chalice

Annual
Financial Report

30 June 2018

Chalice Gold Mines Limited

Corporate Directory

Directors

Timothy (Tim) Goyder	Executive Chair
Morgan Ball	Lead Independent Non-executive Director
Stephen Quin	Non-executive Director

Company Secretary
Leanne Stevens

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ASX
Share Code: CHN
TSX
Share Code: CXN

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Chairman's Letter

Dear Fellow Shareholder,

2018 has been an active and productive year for Chalice, during which the Company continued to expand its district-scale gold portfolio in Canada's world-class Abitibi belt while also securing a major new exploration opportunity one of the world's most exciting gold districts, the Bendigo region of Victoria, Australia.

With recent weakness in commodity markets casting a shadow over the broader recovery in the sector, the strategic positioning of the Company's portfolio in Tier 1 jurisdictions, and the continued strength of its balance sheet, have positioned us to prosper in these politically and economically volatile times.

Our business model has evolved over the course of the year, with a renewed focus on building district-scale exploration projects in world class geological terranes, located in favourable jurisdictions.

In light of this refined focus, the Company recently proposed to return excess capital to shareholders. The Company will seek shareholder approval to make a capital return of up to 4.0 cents cash per share (~A$10.7 million) following the AGM. Given the dearth of quality near-development assets in Tier 1 jurisdictions that are within Chalice's financial capacity, I believe that a more compelling risk-reward proposition for shareholders currently exists in exploration stage projects and our track record of success in Eritrea and Canada is proof that we can deliver significant returns for shareholders by pursuing this approach.

If approved, the Company will maintain an exceptionally strong balance sheet, with a forecast ~A$24 million in cash and no debt on completion of the distribution, leaving the Company in the fortuitous position of being able to accelerate exploration on its core projects and be exposed to multiple opportunities for a significant discovery.

Our two flagship gold exploration assets are located in the world-class regions of Bendigo in Victoria and the Abitibi greenstone belt in Quebec. These areas are recognised for prolific gold endowment, where the size of the potential prize is globally significant:

- At the **Pyramid Hill Project** in Victoria, we have a district-scale 3,080km^2 tenement position in the highly prospective and reinvigorated north Bendigo Zone, which hosts Kirkland Lake Gold's Fosterville gold mine. The Project was staked in late 2017 and initial exploration activity has defined multiple large-scale drill targets, some 10's of kilometres in size. We eagerly await results from the first round of drilling to commence in late October;
- At the **East Cadillac Project** in Quebec, we have continued to expand and explore our district-scale project covering 27km of strike along the prolific Larder Lake – Cadillac Fault. The Project was expanded by 112km^2 and a 27,600m reconnaissance diamond drilling program was successfully completed during the year, resulting in three new gold discoveries. Our work to date has confirmed that the relatively poorly explored region has the potential to become a significant new gold province.

On the corporate front, the Company has continued to actively manage its portfolio during the year, making timely asset sales and farm-outs to maximise value and optionality for shareholders.

Several management and Board changes were implemented over the course of the year, including the appointment of Alex Dorsch as Chief Executive Officer as part of a management transition which saw me assume the role of Executive Chairman and Tony Kiernan become a Non-executive Director.

Subsequent to the reporting period, Tony Kiernan resigned as Non-executive Director due to his growing work-load and other Board commitments. Tony has been an outstanding contributor to the Board for many years and his common sense, deep corporate experience and strong leadership will be greatly missed. I am pleased to welcome Mr Morgan Ball to the new position of Lead Independent Director.

Chairman's Letter

With these changes have come new perspectives and methods, as well as a broadening of our technical, commercial and executive team. The changes provide a solid outlook for growth into the future.

Under the renewed leadership team, the Company has continued to demonstrate a disciplined and focused approach to the management of our projects and finances, while also pursuing growth opportunities. Alex and I have developed a complementary relationship which ensures collaboration and rigorous discussion at a strategic and tactical level. I believe this has improved our overall approach, and I am excited about what the year ahead will bring.

While current market conditions in the junior resource sector are difficult, I believe there is a compelling long-term value proposition in exploring and developing high-quality mineral projects. There is a significant global deficit in exploration expenditures that has led to a shortage of quality development projects, compounded by a diminishing return on every dollar spent exploring. This points towards a tightening supply-demand equation for metals.

I believe that Chalice can play a meaningful role in this environment by aggressively exploring and driving value for our shareholders, and continuing to assess opportunities to acquire quality exploration projects to complement the current portfolio.

In conclusion, I would like to take this opportunity to thank all our shareholders, my fellow directors, executives and employees in both Australia and Canada for their continued and valued support over the past year.

We are all looking forward to a prosperous and exciting year ahead.

Yours faithfully,

Tim Goyder

Executive Chairman

Business Strategy and Outlook

Chalice's vision is to become a globally recognised specialist explorer and developer in the international mining industry. Our mission is to utilise our advantageous financial position and strong in-house expertise to grow and achieve significant returns for our shareholders. Our strategy to achieve this mission is based on three core principles:

Figure 1. The Chalice Way

Chalice's strategy has evolved over the year, with the Company increasing the size and composition of its exploration portfolio, refining our business development strategy and broadening our expertise considerably.

Chalice's exploration portfolio has grown to seven Projects, all within tier-1 mining jurisdictions and located largely in globally significant geological terranes. The portfolio has been diversified from purely gold into base and battery metals, in order to gain exposure to disrupted and rapidly growing commodities.

Business development remains a focus for the Company, after successfully building a strong balance sheet position through a number of well-timed asset sales. Over the course of the year, our acquisition criteria was broadened to target earlier stage opportunities with a targeted approach. The way we search for and evaluate acquisition opportunities is internally driven, with a continued, strong emphasis on commercial feasibility.

Our efforts have focused on acquiring projects, either through direct acquisition or joint venture, hosted in regional terranes that have the key geological features to host globally significant mineral deposits. The lack of quality, advanced acquisition-opportunities remains a challenge across the industry. However, the Company continues to seek timely and high impact acquisitions to complement the current portfolio, while maintaining an owner's mindset in its evaluation process.

The Company has continued to actively manage its portfolio, conducting accelerated and value-driven exploration and then rapidly making a decision to progress, partner or divest. Our approach ensures we remain focussed on achieving the best possible return on investment for every dollar spent on our Projects. A significant exploration budget of over A$5 million has been approved for the upcoming financial year, which provides an exceptional opportunity for the Company to make a material mineral discovery.

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 these objectives.

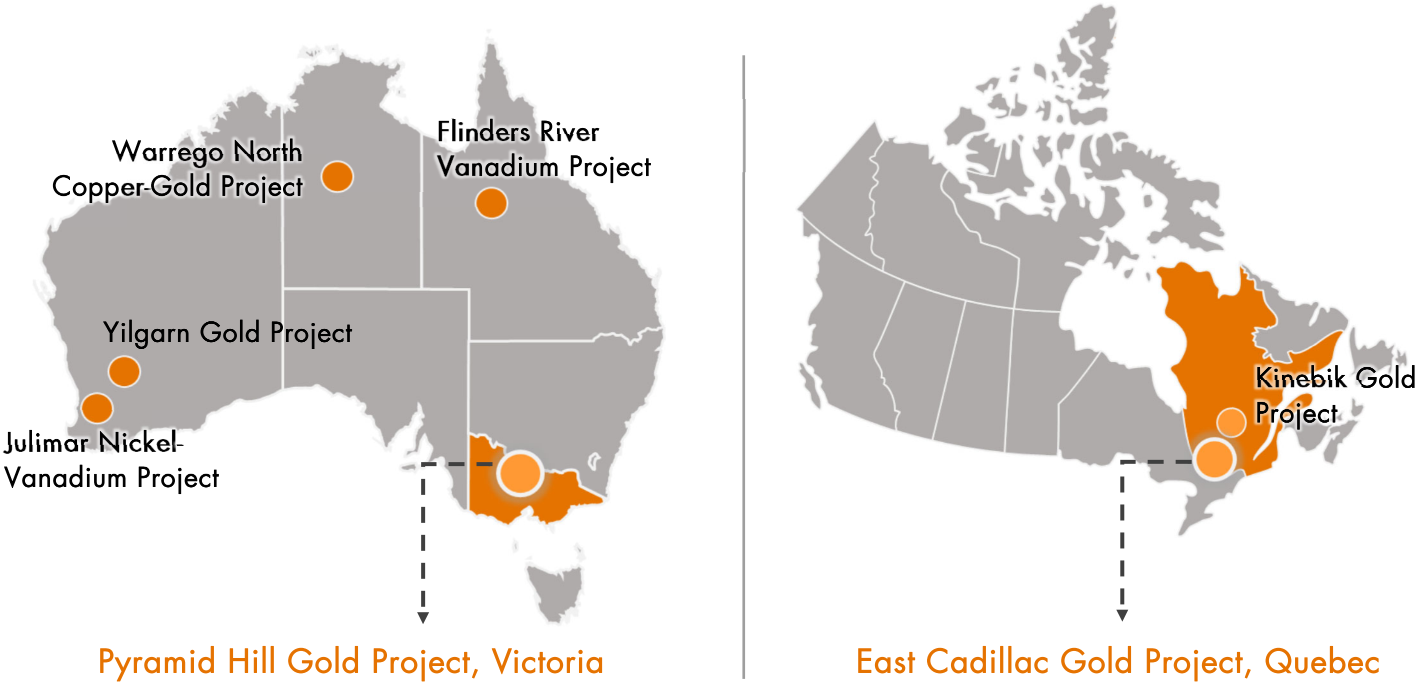


Figure 2. Location of Chalice's current exploration portfolio in Australia and Canada

Review of Operations

Chalice has built and maintained a strong portfolio of exploration projects, conducted large scale exploration programs and evaluated a number of high impact business development opportunities over the course of the year.

Since the end of 2016, Chalice has entered into a number of option, farm-in and joint venture agreements to acquire interests in several projects across the tier-1 mining jurisdictions of Australia and Canada. The Company has also made several nil-cost early stage acquisitions within our current footprint, to build a substantial global exploration portfolio (Figure 2).

Exploration expenditure for the year was ~A$13 million, comprising the following key activities:

~30,000m diamond drilling program as well as significant regional geochemistry and geophysical programs across our two projects in Canada.

An initial geochemistry program at the Pyramid Hill Gold Project which resulted in significant areas of gold anomalism in soils.

Two drilling programs at the Warrego North Copper-Gold Project which resulted in encouraging indications of mineralisation warranting follow up work.

Reconnaissance air-core drilling program and geochemistry programs at several prospects within the Yilgarn Gold Project.

6,500m RC and air-core drilling program at the West Pilbara Gold-Copper Project.

4,000m RC drilling program at the Latitude Hill Nickel Project.

Pyramid Hill Gold Project

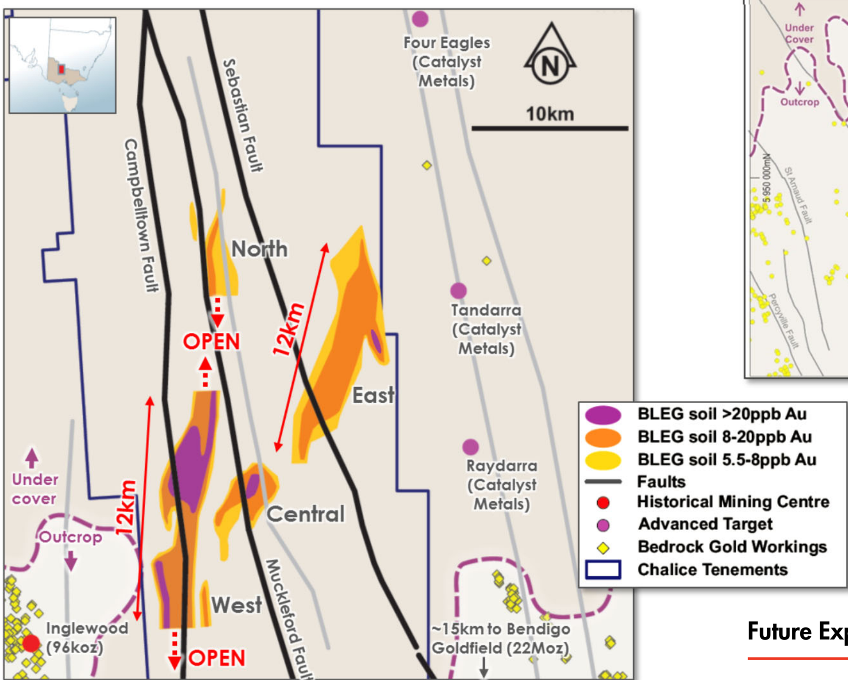
VICTORIA, AUSTRALIA

The 100%-owned Pyramid Hill Gold Project covers an area of 3,080km^2 north of Bendigo in Victoria. The Project extends to the north-west of the world-class >22Moz Bendigo Goldfield and to the north-east of one of the world's highest-grade gold mines, the >7Moz Fosterville Gold Mine owned by Kirkland Lake Gold (NYSE / TSX: KL | ASX: KLA). The 'Gold Undercover' initiative by the Victorian Government estimated a potential ~32Moz of undiscovered gold beneath Murray Basin cover in the Bendigo Zone where Chalice holds a district scale land position.

Exploration Activities

The Pyramid Hill Gold Project has been an exciting acquisition for Chalice this year, with the Bendigo region enjoying a significant renaissance in gold exploration following the continued success of several nearby projects.

Chalice made a strong start to its maiden exploration campaign over the year, identifying four coherent and highly prospective gold-in-soil anomalies. The two largest anomalies are each ~12km long and have remained the initial focus of the Company's exploration campaign. In addition to an expanded geochemical sampling program, Chalice also commenced ground-based gravity surveys over granted tenure to refine the structural geology at a local scale.



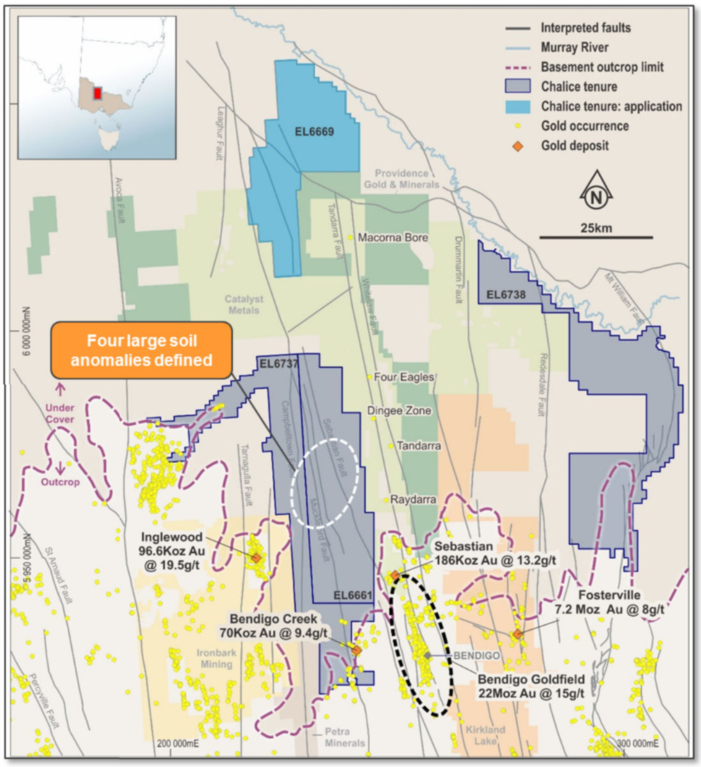


Figure 3a and b. Pyramid Hill Gold Project location, neighbouring companies, Bendigo Zone gold deposits and occurrences, and gold-in-soil anomalies identified

Ownership

The Project is 100% owned by the Company.

