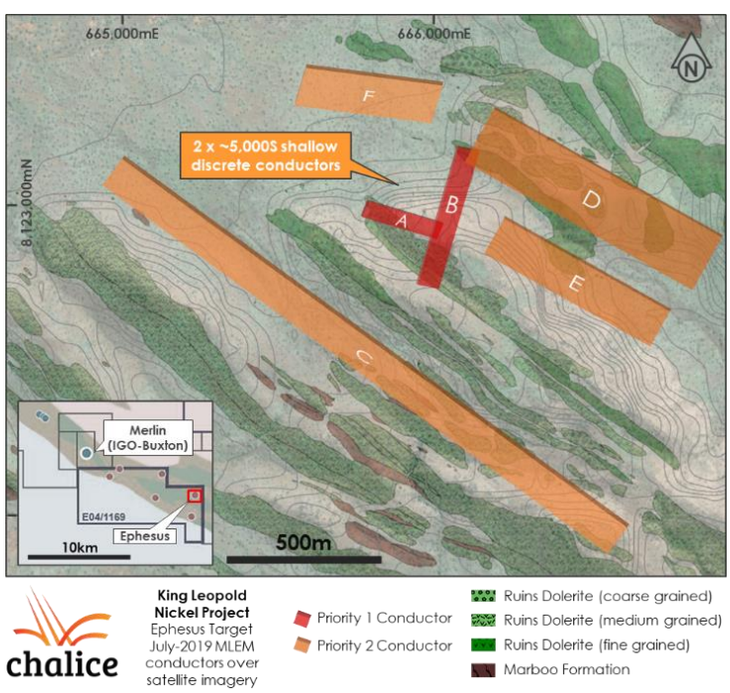


Figure 9. Ephesus Target MLEM conductors over mapped geology and satellite imagery.

Any future issuance of Chalice shares to NWN remains subject to shareholder approval, as required. All shares issued by Chalice are subject to a separate 12-month escrow period.

## Exploration Activities

Field activity on the Project commenced in late June 2019, initially focusing on areas immediately adjacent to the Merlin Prospect. In August, Chalice identified several highly prospective EM conductors following the completion of a maiden ground-based and airborne geophysics program.

A Moving-Loop Electromagnetic (MLEM) survey was completed over the King Sound area, where NWN had completed an airborne EM survey. The MLEM survey successfully generated nine conductive plates. A cluster of strong, discrete, late-time EM conductors were identified at the Ephesus Target. The shallow conductors identified have ~5,000 Siemens conductance, and are overlying Ruins Dolerite outcrop (Figure 9).

A SkyTEM airborne EM survey was also completed over E04/2299 and E04/2325, where Chalice is earning an 85% JV interest. This survey is the first geophysical program to be completed over this area, which includes an ~8km outcropping strike length of prospective Ruins Dolerite.

Several discrete and strong mid-to-late time EM anomalies were identified, coincident with the outcropping ridge of Ruins Dolerite, which will be followed up with field checking in Q3 2019.

## Future Exploration

Field reconnaissance and further ground EM will commence in late Q3 2019 at the King Sound Area, as well as at two additional targets on E04/1169.

A maiden RC drilling program at the Ephesus Target and potentially additional King Sound ground EM targets is expected to commence in Q3 2019. The program may be expanded subject to the results of the next phase of reconnaissance and geophysics.

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### East Cadillac Gold Project

Quebec, Canada (formerly 80-100%)

In July 2019, Chalice entered into a binding share purchase agreement to sell its East Cadillac and Kinebik Gold Projects in Quebec to O3 Mining Inc. ("O3 Mining" TSX-V: OIII) for ~3.1 million shares plus a partial 1.0% NSR royalty over 577 claims. The sale allows Chalice to maintain upside exposure to the Val-d'Or gold district and to focus on its high profile portfolio of opportunities in Australia.

O3 Mining is a new Osisko Mining Inc. (TSX: OSK) led venture, with a portfolio of resource stage gold projects with significant exploration in the Val-d'Or district. Osisko Mining is a leading Canadian gold exploration and development company based in Quebec, Canada.

Prior to the sale, Chalice conducted regional geochemistry, geophysics and reconnaissance diamond drilling over new target areas from Q3 2018 to Q2 2019. Targeting and planning activities were completed in Q2 2019 on five prospects on the Project; North Contact, Lac Rapides, Simon West, Nordeau West and Legrand, however due to the sale of the Project, no further exploration was completed.

## Generative Projects

No field activities were completed on the Auralia, SW Nickel, Barrabarra, Jericho, Bunjarra Well, Mt Jackson and Kurrajong Bore Projects in 2019.

### Warrego North Copper-Gold Project

Northern Territory, Australia (70-100%)

In August 2018, Chalice completed a 4 hole RC drill program to test the Emu IOCG Target. Drilling intersected sporadic and low-grade copper in magnetite-bearing dolerite and the results effectively downgraded the target.

Chalice considers the Parakeet prospect to have good exploration potential and other targets on the Project remain untested. Previous drilling on the Parakeet IOCG Prospect intersected mineralised Ironstones.

### Julimar Nickel Project

Western Australia (100%)

The Company undertook an initial reconnaissance geochemical program on the Julimar Project in Q2 2019, designed to map and improve understanding of the local geology as well as to test the effectiveness of this exploration technique.

Sub-crop and scree after gabbro was located proximal to the southern magnetic anomaly (an interpreted feeder zone of the Julimar mafic-ultramafic intrusion) and, while not anomalous in nickel-copper, these rock-types support the geological interpretation of mafic rock-types associated with the southern magnetic anomaly.

A 9.5 line km moving loop EM programme was completed in May 2019. The ground EM survey covered the southern magnetic anomaly associated with intrusive gabbroic which is potentially a feeder zone to the strike extensive Julimar mafic-ultramafic intrusion. Results are currently being reviewed, with the aim of defining drill targets prospective for nickel sulphide mineralisation.

### Flinders River Vanadium Project

Queensland, Australia (100%)

The Company is planning a maiden reconnaissance AC drilling program at the Project, which aims to define any areas of shallow, vanadium-bearing mineralisation within oxidised Toolebuc Shale. The program will involve drilling wide-spaced shallow holes to delineate any potential mineralisation in a low cost and rapid manner, and is expected to be completed in Q3 2019.

### Nulla South Gold Project

Western Australia (Ramelius Resources earning 75%)

In July 2018, the Company agreed to farm-out the Nulla South Project to Ramelius Resources Limited ("Ramelius", ASX: RMS). Ramelius may earn a 75% interest in the Project for $50,000 in cash and by spending $2 million on exploration within three years (Ramelius may withdraw at any time). Upon earning a 75% interest, Ramelius are required to sole fund all expenditures through to a decision to mine.

In December 2018, Ramelius announced exploration results from the drilling at the historical Felstead's Find workings. 11,175m of AC drilling was completed along with 5 shallow RC drill holes for 385m. Several encouraging gold intercepts were made.

Ramelius then completed a total of 3,490m of AC drilling to test areas of weak soil anomalism over prospective greenstone belt stratigraphy away from the historical Felstead's Find workings. No anomalous results were returned, and no further work is planned for these target areas.

### Gibb Rock Gold Project

Western Australia (Ramelius Resources earning 75%)

On 14 November 2018, the Company executed a conditional farm-out agreement of the Gibb Rock Project with Ramelius Resources Limited. Ramelius may earn a 75% interest in the Project for $50,000 in cash and by spending $2 million on exploration within three years (Ramelius may withdraw at any time). Upon earning a 75% interest, Ramelius are required to sole fund all expenditures through to a decision to mine.

In March 2019, Ramelius elected to waive its Condition Precedent over the Project, having successfully negotiated land access agreements. Ramelius is now advancing work programs over selected target areas within the Project.

## Investments and Royalties

### O3 Mining Inc. (TSX-V: OIII)

Subsequent to year end, the Company was issued ~3.1 million fully paid ordinary shares in O3 Mining Inc. ("O3 Mining", TSX-V: OIII), in consideration for the sale of its subsidiary Chalice Gold Mines (Quebec) Inc. As at the date of this report, the Company holds a ~7% interest in O3 Mining.

### Spectrum Metals Limited (ASX: SPX)

Subsequent to year end, the Company acquired ~71.9 million fully paid ordinary shares in Spectrum Metals Limited ("Spectrum", ASX: SPX) on-market and via participation in a share placement for a total consideration of ~$3.2 million. As at the date of this report, the Company holds a ~5.2% interest in Spectrum.

### Nyanzaga Gold Project, Tanzania – OreCorp Limited (ASX: ORR)

Following Chalice's merger with Sub-Sahara Resources NL in 2009, the Company became entitled to a payment of $5 million upon commercial production at the Nyanzaga Project in Tanzania. During the year, OreCorp Limited (ASX: ORR) signed a binding Heads of Agreement to advance to a 100% interest in the Project, and has commenced a Definitive Feasibility Study.

### GeoCrystal Limited

Chalice has a ~19.4% interest in unlisted diamond explorer GeoCrystal Ltd ("GeoCrystal"). GeoCrystal has several diamond exploration projects in northern Australia, and is considering its options in relation to an Initial Public Offering (IPO).

### Other Investments

Chalice has other minor shareholdings in ASX and TSX listed entities with a combined value of $0.9 million as of 30 June 2019.

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**Financial performance**

The Group reported a net loss after income tax from continuing operations of $6.8 million predominately due to exploration and evaluation expenditure being expensed against profit and loss as incurred. The loss for the year ended 30 June 2019 was lower as compared to a net loss of $9.3 million for the year ended 30 June 2018. This decrease in loss is largely related to a net foreign exchange gain of $1 million, compared to a net foreign exchange loss of $0.4 million in 2018, which is also offset by the loss from deconsolidation of subsidiaries of $2.5 million in 2018.

Net loss from discontinued operations has reduced from a net loss of $6.7 million in 2018 to a net loss of $3.4 million, as a result of higher exploration evaluation costs incurred in the prior year compared to 2019.

**Statement of cash flows**

Cash and cash equivalents at 30 June 2019 were $18.6 million (30 June 2018: $35.7 million). The decrease in cash of $17.1 million is predominately due to a capital return of $0.04 per share to shareholders for a total of $10.7 million.

In comparison to the 2018 financial year, net cash flows used in operating activities decreased by 46% from $14.6 million to $7.8 million primarily due to a reduction in exploration and evaluation expenditure of $4.4 million and as a result of the receipt of $2 million in exploration tax credits.

Net cash flows from investing activities decreased significantly during the year from a net inflow of $2.8 million in 2018 to a net inflow of $0.4 million in 2019 as a result of higher proceeds received from sale of financial assets in 2018.

Net cash used in financial activities in the current year represents the capital return that was completed in December 2018.

**Financial position**

At balance date the Group had net assets of $21.8 million and an excess of current assets over current liabilities of $21.2 million. Current assets decreased by 46.6% to $22.1 million (2018: $41.5 million) mainly due to a decrease in cash on hand as a result of the capital return to shareholders of $0.04 per share that was completed in December 2018. Refer to the statement of cash flows discussion above for further details regarding the movements in the 2018 cash balance.

Non-current assets decreased by $0.5 million due to the Company's investment in unlisted GeoCrystal Limited being re-classified as a financial asset at 30 June 2019.



The Company reviews and reports its mineral resources at least annually. The date of reporting is 30 June each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its mineral resources over the course of the year, the Company is required to report these changes.

An updated National Instrument 43-101 Technical Report ("Technical Report") was completed in April 2019 on the East Cadillac Gold Project, and as a result of the updated Technical Report, no material changes were made to the mineral resource statement.

Historical resource factors were also reviewed and found to be relevant and current.

In July 2019, The Company sold the East Cadillac Gold Project, (which included the Nordeau West deposit) via the sale of its wholly owned subsidiary Chalice Gold Mines (Quebec) Inc. and as a result, the Company no longer holds a mineral resource.

**Table 1. Nordeau West Mineral Resource Estimate**

| JORC Category | Cut-Off (g/t Au) | Tonnage (t) | Grade (g/t Au) | Contained Metal (oz Au) |
|---|---|---|---|---|
| Indicated | 2.75 | 226,000 | 4.19 | 30,400 |
| Inferred | 2.75 | 1,271,900 | 4.14 | 169,400 |
| Total Indicated & Inferred | 2.75 | 1,497,900 | 4.15 | 199,800 |

1. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. These Mineral Resource estimates include Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as mineral reserves. There is also no certainty that these Inferred Mineral Resources will be converted to the Measured and Indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.
2. All figures are rounded to reflect the relative accuracy of the estimate and therefore numbers may not appear to add precisely.
3. The independent Mineral Resource estimate for the Nordeau West deposit was prepared by MRB & Associates, ("MRB") of Val d'Or, Quebec and is reported and classified in accordance with the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2012) and the Canadian National Instruments 43-101.

**Governance Arrangements and Internal Controls**

The Company has ensured that the mineral resources quoted are subject to good governance arrangements and internal controls. The mineral resources reported have been based on information compiled by Mr John Langton, P.Geo., Principal, MRB & Associates. Mr John Langton is a consultant to 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, Mineral Resource and Ore Reserves and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'.

The consultant has also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, Chalice's management carries out regular reviews and audits of internal processes and external consultants that have been engaged by the Company.

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The information in this annual report that relates to Mineral Resources in relation to the East Cadillac Gold project is based on information compiled by Mr John Langton, P.Geo., Principal, MRB & Associates, a Competent Person who is a member of Ordre des Géologues du Québec and the Association of Professional Engineers and Geoscientists of New Brunswick. Mr John Langton is a consultant to the company and has sufficient experience in the style of mineralisation and to the activity undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. Mr Langton consents to the inclusion in the annual report of the matters based on his information in the form and context in which it appears.

The Information in this report that relates to the exploration results for the Pyramid Hill Project is extracted from ASX announcement entitled "Shallow drilling hits gold in basement and outlines three high priority targets for follow-up at the Pyramid Hill Gold Project, Victoria" released on 8 July 2019 and "Drilling to recommence at Pyramid Hill Gold Project in late September" released 2 September 2019.

The Information in this report that relates to exploration results for the King Leopold Project is extracted from ASX announcement entitled "Chalice acquires highly prospective nickel sulphide project in west Kimberley region of WA" and "Strong, shallow EM conductors identified ahead of maiden drill program at King Leopold Nickel Sulphide Project, WA" released on 18 June 2019 and 20 August 2019.

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

## Forward Looking Statements

This document may contain forward-looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, forward-looking statements). These forward-looking statements are made as of the date of this 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 likelihood of exploration success at 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 drilling, the timing and amount of estimated future production, costs of projection, 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 programmes 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; movements in the price of O3 Mining Inc. and Specturm Metals Limited securities and future proceeds from potential sale of those securities, the timing and receipt of exploration tax credits 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, on ASX at asx.com.au and OTC markets at otcmarkets.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.

