REGISTERED OFFICE
ABN 47 116 648 956
Level 2/1292 Hay Street
West Perth, Western Australia 6005

GPO Box 2890
Perth, Western Australia 6001

T: +618 9322 3960
F: +618 9322 5800

E: info@chalicegold.com
W: www.chalicegold.com

26 July 2018

Australian Securities Exchange Limited
Level 40 Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Sir

Proposed issue of performance rights

Chalice Gold Mines Limited (ASX: CHN, TSX: CXN) advises that the Board has resolved to issue a total of 6,301,804 performance rights to directors, executives and employees of the Company under the terms of the Chalice Long term Incentive Plan.

The issue of all performance rights to directors, as set out below, is subject to shareholder approval at the Company's 2018 AGM. The performance rights will not vest and the underlying shares will not be issued unless the performance conditions set by the Board have been satisfied with the final quantum to be determined on the measurement date of 30 June 2021.

Please refer to the **Annexure A** for details of the proposed performance/vesting conditions.

The Company provides the following information in relation to the proposed issue:

Class	Unlisted Performance Rights
Number proposed to be issued to Directors (subject to shareholder approval)	871,751
Number proposed to be issued to executives and staff	5,430,053
Principle terms	The unlisted performance rights will be issued under the terms of the Company's Long term Incentive Plan with vesting conditions to be based on Absolute Total Shareholder Return ("TSR"), relative TSR objectives and achieving key business objectives **(see Annexure A)**
Issue price	Nil

Yours faithfully

Leanne Stevens
Company Secretary

ANNEXURE A – PERFORMANCE RIGHTS PROPOSED VESTING CONDITIONS

The performance rights shown above will not vest (and the underlying shares will not be issued) unless the performance conditions set by the Board (as outlined below) have been satisfied. For the proposed 2018/2019 annual grant of performance rights, a maximum of 50% is to be based on meeting the Strategic Objectives below and the remaining 50% is to be based on the Absolute Total Shareholder Return ("TSR") and relative TSR hurdles as set out below.

The test date for the performance rights is set at 30 June 2021 (being 3 years from the date of grant).

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.	
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%

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