Future Exploration

Results from the regional soil geochemical sampling programs and extended ground gravity work will be used to plan for a maiden drilling program scheduled for early Q4 2018, subject to approvals.

East Cadillac Gold Project

QUEBEC, CANADA

The East Cadillac Gold Project covers an area of 245km^2 and is located ~35km east of the >20Moz Val-d'Or gold camp in Quebec, Canada. With land-holdings encompassing a strike length of 27km of the Larder Lake-Cadillac Fault, the most prolifically endowed gold trend in the southern Abitibi, the Project is situated amongst some of the region's most significant mines and surrounds the historical Chimo gold mine, owned by Cartier Resources (TSX: ECR). The East Cadillac Project was acquired by Chalice in late 2016 and further consolidated with several earn-in option agreements (Chalice earning 70-100%) and 100%-owned claims. Since acquiring the Project, Chalice has completed systematic geochemistry and geophysics field programs as well as a ~27,600m regional diamond drilling program targeting large scale gold systems, with three new discoveries made to date.

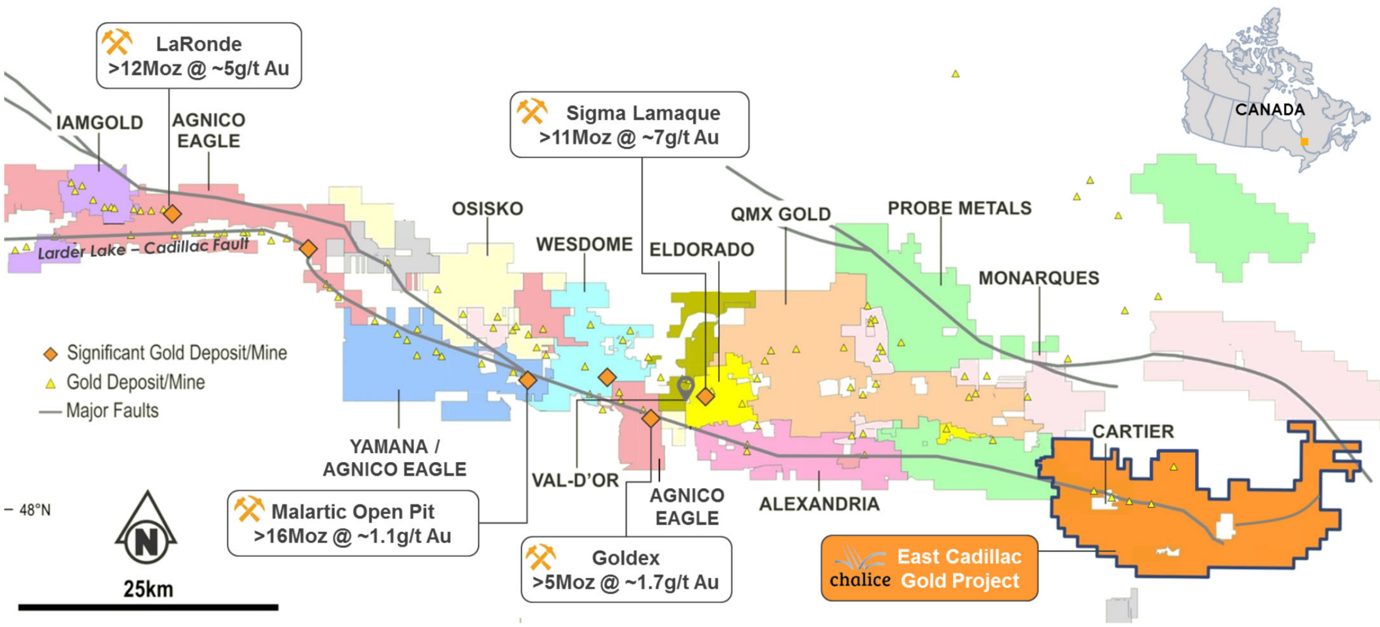


Figure 4. East Cadillac Gold Project location and neighbouring companies and gold mines

Exploration Activities

A NI43-101 and JORC 2012 compliant Mineral Resource estimate for Nordeau West (from historic drilling) was completed in mid 2017, comprising an Indicated Mineral Resource of 225,000t @ 4.17g/t Au for 30,200oz Au and an Inferred Mineral Resource of approximately 1.11Mt @ 4.09g/t Au for 146,300oz Au.

MMI soil, rock chip and bark geochemical sampling, as well as Aeromagnetic and LiDAR geophysical surveys across the western part of the Project were completed. A detailed 200m line-spaced 3D Orevision IP geophysical survey was also completed over the western 16km of the Larder Lake–Cadillac Fault Zone. These data sets identified several high priority drill targets.

Chalice then successfully completed a 27,600m regional diamond drilling program, targeting large scale gold systems as well as down plunge extensions of known mineralisation. Three new gold discoveries were made, extending the known mineralisation at Simon West to approximately 3.5km of strike length, open to the west, and two new significant wide zones of gold mineralisation at North Contact and Lac Rapides prospects which remain open along strike and down dip.

East Cadillac Gold Project

QUEBEC, CANADA

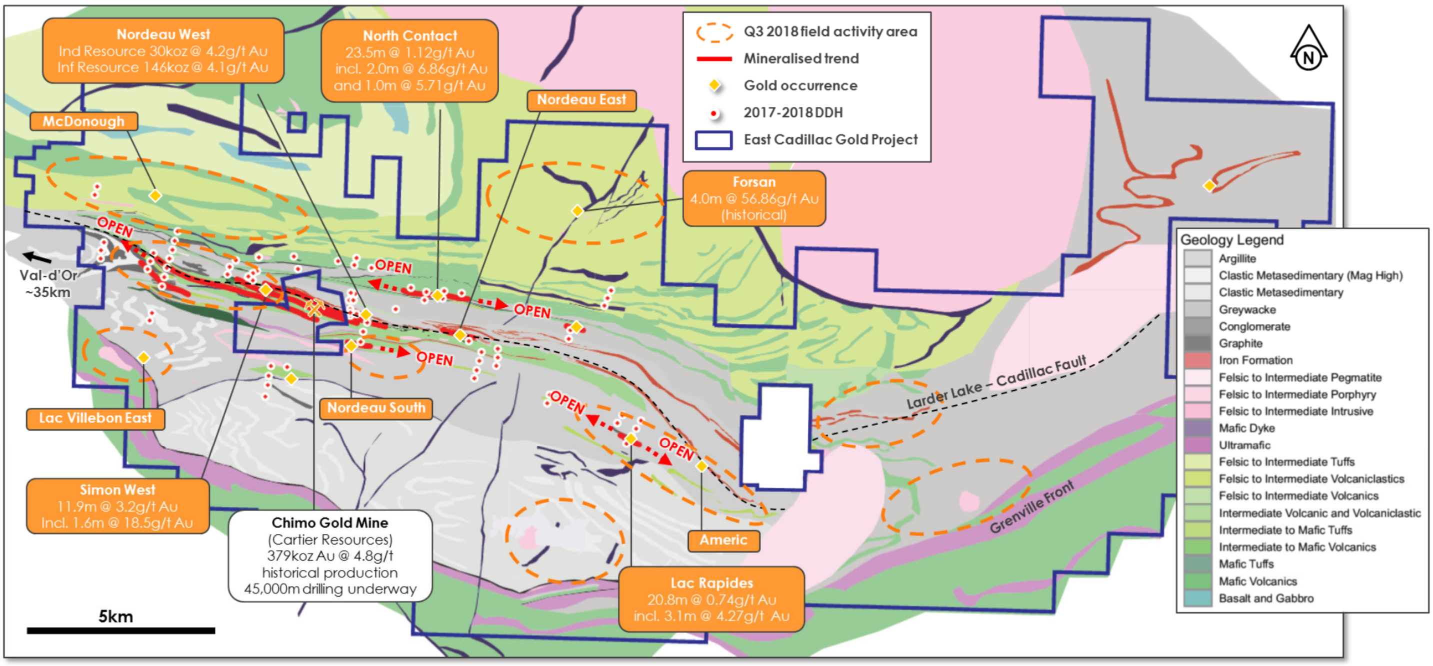


Figure 5. East Cadillac Gold Project structural interpretation and prospect overview

Future Exploration

Following the successful Canadian winter drilling program, Chalice commenced a large-scale summer field program to extend coverage of surface geochemistry and geophysics across high priority targets.

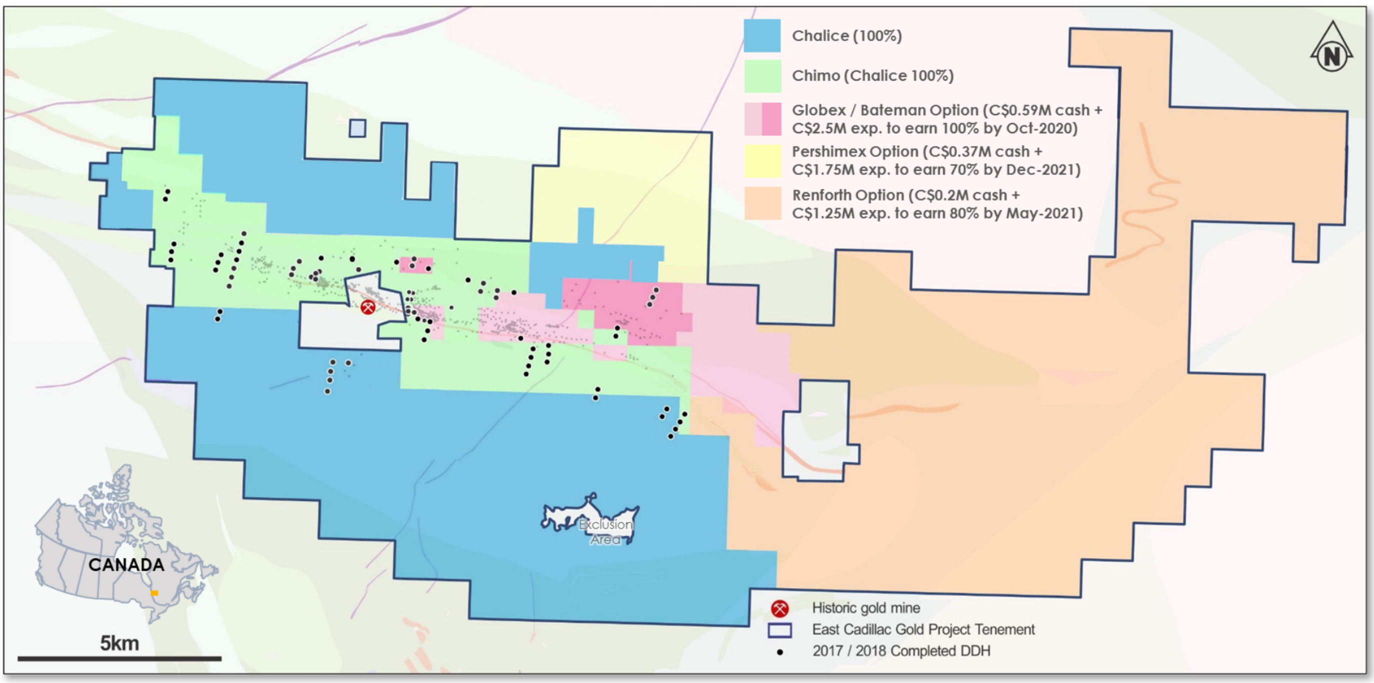
The program aims to explore 5 new large-scale target areas, and to build on wide mineralised zones discovered at North Contact and Lac Rapides. The next phase will aim to define drill ready targets for the next winter drill program in late Q4 2018.

Ownership

During the year, Chalice increased the Project area through two option agreements with Pershimex Resources Corporation (formerly Khalkos Exporation Inc.) and Renforth Resources Inc., adding 112km^2 of claims. Figure 6, below, outlines the major agreements that comprise the Project, whereby Chalice is earning a 70-100% interest in relevant areas as well as Chalice 100% owned tenure.

In September 2018, the Company issued 3,000,000 fully paid ordinary shares in consideration for the acquisition of the remaining 30% interest in its joint venture property within the East Cadillac Gold Project with Monarques Gold Corporation (TSX-V: MQR). This is a key acquisition as it consolidates an important part of the overall East Cadillac Gold Project.

Figure 6. East Cadillac Gold Project ownership overview



Warrego North Copper-Gold Project

NORTHERN TERRITORY, AUSTRALIA

The Warrego North Copper-Gold Project is located approximately 5km north-west of the historical high-grade Warrego copper-gold mine in the western part of the Tennant Creek Mineral Field in the Northern Territory. Warrego was the largest deposit mined in the area with historical production of ~1.6Moz of gold and ~175,000 tonnes of copper, in a classic iron oxide copper gold ("IOCG") geological setting. Chalice optioned part of the Project in April 2016 from Meteoric Resources (ASX: MEI), and can earn up to a 70% interest in two tenements within the project by sole funding A$800,000. Three additional tenements surrounding the Meteoric JV tenure are 100% owned.

Exploration Activities

The Company identified two significant clusters of magnetic anomalies on its recently acquired tenure which have the potential to host high-grade gold and copper in typical Tennant Creek IOCG ironstone bodies. The Emu trend was prioritised for drilling during August 2018 and the Company completed a program of 4 RC drill holes for 1200m, testing three co-incident magnetic and gravity anomalies over a 5km strike length. Assays showed the target was effectively tested however anomalous copper readings were observed.

The Parakeet Target was previously identified as a coincident magnetic and gravity anomaly. One RC and three diamond drill holes with RC pre-collars for 1,575m was drilled to follow-up previously encouraging results from drill hole WND17-001 (8m @ 1.74% Cu and 0.42g/t Au). Follow-up drilling was successful in identifying two additional ironstone units in diamond hole WND17-006, located approximately 150m east of WND17-001. Diamond hole WND17-004, drilled directly beneath the previous intersection in diamond hole WND17-001 intersected a zone which was interpreted to have narrowly missed a prospective ironstone. Diamond hole WND17-005 tested the western extent of the Parakeet anomaly and RC hole WND17-003 tested an historical chargeability target. Both failed to intersect any zones of mineralisation.