# Tenement Schedule

AS AT 4 SEPTEMBER 2019

| Location | Project | Tenement No. | Registered Holder | Nature of interest |
|---|---|---|---|---|
| Western Australia | Jericho | E39/1914 | CGM (WA) Pty Ltd | 95% |
| | | P39/5600 to P39/5601 | CGM (WA) Pty Ltd | 100% |
| | Bunjarra Well | E39/1976 | CGM (WA) Pty Ltd | 95% |
| | Gibb Rock | E70/4869 | CGM (WA) Pty Ltd | 95% - Farm-out agreement, Ramelius Resources Ltd has the right to earn up to 75% interest |
| | | E70/5194 | CGM (WA) Pty Ltd | 100% - Farm-out agreement, Ramelius Resources Ltd has the right to earn up to 75% interest |
| | Nulla South | E77/2353 to E77/2354 | CGM (WA) Pty Ltd | 95% - Farm-out agreement, Ramelius Resources Ltd has the right to earn up to 75% interest |
| | Kurrajong Bore | P37/8702 to P37/8711 | CGM (WA) Pty Ltd | 95% |
| | | P37/9016 to P37/9017 | CGM (WA) Pty Ltd | 100% |
| | | P37/9021 | CGM (WA) Pty Ltd | 100% |
| | | P37/9028 | CGM (WA) Pty Ltd | 100% |
| | Julimar | E70/5118 | CGM (WA) Pty Ltd | 100% |
| | | E70/5119 | CGM (WA) Pty Ltd | 100% |
| | King Leopold | E04/2562 | North West Nickel Pty Ltd | 100% |
| | | E04/2405 | Waterford Bay Pty Ltd | 100% hard-rock mineral right (subject to an agreement held with North West Nickel Pty Ltd) |
| | | E04/1169 | Waterford Bay Pty Ltd | 100% hard-rock mineral right (subject to an agreement held with North West Nickel Pty Ltd) |
| | | E04/2299 | Strategic Metals Pty Ltd | 0% - Right to earn up to 85% interest |
| | | E04/2325 | Strategic Metals Pty Ltd | 0% - Right to earn up to 85% interest |
| | Barrabarra | E70/5263 | CGM (WA) Pty Ltd | 100% |
| | Auralia | E69/3636 | CGM (WA) Pty Ltd | 100% |
| | | E69/3637 | CGM (WA) Pty Ltd | 100% |
| | Mt Jackson | E77/2577 | CGM (WA) Pty Ltd | 100% |
| | SW Nickel | E70/5086 | Aaron Peter Banks (40%) Michael Kiel (30%) Roseberry Holdings Pty Ltd (30%) | 100% (subject to a purchase agreement held with Nebula Resources Pty Ltd) |
| Victoria | Pyramid Hill | EL006661 | CGM (WA) Pty Ltd | 100% |
| | | EL006737 to EL006738 | CGM (WA) Pty Ltd | 100% |
| | | EL006669 | CGM (WA) Pty Ltd | 100% |
| | | EL006805 | CGM (WA) Pty Ltd | 100% |
| | | EL006864 | CGM (WA) Pty Ltd | 100% |
| | | EL006898 | CGM (WA) Pty Ltd | 100% |
| | | EL006901 | CGM (WA) Pty Ltd | 100% |
| | | EL006960 | CGM (WA) Pty Ltd | 100% |
| Northern Territory | Warrego North | EL23764 | CGM (WA) Pty Ltd (51%) & Meteoric Resources NL (49%) | Farm-in agreement, right to earn up to 70% interest |
| | | EL31608 | CGM (WA) Pty Ltd | 100% |
| | | EL31610 | CGM (WA) Pty Ltd | 100% |
| Queensland | Flinders River | EPM26858 | CGM Lithium Pty Ltd | 100% |
| | | EPM26863 | CGM Lithium Pty Ltd | 100% |
| | | EPM26861 | CGM Lithium Pty Ltd | 100% |
| | | EPM26864 to EPM26866 | CGM Lithium Pty Ltd | 100% |

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The Directors present their report together with the financial report of Chalice Gold Mines Limited ("Chalice" or "the Company") and its subsidiaries (together "the Group") for the financial year ended 30 June 2019 and the independent auditor's report thereon.

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

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## 1. DIRECTORS

**Timothy (Tim) R B Goyder**
Executive Chairman

Tim has considerable experience in the resource industry as an executive and investor. He has been involved in the formation and management of a number of publicly-listed and private companies and is currently Chairman of DevEx Resources Limited (since 2002) and Liontown Resources Limited (since 2006). Tim was previously a Director of Strike Energy Limited (2017 – 2018).

Tim has been a director since 2005 (14 years) and was appointed Executive Chairman on 23 March 2018. Tim previously held the position of Managing Director.

**Alexander (Alex) C Dorsch**
BEng (Hons), BFin
Managing Director (appointed 13 November 2018)

Alex is an experienced consultant, engineer and corporate advisor in the energy and resource sectors. Prior to joining Chalice, Alex was a specialist consultant with the global management consultancy McKinsey & Company. Prior to this he worked for over six years as an engineer in the oil and gas industry. Alex has a thorough understanding of corporate strategy, business development, financial markets, project development and operations.

Alex was appointed Managing Director on 13 November 2018 and previously held the position of Chief Executive Officer.

**Morgan S Ball**
B.Com, CA, FFin
Lead Independent Non-executive Director

Morgan is a Chartered Accountant with more than 27 years of Australian and international experience in the resources, logistics and finance industries. Morgan is currently Chief Financial Officer of ASX Listed Saracen Mineral Holdings Limited and a Director of Arrow Minerals Limited (ASX: AMD). During the past three years, Morgan was Managing Director (2013 to 2016), and prior to that Finance Director (2011 to 2013) of ASX listed BC Iron Limited.

Morgan is Chairman of the Audit and Risk Committee, a member of the Remuneration Committee and was appointed to the Board as an Independent Non-executive Director on 24 June 2016 (3 years).

**Stephen P Quin**
PGeo, FGAC, FSEG, MIOM3
Independent Non-executive Director

Stephen is a geologist with more than 38 years' experience in the mining and exploration industry. Stephen is based in Vancouver, Canada, and has been the President & CEO of Midas Gold Corp. and its predecessor since January 2011. Stephen was previously President and COO of TSX listed copper producer Capstone Mining Corp. and, up until its merger with Capstone, President and CEO of TSX listed copper producer Sherwood Copper Corp. Prior to joining Sherwood, Stephen spent 18 years as Vice President and subsequently Executive Vice President of TSX listed Miramar Mining Corporation, a Canadian focused gold producer and developer. Stephen has extensive experience in the resources sector, and in the financing, development and operation of production companies.

Stephen is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee. Stephen has been an Independent Non-executive Director since 2010 (9 years).

**Anthony (Tony) W Kiernan**
LLB, AM
Independent Non-executive Director (resigned 13 September 2018)

Tony, previously a practising lawyer, is a corporate advisor with extensive experience in the administration and operation of listed public companies. He is the Chairman of ASX listed Pilbara Minerals Limited, Saracen Mineral Holdings Limited and Venturex Resources Limited. Tony was a director of the Company from February 2007 to 13 September 2018.

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## 2. OFFICERS AND COMPANY SECRETARY

**Richard K Hacker**
B.Com, CA, ACIS
Chief Financial Officer

Richard is a Chartered Accountant and Chartered Secretary with over 20 years of professional and corporate experience in the energy and resources sector in Australia and the United Kingdom. Richard has previously worked in senior finance roles with global energy companies including Woodside Petroleum Limited and Centrica Plc. Prior to this, Richard was in private practice with major accounting practices.

Richard is a Non-executive Director of DevEx Resources Limited, and Chief Financial Officer of Liontown Resources Limited, both ASX listed.

**Jamie Armes**
Company Secretary
B.Bus, CA, ACIS
(appointed 16 August 2019)

Jamie is a Chartered Accountant who has over 20 years' experience within the accounting profession and the administration of public listed companies in the mining and exploration industry.

**Leanne Stevens**
B.Com, CA, ACIS
Company Secretary
(resigned 16 August 2019)

Leanne is a Chartered Accountant and Chartered Secretary who has over 17 years of accounting and governance experience within the mining and energy industries.

## 3. DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Directors' Meetings | Audit & Risk Committee | Remuneration | Nomination |
|---|---|---|---|---|
| **Number of meetings held:** | 9 | 2 | 2 | - |
| **Number of meetings attended:** | | | | |
| T R B Goyder | 9 | - | - | - |
| A C Dorsch | 9 | - | - | - |
| S P Quin | 9 | 2 | 2 | - |
| M S Ball | 9 | 2 | 2 | - |
| A W Kiernan | 3 | 2 | 1 | - |

The Company has an audit and risk committee and a separate remuneration committee. The nomination committee comprises the full membership of the board of directors and any matters to be dealt with by the nomination committee are included in board meetings. Members acting on the committees during the year were:

| Audit and Risk | Remuneration[1] | Nomination |
|---|---|---|
| M S Ball (Chairman) | S P Quin (Chairman) | Full Board |
| A W Kiernan | A W Kiernan | |
| S P Quin | M S Ball | |

[1]Mr Kiernan resigned from the Board on 13 September 2018 and Mr Ball was appointed Chairman of the Remuneration Committee. Subsequent to 30 June 2019, Mr Quin was appointed to Chair of the Remuneration Committee and Mr Ball remained a member of the Remuneration Committee.

## 4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were mineral exploration. There has been no significant change in the nature of the principal activities during the year.

## 5. OPERATING AND FINANCIAL REVIEW

The directors of Chalice Gold Mines Limited present the Operating and Financial Review of the Group, prepared in accordance with section 299A of the *Corporations Act 2001* for the year ended 30 June 2019. The information provided in this review forms part of the Directors' Report and provides information to assist users in assessing the operations, financial position and business strategies of the Group. Please refer to page 3 for further details.

## 6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the progress documented above, the state of affairs of the Company was not affected by any other significant changes during the year.

## 7. REMUNERATION REPORT – AUDITED

This report for the year ended 30 June 2019 outlines remuneration arrangements in place for directors and executives of Chalice Gold Mines Limited in accordance with the requirements of the *Corporations Act 2001* (the "Act") and its regulations. This information has been audited as required by section 308 (3C) of the Act.

### 7.1 Objectives

The Company's remuneration policy is structured to ensure it is aligned to the business strategy, shareholder interests and to ensure effective executive remuneration and retention. These objectives are designed to be achieved through the Company's short term and long term incentive plans which link the achievement of these objectives to the variable compensation of Key Management Personnel (KMP) and staff.

### 7.2 Introduction

The remuneration report details the remuneration arrangements for KMP who are defined as those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group directly or indirectly. The following were the KMP for the Group at any time during the year:

**Executive Directors**

| | |
|---|---|
| Tim Goyder | Executive Chairman |
| Alex Dorsch | Managing Director (appointed 13 November 2018, previously Chief Executive Officer) |

**Non-executive Directors**

| | |
|---|---|
| Stephen Quin | Non-executive Director |
| Morgan Ball | Non-executive Director |
| Anthony Kiernan | Non-executive Director (resigned 13 September 2018) |

**Executives**

| | |
|---|---|
| Richard Hacker | Chief Financial Officer |
| Kevin Frost | General Manager – Exploration |
| Patrick Lengyel | Exploration Manager – Canada |

Other than disclosed above, there were no changes in KMP after the reporting date and before the financial report was authorised for issue.

### 7.3 Remuneration governance

**Remuneration committee**

The Board is responsible for ensuring Chalice's remuneration strategy is aligned with Company performance and shareholder interests and is equitable for participants. To assist with this, the Board has established a Remuneration Committee that consisted of the following directors during the reporting period:

- Stephen Quin (Chair) – appointed to Chair on 12 July 2019
- Morgan Ball (member) – appointed to Chair on 13 September 2018 and resigned as Chair on 12 July 2019.
- Anthony Kiernan (resigned 13 September 2018)

The Remuneration Committee has delegated decision-making authority for some matters related to the remuneration arrangements for KMP, and is required to make recommendations to the Board on other matters.

Specifically, the Board approves the remuneration arrangements of the Managing Director and other executives including awards made under the Short Term Incentive Plan ("STIP") and Employee Long Term Incentive Plan ("LTIP"), following recommendations from the Remuneration Committee. The Board also sets the aggregate fee pool for Non-executive Directors ("NED") (which is subject to shareholder approval) and NED fee levels.

The Remuneration Committee meets through the year when appropriate. The Managing Director and Executive Chairman may attend certain Remuneration Committee meetings by invitation, where management input is required. The KMP are not present during any discussions related to their own remuneration arrangements.

Further information on the Remuneration Committee's role, responsibilities and membership can be seen at chalicegold.com.

**Use of remuneration consultants**

To ensure the Remuneration Committee is fully informed when making remuneration decisions, the Remuneration Committee may seek external advice, as it requires, on remuneration policies and practices. Remuneration consultants are able to be engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee would consider potential conflicts of interest and independence from the Group's KMP and other executives. During the financial year, the Remuneration Committee did not seek specific advice or recommendations from external consultants.

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**Remuneration report approval at 2018 Annual General Meeting**

The Remuneration Report for the financial year ended 30 June 2018 received positive shareholder support at the 2018 Annual General Meeting ("AGM") with a vote of 92.9% in favour.

### 7.4 Remuneration principles and components of remuneration

The Company has adopted the following principles in its remuneration framework:

1. Seeking aggregate remuneration at a level which provides the Company with the ability to attract and retain directors and executives of high calibre at a cost which is acceptable to shareholders; and
2. KMP interest being aligned with shareholder value and Company performance by:
   - providing fair, consistent and competitive compensation and rewards to attract and retain appropriate employees;
   - ensuring that total remuneration is competitive with its peers by market standards;
   - incorporating in the remuneration framework both short (if applicable) and long term incentives linked to the strategic goals and performance of the Company;
   - demonstrating a clear relationship between individual performance and remuneration; and

The following table is an overview of the components of remuneration:

| | Element | Non-executive directors | Executives |
|---|---|---|---|
| **Fixed remuneration** | Base salary | × | ✓ |
| | Base fee | ✓ | × |
| | Committee fees | ✓ | × |
| | Superannuation | ✓(1) | ✓ |
| | Consultancy fees | × | × |
| | Other benefits | ✓(2) | ✓(2) |
| **Variable remuneration** | Short term incentives (STI) | × | ✓ |
| | Share options | ✓(3) | ✓ |
| | Performance rights | × | ✓ |

(1)Only applies to Australian non-executives.
(2)Other benefits relates to directors and officers insurance and income protection for executives.
(3)Non-executive directors are eligible to participate in the share option plan at the discretion of the Board and subject to shareholder approval where required (refer below for further details).

#### 7.4.1 Non-executive director remuneration

The Company's Constitution and the ASX Listing Rules specify that the maximum aggregate fees to be paid to non-executive directors for their roles as directors are to be approved by shareholders at a general meeting. The latest determination was at the 2011 AGM, whereby Shareholders approved a maximum aggregate amount of $450,000 per year (including superannuation). The Board does not propose to seek any increase for the non-executive director pool at the upcoming 2019 Annual General Meeting.

The fee structure for non-executive directors is reviewed annually and the Remuneration Committee and the Board may consider advice from external consultants, and undertake comparative analyses of the fees paid to non-executive directors of comparable companies in the resources sector with similar market capitalisations.

For the 2019 financial year, a non-executive director received a fee of $60,000 (30 June 2018: between $60,000 and $80,000) (inclusive of superannuation, where applicable) and members of Board Committees received an additional $5,000 (inclusive of superannuation where applicable) for their roles on each of those Committees.

In June 2019, the Remuneration Committee reviewed the fee structure for non-executive directors and determined that in light of reducing corporate overheads and to reflect the Company's current strategy, it was agreed that non-executive director fees would be reduced to $40,000 (inclusive of superannuation where applicable), plus members of the Board Committees shall receive an additional $4,000 (inclusive of superannuation) and a Chair of Board Committees shall receive $6,000 (inclusive of superannuation). To compensate non-executive directors for the reduction in fees, the Board resolved in July 2019 to grant, subject to shareholder approval at the Company's 2019 AGM, 500,000 share options each to Mr Ball and Mr Quin.

The non-executive directors are not entitled to receive retirement benefits. Non-executive directors, at the discretion of the Board, may participate in the Employee Share Option Plan ("ESOP"), subject to approvals required by shareholders. The Board is conscious of the issue of share options to non-executive directors and will continue to balance the cost benefit of issuing share options to attract and retain quality directors against paying higher fixed directors' fees.

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Non-executive directors are not eligible to participate in the Company's Long Term Incentive Plan ("LTIP").

The remuneration of non-executive directors for the years ended 30 June 2019 and 30 June 2018 is detailed further in this Remuneration Report. The amounts listed under 'Salary & Fees' include both director fees and consultancy fees received by non-executive directors. No consultancy fees were received by non-executive directors in the year ended 30 June 2019 (2018: nil).

### 7.4.2 Executive remuneration

Executive remuneration consists of fixed remuneration and may also comprise variable remuneration in the form of performance based cash bonuses (STIP), share options and performance rights (issued under the terms of the ESOP and LTIP respectively). The LTIP was approved by the Company's shareholders at the 2017 AGM. The structure of the plan is detailed below.

**(a) Fixed remuneration**

The level of fixed remuneration is set to provide a base level of remuneration which is both appropriate for the position and competitive in the market. The Company aims to pay in accordance with market rates and the Board may use its discretion to pay above this to attract and retain key employees in achieving the Company's strategic goals.

Fixed remuneration is reviewed at appropriate times (and no less than on an annual basis) by the Remuneration Committee and approved by the Board having regard to the Company and individual performance, relevant comparable remuneration for similarly capitalised companies in the mining industry and independently compiled market data. Executives receive their fixed remuneration in the form of cash.

The fixed remuneration for executives is detailed further in this Report.

**(b) Variable remuneration - STIP**

The Board has implemented a formal STIP which includes cash bonuses to executives upon achievement of predefined targets. The maximum bonus percentage ("MBP") ranges between 10% and 50% of an executive's fixed annual salary depending on the position held and responsibilities to be undertaken. The STIP is based on achieving "Expected" and "Stretch" targets for the year. Achieving the expected target attracts 20% of the relevant MBP and achieving the stretch target or better attracts up to 100% of the relevant MBP.

The Board has suspended the STIP and moved 100% of eligible KMP's incentive entitlements exclusively to the LTIP. The justification for this is that at this stage of the Company's development, all the key business objectives of KMP have longer dated time frames than the STIP's 12 month time frame. During the year, a one-off cash bonus was paid to Mr P Lengyel in lieu of performance rights vesting in July 2018. No cash bonuses were paid to KMP or employees during the year.

The Board reserves the right to pay discretionary cash bonuses to employees and executives to reward individual efforts and/or outstanding performance.

**(c) Variable remuneration – employee long term incentive plan (LTIP)**

Under the LTIP, the Board has the discretion to make annual awards of performance rights (which is a right to convert into ordinary shares after achievement of applicable criteria and targets) to executives and employees. The level of the award of performance rights is dependent on an employee's position within the Company. Subject to the performance criteria set out in the terms of the LTIP, performance rights held by an employee may convert into ordinary fully paid shares in the Company. In the event performance criteria are not achieved by the measurement date, the employee's performance rights lapse with no shares being issued.

A summary of the LTIP is set out below:

| Key Design Feature | Design |
|---|---|
| Eligibility | All full-time employees and permanent part-time employees (including executive directors and the CEO) of the Company are eligible participants. Shareholder approval is required before any director or related party of the Company can participate in the LTIP. |
| Award quantum | The award quantum will be determined in consideration of total remuneration of the individual, market relativities and business affordability. The LTIP does not set out a maximum number of shares that may be issuable to any one person, other than the 5% limit of the total number of issued shares. |
| Performance conditions | The performance conditions that must be satisfied in order for the performance rights to vest are determined by the Board. The performance conditions may include one or more of the following:<br>• Employment of a minimum period of time;<br>• Achievement of specific objectives by the participant and/or the Company. This may include the achievement of share price targets, total shareholder return and other major long term milestone targets; or<br>• Such other performance objectives as the Board may determine. |

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| Key Design Feature | Design |
|---|---|
| Vesting | Vesting will occur at the end of a defined period, usually three years, and upon the achievement of the performance conditions. |
| Term and lapse | The term of the performance rights is determined by the Board in its discretion, however will ordinarily have a three year term up to a maximum of five years. Performance Rights are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry dates (if no other measurement date is specified) or if employment is terminated for cause or in circumstances as described below. |
| Price Payable by Participant | No consideration. |
| Cessation of Employment | If an employee leaves the Company prior to the expiration of the relevant vesting period for a particular award of performance rights, such performance rights would, as a general rule lapse, except in certain limited defined situations such as disability, redundancy or death. |

In July 2019, the Company undertook a review of the current LTIP and ESOP and as a result of the review a new plan has been developed to replace both the LTIP and ESOP and will be put to Shareholders at the upcoming 2019 AGM. Therefore, the 2019/2020 grant of performance rights to KMP and employees is subject to Shareholders approving the new plan.

**Annual grant of performance rights – 2019/2020**

In August 2019, the Board resolved to grant performance rights to KMP as per the table below:

| Annual Award | KMP | Number of Rights | Measurement Date | Vesting Date |
|---|---|---|---|---|
| 2019/2020 | Tim Goyder[1] | 735,294 | 30 June 2022 | 30 June 2022 |
| | Alex Dorsch[1] | 1,074,402 | 30 June 2022 | 30 June 2022 |
| | Richard Hacker | 700,606 | 30 June 2022 | 30 June 2022 |
| | Kevin Frost | 827,593 | 30 June 2022 | 30 June 2022 |
| | Patrick Lengyel | 628,676 | 30 June 2022 | 30 June 2022 |

[1]Performance rights to be issued to Mr Goyder and Mr Dorsch are subject to shareholder approval at the Company's 2019 AGM.

As the Company shall adopt a new plan, to be approved by shareholders at the upcoming 2019 AGM, the above performance rights to KMP are also subject to shareholders approving the new plan.

The performance rights shown above will not vest (and the underlying shares will not be issued) unless the performance conditions set by the Board have been satisfied at the measurement date. For the 2019/2020 annual grant of performance rights, the Remuneration Committee recommended to the Board that 100% of KMP's incentive entitlements are offered via the LTIP and that 25% of the LTIP is to be based on meeting absolute Total Shareholder Return ("TSR"), 25% based on meeting relative TSR objectives and the remaining 50% is to be based on achieving key business objectives.

The following table outlines key business objectives and the weightings of the performance condition:

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| Overall Performance Condition | Specific Performance Conditions | Percentage of granted performance rights that will vest if performance conditions are met |
|---|---|---|
| Strategic objectives | Undertake a significant acquisition or corporate transaction: acquire one or more assets or undertake a corporate transaction with potential to generate an internal rate of return (IRR) of at least 20% using consensus commodity prices and board approved cost assumptions.<br>AND/OR<br>Value generation through:<br>• Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions;<br>• substantially increasing the Company's resource base;<br>• conducting economic/feasibility studies which show the potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions; or<br>• the sale of an asset(s) at a significant profit.<br>NB: The determination as to whether the above objectives have been met will be done by the Board of the Company in a timely manner, acting reasonably and in good faith. | 50% |
| Absolute TSR objectives | If the volume weighted average price of the Company's Shares traded on ASX over the 30 trading days (30-Day VWAP) up to and including 30 June 2022 is:<br>• below $0.18 per Share;<br>• between $0.18 and $0.20 per Share; and<br>• at or above $0.20 per Share.<br>By way of example, if the 30-Day VWAP as at 30 June 2022 is $0.19 per Share, 16.625% of the Performance Rights would vest, calculated as follows:<br>8.25% + (($0.19 - $0.18)/($0.20-$0.18)*(25%-8.25%)) = 16.625%<br>In the event of a corporate action including a demerger, special dividend or reorganisation of capital (including a consolidation, sub-division, return of capital, or reduction of capital), the above thresholds are to be amended to account for that corporate action, provided that such amendment must not provide the Performance Rights holder with a benefit that holders of Shares do not receive. | 0%<br>Pro rata between 8.25% and 25%<br>25% |
| Relative TSR objectives | Comparison of the Company's total shareholder return (TSR) with that of an appropriate comparator group of companies as determined by the Remuneration Committee over the period from the grant of the Performance Rights, to 30 June 2022. The Performance Rights will vest depending on the Company's percentile ranking within the comparator group on the relevant vesting date as follows:<br>• Below 50th percentile<br>• Between 50th and 75th percentile<br>• At or above 75th percentile | 0%<br>Pro rata between 8.25% and 25%<br>25% |

The test date for the performance rights are set at 30 June 2022, being approximately 3 years from the date of grant.

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**Annual grant of performance rights – 2018/2019**

The table below outlines the performance rights granted to KMP for the 2018/2019 financial year and have not yet vested:

| Annual Award | KMP | Number of Rights | Measurement Date | Vesting Date |
|---|---|---|---|---|
| 2018/2019 | Tim Goyder | 871,751 | 30 June 2021 | 30 June 2021 |
| | Alex Dorsch | 1,045,931 | 30 June 2021 | 30 June 2021 |
| | Richard Hacker | 762,514 | 30 June 2021 | 30 June 2021 |
| | Kevin Frost | 847,738 | 30 June 2021 | 30 June 2021 |
| | Patrick Lengyel | 543,973 | 30 June 2021 | 30 June 2021 |

The performance rights shown above will not vest (and the underlying shares will not be issued) unless the performance conditions set by the Board have been satisfied at the measurement date. For the 2018/2019 annual grant of performance rights, the Remuneration Committee recommended to the Board that 100% of KMP's incentive entitlements are offered via the LTIP and that 25% of the LTIP is to be based on meeting absolute Total Shareholder Return ("TSR"), 25% based on meeting relative TSR objectives and the remaining 50% is to be based on achieving key business objectives.

The following table outlines key business objectives and the weightings of the performance condition:

| Overall Performance Condition | Specific Performance Conditions | Percentage of granted performance rights that will vest if performance conditions are met |
|---|---|---|
| Strategic objectives | **Undertake a significant acquisition or corporate transaction:** acquire one or more assets or undertake a corporate transaction with potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions.<br>**AND/OR** | 50% |
| | **Value generation through:**<br>• Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; or<br>• substantially increasing the Company's resource base; or<br>• conducting economic/feasibility studies which show the potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions; or<br>• the sale of an asset(s) at a significant profit.<br>NB: The determination as to whether the above objectives have been met will be done by the Board of the Company in a timely manner, acting reasonably and in good faith. | |
| Absolute TSR objectives | The performance conditions for performance rights issued will be measured by comparing the Company's share price (which to the extent reasonable takes into account value generated through demerger and special dividends) with an absolute share price at the end of the financial year that is 3 years after that date (vesting date). The performance rights will vest on a pro-rata basis as follows:<br>• Share price below 15% p.a. increase (equates to CHN share price <21c in 3 years)<br>• Between 15% p.a. and 20% p.a. (21c – 24c)<br>• At or above 20% p.a. (>24c) | 0%<br>Pro rata between 8.25% and 25%<br>25% |
| Relative TSR objectives | The performance conditions for performance rights issued will be measured by comparing the Company's TSR with that of an appropriate comparator group of companies as determined by the Remuneration Committee over the period from the grant of the performance rights, to the end of the financial year that is 3 years after that date (vesting date). The performance rights will vest depending on the Company's percentile ranking within the comparator group on the relevant vesting date as follows: | |

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| Overall Performance Condition | Specific Performance Conditions | Percentage of granted performance rights that will vest if performance conditions are met |
|---|---|---|
| | • Below 50th Percentile | 0% |
| | • Between 50th and 75th percentile | Pro rata between 8.25% and 25% |
| | • At or above 75th percentile | 25% |

The test date for the performance rights are set at 30 June 2021, being approximately 3 years from the date of grant.

**Annual grant of performance rights – 2017/2018**

The table below outlines the performance rights granted to KMP for the 2017/2018 financial year and have not yet vested:

| Annual Award | KMP | Number of Rights | Measurement Date | Vesting Date |
|---|---|---|---|---|
| 2017/2018 | Tim Goyder | 1,217,989 | 30 June 2020 | 30 June 2020 |
| | Alex Dorsch | 339,076 | 30 June 2020 | 30 June 2020 |
| | Richard Hacker | 764,921 | 30 June 2020 | 30 June 2020 |
| | Kevin Frost | 815,607 | 30 June 2020 | 30 June 2020 |
| | Patrick Lengyel | 415,365 | 30 June 2020 | 30 June 2020 |

The performance rights shown above will not vest (and the underlying shares will not be issued) unless the performance conditions set by the Board have been satisfied at the measurement date. For the 2017/2018 annual grant of performance rights, the Remuneration Committee recommended to the Board that 100% of KMP's incentive entitlements are offered via the LTIP and that 50% of the LTIP is to be based on meeting Total Shareholder Return ("TSR") and the remaining 50% is to be based on achieving key business objectives.

The following table outlines key business objectives and the weightings of the performance condition:

| Overall Performance Condition | Specific Performance Conditions | Percentage of granted performance rights that will vest if performance conditions are met |
|---|---|---|
| Strategic objectives | **Undertake a significant acquisition or corporate transaction:** acquire one or more assets or undertake a corporate transaction with potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions.<br>**AND/OR** | 50% |
| | **Value generation through:**<br>• Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; or<br>• Substantially increasing the Company's resource base; or<br>• Conducting economic/feasibility studies which show the potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions; or<br>• The sale of an asset(s) at a significant profit.<br>NB: The determination as to whether the above objectives have been met will be done by the Board of the Company in a timely manner, acting reasonably and in good faith. | |

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| Overall Performance Condition | Specific Performance Conditions | Percentage of granted performance rights that will vest if performance conditions are met |
|---|---|---|
| TSR objectives | The performance conditions for performance rights issued will be measured by comparing the Company's TSR with that of an appropriate comparator group of companies as determined by the Remuneration Committee over the period from the grant of the performance rights, to the end of the financial year that is 3 years after that date (vesting date). The performance rights will vest depending on the Company's percentile ranking within the comparator group on the relevant vesting date as follows: | |
| | Below 50th Percentile | 0% |
| | Between 50th and 75th percentile | Pro rata between 16.5% and 50% |
| | At or above 75th percentile | 50% |

The test date for the performance rights are set at 30 June 2020, being approximately 3 years from the date of grant.

**Annual grant of performance rights - 2016/2017**
The table below outlines the performance rights granted to KMP for the 2016/2017 financial year:

| Annual Award | KMP | Number of Rights | Measurement Date | Vesting Date |
|---|---|---|---|---|
| 2016/2017 | Tim Goyder | 1,200,738 | 30 June 2019 | 30 June 2019 |
| | Richard Hacker | 754,087 | 30 June 2019 | 30 June 2019 |
| | Kevin Frost | 804,058 | 30 June 2019 | 30 June 2019 |
| | Patrick Lengyel | 389,594 | 30 June 2019 | 30 June 2019 |

In July 2019, the Remuneration Committee determined that, at the measurement date of 30 June 2019, the performance conditions as set by the Board during the measurement period of 1 July 2016 until 30 June 2019 (inclusive) were not met, therefore the above performance rights did not vest, and lapsed on 12 July 2019.

**(d) Variable remuneration – share option plan**
Equity grants to executives have previously been delivered in the form of employee share options under the Company's Employee Share Option Plan which was last approved by shareholders in 2016 and shall be put to Shareholders for approval at the Company's 2019 AGM. Options are issued at an exercise price determined by the Board at the time of issue.

Generally, no performance hurdles were set on options issued to executives. The Company considered that as options were issued at a price in excess of the Company's current share price (at the date of issue of those options), there was an inherent performance hurdle as the share price of the Company's shares had to increase before any reward could accrue to the executive.

The vesting period for share options is at the discretion of the Board and the expiry date of share options is usually between 3 and 5 years.

Upon cessation of employment, participants have 3 months from the date of cessation to exercise the share options. This requirement may be waived at the Board's discretion.

Generally, it is the Board's preference to issue performance rights under the LTIP to KMP rather than share options, however in the current year 1,000,000 unlisted options were granted to Mr A Dorsch, subject to Shareholder approval at the Company's 2019 AGM under the Company's share option plan as part of a sign on incentive for his appointment to Managing Director.

### 7.4.3 Link between performance and executive remuneration

The focus of executive remuneration over the financial year was fixed remuneration and performance rights under the LTIP (i.e. growing the value of the Company as reflected through share price) which seeks to ensure that executive remuneration is appropriately aligned with the business strategy and shareholder interests.

The share price performance over the last 5 years, adjusted to reflect the capital return of $0.04 per share in December 2018, is as follows:

| | 30 June 2015 | 30 June 2016 | 30 June 2017 | 30 June 2018 | 30 June 2019 |
|---|---|---|---|---|---|
| Share price | $0.07 | $0.14 | $0.11 | $0.10 | $0.12 |

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### 7.5 Key Management Personnel remuneration

| Key Management Personnel | | Short-term benefits | | | Post-employment benefits | Share-based payments | Total | Proportion of remuneration performance related |
|---|---|---|---|---|---|---|---|---|
| | | Salary & fees | Non-monetary benefits | Cash Bonus[3] | Superannuation | Long Term Incentives [4] | | |
| | | $ | $ | $ | $ | $ | $ | % |
| **Directors** | | | | | | | | |
| T R B Goyder | 2019 | 324,078 | 5,268 | - | 26,381 | 158,127 | 513,854 | 31 |
| | 2018 | 369,951 | 5,460 | - | 20,049 | 102,464 | 497,924 | 21 |
| A C Dorsch [1] | 2019 | 299,468 | 4,461 | - | 20,531 | 141,426 | 465,886 | 30 |
| | 2018 | 179,210 | 1,139 | - | 13,285 | 119,911 | 313,545 | 38 |
| A W Kiernan [2] | 2019 | 16,779 | 905 | - | 1,594 | - | 19,278 | - |
| | 2018 | 82,191 | 3,849 | - | 7,808 | - | 93,848 | - |
| S P Quin | 2019 | 70,000 | 8,388 | - | - | - | 78,388 | - |
| | 2018 | 70,000 | 7,608 | - | - | - | 77,608 | - |
| M S Ball | 2019 | 63,927 | 4,461 | - | 6,073 | - | 74,461 | - |
| | 2018 | 63,927 | 3,849 | - | 6,073 | - | 73,849 | - |
| **Executives** | | | | | | | | |
| R K Hacker | 2019 | 285,365 | 6,759 | - | 20,531 | 101,719 | 414,374 | 25 |
| | 2018 | 285,847 | 5,919 | - | 20,049 | 76,489 | 388,304 | 20 |
| K M Frost | 2019 | 269,644 | - | - | 23,215 | 119,736 | 412,595 | 29 |
| | 2018 | 266,561 | - | - | 23,614 | 81,558 | 371,733 | 22 |
| P Lengyel[3] | 2019 | 200,645 | 13,357 | 61,068 | - | 64,510 | 339,580 | 19 |
| | 2018 | 193,060 | 12,325 | - | - | 40,409 | 245,794 | 16 |
| **Total Compensation** | **2019** | **1,529,906** | **43,599** | **61,068** | **98,325** | **585,518** | **2,318,416** | **-** |
| | **2018** | **1,510,747** | **40,149** | **-** | **90,878** | **420,831** | **2,062,605** | **-** |

[1]On 13 November 2018, Mr Dorsch was appointed Managing Director. Prior to this date, Mr Dorsch held the role of Chief Executive Officer.
[2]Mr Kiernan resigned from the Board on 13 September 2018.
[3]Mr Lengyel received a cash bonus of $61,068 in lieu of the issue of shares on vesting of performance rights granted to Mr Lengyel in 2016.
[4]The fair value of the options is calculated at the date of grant using a Black-Scholes Option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. The fair value of the performance rights is calculated at the date of grant using a binomial option-pricing model. In valuing the options and performance rights, market based vesting conditions have been taken into account.