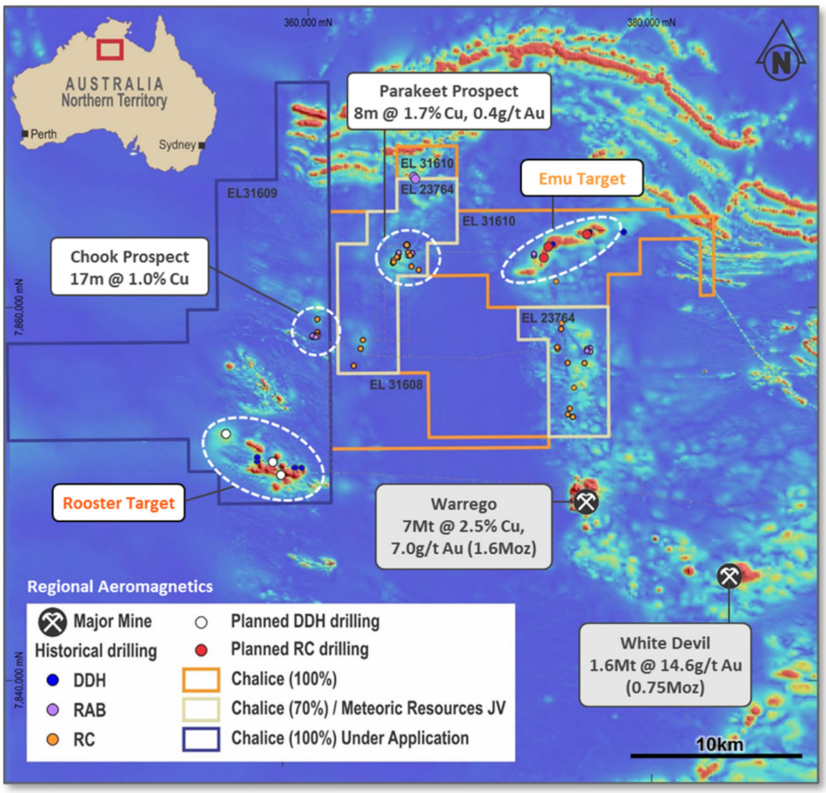


Figure 7. Warrego North Project location map including major prospects, tenure and planned drilling over regional aeromagnetics companies and gold mines

Future Exploration

The Rooster target is an exciting cluster of several strong magnetic anomalies located within ELA31609. Diamond drilling is planned following the grant of the Exploration Licence, subject to grant.

Ownership

EL23764 is 51% owned by the Company with the right to earn up to a 70% interest by sole funding $400,000 in exploration expenditure within five years. The tenements EL31608-31610 are 100% owned by the Company.

Yilgarn Gold Project

WESTERN AUSTRALIA

The Kurrajong Bore, Bunjarra Well, Jericho, Nulla South and Gibb Rock project areas are located over prospective greenstone belt sequences in the Eastern Goldfields and Southern Cross Goldfields of Western Australia. The Kurrajong Bore Project (48km^2) lies ~50km NE of the world class Gwalia gold mine (>5Moz Au) and proximal to other smaller orogenic gold deposits along the Mertondale shear zone. The Bunjarra Well Project (75km^2) lies adjacent to the highly prospective Keith Kilkenny Shear Zone, a major regional lineament known for its regional prospectivity and gold endowment. The Nulla South project comprises two Exploration Licences (275km^2), situated 25km SE of the actively producing Edna May gold mine (>1Moz Au) over the Westonia greenstone belt. Gibb Rock comprises a single Exploration Licence (55km^2) located over the Holleton greenstone belt.

Exploration Activities

Kurrajong Bore and Bunjarra Well

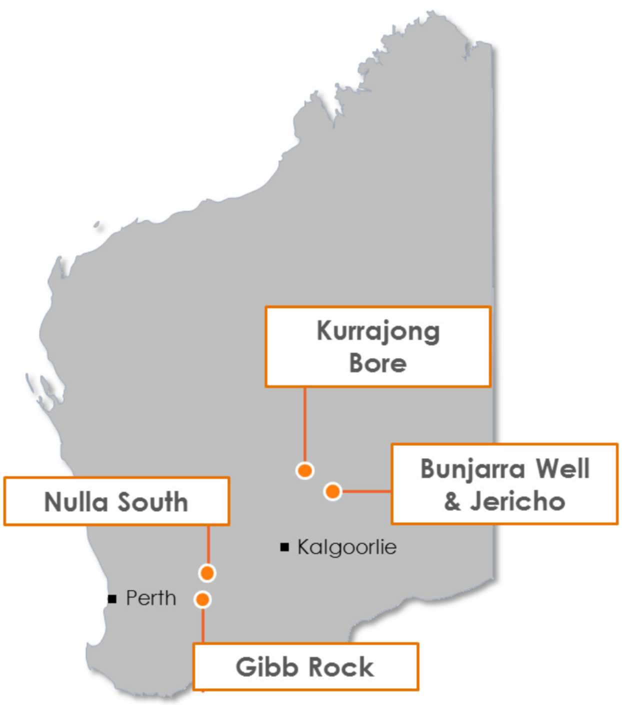
The Company completed a 5,500m air-core drilling program at the Kurrajong Bore (Mertondale east) and Bunjarra Well prospects during the year. Drilling was mostly undertaken on selected 0.4-2km spaced east-west orientated drill sections with holes on 100-200m centres to broadly test magnetic anomalies (interpreted mafic intrusives) and structural targets enclosing felsic and mafic volcanic and sedimentary sequences. Assays are currently awaited.

Gibb Rock

Chalice also conducted a program of auger drilling (309 holes) and soil sampling (48 samples) at Gibb Rock prospect, which hosts a greenstone belt succession comprised of Banded Iron Formation, mafic volcanic/schist bounded by granite-gneiss of the Southern Cross terrane. Sampling was mostly undertaken on a 100m x 20m grid.

Nulla South

Chalice entered into a farm-in and joint venture agreement with Ramelius Resources (ASX: RMS), where Ramelius can earn a 70% interest in the tenements by spending $2 million over three years.



Future Exploration

The Company is currently reviewing the results from the recently completed air-core drilling and auger programs.

Ownership

The Project (excluding Nulla South) is 95% owned by the Company.

Figure 9: Yilgarn Gold Project location, Western Australia

Flinders River Vanadium Project

QUEENSLAND, AUSTRALIA

The 100%-owned Flinders River Vanadium Project is located in central Queensland, ~250km east of Mt Isa and 380km west of Townsville. The Project is strategically located within close proximity to the Flinders Highway and Great Northern Railway that connects to the port of Townsville. The region is highly prospective for sedimentary-hosted vanadium mineralisation, with several globally significant vanadium resources nearby held by Intermin Resources Limited (ASX: IRC) / AXF Resources and Multicom Resources.

Exploration Activities

Ten Exploration Permit applications have been lodged over the course of the year and at the date of this report a total of four have been granted. The Company expects the remaining six applications to be granted in Q4 2018, after which it will commence field reconnaissance work.

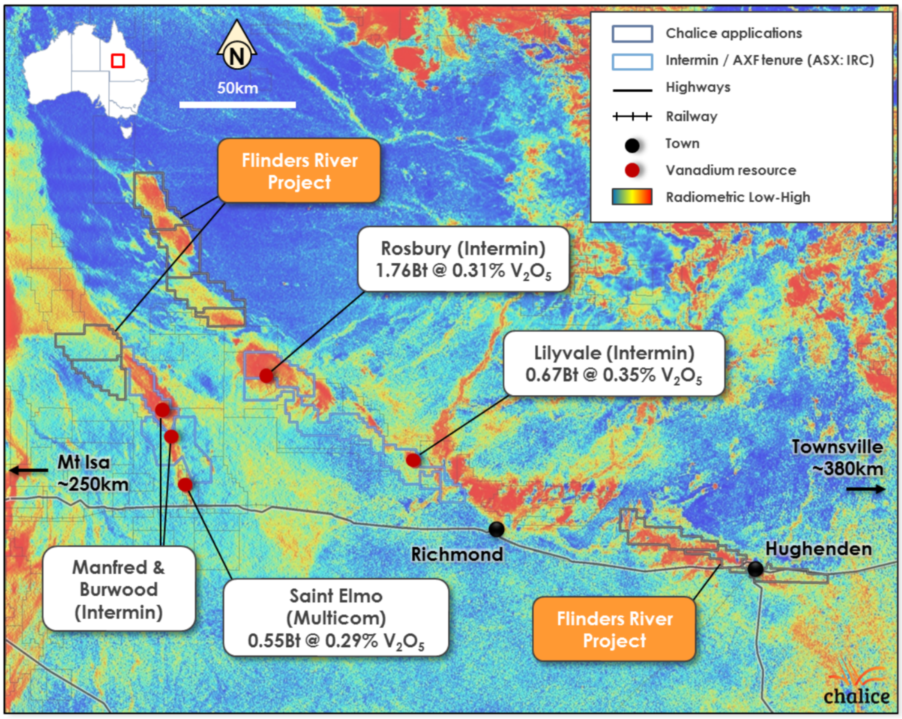


Figure 10: Flinders River Vanadium Project location over uranium channel radiometric imagery

Future Exploration

A shallow air-core drilling program is planned to test the lateral continuity and thickness of the Toolebuc formation which hosts known vanadium mineralisation in the district. The program aims to delineate any potential mineralisation in a low cost and effective manner.

Ownership

The Project is 100% owned by the Company.

Julimar Nickel- Vanadium Project

WESTERN AUSTRALIA

The Julimar Nickel-Vanadium Project is located just 80km north-east of Perth, with excellent access via the Great Northern Highway and established infrastructure nearby. The Julimar Project is prospective for both magmatic-style Nickel-Copper-Platinum Group Elements (Ni-Cu-PGE) and intrusion related Iron-Vanadium-Titanium (Fe-V-Ti) mineralisation within an interpreted large (26 x 7km) layered mafic-ultramafic complex.

Exploration Activities

Chalice has conducted a review of limited historic exploration, along with interpretation of existing geophysical datasets, which was found to support the interpretation of a prospective mafic-ultramafic intrusive geological setting. Two Exploration Licence applications were lodged during the year.

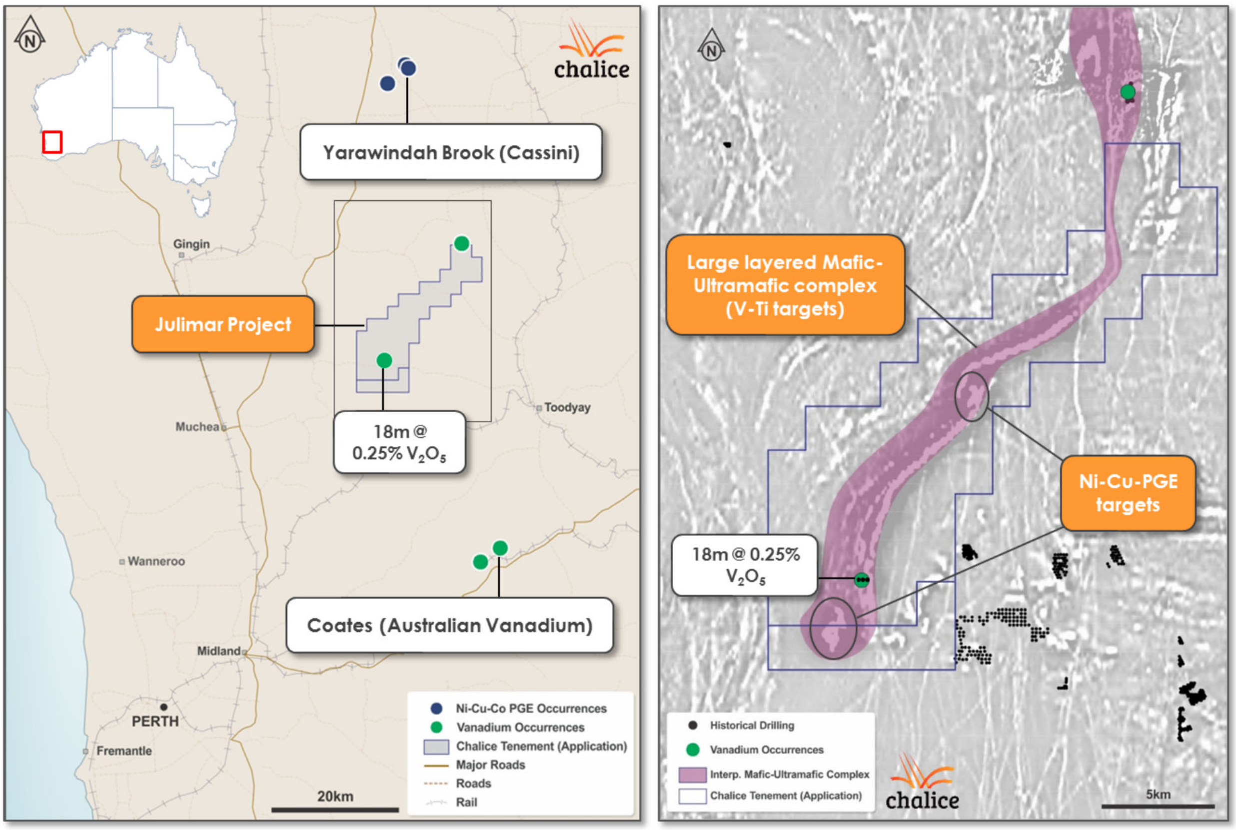


Figure 11a and b: Julimar Nickel-Vanadium Project location over regional aeromagnetics

Future Exploration

Chalice plans to carry out field reconnaissance work followed by targeted ground magnetic, gravity and electromagnetic surveys over selected target zones (potential feeder zones) within the greater intrusive complex, following the granting of Exploration Licences. Any targets generated from the surface geophysical surveys will be the basis for follow-up drill testing.

Ownership

The Project is 100% owned by the Company.

Kinebik Gold Project

QUEBEC, CANADA

The 100%-owned Kinebik Gold Project covers an area of 187km^2 and includes 30km of strike along the Casa Berardi fault in Quebec, Canada. The fault system hosts the >6Moz Casa Beradi gold mine ~150km to the west, and numerous other gold occurrences.

Exploration Activities

A maiden drill program of 10 holes for 2,007m was completed during the year, testing the first of three strong gold plus pathfinder MMI soil geochemical anomalies. The South Anomaly was prioritised for drilling given its proximity to the interpreted trend of the Casa Beradi fault. While no significant mineralisation was discovered during the initial drill program, Chalice remains encouraged by the extent of alteration encountered in the drilling and will continue to assess the surrounding area and remaining two geochemical anomalies.

Ownership

The Project is 100% owned by the Company.

Past Projects

West Pilbara Gold Project, Western Australia, Australia

During the year, Chalice completed reconnaissance air-core and RC drilling programs to follow-up on gold and base metal targets identified at the Wyloo West, Wyloo East, Ken's Bore, Derek's Bore, G1, B2 and Red Hill prospects. In total, 335 holes for 9,259m were drilled including 276 AC holes for 5,685m and 59 RC holes for 3,574m. While anomalous results were returned from several of the prospects, they were not considered sufficiently encouraging to warrant follow-up exploration. Accordingly, the Company provided notification to Red Hill Iron of its withdrawal from the farm-in and joint venture agreement in January 2018.

Latitude Hill Nickel Project, Western Australia, Australia

A 4,000m RC drilling program was completed during the year to test up to eleven separate conductor plates modelled from ground EM surveys completed over six prospects on the Project. The results of RC drilling showed that the conductors represented zones of strongly graphitic gneiss or metasediments hosted within either basement gneiss or dominantly metasedimentary sequences, both of which are poorly exposed in the region. Graphitic zones are commonly associated with minor disseminated iron sulphides, although the EM conductors are likely explained by the strong abundance of graphite.

As the results of drilling downgraded the nickel prospectivity of the Project, Chalice formally notified Traka Resources of its withdrawal from the Latitude Hill Project farm-in and joint venture agreement in March 2018.

Other interests

Nyanzaga Gold Project, Tanzania

Following Chalice's merger with Sub-Sahara Resources NL in 2009, the Company became entitled to a payment of A$5 million upon commercial production at the Nyanzaga Project ("Nyanzaga") 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 spent approximately US$14 million to date in completing a Pre-Feasibility Study.

Ausgold Resources Limited (ASX: AUC)

Chalice holds 66 million shares and 10 million unlisted share options in Ausgold that are exercisable at 3.5 cents per share before 13 September 2019, with a value of A$1.8 million as of 30 June 2018. This equates to an undiluted 10.0% interest in Ausgold (increasing to a ~11.4% interest in the event that the consideration options are exercised) on a fully diluted basis. Chalice also retains a 2% Net Smelter Return ("NSR") royalty over the Dumbleyung Project, which was sold to Ausgold in September 2017. Ausgold's Katanning Gold Project is located 275km southeast of Perth, Western Australia where Ausgold holds a dominant ground position of approximately 4,031km^2 in a relatively under-explored greenstone belt that is prospective for Archaean gold deposits. The Company has a Mineral Resource Estimate of 20.98Mt at 1.17g/t Au for 785,000oz Au of contained gold. Ausgold continued exploration and resource definition activities during the year.

GeoCrystal Limited

Chalice has a 20.46% interest in unlisted diamond explorer, GeoCrystal Ltd ("GeoCrystal"). GeoCrystal has several diamond exploration projects in northern Australia. GeoCrystal is considering its options in relation to an Initial Public Offering (IPO).

Other investments

Chalice has a minor shareholding in Navarre Minerals (ASX: NML), Kesselrun Resources (TSX-V: KES.V) and Renforth Resources (CNSX: RFR), with a combined value of A$0.8 million as of 30 June 2018.

Financial performance

The Group reported a net loss after income tax of $15.9 million for the year compared to a restated net loss of $4.7 million for the year ended 30 June 2017. This increase in loss is largely related to an increase in exploration and evaluation expenditure of $9.3 million and a net loss on sale of available for sale financial assets of $1.1 million compared to a net gain on sale of available for sale financial assets of $1.8 million in the previous year, which equates to a net variance of $2.9 million. The net loss on sale represents the net loss from the sale of the remaining 6 million shares held in TSX listed First Mining Gold Corp (previously named First Mining Finance Corp) ("First Mining").

Statement of cash flows

Cash and cash equivalents at 30 June 2018 were $35.7 million (30 June 2017: $46.8 million). The decrease in cash of $11.1 million is predominately due to an $9.7 million increase in payments for exploration and evaluation expenditure, income taxes paid of $1.1 million and a reduction in proceeds received from the sale of financial assets.

In comparison to the restated 2017 financial year, net cash flows used in operating activities increased by 240% from $4.3 million in 2017 to $14.6 million.

Net cash flows from investing activities decreased significantly during the year from a net inflow of $19.6 million in 2017 to a net inflow of $2.8 million in 2018. This was primarily due to the majority of shares held in First Mining being sold in the 2017 financial year.

Net cash used in financing activities in the prior financial year represents the on-market share buy-back that completed in July 2017.

The effect of exchange rates on cash and cash equivalents at 30 June 2018 was a gain of $0.7 million (2017: loss of $0.4 million). The Company held approximately US$10 million in US$ denominated bank accounts at 30 June 2018 (30 June 2017: US$10 million) and held C$8.4 million in C$ denominated bank accounts at 30 June 2018 (30 June 2017: C$14.5 million).

Financial position

At balance date the Group had net assets of $41.6 million and an excess of current assets over current liabilities of $40.5 million. Current assets decreased by 22.1% to $41.5 million (restated 2017: $53.3 million) mainly due to a decrease in cash on hand. Refer to the statement of cash flows discussion above for further details regarding the movements in the 2018 cash balance.

Non-current assets increased by 20% to $1.2 million (restated 2017: $1.0 million), mainly due to the increase in fair value of the Company's non-current financial assets.

Current liabilities decreased by 50% to $1.0 million (2017: $2.0 million) mainly due to capital gains tax payable on the sale of First Mining shares in relation to the 30 June 2017 financial year. Non-current liabilities decreased due to the reduction in the deferred tax liability in the current year.

Mineral Resource Statement

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.

On 7 March 2017, the Company issued an updated mineral resource statement for the Nordeau West deposit in Canada. The report was prepared in accordance with Canadian National Instrument 43-101 and JORC Code (2012 Edition).

In completing the annual review for the year ended 30 June 2018, the historical resource factors were reviewed and found to be relevant and current, therefore, there are no changes to the mineral resources stated. The mineral resource estimate is summarised below:

Table 1. Nordeau West Mineral Resource estimates

JORC Category	Cut-Off (g/t Au)	Tonnes (t)	Grade (g/t Au)	Contained Au (oz Au)
Indicated	2.75	225,000	4.17	30,200
Inferred	2.75	1,112,000	4.09	146,300
Total Indicated & Inferred	2.75	1,337,000	4.10	176,500

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 estimates 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.

Competent Person and Qualifying Person Statements

The information in this report that refers to the Pyramid Hill Gold Project is extracted from the announcement entitled "Chalice identifies two 12km+ gold-in-soil anomalies at Pyramid Hill Project, Bendigo" dated 17 July 2018.

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 refers to the East Cadillac Gold Project is extracted from the announcement entitled "Two new gold discoveries expand the district-scale potential of the East Cadillac Gold Project" dated 31 May 2018.

The information in this report that refers to the Warrego North Copper-Gold Project is extracted from the announcement entitled "Large copper-gold target to be drilled at Warrego North Project" dated 16 July 2018.

The information in this report that refers to the Julimar Nickel-Vanadium Project is extracted from the announcement entitled "Chalice targets new growth front in battery metals following acquisition of two highly prospective vanadium-nickel projects" dated 23 May 2018.

The information in this report that refers to the West Pilbara Gold and Latitude Hill Nickel Projects is extracted from the announcement entitled "December 2017 Quarterly Activities Report" dated 19 January 2018.

The above announcements are available to view on the Company's website at www.chalicegold.com. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market 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 document and Chalice Gold Mines Limited (the Company) does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company's strategy, the estimation of mineral reserve and mineral resources, the realisation of mineral resource estimates, the likelihood of exploration success at the Company's projects, the prospectivity of the Company's exploration projects, the timing of future exploration activities on the Company's exploration projects, planned expenditures and budgets and the execution thereof, the timing and availability of drill results, potential sites for additional drilling, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "planning", "expects" or "does not expect", "is expected", "will", "may", "would", "potential", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", "occur" or "be achieved" or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Such factors may include, among others, risks related to actual results of current or planned exploration activities; changes in project parameters as plans continue to be refined; 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; the ultimate outcome for shareholders of any Class Ruling received from the Australian Tax Office ("ATO") in relation to any proposed capital return, whether shareholders would vote in favour of such a return of capital if put before them at a meeting of the shareholders, delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements, all of which are filed and available for review on SEDAR at sedar.com.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Tenement Schedules

Australia

Location	Project	Tenement No.	Registered Holder	Nature of interest
Western Australia	Yilgarn Craton	E39/1914	CGM (WA) Pty Ltd	95%
		E39/1976	CGM (WA) Pty Ltd	95%
		E70/4869	CGM (WA) Pty Ltd	95%
		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
		P37/8702 to P37/8711	CGM (WA) Pty Ltd	95%
		P39/5600 to P39/5601	CGM (WA) Pty Ltd	95%
		P37/9012 to P37/9023	CGM (WA) Pty Ltd	100%
		P37/9026	CGM (WA) Pty Ltd	100%
		P37/9028 to P37/9031	CGM (WA) Pty Ltd	100%
	Julimar	E70/5118	CGM (WA) Pty Ltd	100%
Victoria	Pyramid Hill	EL006661	CGM (WA) Pty Ltd	100%
		EL006737 to EL006738	CGM (WA) Pty Ltd	100%
Northern Territory	Warrego North	EL23764	CGM (WA) Pty Ltd (51%) & Meteoric Resources NL (49%)	51% - 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 to EPM26860	CGM Lithium Pty Ltd	100%
		EPM26863	CGM Lithium Pty Ltd	100%
		EPM26919	CGM Lithium Pty Ltd	100%

Canada

Location	Project	Claim Numbers	Registered Holder	Nature of Interest
Quebec	Kinebik	2448108 to 2448207	Chalice Gold Mines (Quebec) Inc.	100%
		2448409 to 2448497	Chalice Gold Mines (Quebec) Inc.	100%
		2449277 to 2449375	Chalice Gold Mines (Quebec) Inc.	100%
		2454112 to 2454113	Chalice Gold Mines (Quebec) Inc.	100%
		2454308 to 2454320	Chalice Gold Mines (Quebec) Inc.	100%
		2454863 to 2454867	Chalice Gold Mines (Quebec) Inc.	100%
		2466152 to 2466176	Chalice Gold Mines (Quebec) Inc.	100%
		2468010 to 2468013	Chalice Gold Mines (Quebec) Inc.	100%
		2470442 to 2470460	Chalice Gold Mines (Quebec) Inc.	100%
		2499665 to 2499668	Chalice Gold Mines (Quebec) Inc.	100%
		2514476 to 2514481	Chalice Gold Mines (Quebec) Inc.	100%
		2515283 to 2515284	Chalice Gold Mines (Quebec) Inc.	100%
	East Cadillac	2385084	Chalice Gold Mines (Quebec) Inc.	100%
		2438140 to 2438211	Chalice Gold Mines (Quebec) Inc.	100%
		2434329	Chalice Gold Mines (Quebec) Inc.	100%
		2434769 to 2434771	Chalice Gold Mines (Quebec) Inc.	100%
		2438058 to 2438067	Chalice Gold Mines (Quebec) Inc.	100%
		2438103 to 2438104	Chalice Gold Mines (Quebec) Inc.	100%
		2438130 to 2438133	Chalice Gold Mines (Quebec) Inc.	100%
		2445500 to 2445501	Chalice Gold Mines (Quebec) Inc.	100%
		2456677 to 2456680	Chalice Gold Mines (Quebec) Inc.	100%
		2456713 to 2456714	Chalice Gold Mines (Quebec) Inc.	100%
		2457365 to 2457366	Chalice Gold Mines (Quebec) Inc.	100%
		2457890 to 2457892	Chalice Gold Mines (Quebec) Inc.	100%

Tenement Schedules

Canada (Continued)

Location	Project	Claim Numbers	Registered Holder	Nature of Interest
		2458268 to 2458272	Chalice Gold Mines (Quebec) Inc.	100%
		2461488 to 2461495	Chalice Gold Mines (Quebec) Inc.	100%
		2466091 to 2466092	Chalice Gold Mines (Quebec) Inc.	100%
		2468029 to 2468043	Chalice Gold Mines (Quebec) Inc.	100%
		2470586	Chalice Gold Mines (Quebec) Inc.	100%
		2471188 to 2471202	Chalice Gold Mines (Quebec) Inc.	100%
		2472374 to 2472375	Chalice Gold Mines (Quebec) Inc.	100%
		2481223 to 2481300	Chalice Gold Mines (Quebec) Inc.	100%
		2491126	Chalice Gold Mines (Quebec) Inc.	100%
		2491239 to 2491250	Chalice Gold Mines (Quebec) Inc.	100%
		2491522	Chalice Gold Mines (Quebec) Inc.	100%
		2514628	Chalice Gold Mines (Quebec) Inc.	100%
		2515519	Chalice Gold Mines (Quebec) Inc.	100%
		2437791 to 2437811	Globex Mining Enterprises Inc.	0% - Option agreement to earn a 100% interest
		2437862 to 2437873	Globex Mining Enterprises Inc.	
		2437912 to 2437915	Globex Mining Enterprises Inc.	
		2438798 to 2438811	Chalice Gold Mines (Quebec) (40%) Globex Mining Enterprises Inc. (60%)	40% - Option agreement to acquire a further 60% interest
		2438935 to 2438937	Chalice Gold Mines (Quebec) (40%) Globex Mining Enterprises Inc. (60%)	
		2437916 to 2437942	Pershimex Resources Corporation	0% - Option agreement to earn a 70% interest
		2443200 to 2443243	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2480250 to 2480258	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2481131 to 2481222	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2405317 to 2405327	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2423153 to 2423166	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2462745 to 2462751	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2477257 to 2477258	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2480184 to 2480187	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest
		2484903	Renforth Resources Inc. 100%	0% - Option and farm-in agreement to earn a 80% interest

Directors' Report

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 2018 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.

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) and a Director of Strike Energy Limited (since 2017), all listed on the ASX. Tim has been a director since 2005 (13 years) and was appointed Executive Chairman on 23 March 2018. Tim previously held the position of Managing Director.
Morgan S Ball B.Com, CA, FFin Lead Independent Non-executive Director	Morgan is a Chartered Accountant with more than 26 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. During the past three years, Morgan was Managing Director from 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 and Remuneration Committee and was appointed to the Board as an Independent Non-executive Director on 24 June 2016 (2 years). Morgan was appointed Lead Independent Non-executive Director on the resignation of Tony Kiernan.
Stephen P Quin PGeo, FGAC, FSEG, MIOM3 Independent Non-executive Director	Stephen is a geologist with over 37 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 a member of the Audit and Risk Committee and Remuneration Committee and has been an Independent Non-executive Director since 2010 (8 years).
Anthony (Tony) W Kiernan LLB 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 Pilbara Minerals Limited (since 2017) and Venturex Resources Limited (since 2010) both listed on ASX. During the past three years, Tony was previously a Director of ASX listed BC Iron Limited (2006 to 2016) and Danakali Limited (2013 to 2017). Tony was a director of the Company from February 2007 to 13 September 2018.

2. EXECUTIVES AND COMPANY SECRETARY

Alexander (Alex) C Dorsch
BEng (Hons), BFin
Chief Executive Officer

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 Chief Executive Officer on 23 March 2018.

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. Richard was appointed Joint Company Secretary on 18 September 2017 and resigned from this position on 29 June 2018.