### 7.6 Equity instruments

#### 7.6.1 Employee share options

During the reporting period, subject to shareholder approval at the Company's 2019 AGM, 1,000,000 share options were granted to Mr Dorsch on his appointment as Managing Director. The options have an exercise price of 21 cents per share, with an expiry date of 30 November 2021. No further options over ordinary shares in the Group were granted or vested as compensation to KMP.

On 30 June 2019, 500,000 options over ordinary shares granted to KMP lapsed.

#### 7.6.2 Employee long term incentive plan - performance rights

During the reporting period the following performance rights were granted as compensation to KMP and details of performance rights that vested during the reporting period are as follows:

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| | Number of rights granted during 2019 | Grant date | Fair value of rights at grant date (A) $ | Weighted average Fair value per right $ | Expiry date | Number of rights vested during 2019 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| T R B Goyder | 871,751 | 28 November 2018 | 112,457 | 0.13 | 30 June 2022 | - |
| A C Dorsch | 1,045,931 | 31 July 2018 | 137,017 | 0.13 | 30 June 2022 | - |
| **Executives** | | | | | | |
| R K Hacker | 762,514 | 31 July 2018 | 99,889 | 0.13 | 30 June 2022 | - |
| K M Frost | 847,738 | 31 July 2018 | 111,054 | 0.13 | 30 June 2022 | - |
| P Lengyel | 543,973 | 31 July 2018 | 71,260 | 0.13 | 30 June 2022 | - |

(A) The value of performance rights granted in the year is the fair value of performance rights calculated at grant date using a binomial option-pricing model. The total value of the performance rights granted is included in the table above. This amount is allocated to remuneration over the vesting period.

The above performance rights were issued at no cost and expire on the earlier of their date or termination of the KMP's employment.

During the reporting period, 2,048,216 shares were issued to KMP on the exercise of performance rights granted as compensation in the 2016 financial year.

Details of the vesting profile of performance rights granted as remuneration to each KMP of the Group are outlined below.

| | Number of rights | Grant date | % vested in year | % forfeited/lapsed in year | Measurement Date |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| T R B Goyder | 1,664,707 | 25 November 2015 | 68.9 | 31.1 | 30 June 2018 |
| | 1,200,738 | 22 November 2016 | - | - | 30 June 2019 |
| | 1,217,989 | 29 November 2017 | - | - | 30 June 2020 |
| | 871,751 | 28 November 2018 | - | - | 30 June 2021 |
| A C Dorsch | 339,076 | 9 November 2017 | - | - | 30 June 2020 |
| | 1,045,931 | 31 July 2018 | - | - | 30 June 2021 |
| **Executives** | | | | | |
| R K Hacker | 1,306,837 | 25 June 2015 | 68.9 | 31.1 | 30 June 2018 |
| | 754,087 | 15 July 2016 | - | - | 30 June 2019 |
| | 764,921 | 28 July 2017 | - | - | 30 June 2020 |
| | 762,514 | 31 July 2018 | - | - | 30 June 2021 |
| K M Frost | 804,058 | 15 July 2016 | - | - | 30 June 2019 |
| | 815,607 | 28 July 2017 | - | - | 30 June 2020 |
| | 847,738 | 31 July 2018 | - | - | 30 June 2021 |
| P Lengyel | 648,809 | 25 June 2015 | - | 100 | 30 June 2018 |
| | 389,594 | 15 July 2016 | - | - | 30 June 2019 |
| | 415,365 | 28 July 2017 | - | - | 30 June 2020 |
| | 543,973 | 31 July 2018 | - | - | 30 June 2021 |

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### 7.6.3 Equity holdings of key management personnel

**Option holdings and performance rights of key management personnel**

The movement during the reporting period in the number of options and performance rights over ordinary shares in the Group held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

| | Equity Type | Held at 1 July 2018 | Granted as compensation | Exercised/ Forfeited | Held at 30 June 2019 | Vested during the year | Vested and exercisable at 30 June 2019 |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| T Goyder | Performance Rights | 4,083,434 | 871,751 | (1,664,707) | 3,290,478 | 1,147,444 | - |
| A Dorsch[1] | Performance Rights | 339,076 | 1,045,931 | - | 1,385,007 | - | - |
| | Options | 4,000,000 | - | - | 4,000,000 | 2,666,666 | 2,666,666 |
| A W Kiernan | Options | 500,000 | - | - | 500,000 | - | 500,000 |
| S P Quin | Options | 500,000 | - | - | 500,000 | - | 500,000 |
| M S Ball | Options | 500,000 | - | (500,000) | - | - | - |
| **Executives** | | | | | | | |
| R K Hacker | Performance Rights | 2,825,845 | 762,514 | (1,306,837) | 2,281,522 | 900,772 | - |
| K M Frost | Performance Rights | 1,619,665 | 847,738 | - | 2,467,403 | - | - |
| P Lengyel | Performance Rights | 1,453,768 | 543,973 | (648,809) | 1,348,932 | - | - |

[1]On Mr Dorsch's appointment to Managing Director, the Board resolved, subject to shareholder approval to grant Mr Dorsch 1,000,000 options with an exercise price of 21 cents (adjusted for the capital return of 4 cents), expiring 30 November 2021 and with the following vesting conditions:

- 500,000 options shall vest immediately; and
- 500,000 options shall vest 30 November 2019.

**Shareholdings of key management personnel**

The movement during the reporting period in the number of ordinary shares in the Group held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

| | Held at 1 July 2018 | Additions | Received on exercise of Options / Performance rights | Sales | Held at 30 June 2019 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| T R B Goyder | 44,827,765 | - | 1,147,444 | - | 45,975,209 |
| A Dorsch | 1,430,000 | - | - | - | 1,430,000 |
| A W Kiernan | 2,152,040 | - | - | - | 2,152,040 |
| S P Quin | 26,321 | - | - | - | 26,321 |
| M B Ball | 30,000 | - | - | - | 30,000 |
| **Executives** | | | | | |
| R K Hacker | 50,000 | - | 900,772 | (350,772) | 600,000 |
| K M Frost | - | - | - | - | - |
| P Lengyel | - | - | - | - | - |

### 7.7 Other transactions with key management personnel and their related parties

A number of KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with KMP or their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

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The aggregate expense/(income) recognised during the year relating to KMP or their related parties was as follows:

| KMP | Transaction | Note | 2019 $ | 2018 $ |
|---|---|---|---|---|
| **Other related parties** | | | | |
| Liontown Resources Limited | Corporate and KMP services | (i) | (249,107) | (88,000) |
| DevEx Resources Limited | Corporate and KMP services | (i) | (114,000) | (68,000) |
| PhosEnergy Limited | Corporate and KMP services | (i) | (21,600) | (21,600) |

(i) The Group supplied corporate services such as accounting, administration and office rent facilities under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), DevEx Resources Limited ("DEV") and PhosEnergy Limited ("PEL") and corporate services of KMP. Mr Goyder is a director of LTR, DEV and 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 payment terms.

Amounts outstanding (to)/from the above related parties at reporting date arising from these transactions were as follows:

| **Assets and liabilities arising from the above transactions** | 2019 $ | 2018 $ |
|---|---|---|
| Current payables | - | - |
| Trade debtors | 109,998 | 29,600 |
| | 109,998 | 29,600 |

### 7.8 Executive contracts

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

**Executive Chairman**

The Executive Chairman, Mr Tim Goyder, is employed under an ongoing contract which can be terminated with notice by either the Group or the Executive Chairman.

Under the terms of the present contract (as applicable from 1 July 2019):

- The Executive Chairman receives fixed remuneration of $219,000 per annum (inclusive of superannuation).
- The Executive Chairman may participate in incentive plans that are in place from time to time subject to the Board's discretion and any shareholder approvals required.
- The Executive Chairman's termination provisions are as follows:

| | Notice Period | Payment in lieu of notice |
|---|---|---|
| Resignation | 3 months | 3 months |
| Termination for cause | None | None |
| Termination in cases of death, disablement, redundancy or notice without cause | 3 months | 3 months |
| Diminution of responsibility | 12 months | N/A |

In July 2019, the fixed remuneration of Mr Goyder was reduced from $273,750 to $219,000 per annum (inclusive of superannuation), effective 1 July 2019.

**Managing Director**

The Managing Director ("MD"), Mr Alex Dorsch, is employed under an ongoing contract which can be terminated with notice by either the Group or the MD.

Under the terms of the present contract, as disclosed to the ASX on 13 November 2018:

- The MD receives fixed remuneration of $320,000 per annum (inclusive of superannuation).
- The MD is entitled to participate in both the Employee Share Option Plan and LTIP as determined by the Board.

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- The MD's termination provisions are as follows:

| | Notice Period | Payment in lieu of notice |
|---|---|---|
| Resignation | 3 months | 3 months |
| Termination for cause | None | None |
| Termination in cases of death, disablement, redundancy or notice without cause | 3 months | 3 months |
| Diminution of responsibility | 6 months | N/A |

- The Company has the discretion to impose a restraint (non-compete) period of up to a maximum of 12 months following cessation of employment.

**Other Executives**

Other Executives are employed on individual ongoing contracts that set out the terms of their employment. The following table outlines the termination provisions contained within those employment agreements held by other KMP:

| | Notice Period | Payment in lieu of notice |
|---|---|---|
| Resignation | 3 months | 3 months |
| Termination for cause | None | None |
| Termination in cases of death, disablement, redundancy or notice without cause | 3 months | 3 months |
| Diminution of responsibility | 6 months* | N/A |

* Mr Hacker only

## 8. DIVIDENDS

No dividends were declared or paid during the year and the directors recommend that no dividend be paid.

## 9. CAPITAL RETURN

In November 2018 at the Company's 2018 AGM, Shareholders approved an equal capital return and reduction of $0.04 per share totalling $10.7 million. The return of capital was completed in early December 2018.

## 10. LIKELY DEVELOPMENTS

There are no likely developments that will impact on the Company other than as disclosed elsewhere in this report.

## 11. SIGNIFICANT EVENTS AFTER BALANCE DATE

In June 2019, the Company entered into a binding agreement to acquire the ordinary shares of North West Nickel Pty Ltd ("NWN") by issuing 7,500,000 fully paid ordinary shares in the Company. The completion of the acquisition was subject to a number of conditions precedent, such as the approval of NWN's shareholder's capital return. All conditions precedent were subsequently satisfied on 17 July 2019 and the Company issued 7,500,000 shares to the shareholders of NWN.

On 2 July 2019, the Group entered into a Share Purchase Agreement ("SPA") with O3 Mining Inc. ("O3 Mining", TSX-V: OIII), whereby O3 Mining purchased the Company's wholly-owned subsidiary Chalice Gold Mines (Quebec) Inc. ("CGMQ"). CGMQ is the registered holder of the East Cadillac and Kinebik Gold Projects in Quebec, Canada.

In consideration for the acquisition of CGMQ, Chalice received 3,092,784 common shares in O3 Mining, which are subject to a statutory trading restriction in Canada for a period of four months from the date of issuance. In addition, Chalice will receive cash consideration for existing tax credits upon receipt from Canadian tax authorities totalling ~C$1.3 million and a net smelter returns ("NSR") royalty of 1.0% on certain mining claims which are not encumbered by pre-existing royalties.

In July 2019, the Company acquired 71.9 million shares in listed Spectrum Minerals Limited (ASX: SPX, "Spectrum") for a total consideration of $3.2 million. As at the date of this report, the Company holds a ~5.2% interest in Spectrum.

Subsequent to 30 June 2019, the Board resolved, subject to shareholder approval at the Company's AGM to issue 500,000 unlisted options to each Mr Ball and Mr Quin and to grant a total of 6,348,611 performance rights to KMP and employees, subject to shareholder approval (where applicable) at the upcoming AGM.

Other than disclosed above or elsewhere in this report, there have been no other material post balance date events which have impacted the Company.

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## 12. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, rights or options over such instruments issued by Chalice and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

| | Ordinary shares | Options over ordinary shares | Performance rights |
|---|---|---|---|
| T R B Goyder[3] | 45,975,209 | - | 3,290,478 |
| A C Dorsch[1] [3] | 1,430,000 | 4,000,000 | 1,385,007 |
| S P Quin[2] | 26,321 | 500,000 | - |
| M B Ball[2] | 30,000 | - | - |

[1]On Mr Dorsch's appointment to Managing Director, the Board resolved, subject to shareholder approval at the Company's 2019 AGM to issue Mr Dorsch 1,000,000 share options as disclosed previously in this Report.
[2]In July 2019, the Board resolved, subject to shareholder approval at the Company's 2019 AGM to issue 500,000 share options to Mr Ball and 500,000 share options to Mr Quin as disclosed previously in this Report.
[3]In August 2019, the Board resolved, subject to shareholder approval at the Company's 2019 AGM to issue 1,074,402 and 735,294 performance rights to Mr Dorsch and Mr Goyder respectively.

## 13. SHARE OPTIONS AND PERFORMANCE RIGHTS

**Unissued shares under option**
At the date of this report 6,200,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

| Expiry date | Exercise price ($) | Number of options |
|---|---|---|
| 30 November 2019 | 0.21 | 1,000,000 |
| 31 March 2021 | 0.16 | 2,000,000 |
| 31 March 2021 | 0.18 | 2,000,000 |
| 18 December 2021 | 0.20 | 700,000 |
| 10 June 2022 | 0.25 | 500,000 |

Unless exercised, these options do not entitle the holder to participate in any share issue of Chalice or any other body corporate.

In addition to the above, the Board has resolved, subject to shareholder approval at the Company's 2019 AGM, to grant Mr Quin and Mr Ball 500,000 share options each, in accordance with the terms and conditions of the Company's ESOP. The options will have an exercise price of 21 cents, with an expiry date of 30 November 2022.

On Mr Dorsch's appointment of Managing Director, the Board resolved, subject to shareholder approval at the Company's 2019 AGM to issue Mr Dorsch 1,000,000 share options, under the terms and conditions of the Company's ESOP, with an exercise price of 21 cents (adjusted for the capital return of 4 cents), expiring 30 November 2021.

**Performance rights**
At the date of this report 10,852,699 performance rights (have been issued on the following terms and conditions:

| Exercise price ($) | Number of rights | Expiry date |
|---|---|---|
| Nil | 4,550,895 | 30 June 2021 |
| Nil | 6,301,804 | 30 June 2022 |

In addition to the above, the Board resolved, subject to shareholder approval at the Company's 2019 AGM to grant Mr Dorsch and Mr Goyder 1,074,402 and 735,294 performance rights respectively.

**Shares issued on exercise of options or performance rights**
No shares were issued during or since the end of the year as a result of the exercise of options or performance rights.

## 14. ENVIRONMENTAL LEGISLATION

The Group is subject to environmental legislation and obligations within the jurisdictions in which it operates, which during the period has been primarily Canada and Australia.

The Company is not aware of any breach of any environmental regulations to which it is subject.

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## 15. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

## 16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Chalice has agreed to indemnify all the directors and officers who have held office during the year, against all liabilities to another person (other than Chalice or a related body corporate) that may arise from their position as directors and officers of Chalice, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that Chalice will meet the full amount of any such liabilities, including costs and expenses.

During the year the Group paid insurance premiums of $32,134 in respect of directors and officers indemnity insurance contracts, for current and former directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The amount of insurance paid is included in KMP remuneration in Section 7.5 of the Remuneration Report.

## 17. NON-AUDIT SERVICES

During the year HLB Mann Judd, the Company's auditors provided taxation compliance services in addition to their statutory duties. Refer to note 24.