Leanne Stevens
B.Com, CA, ACIS
Company Secretary
(appointed 29 June 2018)

Leanne is a Chartered Accountant and Chartered Secretary who has over 16 years of accounting and governance experience within the mining and energy industries. Leanne was appointed Company Secretary on 29 June 2018.

Catherine Huynh
B.Com, CA, ACIS
Joint Company Secretary
(resigned 29 June 2018)

Catherine is a Chartered Accountant and Chartered Secretary who has 8 years of professional experience and was appointed Joint Company Secretary on 18 September 2017 and resigned on 29 June 2018.

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[1]
Number of meetings held:	8	2	1	-
Number of meetings attended:				
A W Kiernan	7	2	1	-
T R B Goyder	7	-	-	-
S P Quin	8	2	1	-
M S Ball	8	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	Nomination
M S Ball (Chairman)	A W Kiernan (Chairman)[1]	Full Board
A W Kiernan	S P Quin	
S P Quin	M S Ball[1]	

[1]Mr A Kiernan resigned from the Board on 13 September 2018 and Mr M Ball was appointed Chairman of the Remuneration Committee.

4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were mineral exploration and project evaluation. There has been no significant changes in the nature of these 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 2018. 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 5 for further details.

5.1 Operational and Financial Highlights

Exploration – Australia

- Chalice secured the **Pyramid Hill Gold Project**, a district scale 3,080km^2 land holding in the highly prospective Bendigo region of Victoria. Four large gold-in-soil anomalies were identified overlying several regionally significant structures.
- Two new prospective vanadium and nickel exploration projects secured – the **Flinders River Vanadium Project** and the **Julimar Nickel-Vanadium Project** - giving Chalice exposure to rapidly growing commodity sectors

Exploration – Canada

- The district-scale **East Cadillac Gold Project** was expanded to cover 27km of strike along the Larder Lake-Cadillac Fault. A 27,600m reconnaissance diamond drilling program and regional geochemistry and geophysics programs were completed, with three prospective mineralised gold zones discovered and five new large-scale target areas defined.

Corporate

- Strong cash and liquid investments balance of c. A$38.3 million (~14.5c per share) at 30 June 2018, allowing Chalice to progress exploration activities across the portfolio at scale.
- Management restructure completed to position the Company for a new period of growth.
- Significant exploration budget of >A$5 million approved for the upcoming financial year.

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 2018 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 Message from the Board

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 the Key Management Personnel (KMP) and staff. Further details are provided in this report.

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 (appointed 23 March 2018, previously Managing Director)

Non-executive Directors

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

Executives

Alex Dorsch	Chief Executive Officer (appointed 23 March 2018)
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 Principles of compensation

7.3.1 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:

- Anthony Kiernan (Chairman) (resigned 13 September 2018)
- Stephen Quin
- Morgan Ball

On Anthony Kiernan's resignation from the Board, Morgan Ball has been appointed Chairman of the Remuneration Committee.

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 Chief Executive Officer and other executives including awards made under the Short Term Incentive Plan ("STIP") and Employee Long Term Incentive Plan ("ELTIP"), 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 Chief Executive Officer and Executive Chairman may attend certain Remuneration Committee meetings by invitation, where management input is required. The KMP is not present during any discussions related to his own remuneration arrangements.

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

Remuneration report approval at 2017 Annual General Meeting

The Remuneration Report for the financial year ended 30 June 2017 received positive shareholder support at the 2017 Annual General Meeting ("AGM") with a vote of 99.4% in favour.

7.3.2 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 individuals and the Company and shareholder returns;
- demonstrating a clear relationship between individual performance and remuneration; and
- motivating employees to pursue and achieve the long term growth and success of the Company.

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	✓[2]	×
	Other benefits	✓[3]	✓[3]
Variable remuneration	Short term incentives (STI)	×	✓
	Share options	✓[4]	✓
	Performance rights	×	✓

[1] Only applies to Australian non-executives.
[2] Some directors are paid consultancy fees on an arm's length basis. No directors received consultancy fees during the year ended 30 June 2018 (refer below).
[3] Other benefits relates to directors and officers insurance and income protection for Executives.
[4] Non-executive directors are eligible to participate in the share option plan at the discretion of the Board subject to shareholder approval where required (refer below for further details).

7.3.3 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 2018 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 2018 financial year, a non-executive director receives a fee between $60,000 and $80,000 (inclusive of superannuation, where applicable). Members of the Audit Committee and Remuneration Committee also receive an additional $5,000 (inclusive of superannuation) for their roles on each of those Committees. The additional payments recognise the additional time commitment by non-executive directors who serve on committees.

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.

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

Apart from their duties as directors, non-executive directors may undertake additional work for the Company on a consultancy basis on market terms. The use of consultancy by non-executive directors in addition to their duties as directors enables the Company to utilise an individual director's technical expertise in areas where the Company may not have in-house expertise. Under the terms of these consultancy agreements, non-executive directors typically receive a daily rate or monthly retainer for the work performed at a rate comparable to market rates that they would otherwise receive for their consultancy services.

The remuneration of non-executive directors for the years ended 30 June 2018 and 30 June 2017 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 2018 (2017: $46,200).

7.3.4 Executive remuneration

Executive remuneration consists of fixed remuneration and may also comprise variable remuneration in the form of performance based cash bonuses (Short Term Incentive Plan ("STIP")), share options and performance rights (issued under the terms of the ESOP and Long Term Incentive Plan ("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 within the 50th and 75th percentile band of benchmark data, but the Board has the 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. Therefore, during the financial year, no formal cash bonuses were paid to executives pursuant to the STIP. 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: • Employment of a minimum period of time; • 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 • Such other performance objectives as the Board may determine.
Vesting	Vesting will occur at the end of a defined period, usually three years, and upon the achievement of the performance conditions.

Key Design Feature	Design
Term and lapse	The term of the performance rights is determined by the Board in its discretion, but 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.

Annual grant of performance rights – 2018/2019

The table below outlines the performance rights granted to KMP in July 2018:

Annual Award	KMP	Number of Rights	Measurement Date	Vesting Date
2018/2019	Tim Goyder*	1,290,022	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

*Those to Mr Goyder are subject to shareholder approval at the Company's 2018 AGM.

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. AND/OR Value generation through: • Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; or • substantially increasing the Company's resource base; or • 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 • the sale of an asset(s) at a significant profit. 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%

Overall Performance Condition	Specific Performance Conditions	Percentage of granted performance rights that will vest if performance conditions are met
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:	
	Share price below 15% p.a. increase (equates to CHN share price <21c in 3 years)	0%
	Between 15% p.a. and 20% p.a. (21c – 24c)	Pro rata between 8.25% and 25%
	At or above 20% p.a. (>24c)	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:	
	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. AND/OR	50%
	Value generation through: • Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; or • Substantially increasing the Company's resource base; or • 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 • The sale of an asset(s) at a significant profit. 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.	
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 and have not yet vested:

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

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. For the 2016/2017 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. AND/OR **Value generation through:** • Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; or • Substantially increasing the Company's resource base; or • 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 • The sale of an asset(s) at a significant profit. 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%

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 2019, being 3 years from the date of grant.

(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. 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 4,000,000 unlisted options were issued to Mr A Dorsch under the Company's share option plan as part of a sign on incentive for his appointment to CEO.

7.3.5 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, is as follows:

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Share price	$0.15	$0.11	$0.18	$0.15	$0.14

7.4 Key management personnel remuneration

		Short-term benefits			Post-employment	Share-based payments	Termination benefits	Total	Proportion of remuneration performance related
Key Management Personnel		Salary & fees	Non-monetary benefits	Other	Superannuation benefits	Long Term Incentives [3]			
		$	$	$	$	$	$	$	%
Directors									
T R B Goyder [1]	2018	369,951	5,460	-	20,049	102,464	-	497,924	21
	2017	356,164	3,930	-	33,836	94,129	-	488,059	19
A W Kiernan [2]	2018	82,191	3,849	-	7,808	-	-	93,848	-
	2017	128,391	1,781	-	7,808	16,811	-	154,791	11
S P Quin	2018	70,000	7,608	-	-	-	-	77,608	-
	2017	70,000	5,618	-	-	16,811	-	92,429	18
M S Ball	2018	63,927	3,849	-	6,073	-	-	73,849	-
	2017	63,926	1,781	-	6,073	14,664	-	86,444	17
Executives									
A C Dorsch [1]	2018	179,210	1,139	-	13,285	119,911	-	313,545	38
	2017	-	-	-	-	-	-	-	-
R K Hacker	2018	285,847	5,919	-	20,049	76,489	-	388,304	20
	2017	279,357	3,601	-	26,539	69,949	-	379,446	18
K M Frost	2018	266,561	-	-	23,614	81,558	-	371,733	22
	2017	264,999	1,781	-	25,175	43,657	-	335,612	13
P Lengyel	2018	193,060	12,325	-	-	40,409	-	245,794	16
	2017	189,905	8,690	-	-	35,554	-	234,149	15
Total Compensation	2018	1,510,747	40,149	-	90,878	420,831	-	2,062,605	-
	2017	1,352,742	27,182	-	99,431	291,575	-	1,770,930	-

[1] On 23 March 2018, Mr Dorsch was appointed Chief Executive Officer and Mr Goyder was appointed Executive Chairman. Prior to this date, Mr Goyder held the role of Managing Director. In August 2018, Mr Goyder's salary and fees were reduced to $250,000 per annum (exclusive of superannuation) to take into account the change in his role from Managing Director to Executive Chairman. Refer to section 7.6 for further details of Mr Goyder's executive contract terms and conditions.

[2] Includes the consulting services of Mr Kiernan during the course of the financial year. No consulting services were charged to the Company during 2018 (2017: $46,200). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

[3] 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.

7.5 Equity instruments

7.5.1 Employee share options

During the reporting period 4,000,000 options were granted to KMP as per the below table. No further options over ordinary shares in the Group were granted or vested as compensation to KMP.

	Number of options granted during 2018	Grant date	Exercise Price $	Fair value of options at grant date (A) $	Weighted average Fair value per option $	Expiry date	Number of options vested during 2018
Executives							
A C Dorsch	2,000,000	23 March 2018	0.20	105,118	0.053	31 March 2021	666,666
	2,000,000	23 March 2018	0.22	96,714	0.048	31 March 2021	666,666

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

During the reporting period, no shares were issued on the exercise of share options granted as compensation and no options granted as compensation in the current and/or prior year were forfeited/lapsed.

7.5.2 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:

	Number of rights granted during 2018	Grant date	Fair value of rights at grant date (A) $	Weighted average Fair value per right $	Expiry date	Number of rights vested during 2018
Directors						
T R B Goyder	1,217,989	29 November 2017	186,961	0.15	30 June 2021	-
Executives						
A C Dorsch	339,076	9 November 2017	59,847	0.18	30 June 2021	-
R K Hacker	764,921	28 July 2017	107,089	0.14	30 June 2021	-
K M Frost	815,607	28 July 2017	114,185	0.14	30 June 2021	-
P Lengyel	415,365	28 July 2017	58,151	0.14	30 June 2021	-

(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, no shares were issued on the exercise of performance rights granted as compensation. Refer below.

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 in year	Measurement Date
Directors					
T R B Goyder	1,664,707	25 November 2015	-	-	30 June 2018
	1,200,738	22 November 2016	-	-	30 June 2019
	1,217,989	29 November 2017	-	-	30 June 2020
Executives					
A C Dorsch	339,076	9 November 2017	-	-	30 June 2020
R K Hacker	1,306,837	25 June 2015	-	-	30 June 2018
	754,087	15 July 2016	-	-	30 June 2019
	764,921	28 July 2017	-	-	30 June 2020
K M Frost	804,058	15 July 2016	-	-	30 June 2019
	815,607	28 July 2017	-	-	30 June 2020
P Lengyel	648,809	25 June 2015	-	-	30 June 2018
	389,594	15 July 2016	-	-	30 June 2019
	415,365	28 July 2017	-	-	30 June 2020

During the reporting period, no performance rights over ordinary shares held by KMP were forfeited/lapsed.

7.5.3 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 2017	Granted as compensation	Exercised / Forfeited	Held at 30 June 2018	Vested during the year	Vested and exercisable at 30 June 2018
Directors							
T Goyder	Performance Rights	2,865,445	1,217,989	-	4,083,434	-	-
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	-	500,000
Executives							
A C Dorsch	Performance Rights	-	339,076	-	339,076	-	-
	Options	-	4,000,00	-	4,000,000	1,333,332	1,333,332
R K Hacker	Performance Rights	2,060,924	764,921	-	2,825,845	-	-
K M Frost	Performance Rights	804,058	815,607	-	1,619,665	-	-
P Lengyel	Performance Rights	1,038,403	415,365	-	1,453,768	-	-

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 2017	Additions	Received on exercise of Options/ Performance rights	Sales	Held at 30 June 2018
Directors					
T R B Goyder	44,827,765	1,147,444	-	-	45,975,209
A W Kiernan	1,902,040	250,000	-	-	2,152,040
S P Quin	26,321	-	-	-	26,321
M B Ball	-	30,000	-	-	30,000
Executives					
A C Dorsch	-	-	-	-	-
R K Hacker	132,000	-	-	(82,000)	50,000
K M Frost	-	-	-	-	-
P Lengyel	-	-	-	-	-

7.5.4 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.

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

KMP	Transaction	Note	2018 $	2017 $
A W Kiernan	Consulting services	(i)	-	46,200
Other related parties				
Liontown Resources Limited	Corporate services	(ii)	(88,000)	(66,000)
DevEx Resources Limited	Corporate services	(ii)	(68,000)	(96,814)
PhosEnergy Limited	Corporate services	(ii)	(21,600)	(21,600)

(i) For the 2018 financial year, the Group did not incur any fees from Mr Kiernan for his consulting services. Prior year amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) The Group supplied corporate services such as accounting and company secretarial services under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), DevEx Resources Limited ("DEV") and PhosEnergy Limited ("PEL") and geological services of KMP. Mr Goyder is a director of LTR, DEV and PEL and Mr Kiernan is Chairman of PEL. Amounts were billed on a proportionate share of the cost to the Group of providing the services and are due and payable under normal 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	2018 $	2017 $
Current payables	-	-
Trade debtors	29,600	21,048
	29,600	21,048

7.6 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 disclosed to the ASX on 30 August 2018:

- The Executive Chairman receives fixed remuneration of $273,750 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

Chief Executive Officer

The Chief Executive Officer ("CEO"), Mr Alex Dorsch, is employed under an ongoing contract which can be terminated with notice by either the Group or the CEO.

Under the terms of the present contract, as disclosed to the ASX in March 2018:

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

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

10. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 5 July 2018, the Company issued 2,357,840 fully paid ordinary shares to KMP and employees following the partial vesting of performance rights granted in 2015 and in accordance with the Company's LTIP. In addition, on 26 July 2018 the Board resolved to issue a total of 6,301,804 performance rights to directors (subject to shareholder approval), executives and employees under the terms and conditions of the Company's long term incentive plan. Please refer to section 7.3.4 (c) of the Remuneration Report for further details in relation to the performance rights issued subsequent to balance date.

On 10 September 2018, the Company issued 3,000,000 fully paid ordinary shares in consideration for the acquisition of the remaining 30% interest in its joint venture property within the East Cadillac Gold Project with Monarques Gold Corporation (TSX-V: MQR).

11. 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	45,975,209	-	2,418,727
S P Quin	26,321	500,000	-
M B Ball	30,000	500,000	-

12. SHARE OPTIONS AND PERFORMANCE RIGHTS

Unissued shares under option

At the date of this report 5,500,000 unissued ordinary shares (5,500,000 at reporting date) of the Company are under option on the following terms and conditions:

Expiry date	Exercise price ($)	Number of options
30 November 2019	0.25	1,000,000
30 June 2019	0.25	500,000
31 March 2021	0.20	2,000,000
31 March 2021	0.22	2,000,000

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

Performance rights

At the date of this report 13,453,138 performance rights (12,092,639 at reporting date) have been issued on the following terms and conditions:

Exercise price ($)	Number of rights	Expiry date
Nil	3,472,190	30 June 2020
Nil	4,550,895	30 June 2021
Nil	5,430,053	30 June 2022

In addition to the above, the Board has resolved, subject to shareholder approval at the Company's 2018 AGM to grant Mr Goyder 1,290,022 performance rights, in accordance with the terms and conditions of the Company's LTIP, and with the same performance conditions as those granted to KMP (refer to the above section 7.3.4).

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.

On 5 July 2018, the Company issued 2,357,840 fully paid ordinary shares to KMP and employees following the partial vesting of performance rights granted in 2015 and in accordance with the Company's LTIP.

13. 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.

There have been no significant known breaches of any environmental regulations to which it is subject.

14. 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.

15. 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 $28,010, 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 7.4 of the Remuneration Report.

16. NON-AUDIT SERVICES

During the year HLB Mann Judd, the Company's auditors did not provide services in addition to their statutory duties.

17. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 39 and forms part of the Directors' Report for the year ended 30 June 2018.

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

Tim Goyder
Executive Chairman
Dated at Perth the 19th day of September 2018

Corporate Governance Statement

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 www.chalicegold.com, under the section marked "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.

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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
19 September 2018

Lucio Di Giallonardo
Partner

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

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	Restated 2017* $
Continuing operations			
Revenue	5(a)	762,843	429,478
Net gain/(loss) on sale of available for sale financial assets	5(b)	(1,080,026)	1,834,027
Net gain on sale of exploration and evaluation assets	5(c)	489,647	1,270,754
Foreign exchange loss		(400,585)	(974,148)
Share of net loss of associates	14	(148,828)	(94,084)
Impairment of investment in associate	14	-	(390,082)
Impairment of financial assets	6(d)	(20,729)	(530,136)
Exploration and evaluation expenditure	7	(12,636,539)	(3,352,886)
Corporate administrative expenses	6(a)	(1,950,721)	(1,676,740)
Business development and project acquisition costs	6(c)	(739,724)	(1,279,290)
Share based payments	16	(482,991)	(329,119)
Depreciation and amortisation expense		(76,557)	(50,227)
Loss from deconsolidation of subsidiaries	23	(2,474,433)	-
Loss before tax from continuing operations		**(18,758,643)**	**(5,142,453)**
Income tax benefit	8	2,809,452	461,131
Loss for the year from continuing operations		**(15,949,191)**	**(4,681,322)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Foreign exchange on deconsolidation of subsidiaries		2,529,571	-
Net change in fair value of available for sale investments		1,150,268	96,803
Exchanges differences on translation of foreign operations		1,303,882	(495,100)
Other comprehensive income for the year		**4,983,721**	**(398,297)**
Total comprehensive loss for the year		**(10,965,470)**	**(5,079,619)**
Total comprehensive loss for the year attributable to owners of the parent		(10,965,470)	(5,079,619)
Basic and diluted loss per share from continuing operations	9	(0.06)	(0.02)

*The 30 June 2017 statement of comprehensive income has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure (refer to note 3(a)).

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

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 $	Restated 2017* $	Restated 1 July 2016* $
Current assets				
Cash and cash equivalents	10	35,739,484	46,819,151	35,733,786
Trade and other receivables	11	619,930	315,798	209,932
Financial assets	12	2,646,670	5,807,628	25,421,978
Income tax receivable	8	2,497,597	388,378	-
Total current assets		41,503,681	53,330,955	61,365,696
Non-current assets				
Financial assets	12	375,111	224,968	202,908
Investment accounted for using the equity method	14	435,339	484,167	968,333
Property, plant and equipment	13	378,372	308,600	274,733
Total non-current assets		1,188,822	1,017,735	1,445,974
Total assets		42,692,503	54,348,690	62,811,670
Current liabilities				
Trade and other payables	17	500,684	503,071	557,608
Income tax payable	8	259,951	1,327,050	127,614
Employee benefits	15	256,657	191,021	59,489
Total current liabilities		1,017,292	2,021,142	744,711
Non-current liabilities				
Other	18	42,303	39,170	46,591
Deferred tax liabilities	8	-	172,868	1,367,635
Total non-current liabilities		42,303	212,038	1,414,226
Total liabilities		1,059,595	2,233,180	2,158,937
Net assets		41,632,908	52,115,510	60,652,733
Equity				
Issued capital	19	39,836,041	39,836,164	43,622,887
Retained earnings	20(a)	956,081	16,890,681	21,572,003
Reserves	20(b)	840,786	(4,611,335)	(4,542,157)
Total equity		41,632,908	52,115,510	60,652,733

*The 30 June 2017 statement of financial position has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure (refer to note 3(a)).

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

	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)
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 statement of changes in equity should be read in conjunction with the accompanying notes.

	Issued capital $	Retained earnings $	Share based payments reserve $	Investment revaluation reserve $	Foreign currency translation reserve $	Total $
Balance at 1 July 2016	43,622,887	22,388,512	179,559	(1,003,499)	(3,718,039)	61,469,420
Retrospective adjustment for change in accounting policy	-	(816,509)	-	-	(178)	(816,687)
Restated balance at 1 July 2016	43,622,887	21,572,003	179,559	(1,003,499)	(3,718,217)	60,652,733
Loss for the year	-	(4,681,322)	-	-	-	(4,681,322)
Net change in fair value of available for sale investments	-	-	-	96,803	-	96,803
Exchange differences on translation of foreign operations	-	-	-	-	(495,100)	(495,100)
Total comprehensive income/(loss) for the year	-	(4,681,322)	-	96,803	(495,100)	(5,079,619)
Share based payments	-	-	329,119	-	-	329,119
Share buy-back	(3,786,723)	-	-	-	-	(3,786,723)
Restated Balance at 30 June 2017*	39,836,164	16,890,681	508,678	(906,695)	(4,213,317)	52,115,510

*The 1 July 2016 statement of changes in equity has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure (refer to note 3(a)).

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 $	Restated 2017* $
Cash flows from operating activities			
Cash receipts from operations		190,312	148,100
Cash paid to suppliers and employees		(1,898,587)	(1,640,074)
Payments for mining exploration and evaluation		(12,847,286)	(3,138,635)
Income tax paid		(1,077,222)	(52,856)
Exploration tax credits		453,270	171,523
Interest received		563,447	240,457
Net cash used in operating activities	10	(14,616,066)	(4,271,485)
Cash flows from investing activities			
Payments associated with the sale of the Cameron Gold Project		-	(175,509)
Payments for business development activities		(635,423)	(1,367,019)
Acquisition of property, plant and equipment		(261,225)	(85,151)
Proceeds from sale of exploration and evaluation assets		-	25,249
Proceeds from sale of fixed assets		-	8,083
Proceeds from sale of financial assets		4,889,431	27,070,584
Payment for acquisition of financial assets		(1,168,931)	(5,835,169)
Net cash from investing activities		2,823,852	19,641,068
Cash flows from financing activities			
Security deposits		(8,871)	(20,887)
Share buy-back		(123)	(3,786,723)
Net cash used in financing activities		(8,994)	(3,807,610)
Net increase/(decrease) in cash and cash equivalents		(11,801,208)	11,561,973
Cash and cash equivalents at the beginning of the year		46,819,151	35,733,786
Effect of exchange rate fluctuations on cash held		721,541	(476,608)
Cash and cash equivalents at 30 June	10	35,739,484	46,819,151

*The 30 June 2017 statement of cash flows has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure (refer to note 3(a)).

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

Contents of the Notes to the Financial Statements

For the year ended 30 June 2018

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 2018 was authorised for issue in accordance with a resolution of Directors on 19 September 2018.

Chalice Gold Mines Limited is a dual listed Australian Securities Exchange ("ASX") and Toronto Stock Exchange ("TSX") listed public company 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 2018. 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 available-for-sale investments, 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) Voluntary change in accounting policy – exploration and evaluation expenditure

The consolidated financial statements for the year ended 30 June 2018 has been prepared on the basis of retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure. In previous financial reporting periods, the costs incurred in connection with exploration of areas with current rights of tenure were capitalised in the Statement of Financial Position. The criteria for carrying forward the costs were:

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

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

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

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

The impact of this change in accounting policy is reflected below:

The capitalised exploration and evaluation asset previously reported at 30 June 2017 has decreased by $3,245,539 (2016: decreased by $296,609) and assets held for sale has decreased by $66,111 (2016: decreased by $520,078). Retained earnings has decreased by $3,215,985 (2016: decreased by $816,509). Net loss after tax previously reported at 30 June 2017 has increased by $2,399,476 and restated as $4,681,322.

Basic and diluted loss per share has also been restated. The amount of the impact for the new result for the year ended 30 June 2017 of the change in accounting policy is stated as follows:

Loss per share attributable to owners of the parent:

	30 June 2017
Basic loss per share	(0.02)
Diluted loss per share	(0.02)

Exploration and evaluation expenditure that is expensed is included as part of cash flows from operating activities, whereas previously capitalised exploration and evaluation expenditure was included as part of cash flows from investing activities. As a result, for the year ended 30 June 2017, net cash used in operating activities has increased from $1,132,850 to $4,271,485 and net cash from investing activities increased from $16,481,546 to $19,641,068.

(b) 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 at fair value at the grant date using a Black-Scholes Option 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 16.

(ii) Impairment of available-for-sale financial assets

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale asset is impaired. This determination requires significant judgment. In making this judgement the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of a short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(iii) 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.

(c) 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.

(d) 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.

For the year ended 30 June 2018

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, business development costs or corporate related costs. Results of those segments are reported to the Board of Directors at each Board meeting. The exploration and evaluation segment includes all of the Company's exploration projects grouped into one combined segment.

	Exploration and Evaluation		Business development		Corporate		Total	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
	$	$	$	$	$	$	$	$
Revenue	-	-	-	-	203,412	156,380	203,412	156,380
Net gain on sale of exploration and evaluation assets	489,647	1,270,754	-	-	-	-	489,647	1,270,754
Exploration and evaluation expenditure	(12,636,539)	(3,352,886)	-	-	-	-	(12,636,539)	(3,352,886)
Depreciation	-	-	-	-	(76,557)	(50,227)	(76,557)	(50,227)
Business development	-	-	(739,724)	(1,279,290)	-	-	(739,724)	(1,279,290)
Share based payments	-	-	-	-	(482,991)	(329,119)	(482,991)	(329,119)
Corporate administrative expenses	-	-	-	-	(1,950,721)	(1,676,740)	(1,950,721)	(1,676,740)
Segment loss before tax	(12,146,892)	(2,082,132)	(739,724)	(1,279,290)	(2,306,857)	(1,899,706)	(15,193,473)	(5,261,128)
Unallocated income/(expenses)								
Net financing income							559,431	273,098
Net (loss)/gain on sale of available for sale financial assets							(1,080,026)	1,834,027
Foreign exchange loss							(400,585)	(974,148)
Income tax benefit							2,809,452	461,131
Share of net loss of associates							(148,828)	(94,084)
Loss on deconsolidation of subsidiaries							(2,474,433)	-
Impairment of investment in associate							-	(390,082)
Impairment of financial assets							(20,729)	(530,136)
Loss attributable to owners of the parent							(15,949,191)	(4,681,322)

For the year ended 30 June 2018

	Exploration and Evaluation		Business development		Corporate		Total	
	30 June 2018 $	30 June 2017 (Restated) $	30 June 2018 $	30 June 2017 (Restated) $	30 June 2018 $	30 June 2017 (Restated) $	30 June 2018 $	30 June 2017 (Restated) $
Segment assets:								
Investments accounted for using the equity method	435,339	484,167	-	-	-	-	435,339	484,167
Other	4,107,586	1,274,592	-	-	447,117	365,404	4,554,703	1,639,996
	4,542,925	1,758,759	-	-	447,117	365,404	4,990,042	2,124,163
Unallocated assets							37,702,461	52,224,527
Total assets							42,692,503	54,348,690
Segment liabilities	(572,477)	(350,256)	(57,264)	(10,488)	(429,854)	(402,963)	(1,059,595)	(763,707)
	(572,477)	(350,256)	(57,264)	(10,488)	(429,854)	(402,963)	(1,059,595)	(763,707)
Unallocated liabilities							-	(1,469,473)
Total Liabilities							(1,059,595)	(2,233,180)

Geographical information

Revenues from external customers

	30 June 2018 $	30 June 2017 $
Australia	203,418	156,380
Total	203,418	156,380

Non-current assets

	30 June 2018 $	30 June 2017 (Restated) $
Australia	707,812	681,285
Canada	105,899	111,482
Total	813,711	792,767

Non-current assets for this purpose consist of property, plant and equipment and investment in associates. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision makers – being the board of directors.

5. Revenue

(a) Revenue

	2018 $	2017 (Restated) $
Corporate and administration service fees	203,412	156,380
Net finance income	559,431	273,098
	762,843	429,478

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

	2018 $	2017 (Restated) $
Net gain on sale of available for sale financial assets	(1,080,026)	1,834,027
	(1,080,026)	1,834,027

Net loss on sale of available for sale financial assets at 30 June 2018 (2017: net gain of $1,834,027) 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

	2018 $	2017 (Restated) $
Net gain on sale of exploration and evaluation assets	489,647	1,270,754
	489,647	1,270,754

Net gain on sale of exploration and evaluation assets for 2018 relates to the sale of Dumbleyung tenements to ASX Listed Ausgold Ltd ("Ausgold") in September 2017. In consideration for the tenements, the Company received 15 million fully paid ordinary shares in Ausgold and 10 million unlisted options exercisable at 3.5 cents. The options expire on 13 September 2019 and the shares received have an escrow period of 12 months from date of issue.

The net gain on sale for 2017 represents the sale of the Company's 12% interest in the Gnaweeda Project, Western Australia and the sale of the Company's 51% interest in the Ardeen Project, Ontario Canada.

(d) Recognition and measurement

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.

Sales of goods

Revenue is recognised when goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product and sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest income

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.