## 18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 37 and forms part of the Directors' Report for the year ended 30 June 2019.

This Report is made in accordance with a resolution of the Directors:



Alex Dorsch
Managing Director
Dated at Perth the 5th day of September 2019

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Chalice Gold Mines Limited ACN 116 648 956 (**Company**) has established a corporate governance framework, the key features of which are set out in its Corporate Governance statement which can be found on the Company's website at chalicegold.com, under the section marked "Corporate Governance".

In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The ASX Corporate Governance Council has released the fourth edition of its Corporate Governance Principles and Recommendations applicable to financial years commencing 1 July 2020. The Company has elected to not early adopt the new fourth edition for the 30 June 2019 financial year.

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Chalice Gold Mines Limited for the year ended 30 June 2019, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.



**Perth, Western Australia**
**5 September 2019**

**M R Ohm**
**Partner**

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au
Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5(a) | 670,522 | 762,599 |
| Net loss on sale of available-for- sale financial assets | 5(b) | - | (1,080,026) |
| Net gain on sale of exploration and evaluation assets | 5(c) | - | 489,647 |
| Foreign exchange gain/(loss) | | 1,087,262 | (400,585) |
| Share of net loss of associate | 15 | - | (148,828) |
| Derecognition of investment in associate | 15 | 148,828 | - |
| Impairment of financial assets | | - | (20,729) |
| Exploration and evaluation expenditure | 7 | (4,671,073) | (3,429,220) |
| Corporate administrative expenses | 6(a) | (2,268,553) | (1,938,651) |
| Business development | 6(c) | (825,778) | (739,724) |
| Share based payments | 17 | (785,083) | (482,991) |
| Depreciation and amortisation expense | | (75,731) | (76,557) |
| Loss from deconsolidation of subsidiaries | 23 | - | (2,474,433) |
| **Loss before tax from continuing operations** | | **(6,719,606)** | **(9,539,498)** |
| Income tax benefit/(expense) | 8 | (49,247) | 272,552 |
| **Loss for the year from continuing operations** | | **(6,768,853)** | **(9,266,946)** |
| | | | |
| **Discontinued operations** | | | |
| Net loss for the year from discontinued operations | | (4,308,185) | (9,219,145) |
| Income tax benefit | 8 | 910,654 | 2,536,900 |
| **Loss for the year from discontinued operations** | 9 | **(3,397,531)** | **(6,682,245)** |
| | | | |
| **Loss for the year attributed to owners of the parent** | | **(10,166,384)** | **(15,949,191)** |
| | | | |
| **Other comprehensive income/(loss)** | | | |
| ***Items that may be reclassified to profit or loss*** | | | |
| Foreign exchange on deconsolidation of subsidiaries | | - | 2,529,571 |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Net fair value gain on fair value of equity investments, net of tax | | (300,956) | 1,150,268 |
| Exchanges differences on translation of foreign operations | | 137,508 | 1,303,882 |
| **Other comprehensive income for the year** | | (163,448) | 4,983,721 |
| | | | |
| **Total comprehensive loss for the year** | | **(10,329,832)** | **(10,965,470)** |
| | | | |
| Total comprehensive loss for the year attributable to owners of the parent | | **(10,329,832)** | **(10,965,470)** |
| | | | |
| Basic and diluted loss per share from continuing operations | 10 | (0.03) | (0.03) |
| Basic and diluted loss per share from discontinued operations | 9 | (0.01) | (0.03) |
| Basic and diluted loss per share from continuing and discontinued operations | | (0.04) | (0.06) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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# Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 11 | 18,620,857 | 35,739,484 |
| Trade and other receivables | 12 | 472,936 | 619,930 |
| Financial assets | 13 | 1,469,956 | 2,646,670 |
| Income tax receivable | 8 | - | 2,497,597 |
| Assets held for sale | 9 | 1,584,349 | - |
| **Total current assets** | | **22,148,098** | **41,503,681** |
| | | | |
| **Non-current assets** | | | |
| Financial assets | 13 | 349,272 | 375,111 |
| Investment accounted for using the equity method | 15 | - | 435,339 |
| Property, plant and equipment | 14 | 328,530 | 378,372 |
| **Total non-current assets** | | **677,802** | **1,188,822** |
| | | | |
| **Total assets** | | **22,825,900** | **42,692,503** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 730,840 | 500,684 |
| Income tax payable | 8 | - | 259,951 |
| Employee benefits | 16 | 217,466 | 256,657 |
| Liabilities directly associated with the assets held for sale | 9 | 12,831 | - |
| **Total current liabilities** | | **961,137** | **1,017,292** |
| | | | |
| **Non-current liabilities** | | | |
| Other | | 45,685 | 42,303 |
| **Total non-current liabilities** | | **45,685** | **42,303** |
| | | | |
| **Total liabilities** | | **1,006,822** | **1,059,595** |
| **Net assets** | | **21,819,078** | **41,632,908** |
| | | | |
| **Equity** | | | |
| Issued capital | 19 | 29,807,308 | 39,836,041 |
| Retained earnings/(accumulated losses) | 20(a) | (9,132,908) | 956,081 |
| Reserves | 20(b) | 1,144,678 | 840,786 |
| **Total equity** | | **21,819,078** | **41,632,908** |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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| | Issued capital $ | Retained earnings/ (Accumulated Losses) $ | Share based payments reserve $ | Investment revaluation reserve $ | Foreign currency translation reserve $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2018** | **39,836,041** | **956,081** | **977,078** | **243,572** | **(379,864)** | **41,632,908** |
| Loss for the year | - | (10,166,384) | - | - | - | (10,166,384) |
| **Other comprehensive income for the period** | | | | | | |
| Net change in fair value of equity investments | - | - | - | (300,956) | - | (300,956) |
| Exchange differences on translation of foreign operations | - | - | - | - | 137,508 | 137,508 |
| **Total comprehensive income/(loss) for the year** | - | (10,166,384) | - | (300,956) | 137,508 | (10,329,832) |
| Modified retrospective standard application (AASB 9) | - | 552,368 | - | (552,368) | - | - |
| Share issue costs | (21,470) | - | - | - | - | (21,470) |
| 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) | - | - | - |
| Share-based payments | - | - | 785,083 | - | - | 785,083 |
| Transfers between equity items | - | (474,973) | (60,289) | 535,262 | - | - |
| **Balance at 30 June 2019** | **29,807,308** | **(9,132,908)** | **1,461,524** | **(74,490)** | **(242,356)** | **21,819,078** |

| | Issued capital $ | Retained earnings $ | Share based payments reserve $ | Investment revaluation reserve $ | Foreign currency translation reserve $ | Total $ |
|---|---|---|---|---|---|---|
| **Restated Balance at 1 July 2017** | **39,836,164** | **16,890,681** | **508,678** | **(906,696)** | **(4,213,317)** | **52,115,510** |
| Loss for the year | - | (15,949,191) | - | - | - | (15,949,191) |
| **Other comprehensive income for the period** | | | | | | |
| Net change in fair value of available for sale financial assets | - | - | - | 1,150,268 | - | 1,150,268 |
| Exchange differences on deconsolidation of subsidiaries | - | - | - | - | 2,529,571 | 2,529,571 |
| Exchange differences on translation of foreign operations | - | - | - | - | 1,303,882 | 1,303,882 |
| **Total comprehensive income/(loss) for the year** | - | (15,949,191) | - | 1,150,268 | 3,833,453 | (10,965,470) |
| Share buy-back | (123) | - | - | - | - | (123) |
| Share-based payments | - | - | 482,991 | - | - | 482,991 |
| Transfers between equity items | - | 14,591 | (14,591) | - | - | - |
| **Balance at 30 June 2018** | **39,836,041** | **956,081** | **977,078** | **243,572** | **(379,864)** | **41,632,908** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from operations | | 234,315 | 190,312 |
| Cash paid to suppliers and employees | | (2,176,047) | (1,898,587) |
| Payments for mineral exploration and evaluation | | (8,422,012) | (12,847,286) |
| Income tax received/(paid) | | 16,099 | (1,077,222) |
| Exploration tax credits | | 2,127,227 | 453,270 |
| Interest received | | 384,274 | 563,447 |
| **Net cash used in operating activities** | 11 | **(7,836,144)** | **(14,616,066)** |
| **Cash flows from investing activities** | | | |
| Payments for business development activities | | (807,610) | (635,423) |
| Acquisition of property, plant and equipment | | (58,415) | (261,225) |
| Proceeds from sale of fixed assets | | 15,589 | - |
| Proceeds from sale of financial assets | | 1,313,993 | 4,889,431 |
| Payment for acquisition of financial assets | | - | (1,168,931) |
| **Net cash from investing activities** | | **463,557** | **2,823,852** |
| **Cash flows from financing activities** | | | |
| Security deposits | | (75,000) | (8,871) |
| Capital return | | (10,662,725) | - |
| Share issue costs | | (21,470) | (123) |
| **Net cash used in financing activities** | | **(10,759,195)** | **(8,994)** |
| Net increase/(decrease) in cash and cash equivalents | | (18,131,782) | (11,801,208) |
| Cash and cash equivalents at the beginning of the year | | 35,739,484 | 46,819,151 |
| Effect of exchange rate fluctuations on cash held | | 1,013,155 | 721,541 |
| **Cash and cash equivalents at 30 June** | 11 | **18,620,857** | **35,739,484** |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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**BASIS OF PREPARATION**
Note 1: Corporate information
Note 2: Reporting entity
Note 3: Basis of preparation

**PERFORMANCE FOR THE YEAR**
Note 4: Segment reporting
Note 5: Revenue
Note 6: Expenses
Note 7: Exploration and evaluation expenditure
Note 8: Income tax
Note 9: Discontinued operations
Note 10: Loss per share

**ASSETS**
Note 11: Cash and cash equivalents
Note 12: Trade and other receivables
Note 13: Financial assets
Note 14: Property, plant and equipment
Note 15: Investments accounted for using the equity method

**EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS**
Note 16: Employee benefits
Note 17: Share-based payments

**LIABILITIES AND EQUITY**
Note 18: Trade and other payables
Note 19: Issued capital
Note 20: Retained earnings/(accumulated losses) and reserves

**FINANCIAL INSTRUMENTS**
Note 21: Financial instruments

**GROUP COMPOSITION**
Note 22: Parent entity
Note 23: List of subsidiaries

**OTHER INFORMATION**
Note 24: Auditor's remuneration
Note 25: Related parties
Note 26: Commitments and contingencies
Note 27: Events subsequent to reporting date

**ACCOUNTING POLICIES**
Note 28: Goods and Services Taxes (GST)
Note 29: Changes in accounting policies
Note 30: Adoption of new and revised accounting standards

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**BASIS OF PREPARATION**

This Section of the financial report sets out the Group's (being Chalice Gold Mines Limited and its controlled entities) accounting policies that relate to the Financial Statements as a whole. Where the accounting policy is specific to one Note, the policy is described in the Note to which it relates.

The Notes include information which is required to understand the Financial Statements and is material and relevant to the operations and the financial position and performance of the Group.

Information is considered relevant and material if:

- The amount is significant due to its size or nature
- The amount is important in understanding the results of the Group
- It helps to explain the impact of significant changes in the Group's business
- It relates to an aspect of the Group's operations that is important to its future performance.

**1. Corporate information**

The consolidated financial report of Chalice Gold Mines Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of Directors on 5 September 2019.

Chalice Gold Mines Limited is listed on the Australian Securities Exchange ("ASX"), Toronto Stock Exchange ("TSX"), OTCQB Venture Market ("OTCQB") and is domiciled in Australia at Level 2, 1292 Hay Street, West Perth, Western Australia. The nature of the operations and principal activities are disclosed in the Directors' Report.

**2. Reporting entity**

The consolidated financial report comprises the financial statements of Chalice Gold Mines Limited ("Company" or "Parent") and its subsidiaries ("the Group") for the year ended 30 June 2019. A list of the Group's subsidiaries is provided at note 23.

**3. Basis of preparation**

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for financial assets, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. Chalice is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

**(a) Significant accounting judgements, estimates and assumptions**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Group.

Uncertainty about these assumptions and estimates could result in comes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The Group also discloses its exposure to risks and uncertainties in note 21. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

**(i) Share-based payment transactions**

The Group measures the cost of equity-settled share-based payments of options at fair value at the grant date using a Black-Scholes Option model and performance rights are measured using a binomial model, taking into account the terms and conditions upon which the instruments were granted.

The details and assumptions used in determining the value of these transactions are detailed in note 17.

**(ii) Non-market vesting conditions**

At each reporting period non-market vesting conditions in relation to performance rights are assessed in order to determine the probability of the likelihood that the non-market vesting conditions are met.

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**(b) Foreign currency translation**

The functional currency of the Company is Australian dollars and the functional currency of subsidiaries based in Canada is Canadian Dollars (CAN). The Group's consolidated financial statements are presented in Australian Dollars (AUD), which is also the parent company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss as incurred. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates as at the date of the initial transaction.

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Chalice Gold Mines Limited at the rate of exchange ruling at the balance date and their statement of comprehensive income are translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of recognised foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**(c) Impairment of assets other than financial assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, or when annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit and loss in expense categories consistent with the function of the impaired asset unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of profit and loss. Receivables with a short duration are not discounted.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates and assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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## PERFORMANCE FOR THE YEAR

This section provides additional information about those line items in the Statement of Comprehensive Income that the directors consider most relevant in the context of the operations of the entity.

### 4. 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, 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.

| | Exploration and Evaluation | | Corporate | | Total | |
|---|---|---|---|---|---|---|
| | 2019 $ | 2018 $ | 2019 $ | 2018 $ | 2019 $ | 2018 $ |
| Revenue | - | - | 308,438 | 203,412 | 308,438 | 203,412 |
| Net gain on sale of exploration and evaluation assets | - | 489,647 | - | - | - | 489,647 |
| Exploration and evaluation expenditure | (4,671,073) | (3,429,220) | - | - | (4,671,073) | (3,429,220) |
| Depreciation | - | - | (75,731) | (76,557) | (75,731) | (76,557) |
| Business development | - | - | (825,778) | (739,724) | (825,778) | (739,724) |
| Share based payments | - | - | (785,083) | (482,991) | (785,083) | (482,991) |
| Corporate administrative expenses | - | - | (2,268,553) | (1,938,651) | (2,268,553) | (1,938,651) |
| **Segment loss before tax** | (4,671,073) | (2,939,573) | (3,646,707) | (3,046,581) | (8,317,780) | (5,974,084) |
| | | | | | | |
| **Unallocated income/(expenses)** | | | | | | |
| Net financing income | | | | | 362,084 | 559,187 |
| Net (loss)/gain on sale of available-for- sale financial assets | | | | | - | (1,080,026) |
| Foreign exchange gain/(loss) | | | | | 1,087,262 | (400,585) |
| Income tax benefit/(expense) | | | | | (49,247) | 272,552 |
| Share of net loss of associate | | | | | - | (148,828) |
| Loss on deconsolidation of subsidiaries | | | | | - | (2,474,433) |
| Derecognition of investment in associate | | | | | 148,828 | - |
| Impairment of financial assets | | | | | - | (20,729) |
| Loss from discontinued operations | | | | | (3,397,531) | (6,682,245) |
| **Loss attributable to owners of the parent** | | | | | (10,166,384) | (15,949,191) |

| | Exploration and Evaluation | | Corporate | | Total | |
|---|---|---|---|---|---|---|
| | 30 June 2019 $ | 30 June 2018 $ | 30 June 2019 $ | 30 June 2018 $ | 30 June 2019 $ | 30 June 2018 $ |
| **Segment assets:** | | | | | | |
| Investments accounted for using the equity method | - | 435,339 | - | - | - | 435,339 |
| Assets held for sale | 1,584,349 | - | - | - | 1,584,349 | - |
| Other | 230,499 | 4,107,586 | 676,840 | 447,117 | 907,339 | 4,554,703 |
| | 1,814,848 | 4,542,925 | 676,840 | 447,117 | 2,491,688 | 4,990,042 |
| | | | | | | |
| Unallocated assets | | | | | 20,334,212 | 37,702,461 |
| **Total assets** | | | | | 22,825,900 | 42,692,503 |
| | | | | | | |
| **Segment liabilities** | (260,059) | (572,477) | (746,763) | (487,118) | (1,006,822) | (1,059,595) |
| | (260,059) | (572,477) | (746,763) | (487,118) | (1,006,822) | (1,059,595) |
| | | | | | | |
| Unallocated liabilities | | | | | - | - |
| **Total Liabilities** | | | | | (1,006,822) | (1,059,595) |

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**Geographical information**

| **Revenues from external customers** | **2019 $** | **2018 $** |
|---|---|---|
| Australia | 291,600 | 203,418 |
| Canada | 16,468 | - |
| | 308,068 | 203,418 |

| **Non-current assets** | **2019 $** | **2018 $** |
|---|---|---|
| Australia | 249,169 | 707,812 |
| Canada | 79,361 | 105,899 |
| | 328,530 | 813,711 |

## 5. Revenue

### (a) Revenue

| | **2019 $** | **2018 $** |
|---|---|---|
| Corporate and administration services | 291,600 | 177,600 |
| Net finance income | 362,084 | 559,187 |
| Other | 16,838 | 25,812 |
| | 670,522 | 762,599 |

### (b) Net loss on sale of available for sale financial assets

| | **2019 $** | **2018 $** |
|---|---|---|
| Net loss on sale of available for sale financial assets | - | (1,080,026) |
| | - | (1,080,026) |

Net loss on sale of available for sale financial assets at 30 June 2018 represents the net loss position incurred as a result of the sale of shares held in various ASX and TSX entities.

### (c) Net gain on sale of exploration and evaluation assets

| | **2019 $** | **2018 $** |
|---|---|---|
| Net gain on sale of exploration and evaluation assets | - | 489,647 |
| | - | 489,647 |

Net gain on sale of exploration and evaluation assets for the prior financial year ended 30 June 2018 relates to the sale of Dumbleyung tenements to ASX Listed Ausgold Ltd ("Ausgold") in September 2017.

**Accounting policy**

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the Principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

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## 6. Expenses

### (a) Corporate administrative expenses

| | 2019 $ | 2018 $ |
|---|---|---|
| Insurance | 45,014 | 39,238 |
| Investor relations | 119,798 | 51,717 |
| Legal fees | 4,509 | 6,946 |
| Travel and conferences | 148,789 | 140,187 |
| Head office costs | 72,854 | 84,250 |
| Regulatory and compliance | 427,750 | 345,849 |
| Personnel expenses (note 6(b)) | 1,425,317 | 1,206,239 |
| Other | 24,522 | 64,225 |
| | 2,268,553 | 1,938,651 |

### (b) Personnel expenses

| | 2019 $ | 2018 $ |
|---|---|---|
| Wages and salaries | 752,306 | 568,537 |
| Directors' fees | 162,542 | 233,755 |
| Other associated personnel expenses | 274,555 | 177,427 |
| Superannuation contributions | 205,161 | 177,277 |
| Increase in liability for annual leave | 18,502 | 36,301 |
| Increase in liability for long service leave | 12,251 | 12,942 |
| | 1,425,317 | 1,206,239 |

### (c) Business development costs

| | 2019 $ | 2018 |
|---|---|---|
| Personnel expenses | 384,049 | 360,092 |
| Head office costs | 109,814 | 104,221 |
| Consultants | 95,520 | 175,989 |
| Travel and conferences | 187,389 | 95,046 |
| Other | 49,006 | 4,376 |
| | 825,778 | 739,724 |

## 7. Exploration and evaluation expenditure

| | 2019 $ | 2018 $ |
|---|---|---|
| Pyramid Hill, Victoria | 2,981,093 | 85,406 |
| Julimar, Western Australia | 127,951 | 6,113 |
| King Leopold, Western Australia | 83,316 | - |
| Flinders River, Queensland | 142,224 | - |
| West Pilbara, Western Australia | 24,407 | 843,192 |
| Latitude Hill, Western Australia | - | 621,682 |
| Warrego North, Northern Territory | 174,299 | 427,276 |
| Yilgarn Projects, Western Australia | 146,361 | 322,736 |
| Other[1] | 991,422 | 1,122,815 |
| | 4,671,073 | 3,429,220 |

[1]Other includes generative opportunity evaluations within existing or in close proximity to the Group's current exploration projects.
[2]Costs associated with the East Cadillac and Kinebik Gold Projects has been included in note 9, discontinued operations as these projects are registered to the wholly owned subsidiary, Chalice Gold Mines (Quebec) Inc. that was sold subsequent to reporting date (refer note 9).

**Accounting policy**
Costs incurred in the exploration and evaluation stages of specific areas of interest are expensed against the profit or loss as incurred. All exploration expenditure, including acquisition costs, general permit activity, geological and geophysical costs, project generation and drilling costs, is expensed as incurred. Once the technical feasibility and commercial viability of extracting a mineral resource are demonstrable in respect of an area of interest, development expenditure is capitalised to the Statement of Financial Position.

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## 8. Income tax

The major components of income tax expense are as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current income tax:** | | |
| Over/(under) provision for income tax | 249,909 | 66,461 |
| Foreign exploration incentive tax credits | 935,172 | 2,474,645 |
| | 1,185,081 | 2,541,106 |
| **Deferred tax:** | | |
| Temporary differences relating to financial assets | (323,674) | 268,346 |
| Total income tax benefit reported in the statement of comprehensive income | 861,407 | 2,809,452 |

The prima facie income tax expense on pre-tax accounting result on operations reconciles to the income tax expense in the financial statements as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Accounting loss from continuing operations | (6,719,606) | (9,539,498) |
| Accounting loss from discontinued operations | (4,308,185) | (9,219,145) |
| | (11,027,791) | (18,758,643) |
| Income tax calculated at the Australian corporate rate of 27.5% | (3,032,643) | (5,158,627) |
| Non-deductible expenses | 37,456 | 1,937,497 |
| Share based payments | 215,898 | 132,823 |
| Loss on sale of equity investments | (100,997) | - |
| Non-assessable income | (40,928) | (216,847) |
| Deferred tax assets and liabilities not recognised | 2,877,211 | 3,110,350 |
| Foreign exploration incentive tax credits | (935,172) | (2,474,645) |
| Income tax benefit on financial assets | 323,674 | (92,389) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 52,517 | 18,847 |
| Under provision for income tax | (258,423) | (66,461) |
| Income tax benefit reported in the statement of comprehensive income | 861,407 | 2,809,452 |

The tax rate used in the above reconciliation is the corporate rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.

| **Current tax assets comprise:** | 2019 $ | 2018 $ |
|---|---|---|
| Income tax receivable attributable to: | | |
| Parent Entity | - | - |
| Group's subsidiaries/discontinued operations | 1,412,434 | 2,497,597 |
| | 1,412,434 | 2,497,597 |

| **Current tax liabilities comprise:** | 2019 $ | 2018 $ |
|---|---|---|
| Income tax payable/(receivable) attributable to: | | |
| Parent Entity | - | 259,951 |
| Group's subsidiaries/discontinued operations | - | - |
| | - | 259,951 |

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**Unrecognised deferred tax balances:**

The following deferred tax assets and liabilities have not been brought to account:

| | 2019 $ | 2018 $ |
|---|---|---|
| *Deferred tax assets comprise:* | | |
| Revenue losses available for offset against future taxable income | 8,670,145 | 6,109,309 |
| Other deferred tax assets | 444,326 | 1,097,343 |
| | 9,114,471 | 7,206,652 |
| *Deferred tax liabilities comprise:* | | |
| Other deferred tax liabilities | 350,326 | 17,296 |
| | 350,326 | 17,296 |

| **Income tax benefit not recognised directly in equity during the year:** | 2019 $ | 2018 $ |
|---|---|---|
| Share issue costs | 5,905 | 33 |

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

**Accounting Policy**

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the country where the company's subsidiaries operate and generate taxable income. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance date.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Unrecognised deferred income tax assets at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Tax Consolidation**

Chalice and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 1 July 2017. The accounting policy for the implementation of the tax consolidation legislation is set out above.

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## 9. Discontinued operations

On 2 July 2019, the Group entered into a binding Share Purchase Agreement ("SPA") to sell its wholly owned subsidiary Chalice Gold Mines (Quebec) Inc. to Chantrell Ventures Corp. (now known as "O3 Mining Inc."). Chalice Gold Mines (Quebec) Inc. is the registered holder of the Group's East Cadillac and Kinebik Project in Quebec, Canada.

Under the SPA, O3 Mining Inc. ("O3 Mining") acquired all outstanding shares in Chalice Gold Mines (Quebec) Inc. in consideration for 3,092,784 common shares of O3 Mining. In addition, the Group will retain a partial 1% Net Smelter Return Royalty and receive outstanding tax credits owing to Chalice Gold Mines (Quebec). The sale was completed on 26 July 2019 (refer note 27).

At 30 June 2019, the wholly owned subsidiary Chalice Gold Mines (Quebec) Inc. was classified as a disposal group held for sale and as a discontinued operation. The results of Chalice Gold Mines (Quebec) Inc. for the year is presented below:

| | 2019 $ | 2018 $ |
|---|---|---|
| Revenue | 370 | 244 |
| Exploration and evaluation expenditure | (4,305,993) | (9,207,319) |
| Corporate administrative expenses | (2,562) | (12,070) |
| **Loss before tax from discontinued operations** | (4,308,185) | (9,219,145) |
| Income tax benefit | 910,654 | 2,536,900 |
| **Loss for the year from discontinued operations** | (3,397,531) | (6,682,245) |

The major classes of assets and liabilities of Chalice Gold Mines (Quebec) Inc. as held for sale at 30 June 2019 are as follows:

| | 2019 $ |
|---|---|
| **Assets** | |
| Trade and other receivables | 171,915 |
| Income tax receivable | 1,412,434 |
| **Assets held for sale** | 1,584,349 |
| | |
| **Liabilities** | |
| Trade and other payables | (12,831) |
| **Liabilities directly associated with assets held for sale** | (12,831) |
| **Net assets directly associated with disposal group** | 1,571,518 |

The net cash flows incurred by Chalice Gold Mines (Quebec) Inc. are as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Operating cash flows | 34,442 | 589,469 |
| Investing cash flows | - | - |
| Financing cash flows | - | - |
| **Net cash inflows** | 34,442 | 589,469 |

| | 2019 $ | 2018 $ |
|---|---|---|
| **Earnings per share** | | |
| Basic earnings, profit/(loss) for the year from discontinued operations | (0.01) | (0.03) |
| Diluted earnings profit/(loss) for the year from discontinued operations | (0.01) | (0.03) |

**Accounting policy**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regards as met only when an asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal groups) and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

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When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 9 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method

## 10. Loss per share

**Basic and diluted loss per share**

The calculation of basic loss per share for the year ended 30 June 2019 was based on the loss attributable to ordinary equity holders of the parent of $10,166,384 (2018: loss of $15,949,191) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2019 of 265,944,054 (2018: 261,210,294).

| | 2019 $ | 2018 $ |
|---|---|---|
| **Loss attributable to ordinary shareholders** | | |
| Loss attributable to ordinary equity holders of the parent from continuing operations | (6,768,853) | (9,266,946) |
| Loss attributable to ordinary equity holders of the parent from discontinued operations | (3,397,531) | (6,682,245) |
| **Net loss attributable to ordinary equity holders of the parent for basic earnings** | (10,166,384) | (15,949,191) |
| **Net loss attributable to ordinary equity holders of the parent adjusted for the effect of dilution** | (10,166,384) | (15,949,191) |

Diluted loss per share has not been disclosed as the impact from options and performance rights is anti-dilutive.

**Accounting policy**

Basic loss per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the affect tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

# ASSETS

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

## 11. Cash and cash equivalents

| | 2019 $ | 2018 $ |
|---|---|---|
| Bank balances and cash on hand | 9,293,083 | 9,812,278 |
| Term deposits | 9,327,774 | 25,927,206 |
| | 18,620,857 | 35,739,484 |

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| Reconciliation of cash flows from operating activities | 2019 $ | 2018 $ |
|---|---|---|
| Loss for the year attributed to owners of the parent | (10,166,384) | (15,949,191) |
| Adjustments for: | | |
| Depreciation and amortisation | 107,652 | 113,768 |
| Fixed assets written off | 5,987 | 30,897 |
| Gain on sale of fixed assets | (15,524) | - |
| Income tax benefit | (861,407) | (2,809,452) |
| Net loss/(gain) on sale of available of equity investments | - | 1,080,026 |
| Net gain on sale of exploration and evaluation assets | - | (489,647) |
| Foreign exchange (gains)/loss | (1,087,262) | 400,585 |
| Business development and project acquisition costs | 825,778 | 739,724 |
| Impairment of financial assets | - | 20,729 |
| Derecognition of investment in associate | (148,828) | - |
| Deconsolidation of subsidiaries | - | 2,474,433 |
| Share of associate's loss | - | 148,828 |
| Acquisition of 30% JV interest | 415,114 | - |
| Equity-settled share-based payment expenses | 785,083 | 482,991 |
| **Operating loss before changes in working capital and provisions** | (10,139,791) | (13,756,309) |
| (Increase)/decrease in trade and other receivables | 2,237,803 | (142,657) |
| Increase in financial assets | (3,771) | (2,663) |
| (decrease)/Increase in trade creditors and other liabilities | 70,667 | (739,107) |
| (decrease)/increase in provisions | (1,052) | 24,670 |
| **Net cash used in operating activities** | (7,836,144) | (14,616,066) |

**Non-cash financing and investing activities**
During the year the Company completed the acquisition of the remaining 30% interest in a JV property within the East Cadillac Gold Project in Quebec, Canada. The interest was acquired through the issue of 3,000,000 shares in the Company to Monarques Gold Corporation (refer note 19).

**Accounting policy**
Cash and cash equivalents in the statement of financial position comprise cash balances and call deposits with an original maturity of six months or less, which are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents is considered to approximate fair value.

## 12. Trade and other receivables

| | 2019 $ | 2018 $ |
|---|---|---|
| Other trade receivables | 299,182 | 466,668 |
| Prepayments | 173,754 | 153,262 |
| | 472,936 | 619,930 |

**Accounting Policy**
Trade and other receivables are recognised at fair value which is usually the value of the invoice sent to the counterparty and subsequently at the amounts considered recoverable. Trade receivables are generally due for settlement within periods ranging from 30 to 60 days.

## 13. Financial assets

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current** | | |
| Equity instruments designated at fair value through other comprehensive income: | | |
| Listed equity investments | 885,789 | 2,646,670 |
| Unlisted equity investments | 584,167 | - |
| | 1,469,956 | 2,646,670 |

Listed equity investments represents investments in various companies listed on the ASX and TSX. Unlisted equity investments represents the Company's investment in GeoCrystal Limited ("GeoCrystal"), which was previously recognised as an investment in associate (refer note 15).

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| Non-current | 2019 $ | 2018 $ |
|---|---|---|
| Bond in relation to office premises | 70,829 | 69,912 |
| Bank guarantee and security deposits | 244,444 | 166,590 |
| Options and warrants in listed entities | 33,999 | 138,609 |
| | 349,272 | 375,111 |

**Accounting Policy**
**Initial recognition and measurement**
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the financial instrument.

Financial assets are derecognised when the contractual right to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost.
- fair value through profit and loss ("FVTPL").
- equity instruments at fair value through other comprehensive income ("FVOCI").
- debt instruments at fair value through other comprehensive income ("FVOCI").

All income and expenses relating to financial assets that are recognised in profit or loss are presented with finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to the financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presentenced within other expenses.

**Subsequent measurement**
**(a) Financial assets at amortised cost**
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

(i) they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows.
(ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held-for-trading are recognised in profit or loss.

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**(b) Equity instruments at fair value through other comprehensive income (Equity FVOCI)**
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139. Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

**Impairment of financial assets**
AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This has replaced AASB 139's 'incurred loss model'.

Instruments within the scope includes loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

*Trade and other receivables and contract assets*
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

## 14. Property, plant and equipment

| | 2019 $ | 2018 $ |
|---|---|---|
| Cost | 874,397 | 969,787 |
| Accumulated depreciation and impairment | (545,867) | (591,415) |
| Net carrying amount | 328,530 | 378,372 |
| | | |
| **Movements in property, plant and equipment:** | | |
| At 1 July net of accumulated depreciation | 378,372 | 308,600 |
| Additions | 58,414 | 211,894 |
| Disposals | (3,828) | (30,897) |
| Exchange differences | 3,465 | 2,543 |
| Depreciation charge for the year | (107,893) | (113,768) |
| At 30 June net of accumulated depreciation and impairment | 328,530 | 378,372 |

**Accounting Policy**
Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is calculated on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates used in the current and comparative periods are as follows:

- plant and equipment 7%-40%
- fixtures and fittings 11%-22%
- motor vehicles 18.75%-25%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition

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of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The carrying values of plant and equipment are reviewed for impairment at each balance date in line with the Group's impairment policy.

## 15. Investments accounted for using the equity method

During the year ended 30 June 2019, the Company's investment in GeoCrystal Ltd reduced from 20.46% to 19.4% due to 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 13).