6. Expenses

(a) Corporate administrative expenses

	2018 $	2017 (Restated) $
Insurance	39,238	26,397
Investor relations	51,717	19,373
Legal fees	6,946	20,531
Travel and conferences	140,187	636
Head office costs	84,250	149,243
Regulatory and compliance	357,738	308,347
Personnel expenses (note 6(b))	1,206,239	1,131,844
Other	64,406	20,369
	1,950,721	1,676,740

(b) Personnel expenses

	2018 $	2017 (Restated) $
Wages and salaries	568,537	388,014
Directors' fees	233,755	233,827
Other associated personnel expenses	177,427	213,124
Superannuation contributions	177,277	180,562
(Decrease)/increase in liability for annual leave	36,301	29,050
(Decrease)/increase in liability for long service leave	12,942	87,267
	1,206,239	1,131,844

(c) Business development costs

	2018 $	2017 (Restated) $
Personnel expenses	360,092	886,746
Head office costs	104,221	182,701
Consultants	175,989	61,178
Travel and conferences	95,046	71,344
Other	4,376	77,321
	739,724	1,279,290

(d) Impairment of financial assets

	2018 $	2017 (Restated) $
Impairment of available for sale financial assets	20,729	530,136
	20,729	530,136

The Company has recorded an impairment in the fair value of share held in Kesselrun Resources Limited for the year ended 30 June 2018 of $20,729 (2017: $530,136). The impairment has been included as part of continuing operations in the Statement of Comprehensive Income due to the prolonged decline in market prices for this financial asset.

7. Exploration and evaluation expenditure

	2018 $	2017(Restated) $
West Pilbara, Western Australia[1]	843,192	137,555
Latitude Hill, Western Australia[1]	621,682	395,942
Warrego North, Northern Territory	427,276	241,537
East Cadillac, Quebec	8,382,985	1,579,324
Kinebik, Quebec	824,642	541,524
Yilgarn Projects, Western Australia	322,736	117,398
Other[2]	1,214,026	339,606
	12,636,539	3,352,886

[1]During the reporting period, the Company met both minimum commitments required under the West Pilbara and Latitude Hill Farm-in agreements and withdrew from both agreement without earning an interest in the projects.
[2]Other includes generative opportunity evaluations within existing or in close proximity to the Group's current exploration projects.

(a) Recognition and measurement

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 general permit activity, geological and geophysical costs, project generation and drilling costs, is expensed as incurred. The costs of acquiring interests in new exploration licences is also expensed. 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.

8. Income tax

The major components of income tax expense are as follows:

	2018 $	2017 (Restated) $
Current income tax:		
Current income tax expense	-	(159,439)
Over/(under) provision for income tax	66,461	(8,264)
Foreign exploration incentive tax credits	2,474,645	388,378
	2,541,106	220,675
Deferred tax:		
Temporary differences relating to available for sale investments	268,346	240,456
Total income tax benefit reported in the statement of comprehensive income	2,809,452	461,131

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:

	2018 $	2017 (Restated) $
Accounting loss from continuing operations	(15,949,191)	(4,681,322)
	(15,949,191)	(4,681,322)
Income tax calculated at the Australian corporate rate of 27.5%	(4,386,028)	(1,287,364)
Non-deductible expenses	1,937,497	229,148
Share based payments	132,823	90,507
Gain on sale of available for sale financial assets	-	38,941
Non-assessable foreign income	(216,847)	(161,564)
Deferred tax assets and liabilities not recognised	2,337,751	623,562
Foreign exploration incentive tax credits	(2,474,645)	(388,378)
Income tax benefit on financial assets	(92,389)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	18,847	(7,956)
Effect of change in tax rate	-	393,709
Under provision for income tax	(66,461)	8,264
Income tax benefit/(expense) reported in the statement of comprehensive income	2,809,452	461,131

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:	2018 $	2017 (Restated) $
Income tax receivable attributable to:		
Parent Entity	-	-
Group's subsidiaries	2,497,597	388,378
	2,497,597	388,378

Current tax liabilities comprise:	2018 $	2017 (Restated) $
Income tax payable/(receivable) attributable to:		
Parent Entity	259,951	259,951
Group's subsidiaries	-	1,067,099
	259,951	1,327,050

Deferred tax liabilities comprise:	2018 $	2017 (Restated) $
Temporary differences relating to available for sale investments	-	172,868
	-	172,868

Unrecognised deferred tax balances:

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

	2018 $	2017 (Restated) $
Deferred tax assets comprise:		
Revenue losses available for offset against future taxable income	6,109,309	4,140,787
Other deferred tax assets	1,097,343	1,059,937
	7,206,652	5,200,724
Deferred tax liabilities comprise:		
Other deferred tax liabilities	17,296	249,692
	17,296	249,692

Income tax benefit not recognised directly in equity during the year:	2018 $	2017(Restated) $
Share issue costs	33	1,560

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.

(a) Recognition and measurement

The income tax expense or benefit for the period is the tax payable 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.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax assets and unused tax losses, to the extent that it is probably that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor tax able profit or loss.
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST or other taxes, except:

- when the GST incurred on a sale or purchase of assets or services is not payable to or recovered from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; and
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position. Other taxes payable in foreign jurisdictions are included as a current payable in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Taxes paid in foreign jurisdictions are classified as investing cash flows in the statement of cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

9. Loss per share

Basic and diluted loss per share

The calculation of basic loss per share for the year ended 30 June 2018 was based on the loss attributable to ordinary equity holders of the parent of $15,949,191 (2017: restated loss of $4,681,322) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2018 of 261,210,294 (2017: 267,705,838).

	2018 $	2017 (Restated) $
Loss attributable to ordinary shareholders		
Loss attributable to ordinary equity holders of the parent from continuing operations	(15,949,191)	(4,681,322)
Net loss attributable to ordinary equity holders of the parent for basic earnings	(15,949,191)	(4,681,322)
Net loss attributable to ordinary equity holders of the parent adjusted for the effect of dilution	(15,949,191)	(4,681,322)

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

(a) Recognition and measurement

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.

For the year ended 30 June 2018

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.

10. Cash and cash equivalents

	2018 $	2017 (Restated) $
Bank balances	9,808,922	10,460,910
Term deposits	25,927,206	36,355,748
Petty cash	3,356	2,493
	35,739,484	46,819,151

Reconciliation of cash flows from operating activities	2018 $	2017 (Restated) $
Loss after tax from continuing operations	(15,949,191)	(4,681,322)
Adjustments for:		
Depreciation and amortisation	113,768	85,295
Net gain on sale of fixed assets	-	(2,780)
Fixed assets written off	30,897	-
Income tax benefit	(2,809,452)	(461,131)
Net loss/(gain) on sale of available for sale financial assets	1,080,026	(1,834,027)
Net gain on sale of exploration and evaluation assets	(489,647)	(1,270,754)
Foreign exchange gains/(loss)	400,585	974,148
Business development and project acquisition costs	739,724	1,279,290
Impairment of financial assets	20,729	530,136
Deconsolidation of subsidiaries	2,474,433	-
Share of associate's loss	148,828	94,084
Impairment of investment in associate	-	390,082
Equity-settled share-based payment expenses	482,991	329,119
Operating loss before changes in working capital and provisions	(13,756,309)	(4,567,860)
(Increase)/decrease in trade and other receivables	(142,657)	(49,222)
(Increase)/decrease in financial assets	(2,663)	(1,173)
(decrease)/Increase in trade creditors and other liabilities	(739,107)	235,484
(decrease)/increase in provisions	24,670	111,286
Net cash used in operating activities	(14,616,066)	(4,271,485)

Non-cash financing and investing activities

During the year the Company completed the sale of the Dumbleyung Project, WA to ASX Listed Ausgold Limited ("Ausgold"). In consideration for the Company's interest in the Dumbleyung Project, Chalice received 15,000,000 shares in Ausgold and received 10,000,000 unlisted options (refer note 5(c)).

(a) Recognition and measurement

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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and short-term deposits for the purpose of the statement of cash flows.

11. Trade and other receivables

	2018 $	2017(Restated) $
Other trade receivables	466,668	210,420
Prepayments	153,262	105,378
	619,930	315,798

(a) Recognition and measurement

Trade and other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 to 60 days.

Impairment of trade receivables are continually reviewed and those that are considered to be uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the original effective interest rate. Where receivables are short-term discounting is not applied in determining an allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

12. Financial assets

	2018 $	2017(Restated) $
Current		
Available for sale financial assets carried at fair value:		
Listed shares	2,646,670	5,807,628
	2,646,670	5,807,628

Available for sale financial assets represents investments in various companies listed on the ASX and TSX. During the year ended 30 June 2018, Company sold its remaining 6,960,836 shares held in First Mining for net proceeds of $3.9 million (2017:$21.4 million).

Non-current	2018 $	2017(Restated) $
Bond in relation to office premises	69,912	69,912
Bank guarantee and security deposits	166,590	155,056
Options and warrants in listed entities	138,609	-
	375,111	224,968

(a) Recognition and measurement

Initial recognition and measurement

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value, plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

(i) Financial assets at fair value through profit or loss

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. Derivatives, including embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 139. Gains or losses on investments held-for-trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(iv) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment in derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The Group evaluates whether the ability and intention to sell its available-for-sale financial asset in the near term is still appropriate. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; and/or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risk and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risk and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involved in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of a financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be, recognised are not included in a collective assessment of impairment.

If there are objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

(iii) Available-for-sale investments

If there is objective evidence that an investment or a group of investments is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognise in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

13. Property, plant and equipment

	2018 $	2017(Restated) $
Cost	969,787	1,108,731
Accumulated depreciation and impairment	(591,415)	(800,131)
Net carrying amount	378,372	308,600
Movements in property, plant and equipment:		
At 1 July net of accumulated depreciation	308,600	274,733
Additions	211,894	132,298
Disposals	(30,897)	(10,286)
Exchange differences	2,543	(4,084)
Depreciation charge for the year	(113,768)	(84,061)
At 30 June net of accumulated depreciation and impairment	378,372	308,600

(a) Recognition and measurement

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

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 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.

14. Investments accounted for using the equity method

At 30 June 2018, the Company had a 20.46% interest (2017: 22.95%) in unlisted Australian based GeoCrystal Limited ("GeoCrystal"). The principal activity of the company is exploring diamonds in Australia.

Reconciliation of movements in investments in associates

	2018 $	2017 (Restated) $
Balance at 1 July	484,167	968,333
Share placement	100,000	-
Impairment of investment in associate	-	(390,082)
Share of associate's loss	(148,828)	(94,084)
Balance at 30 June	435,339	484,167

Summary of financial information of associate:

	2018 $	2017 (Restated) $
Financial Position		
Total assets	2,238,888	2,165,605
Total liabilities	(111,131)	(55,945)
Net assets	2,127,757	2,109,660
Share of associate's net assets	435,339	484,167
Financial Performance		
Total revenue	343	225
Total loss for the year	(727,242)	(410,030)
Share of associate's loss	(148,828)	(94,084)

The associate had no contingent liabilities or assets at 30 June 2018 (30 June 2017: nil) and exploration commitments payable within 1 year of $348,000 (2017: $477,000) and nil commitments payable within 2 to 5 years (2017: $395,000).

(a) Recognition and measurement

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. Dividends receivable from the associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any unsecured long term receivables and loans, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

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.

EMPLOYEE BENEFITS

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.

15. Employee benefits	2018 $	2017 (Restated) $
Annual leave accrued	150,563	97,869
Provision for long service leave	106,094	93,152
	256,657	191,021

(a) Recognition and measurement

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.

16. Share based payments

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.

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

30 June 2018	Weighted average exercise price $ 2018	Number of options 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

30 June 2017	Weighted average exercise price $ 2017	Number of options 2017
Outstanding at the beginning of the year	0.25	500,000
Exercised during the year	-	-
Granted during the year	0.25	1,750,000
Exercisable at the end of the year	0.25	2,250,000
Outstanding at the end of the year	0.25	2,250,000

The options outstanding at 30 June 2018 have a weighted average exercise price of $0.22 (2017: $0.25) and a weighted average contractual life of 3 years (2017: 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.

	2018	2017
Weighted average share price at grant date	0.175	0.16
Weighted exercise price	0.21	0.25
Expected volatility (expressed as weighted average volatility)	57.31%	50.76%
Option life (expressed as weighted average life)	3	3
Expected dividends	-	-
Risk-free interest rate	2.12%	1.85%

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.

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, but 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 2018 was 12.7 cents per performance right (2017: 11.3 cents).

For the year ended 30 June 2018

A summary of performance rights is as follows:

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	

30 June 2017 (Restated):

Grant date	Opening balance	Granted	Vested	Lapsed/Forfeited	Closing balance	Share price at date of issue ($)
1 October 2014	1,747,682	-	-	(1,747,682)	-	0.13
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	-	2,756,434	-	(484,982)	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
	5,817,236	4,957,172	-	(2,232,664)	8,541,744	

The fair values of performance rights granted during 2018 and 2017 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.

	2018	2017
Weighted share price at grant date	$0.17	$0.17
Exercise price	Nil	Nil
Expected volatility	50%	50%
Weighted average performance period (years)	2.83	2.45
Weighted average vesting period (years)	2.83	2.45
Expected dividends	-	-
Risk-free interest rate	1.92%	1.70%

Share based payment transactions

The expense recognised during the year is shown in the following table:

	2018 $	2017(Restated) $
Share options granted in 2018 – equity settled	105,446	55,579
Performance rights granted in 2017	-	273,540
Performance rights granted in 2018	377,545	-
Total expenses recognised as share based payments	482,991	329,119

(a) Recognition and measurement

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 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.

17. Trade and other payables

	2018 $	2017 (Restated) $
Trade payables	23,759	1,580
Other payables	81,044	71,690
Accrued expenses	395,881	429,801
	500,684	503,071

(a) Recognition and measurement

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.

18. Other Liabilities

	2018 $	2017(Restated) $
Non-current		
Lease make good provision	42,303	39,170
	42,303	39,170

19. Issued Capital

There were 261,210,294 shares on issue at 30 June 2018 (2017: 261,210,294).

(a) Movements in ordinary shares on issue	2018		2017 (Restated)	
	No.	$	No.	$
Balance at beginning of financial year	261,210,294	39,836,164	282,710,802	43,622,887
Share buy-back	-	(123)	(21,500,508)	(3,786,723)
Balance at end of financial year	261,210,294	39,836,041	261,210,294	39,836,164

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	2018 No.	2017 No.
On issue at 1 July	2,250,000	500,000
Options exercised during the year	-	-
Options lapsed during the year	(750,000)	-
Options issued during the year	4,000,000	1,750,000
On issue at 30 June	5,500,000	2,250,000

At 30 June 2018 the Company had 5,500,000 unlisted options on issue under the following terms and conditions:

Number	Expiry Date	Exercise Price $
1,000,000	30 November 2019	0.25
500,000	30 June 2019	0.25
2,000,000	31 March 2021	0.20
2,000,000	31 March 2021	0.22

(c) Performance rights	2018 No.	2017 No.
On issue at 1 July	8,541,744	5,817,236
Issue of performance rights under the Employee Long Term Incentive Plan	5,544,347	3,957,172
Issue of performance rights to consultants of the Company	-	1,000,000
Performance rights vested	-	-
Performance rights lapsed	(1,993,452)	(2,232,664)
On issue at 30 June	12,092,639	8,541,744

At 30 June 2018 the Company had 12,092,639 performance rights on issue under the following terms and conditions:

Number	Terms	Expiry Date	Exercise Price $
4,069,554	The number of performance rights that will vest will be solely dependent on the Company meeting the strategy objective and Company's share price as at the measurement date of 30 June 2017 as compared to the Share price hurdles outlined in the Remuneration Report.	30 June 2019	Nil
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

20. Retained earnings and reserves

(a) Movements in retained earnings attributable to owners of the parent:	2018 $	2017 (Restated) $
Balance at beginning of financial year	16,890,681	22,388,512
Retrospective adjustment for change in accounting policy	-	(816,509)
Loss for the year attributable to owners of the parent	(15,949,191)	(4,681,322)
Transfers between equity items	14,591	-
Balance at end of financial year	956,081	16,890,681

(b) Nature and purpose of reserves

Other capital 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 16 for further details of these plans.

All other reserves as stated in the consolidated statement of changes in equity

(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 available-for-sale financial assets and investments in associates until the investments are derecognised or impaired.

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 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 2018, Chalice had approximately US$10 million (A$14 million) cash on hand in US$ denominated bank accounts and C$8.4 million (A$8.6 million) cash on hand in C$ 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.

		2018 $	2017(Restated) $
Impact on gain/(loss)	AUD/USD +10%	(1,247,023)	(1,183,501)
	AUD/USD -10%	1,371,756	1,301,851
Impact on equity	AUD/USD +10%	(1,247,023)	(1,183,501)
	AUD/USD -10%	1,371,756	1,301,851

In addition to the above foreign exchange exposure on the Group's cash balance, the Group is also exposed to movements in CAD against AUD in relation to its holding in First Mining Shares.

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 sensitive analysis uses a variance of 10% movement in the CAD against AUD.

		2018 $	2017(Restated) $
Impact on gain/(loss)	AUD/CAD +10%	(1,048,087)	(1,443,647)
	AUD/CAD -10%	1,152,951	1,588,013
Impact on equity	AUD/CAD +10%	(1,048,087)	(1,443,647)
	AUD/CAD -10%	1,152,951	1,588,013

(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 Group's post-tax result for the year and on the components of equity. The sensitivity analysis uses a variance of 10% movement upwards and down on the year end closing share prices.

		2018 $	2017(Restated) $
Impact on gain/(loss)	Share price +10%	264,667	580,763
	Share price -10%	(240,606)	(527,966)
Impact on equity	Share price +10%	264,667	580,763
	Share price -10%	(240,606)	(527,966)

(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:

	2018 $	2017(Restated) $
Cash and cash equivalents	35,739,484	46,819,151

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 2018, 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:

		2018 $	2017(Restated) $
Impact on gain/(loss)	100 bp increase	350,855	452,402
	100 bp decrease	(350,855)	(452,402)
Impact on equity	100 bp increase	350,855	452,402
	100 bp decrease	(350,855)	(452,402

(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.

(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 $500,684 (2017: $503,071) 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, available for sale investments 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.

(f) Recognition and measurement

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.

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

	2018 $	2017 (Restated) $
Financial position		
Assets		
Current assets	37,152,979	40,578,859
Non-current assets	18,059,613	16,306,556
Total assets	55,212,592	56,885,415
Liabilities		
Current liabilities	704,764	654,463
Non-current liabilities	30,600,745	29,670,960
Total liabilities	31,305,509	30,325,423
Net assets	23,907,083	26,559,992
Equity		
Issued capital	39,836,042	39,836,165
Accumulated losses	(17,241,997)	(13,784,849)
Reserves	1,313,038	508,676
Total equity	23,907,083	26,559,992

	2018 $	2017 (Restated) $
Financial performance		
Loss for the year	(3,471,738)	(3,583,383)
Total comprehensive loss	(3,471,738)	(3,583,383)

Commitments and contingencies

(i) Contingencies

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

	2018 $	2017 (Restated) $
(ii) Operating lease commitments		
Within 1 year	240,751	240,751
Within 2-5 years	298,567	566,284
Later than 5 years	-	-
	539,318	807,035

(a) Recognition and measurement

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.

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 2018	% Equity Interest 2017
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	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	100
Universal Gold Pty Ltd[1]	Australia	100	100
Sub-Sahara Resources (Eritrea) Pty Ltd[1]	Australia	100	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.	Canada	100	100
Chalice Gold Mines (Exploration) Inc.	Canada	100	100

(1) In May 2018, the Company commenced voluntary deregistration of Chalice Gold Mines (Eritrea) Pty Ltd, Keren Mining Pty Ltd, Universal Gold Pty Ltd and Sub-Sahara Resources (Eritrea) Pty Ltd. Subsequent to 30 June 2018 voluntary deregistration of those subsidiaries was completed. As a result, the Group has deconsolidated those entities from the Group's financial statements at 30 June 2018. The net impact of the deconsolidation was a loss of $2,474,433 representing the post acquisition profits or losses of those entities and the effect of foreign exchange.

(a) Recognition and measurement

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net result after tax in the consolidated statement of comprehensive income and are presented in equity in the consolidated statement of financial position, separately from the equity of the owners of the Parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

	2018 $	2017(Restated) $
Audit services		
HLB Mann Judd:		
Audit and review of financial reports	48,500	45,000
Other services	5,500	-
	54,000	45,000

25. Related parties

Key management personnel

The following were key management personnel ("KMP") of the Group at any time during the reporting period and unless otherwise indicated were KMP for the entire period:

Executive Directors

T R B Goyder (Executive Chairman) (Managing Director from 1 July 2017 – 23 March 2018)

Non-executive Directors

A W Kiernan (Chairman from 1 July 2017 – 23 March 2018)
S P Quin
M S Ball

Executives

Alex Dorsch (Chief Operating Officer) (appointed 23 March 2018)
R K Hacker (Chief Financial Officer)
K M Frost (General Manager – Exploration)
P Lengyel (Exploration Manager – Canada)

The KMP compensation is as follows:

	2018 $	2017(Restated) $
Short-term employee benefits	1,550,896	1,379,924
Post-employment benefits	90,878	99,431
Termination benefits	-	-
Long term benefits	-	-
Share-based payment	420,831	291,575
	2,062,605	1,770,930

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.

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

KMP	Transaction	Note	2018 $	2017(Restated) $
A W Kiernan	Consulting services	(i)	-	46,200
Liontown Resources Limited	Corporate services	(ii)	(88,000)	(66,000)
DevEX Resources Limited	Corporate services	(ii)	(68,000)	(96,814)
PhosEnergy Limited	Corporate services	(ii)	(21,600)	(21,600)

(i) During the reporting period the Group did no incur any fees in relation to the consulting services provided by Mr Kiernan (2017: $46,200). Fees billed in the prior financial year were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) The Group supplied corporate services including accounting and company secretarial services under a Corporate Services Agreement to Liontown Resources Limited ("LTR"), DevEx Resources Limited ("DEV") and PhosEnergy Limited ("PEL") and geological services of KMP. Mr Goyder is a director of LTR, UEQ and PEL. Mr Kiernan is a director of PEL. Amounts were billed on a proportionate share of the cost to the Group of providing the services and are due and payable under normal 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	2018 $	2017(Restated) $
Current payables	-	-
Trade debtors	29,600	21,048
	29,600	21,048

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:

	2018 $	2017(Restated) $
Within 1 year	232,760	1,152,272
Within 2-5 years	-	-
Later than 5 years	-	-
	232,760	1,152,272

Office lease commitments	2018 $	2017(Restated) $
Within 1 year	274,848	259,260
Within 2-5 years	359,886	566,284
Later than 5 years	-	-
	634,734	825,544

Contingent asset

There are no contingent assets at 30 June 2018 (30 June 2017: nil).

27. Events subsequent to reporting date

On 5 July 2018, the Company issued 2,357,840 fully paid ordinary shares to KMP and other employees following partial vesting of performance rights granted in 2015, in accordance with the Company's LTIP. In addition, on 26 July 2018 the Board resolved to issue a total of 6,301,804 performance rights to directors (subject to shareholder approval), executives and employees under the terms and conditions of the Company's long term incentive plan. Please refer to section 7.3.4 (c) of the Remuneration Report for further details in relation to the performance rights issued subsequent to balance date.

On 10 September 2018, the Company issued 3,000,000 fully paid ordinary shares in consideration for the acquisition of the remaining 30% interest in its joint venture property within the East Cadillac Gold Project with Monarques Gold Corporation (TSX-V: MQR).

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. Changes in accounting policies

In the year ended 30 June 2018, 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 Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore no material change is necessary to Group accounting policies.

29. 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 2018 are outlined below.

(i) AASB 9 Financial Instruments (effective from 1 July 2018)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. All financial assets that are within the scope of AASB 9 are required to be measured at either amortised cost or fair value, while financial liabilities measured at fair value through profit and loss will require consideration as to the portion of change in fair value that is attributable to changes in the credit risk of that liability. Such changes in value with a connection to change in credit risk will be presented in other comprehensive income rather than profit and loss.

The requirements for hedge accounting under AASB 9 retain similar accounting treatments to those currently available under AASB139. The new standard introduces greater flexibility to the types of transactions eligible for hedge accounting while the previous requirement for hedge effectiveness testing has been replaced with the principle of an 'economic relationship' and the requirement for retrospective assessment of hedge effectiveness has been removed. The new standard has however introduced enhanced disclosure requirements regarding the entity's risk management activities.

(ii) **AASB 15 Revenue from Contracts with Customers (effective 1 July 2018)**

AASB 15 Revenue from Contracts with Customers is a new Standard introduced by AASB to replace existing revenue recognition guidance, AASB 11 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions. The new standard is aimed at improving financial reporting of revenue and comparability to provide better clarity on revenue recognition. AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The core principle of AASB 15 is than an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Standard introduces a 5-step approach to revenue recognition. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group has considered the impact on its consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

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

AASB16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinctions between operating leases (previously off balance sheet) and finance leases (previously on balance sheet) are removed under the new standard and replaced by the concept of right of use. Where an entity has control over and an ongoing right to use an asset, that asset will be recognised on the balance sheet as an asset with a corresponding liability.

The Group has conducted a preliminary assessment of the forecast impact of AASB 16 on the Group's profit or loss and statement of financial position. There will be an increase in both right-of-use assets and lease liabilities and a reclassification of lease costs to interest and depreciation on adoption of AASB 16. The impact on the Group's net assets and profit or loss is not expected to be material, however the impact will be dependent on the leasing arrangements in place when the standard becomes effective. The mandatory application date for the Group is for the financial year ending 30 June 2020. The Group does not intend to adopt the standard before its mandatory application date.

Directors' Declaration

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 2018 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 2018.

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

Dated at Perth the 19th day of September 2018

Signed in accordance with a resolution of the Directors:

Tim Goyder
Executive Chairman

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2018, 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 2018 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.

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Key Audit Matter	How our audit addressed the key audit matter
Voluntary change in accounting policy – exploration and evaluation expenditure (Note 3(a) of the financial report)	
During the year, the Group changed its accounting policy regarding its treatment of exploration and evaluation expenditure. In previous financial years, exploration and evaluation expenditure, including acquisition costs, in relation to areas of interest which had not reached a stage which permitted reasonable assessment of the existence or otherwise of economically recoverable reserves, was capitalised. The Group then assessed whether any indicators of impairment existed which would require the Group to assess capitalised exploration and evaluation expenditure for impairment. The new accounting policy is to expense exploration and evaluation expenditure, including the cost of acquisition, in the year when it is incurred. The change in accounting policy resulted in the restatement of affected 2017 balances and the disclosure of the restatement of balances reported in the 2017 financial report. The change in accounting policy was a key audit matter due to the size and scope of the change and impact on the presentation of the financial statements.	Our procedures included but were not limited to the following: • We considered the appropriateness of the change in accounting policy, ensuring that the disclosure requirements set out in AASB 108 were complied with. • We reconciled the restated balances to the prior year audited balances ensuring that the change was correctly calculated and disclosed in the financial report.

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 2018, 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.

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.

HLB Mann Judd

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 in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Chalice Gold Mines Limited for the year ended 30 June 2018 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

Perth, Western Australia
19 September 2018

Giallonardo.

L Di Giallonardo
Partner

ASX Additional Information

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 17 September 2018 were:

Shareholder	Number of ordinary shares held	Percentage of capital held %
Timothy Rupert Barr Goyder	45,975,209	17.25
Franklin Resources Inc	31,107,008	11.67

Class of shares and voting rights

At 17 September 2018 there were 1,670 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 17 September 2018:

	Number of equity security holders		
Category	Ordinary Shares	Unlisted Share Options	Performance Rights
1 – 1,000	108	-	-
1,001 – 5,000	217	-	-
5,001 – 10,000	388	-	-
10,001 – 100,000	774	-	1
100,001 and over	183	4	13
Total	1,670	4	14

The number of shareholders holding less than a marketable parcel at 17 September 2018 was 204.

Twenty largest Ordinary Fully Paid Shareholders as at 17 September 2018

Name	Number of ordinary shares held	Percentage of capital held %
Timothy R B Goyder	45,975,209	17.25
HSBC Custody Nominees (Australia) Limited	35,073,909	13.16
Canadian Registry Control	25,174,268	9.44
J P Morgan Nominees Australia Limited	20,707,509	7.77
National Nominees Limited	13,772,086	5.17
Citicorp Nominees Pty Limited	11,791,704	4.42
Jetosea Pty Ltd	7,145,251	2.68
BNP Paribas Nominees Pty Ltd <IB AU NOMS Retail Client DRP>	5,527,820	2.07
Claw Pty Ltd <Corp Super Fund A/C>	4,000,000	1.50
Mr Mark Stuart Savage	2,859,034	1.07
Buttonwood Nominees Pty Ltd	2,625,438	0.98
Mr Anthony Kiernan	2,152,040	0.81
Mr Nigel Burgess + Mrs Yukari Burgess <Nenkin Super Fund A/C>	1,600,000	0.60
Mrs Marisa Mackow	1,530,000	0.57
Methuen Holdings Pty Ltd <PB Family A/C>	1,413,616	0.53
ESM Limited	1,400,000	0.53
Teragoal Pty Ltd <Gray Family A/C>	1,400,000	0.53
Mr Philip Scott Button + Ms Philippa Ann Nicol <Christopher Jordan A/C>	1,348,261	0.51
BNP Paribas Noms Pty Ltd <DRP>	1,344,705	0.50
Calm Holdings Pty Ltd <Clifton Super Fund A/C>	1,250,000	0.47
Total	188,090,850	70.56

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