**Reconciliation of movements in investments in associates:**

| | 2019 $ | 2018 $ |
|---|---|---|
| Balance at 1 July | 435,339 | 484,167 |
| Share placement | - | 100,000 |
| Derecognition of investment in associate | 148,828 | - |
| Share of associate's loss | - | (148,828) |
| Reclassification to equity instruments through other comprehensive income | (584,167) | - |
| Balance at 30 June | - | 435,339 |

**Summary of financial information of associate:**

| | 2019 $ | 2018 $ |
|---|---|---|
| **Financial Position** | | |
| Total assets | - | 2,238,888 |
| Total liabilities | - | (111,131) |
| Net assets | - | 2,127,757 |
| Share of associate's net assets | - | 435,339 |
| | | |
| **Financial Performance** | | |
| Total revenue | - | 343 |
| Total loss for the year | - | (727,242) |
| Share of associate's loss | - | (148,828) |

### Accounting Policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in associates is accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, investments in associates is initially recognised at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment separately. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. At each reporting date, the Group determines whether there is objective evidence that the impairment in the associate is impaired. If there is such evidence, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

The Group's share of its associates' post acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements are adjusted against the carrying amount of the investment.

Upon loss of significant influence over the associate, the Group measures and recognised any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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## EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the remuneration of employees and consultants of the Group, but that is not immediately related to individual line items in the Financial Statements.

### 16. Employee benefits

| | 2019 $ | 2018 $ |
|---|---|---|
| Annual leave accrued | 166,549 | 150,563 |
| Provision for long service leave | 50,917 | 106,094 |
| | 217,466 | 256,657 |

**Accounting Policy**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

The provision for long service leave represents the vested long service leave entitlements accrued.

### 17. Share-based payments

**(a) Employee share option plan**

The Group has an Employee Share Option Plan ("ESOP") in place. Under the terms of the ESOP, the Board may offer options for no consideration to full-time or part-time employees (including persons engaged under a consultancy agreement), executive and non-executive directors. In the case of the directors, the issue of options under the ESOP requires shareholder approval.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is determined by the Board.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period, if any.

**(b) Other share based payments – Options**

In December 2018 and June 2019, the Company issued 700,000 and 500,000 unlisted share options respectively to corporate advisors of the Company as partial consideration for services pursuant to contractual terms and conditions between the Company and the corporate advisors. The share options were issued separately to the Company's ESOP, however details of the issue are outlined below.

The number and weighted average exercise prices of share options is as follows:

| | Weighted average exercise price $ 2019 | Number of options 2019 |
|---|---|---|
| **30 June 2019** | | |
| Outstanding at the beginning of the year | 0.22 | 5,500,000 |
| Exercised during the year | - | - |
| Lapsed during the year | 0.21 | (500,000) |
| Granted during the year | 0.22 | 1,200,000 |
| Outstanding at the end of the year | 0.19 | 6,200,000 |
| Exercisable at the end of the year | 0.19 | 4,866,666 |

| | Weighted average exercise price $ 2018 | Number of options 2018 |
|---|---|---|
| **30 June 2018** | | |
| Outstanding at the beginning of the year | 0.25 | 2,250,000 |
| Exercised during the year | - | - |
| Lapsed during the year | 0.25 | (750,000) |
| Granted during the year | 0.21 | 4,000,000 |
| Outstanding at the end of the year | 0.22 | 5,500,000 |
| Exercisable at the end of the year | 0.23 | 2,833,332 |

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The options outstanding at 30 June 2019 have a weighted average exercise price of $0.19 (2018: $0.22) and a weighted average contractual life of 3 years (2018: 3 years).

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

| | 2019 | 2018 |
|---|---|---|
| Weighted average share price at grant date | 0.12 | 0.175 |
| Weighted exercise price | 0.22 | 0.21 |
| Expected volatility (expressed as weighted average volatility) | 64.88% | 57.31% |
| Option life (expressed as weighted average life) | 3 | 3 |
| Expected dividends | - | - |
| Risk-free interest rate (expressed as weighted average) | 1.56% | 2.12% |

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 received.

**(c) Employee long term incentive plan**

The Company has in place an Employee Long Term Incentive Plan ("LTIP") and under the LTIP the Board may issue performance rights to employees and directors. A performance right is a right to be issued an ordinary share upon the satisfaction of certain performance conditions that are attached to the performance right, the conditions of which are determined by the Board.

Performance rights are granted for no consideration and the term of the performance rights are determined by the Board in its absolute discretion, however will ordinarily have a three year term up to a maximum of five years. Performance rights are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry date (if no other measurement date is specified) or if employment is terminated. There is no ability to re-test performance under the LTIP after the performance period.

The fair value of performance rights has been calculated at the grant date and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of fair value of the rights allocated to this reporting period.

The weighted average fair value of the performance rights outstanding at 30 June 2019 was 13.1 cents per performance right (2018: 12.7 cents).

A summary of performance rights is as follows:

**30 June 2019:**

| Grant date | Opening balance | Granted | Vested | Lapsed/Forfeited | Closing balance | Share price at date of issue ($) |
|---|---|---|---|---|---|---|
| 25 June 2015 | 2,404,847 | - | (1,210,396) | (1,194,451) | - | 0.11 |
| 25 November 2015 | 1,664,707 | - | (1,147,444) | (517,263) | - | 0.11 |
| 15 July 2016 | 2,271,452 | - | - | - | 2,271,452 | 0.19 |
| 22 November 2016 | 1,200,738 | - | - | - | 1,200,738 | 0.16 |
| 27 July 2017 | 2,825,590 | - | - | - | 2,825,590 | 0.16 |
| 9 November 2017 | 507,316 | - | - | - | 507,316 | 0.205 |
| 29 November 2017 | 1,217,989 | - | - | - | 1,217,989 | 0.18 |
| 31 July 2018 | - | 5,430,053 | - | - | 5,430,053 | 0.155 |
| 28 November 2018 | - | 871,751 | | | 871,751 | 0.155 |
| | **12,092,639** | **6,301,804** | **(2,357,840)** | **(1,711,714)** | **14,324,889** | |

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**30 June 2018:**

| Grant date | Opening balance | Granted | Vested | Lapsed/Forfeited | Closing balance | Share price at date of issue ($) |
|---|---|---|---|---|---|---|
| 25 June 2015 | 2,404,847 | - | - | - | 2,404,847 | 0.11 |
| 25 November 2015 | 1,664,707 | - | - | - | 1,664,707 | 0.11 |
| 15 July 2016 | 2,271,452 | - | - | - | 2,271,452 | 0.19 |
| 22 November 2016 | 1,200,738 | - | - | - | 1,200,738 | 0.16 |
| 19 June 2017 | 1,000,000 | - | - | (1,000,000) | - | 0.16 |
| 27 July 2017 | - | 3,711,302 | - | (885,712) | 2,825,590 | 0.16 |
| 9 November 2017 | - | 615,056 | - | (107,740) | 507,316 | 0.205 |
| 29 November 2017 | - | 1,217,989 | - | - | 1,217,989 | 0.18 |
| | **8,541,744** | **5,544,347** | **-** | **(1,993,452)** | **12,092,639** | |

The fair values of performance rights granted were determined using a binomial option pricing model which takes into account the impact of vesting conditions and the fact that the rights may never vest.

The following table gives the assumptions made in determining the fair values of the performance rights granted.

| | 2019 | 2018 |
|---|---|---|
| Weighted share price at grant date | $0.155 | $0.17 |
| Exercise price | Nil | Nil |
| Expected volatility | 50% | 50% |
| Weighted average performance period (years) | 2.75 | 2.83 |
| Weighted average vesting period (years) | 2.75 | 2.83 |
| Expected dividends | - | - |
| Risk-free interest rate | 2.10% | 1.92% |

**Share based payment transactions**
The expense recognised during the year is shown in the following table:

| | 2019 $ | 2018 $ |
|---|---|---|
| Share options granted – equity settled | 103,877 | 105,446 |
| Performance rights granted in 2018 | - | 377,545 |
| Performance rights granted in 2019 | 681,206 | - |
| **Total expenses recognised as share based payments** | 785,083 | 482,991 |

**Accounting Policy**
The cost of share- based payments is recognised in employee benefits expense, together with a corresponding increase in Share-based Payments Reserve in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of

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the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Where an equity-settled award is cancelled by the entity or by the counterparty, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately through profit or loss. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## LIABILITIES AND EQUITY

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

### 18. Trade and other payables

| | 2019 $ | 2018 $ |
|---|---|---|
| Trade payables | 139,616 | 23,759 |
| Other payables | 83,164 | 81,044 |
| Accrued expenses | 508,060 | 395,881 |
| | 730,840 | 500,684 |

**Accounting Policy**
Trade and other payables are stated at amortised cost. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

### 19. Issued Capital

There were 266,568,134 shares on issue at 30 June 2019 (2018: 261,210,294).

**(a) Movements in ordinary shares on issue**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| Balance at beginning of financial year | 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 JV interest[1] | 3,000,000 | 415,114 | - | - |
| Capital return[2] | - | (10,662,725) | - | - |
| Share issue costs | - | (21,470) | | (123) |
| Balance at end of financial year | 266,568,134 | 29,807,308 | 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 a joint venture property within the East Cadillac Gold Project.

[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.

**Issuance of Ordinary Shares**
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, the ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

**(b) Share options**

| | 2019 No. | 2018 No. |
|---|---|---|
| On issue at 1 July | 5,500,000 | 2,250,000 |
| Options exercised during the year | - | - |
| Options lapsed during the year | (500,000) | (750,000) |
| Options issued during the year | 1,200,000 | 4,000,000 |
| On issue at 30 June | 6,200,000 | 5,500,000 |

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At 30 June 2019 the Company had 6,200,000 unlisted options on issue under the following terms and conditions:

| Number | Expiry Date | Exercise Price $ |
|---|---|---|
| 1,000,000 | 30 November 2019 | 0.21 |
| 2,000,000 | 31 March 2021 | 0.16 |
| 2,000,000 | 31 March 2021 | 0.18 |
| 700,000 | 18 December 2021 | 0.20 |
| 500,000 | 10 June 2022 | 0.25 |

**(c) Performance rights**

| | 2019 No. | 2018 No. |
|---|---|---|
| On issue at 1 July | 12,092,639 | 8,541,744 |
| Issue of performance rights under the Employee Long Term Incentive Plan | 6,301,804 | 5,544,347 |
| Performance rights vested | (2,357,840) | - |
| Performance rights lapsed | (1,711,714) | (1,993,452) |
| On issue at 30 June | 14,324,889 | 12,092,639 |

At 30 June 2019 the Company had 14,324,889 performance rights on issue under the following terms and conditions:

| Number | Terms | Expiry Date | Exercise Price $ |
|---|---|---|---|
| 3,472,190 | The number of performance rights that will vest will be solely dependent on the Company meeting the outlined strategy objectives and by comparing the Company's Total Shareholder Return with that of a comparator group, as at the measurement date of 30 June 2019, as outlined in the Remuneration Report. | 30 June 2020 | Nil |
| 4,550,895 | The number of performance rights that will vest will be solely dependent on the Company meeting the outlined strategy objectives and by comparing the Company's Total Shareholder Return with that of a comparator group, as at the measurement date of 30 June 2020, as outlined in the Remuneration Report. | 30 June 2021 | Nil |
| 6,301,804 | The number of performance rights that will vest will be solely dependent on the Company meeting the outlined strategy objectives, absolute Total Shareholder Return ("TSR") objectives and by comparing the Company's TSR with that of a comparator group, as at the measurement date of 30 June 2021, as outlined in the Remuneration Report. | 30 June 2022 | Nil |

## 20. Retained earnings/(accumulated losses) and reserves

**(a) Movements in retained earnings/(accumulated losses) attributable to owners of the parent:**

| | 2019 $ | 2018 $ |
|---|---|---|
| Balance at beginning of financial year | 956,081 | 16,890,681 |
| Loss for the year attributable to owners of the parent | (10,166,384) | (15,949,191) |
| Modified retrospective adjustment for change in accounting policy | 552,368 | - |
| Net loss on fair value of equity investments transferred between equity items | (535,262) | - |
| Transfers between equity items | 60,289 | 14,591 |
| Balance at end of financial year | (9,132,908) | 956,081 |

**(b) Nature and purpose of reserves**

**(i) Share-based payments reserve**

The share-based payments reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to note 17 for further details of these plans.

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**(ii) Foreign currency translation reserve**
The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of exchange variances resulting from net investments in foreign operations.

**(iii) Investment revaluation reserve**
The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments.

All movements in the above reserves are as stated in the consolidated statement of changes in equity.

## FINANCIAL INSTRUMENTS

This section of the Notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

### 21. Financial instruments

**(a) Capital risk management**
The capital structure of the Group consists of equity attributable to equity holders, comprising issued capital, reserves and retained earnings/(accumulated losses) as disclosed in notes 19 and 20.

The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

**(b) Market risk exposures**
Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will have on the Group's income or value of its holdings of financial instruments.

**(i) Foreign exchange rate risk**
The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not hedge this exposure. The cash at bank held by the Company currently comprises United States Dollar ("USD"), Australian dollar ("AUD") and Canadian dollar ("CAD") funds. The Group manages its foreign exchange risk by constantly reviewing its exposure and ensuring that there are appropriate cash balances in order to meet its likely future commitments in each currency. At 30 June 2019, Chalice had approximately US$5.2 million (A$7.4 million) cash on hand in US$ denominated bank accounts and C$0.7 million (A$0.8 million) cash on hand in C$ denominated bank accounts.

The following tables summarises the impact of increases/decreases in the relevant foreign exchange rates on the Group's post-tax result for the year and on the components of equity. The sensitivity analysis uses a variance of 10% movement in the USD against AUD.

| | | 2019 $ | 2018 $ |
|---|---|---|---|
| Impact on gain/(loss) | AUD/USD +10% | (676,762) | (1,247,023) |
| | AUD/USD -10% | 744,439 | 1,371,756 |
| Impact on equity | AUD/USD +10% | (676,762) | (1,247,023) |
| | AUD/USD -10% | 744,439 | 1,371,756 |

The following table summarises the impact of increases/decrease in the relevant foreign exchange rates on the Group's post-tax result for the year and on the components of equity. The sensitivity analysis uses a variance of 10% movement in the CAD against AUD.

| | | 2019 $ | 2018 $ |
|---|---|---|---|
| Impact on gain/(loss) | AUD/CAD +10% | (212,347) | (1,048,087) |
| | AUD/CAD -10% | 233,582 | 1,152,951 |
| Impact on equity | AUD/CAD +10% | (212,347) | (1,048,087) |
| | AUD/CAD -10% | 233,582 | 1,152,951 |

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**(ii) Equity prices**

The Group has exposure to equity prices through its holdings in various listed entities. The following table outlines the impact of increases/decreases in the value of the Company's investment holding on the components of equity. The sensitivity analysis uses a variance of 10% movement upwards and down on the year end closing share prices.

| | | 2019 $ | 2018 $ |
|---|---|---|---|
| Impact on equity | Share price +10% | 88,579 | 264,667 |
| | Share price -10% | (80,526) | (240,606) |

**(iii) Interest rate risk**

At reporting date, the Group's exposure to market risk for changes in interest rates relates primarily to the Group's short term cash deposits. The Group is not exposed to cash flow volatility from interest rate changes on borrowings, as it does not have any short or long term borrowings.

Chalice constantly analyses its exposures to interest rates, with consideration given to potential renewal of existing positions and the period to which deposits may be fixed.

The Group considers preservation of capital as the primary objective as opposed to maximising interest rate yields by investing in higher risk investments.

At reporting date, the following financial assets were exposed to fluctuations in interest rates:

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash and cash equivalents | 18,620,857 | 35,739,484 |

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. The sensitivity is based on a change of 100 basis points in interest rates at reporting date.

In the year ended 30 June 2019, if interest rates had moved by 100 basis points, with all other variables held constant, the post-tax result for the Group would have been affected as follows:

| | | 2019 $ | 2018 $ |
|---|---|---|---|
| Impact on gain/(loss) | 100 bp increase | 183,768 | 350,855 |
| | 100 bp decrease | (183,768) | (350,855) |
| Impact on equity | 100 bp increase | 183,768 | 350,855 |
| | 100 bp decrease | (183,768) | (350,855) |

**(c) Credit risk exposure**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the notes to the financial statements.

It is not the Company's policy to securitise its trade and other receivables, however, receivable balances are monitored on an ongoing basis. In addition, the Company currently diversifies its cash holdings across three of the main Australian financial institutions.

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**(d) Liquidity risk exposure**
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board of Directors actively monitors the Group's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The Group has non-derivative financial liabilities which include trade and other payables of $730,840 (2018: $500,684) all of which are due within 60 days.

In light of the Group's current financial assets and low expenditures relative to those assets, the Group could continue to operate as a going concern for a considerable period of time, subject to any changes to the Group structure or undertaking a material transaction.

**(e) Fair value of financial instruments**
The Directors consider the carrying value of the financial assets and financial liabilities are recognised in the consolidated financial statements approximate their fair values. In particular, equity investments designated at fair value through other comprehensive income are measured at fair value using quoted market prices at the reporting date (Level 1 fair value measurement).

The directors have assessed that 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.

**Accounting Policy**
The Group measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximise the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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## GROUP COMPOSITION

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the structure of the Group, but that is not immediately related to individual line items in the Financial Statements.

### 22. Parent Entity

| Financial position | 2019 $ | 2018 $ |
|---|---|---|
| **Assets** | | |
| Current assets | 19,689,200 | 37,152,979 |
| Non-current assets | 8,798,044 | 18,059,613 |
| **Total assets** | 28,487,244 | 55,212,592 |
| **Liabilities** | | |
| Current liabilities | 605,530 | 704,764 |
| Non-current liabilities | 45,685 | 30,600,745 |
| **Total liabilities** | 651,215 | 31,305,509 |
| **Net assets** | 27,836,029 | 23,907,083 |
| **Equity** | | |
| Issued capital | 29,807,308 | 39,836,042 |
| Accumulated losses | (26,943,668) | (17,241,997) |
| Reserves | 24,972,389 | 1,313,038 |
| **Total equity** | 27,836,029 | 23,907,083 |

| Financial performance | 2019 $ | 2018 $ |
|---|---|---|
| Loss for the year | (9,853,835) | (3,471,738) |
| Total comprehensive loss | (9,853,835) | (3,471,738) |

**Commitments and contingencies**

**(i) Contingencies**

Other than as disclosed in note 26, the parent entity has no contingent assets or liabilities.

| (ii) Operating lease commitments | 2019 $ | 2018 $ |
|---|---|---|
| Within 1 year | 255,364 | 240,751 |
| Within 2-5 years | 45,546 | 298,567 |
| Later than 5 years | - | - |
| | 300,910 | 539,318 |

**Accounting Policy**

The financial information for the parent entity, Chalice Gold Mines Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

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## 23. List of subsidiaries

**Significant investments in subsidiaries**

The consolidated financial statements include the financial statements of Chalice Gold Mines Limited and its subsidiaries listed in the following table:

| Name | Country of Incorporation | % Equity Interest 2019 | % Equity Interest 2018 |
|---|---|---|---|
| **Parent entity** | | | |
| Chalice Gold Mines Limited | Australia | | |
| **Subsidiaries** | | | |
| Chalice Operations Pty Ltd *(i)* | Australia | 100 | 100 |
| Chalice Gold Mines (Eritrea) Pty Ltd[1] | Australia | - | 100 |
| Western Rift Pty Ltd *(ii)* | Australia | 100 | 100 |
| CGM Minerals Pty Ltd | Australia | 100 | 100 |
| CGM (Lithium) Pty Ltd | Australia | 100 | 100 |
| *(i) Subsidiaries of Chalice Operations Pty Ltd* | | | |
| Keren Mining Pty Ltd[1] | Australia | - | 100 |
| Universal Gold Pty Ltd[1] | Australia | - | 100 |
| Sub-Sahara Resources (Eritrea) Pty Ltd[1] | Australia | - | 100 |
| *(ii) Subsidiaries of Western Rift Pty Ltd* | | | |
| Chalice Gold Mines (Ontario) Inc.*(iii)* | Canada | 100 | 100 |
| Coventry Rainy Inc. | Canada | 100 | 100 |
| Coventry Ontario Inc. | Canada | 100 | 100 |
| *(iii) Subsidiaries of Chalice Gold Mines (Ontario) Inc.* | | | |
| Chalice Gold Mines (Quebec) Inc.[2] | Canada | 100 | 100 |
| Chalice Gold Mines (Exploration) Inc. | Canada | 100 | 100 |

(1) Chalice Gold Mines (Eritrea) Pty Ltd, Keren Mining Pty Ltd, Universal Gold Pty Ltd and Sub-Sahara Resources (Eritrea) Pty Ltd were voluntarily deregistered in August 2018.

(2) In July 2019, the Company sold its wholly owned subsidiary, Chalice Gold Mines (Quebec) Inc. to O3 Mining and has been classified as a discontinued operation. Refer to note 9 for further details.

**Accounting Policy**

The consolidated financial statements comprise the financial statements of Chalice Gold Mines Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group"). Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries and special purpose entities are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Chalice Gold Mines Limited are accounted for at cost in the financial statements of the parent entity less any impairment charges.

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## OTHER INFORMATION

This section of the Notes includes other information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the Financial Statements.

### 24. Auditor's remuneration

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **Audit services** | | |
| HLB Mann Judd: | | |
| Audit and review of financial reports | 48,892 | 48,500 |
| Other services | 4,000 | 5,500 |
| | 52,892 | 54,000 |

### 25. Related parties

**Key management personnel**

**Executive Directors**

T R B Goyder (Executive Chairman)
A C Dorsch (Managing Director appointed 13 November 2018, previously Chief Operating Officer)

**Non-executive Directors**

A W Kiernan (resigned 13 September 2018)
S P Quin
M S Ball

**Executives**

R K Hacker (Chief Financial Officer)
K M Frost (General Manager – Exploration)
P Lengyel (Exploration Manager – Canada)

The KMP compensation is as follows:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Short-term benefits | 1,634,573 | 1,550,896 |
| Post-employment benefits | 98,325 | 90,878 |
| Termination benefits | - | - |
| Share-based payments | 585,518 | 420,831 |
| | 2,318,416 | 2,062,605 |

**Individual director's and executive's compensation disclosures**

The Group has transferred the detailed remuneration disclosures to the Directors' Report in accordance with *Corporations Amendment Regulations 2006 (No. 4)*. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Key Management Personnel remuneration and are designated as audited.

**Loans to key management personnel and their related parties**

No loans were made to KMP or their related parties.

**Other key management personnel transactions with the Group**

A number of KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons or their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

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The aggregate expense/(income) recognised during the year relating to KMP or their related parties was as follows:

| KMP | Transaction | Note | 2019 $ | 2018 $ |
|---|---|---|---|---|
| Liontown Resources Limited | Corporate services | (i) | (249,107) | (88,000) |
| DevEX Resources Limited | Corporate services | (i) | (114,000) | (68,000) |
| PhosEnergy Limited | Corporate services | (i) | (21,600) | (21,600) |

(i) The Group supplied corporate services such as accounting, administration and corporate office facilities under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), DevEx Resources Limited ("DEV") and PhosEnergy Limited ("PEL") and corporate services of KMP. Mr Goyder is a director of LTR, DEV and 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 payment terms.

Amounts outstanding (to)/from the above related parties at reporting date arising from these transactions were as follows:

| Assets and liabilities arising from the above transactions | 2019 $ | 2018 $ |
|---|---|---|
| Current payables | - | - |
| Trade debtors | 109,998 | 29,600 |
| | 109,998 | 29,600 |

## 26. 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 to meet the minimum expenditure requirements as specified by various governments in order to maintain exploration tenements in good standing. Therefore, amounts stated are based on the minimum commitments known within the next 1 to 2 years. The Group may in certain situations apply for exemptions under relevant mining legislation or enter into joint venture arrangements which significantly reduce working capital commitments. These obligations are not provided for in the financial report and are payable:

| | 2019 $ | 2018 $ |
|---|---|---|
| Within 1 year | 366,891 | 232,760 |
| Within 2-5 years | - | - |
| Later than 5 years | - | - |
| | 366,891 | 232,760 |

| Office lease commitments | 2019 $ | 2018 $ |
|---|---|---|
| Within 1 year | 269,283 | 274,848 |
| Within 2-5 years | 45,546 | 359,886 |
| Later than 5 years | - | - |
| | 314,829 | 634,734 |

### Contingent asset

There are no contingent assets at 30 June 2019 (30 June 2018: nil).

## 27. Events subsequent to reporting date

In June 2019, the Company entered into a binding agreement to acquire the ordinary shares of North West Nickel Pty Ltd ("North West") by issuing 7,500,000 fully paid ordinary shares (subject to a 12 month voluntary escrow) in the Company. The completion of the acquisition was subject to a number of conditions precedent. All conditions precedent were satisfied on 17 July 2019 and the Company issued 7,500,000 shares to the shareholders of North West.

On 2 July 2019, the Group entered into a Share Purchase Agreement ("SPA") with O3 Mining Inc. ("O3 Mining" TSX-V:OIII), whereby O3 Mining purchased the Company's wholly-owned subsidiary Chalice Gold Mines (Quebec) Inc. ("CGMQ"). CGMQ is the registered holder of the East Cadillac and Kinebik Gold Projects in Quebec, Canada. In consideration for the acquisition of CGMQ, Chalice received 3,092,784 common shares in O3 Mining, which are subject to a statutory trading restriction in Canada for a period of four months from the date of issuance.

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In addition, Chalice will receive cash consideration for existing tax credits upon receipt from Canadian tax authorities totalling ~C$1.3 million and a net smelter returns ("NSR") royalty of 1% on certain mining claims which are not encumbered by pre-existing royalties.

In July 2019, the Company acquired 71.9 million shares in listed Spectrum Minerals Limited (ASX: SPX, "Spectrum") for a total of $3.2 million. Chalice now holds a 5.21% interest in Spectrum.

Subsequent to 30 June 2019, the Board resolved, subject to shareholder approval at the Company's AGM, to issue 500,000 unlisted options to each Mr Ball and Mr Quin and to grant a total of 6,348,611 performance rights to KMP and employees, subject to shareholder approval (where applicable) at the upcoming AGM.

## ACCOUNTING POLICIES

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements and information relating to new and revised accounting standards and their impact.

### 28. Goods and Services Taxes (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated at the amount of GST included. The net amount of GST recoverable from, or payable, to the Australian Taxation Office ('ATO') is included as a current asset or current liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

### 29. Changes in accounting policies

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for the current annual reporting period. 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 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.

#### (i) 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 the modified retrospective approach under AASB 9 and has elected not to restate comparative information. Accordingly, the information presented for 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 year ended 30 June 2019.

**30. Adoption of new and revised accounting standards**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2019 are outlined below.

**(i) AASB 16 Leases (effective from 1 July 2019)**

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.

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

    a. the financial statements, notes and the additional disclosures in the directors' report designated as audited, of the Group are in accordance with the *Corporations Act 2001* including:

        i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

    b. there are reasonable grounds to be that the Company will be able to pay its debts as and when they become due and payable.

    c. The statements and notes thereto are in accordance with international Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

This declaration is signed in accordance with a resolution of the Board of Directors.

Dated at Perth the 5th day of September 2019

Signed in accordance with a resolution of the Directors:



Alex Dorsch
Managing Director

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**INDEPENDENT AUDITOR'S REPORT**
To the members of Chalice Gold Mines Limited

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Chalice Gold Mines Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report**.**

| **Key Audit Matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Accounting for discontinued operation**<br>(Note 9 of the financial report) | |
| On 2 July 2019, the Group entered into a binding Share Purchase Agreement ("SPA") to sell its wholly owned subsidiary Chalice Gold Mines (Quebec) Inc. | Our procedures included but were not limited to the following:<br>- Consideration of the requirements of AASB 5 in relation to the disposal of the subsidiary; |

| | |
|---|---|
| Accordingly, at 30 June 2019 the subsidiary was classified as a disposal group held for sale and as a discontinued operation.<br><br>We considered this to be a key audit matter due to the materiality of the impact on the financial statements and its importance to users of the financial statements. | - Determining whether classification as a disposal group held for sale and a discontinued operation was appropriate at balance date;<br>- Ensuring the disposal group was correctly treated in accordance with the measurement requirements of AASB 5;<br>- Reviewing the calculation of the loss from discontinued operations to ensure this was materially correct; and<br>- Ensuring the disclosures within the financial report were consistent with the requirements of accounting standards. |
| **Valuation of unlisted equity investments**<br>(Note 13 of the financial report) | |
| As at 30 June 2019, the Group held unlisted equity investments valued at $584,167.<br><br>We focused on this area due to the inherent judgement involved in determining the fair value of unlisted investments. | Our procedures included but were not limited to the following:<br><br>- We assessed management's valuation of investments. For investments where there was less or little observable market data we obtained and assessed other relevant valuation data including recent equity transactions of the company; and<br>- We critically reviewed any key assumptions used in the valuation of these investments. |

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Financial Report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Chalice Gold Mines Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

**M R Ohm**
**Partner**

**Perth, Western Australia**
**5 September 2019**

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Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

**Shareholdings**

**Substantial shareholders**

The number of shares held by substantial shareholders advised to the Company and their associated interests as at 4 September 2019 were:

| Shareholder | Number of ordinary shares held | Percentage of capital held % |
|---|---|---|
| Timothy Rupert Barr Goyder | 45,975,209 | 16.78 |
| Franklin Resources Inc | 31,107,008 | 11.35 |

**Class of shares and voting rights**

At 4 September 2019 there were 2,267 holders of the ordinary shares of the Company, 4 holders of unlisted share options and 14 holders of performance rights. The share options and performance rights have been granted under the Company's Employee Share Option Plan and Employee Long Term Incentive Plan.

The voting rights to the ordinary shares set out in the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or Classes of shares -

a) at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and

b) on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options or performance rights do not have voting rights.

**Distribution of equity security holders as at 4 September 2019:**

| | Number of equity security holders | | |
|---|---|---|---|
| Category | Ordinary Shares | Unlisted Share Options | Performance Rights |
| 1 – 1,000 | 114 | - | - |
| 1,001 – 5,000 | 336 | - | - |
| 5,001 – 10,000 | 516 | - | - |
| 10,001 – 100,000 | 1,040 | - | 1 |
| 100,001 and over | 261 | 4 | 13 |
| **Total** | **2,267** | **4** | **14** |

The number of shareholders holding less than a marketable parcel at 4 September 2019 was 159.

**Restricted securities**

At 4 September 2019, the following securities on issue are subject to voluntary escrow:

| Class of securities | Number of securities | Escrow period end date |
|---|---|---|
| Fully paid ordinary shares | 3,000,000 | 8 September 2019 |
| Fully paid ordinary shares | 7,500,000 | 18 July 2020 |

# Twenty largest Ordinary Fully Paid Shareholders as at 4 September 2019

| Name | Number of ordinary shares held | Percentage of capital held % |
|---|---|---|
| Timothy R B Goyder | 45,975,209 | 16.78 |
| HSBC Custody Nominees (Australia) Limited | 42,706,937 | 15.58 |
| J P Morgan Nominees Australia Limited | 20,778,065 | 7.58 |
| Canadian Registry Control | 16,367,419 | 5.97 |
| BNP Paribas Nominees Pty Ltd <IB AU NOMS Retail Client DRP> | 6,590,412 | 2.40 |
| Claw Pty Ltd <Corp Super Fund A/C> | 4,000,000 | 1.46 |
| Citicorp Nominees Pty Limited | 3,449,444 | 1.26 |
| Jetosea Pty Ltd | 3,055,330 | 1.11 |
| Mr Anthony Kiernan | 2,152,040 | 0.79 |
| Curious Capital Group Pty Ltd <Curious Capital A/C> | 2,100,000 | 0.77 |
| Mr Nigel Burgess + Mrs Yukari Burgess <Nenkin Super Fund A/C> | 1,600,000 | 0.58 |
| ESM Limited | 1,600,000 | 0.58 |
| Cospiqua Pty Ltd <The Millennium Mack No1 A/C> | 1,579,000 | 0.58 |
| BNP Paribas Noms Pty Ltd <DRP> | 1,573,181 | 0.58 |
| Neweconomy Com Au Nominees Pty Ltd <900 Account> | 1,535,710 | 0.56 |
| Mr Julian Rodney Stephens <One Way A/C> | 1,451,612 | 0.53 |
| Dorsch Consultants Pty Ltd <The Dorsch Family A/C> | 1,430,000 | 0.52 |
| Metheun Holdings Pty Ltd <PB Family A/C> | 1,413,616 | 0.52 |
| Teragoal Pty Ltd <Gray Family A/C> | 1,400,000 | 0.51 |
| Mr Philip Scott Button + Ms Philippa Ann Nicol <Christopher Jordan A/C> | 1,348,261 | 0.49 |
| **Total** | 162,106,236 | 59.15 |

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ABN 47 116 648 956

Level 2, 1292 Hay Street
West Perth WA 6005, Australia
T: +61 8 9322 3960
F: +61 8 9322 5800
E: info@chalicegold.com
W: www.chalicegold.com

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