CHRYSALIS RESOURCES LIMITED

CHRYSALIS RESOURCES
JOINT VENTURE OPTION AGREEMENT;
SHIKILA AND KABWIMA PROJECTS, ZAMBIA

ASX Announcement

18th November 2014

HIGHLIGHTS

- Chrysalis Resources Limited has entered into a legally binding agreement with FQM Exploration (Zambia) Limited ("FQM"), a wholly owned subsidiary of **First Quantum Minerals Ltd**., whereby FQM has agreed **to fund exploration across Chrysalis' Shikila and Kabwima Projects for a 6 month period** prior to earning the right to enter a two stage Earn-in phase, and subsequent Joint Venture, Put/Call and/or Net Smelter Royalty options.
- 6 month "**Option Period**" whereby FQM shall spend a minimum of **US$450,000** using Chrysalis as manager in conjunction with technical input from FQM.
- FQM can then advance to a "**First Earn-in**" period involving an additional **US$5 million** expenditure within 2 years to earn a **51%** interest in the projects and enter into a formal Joint Venture Agreement.
- FQM can then advance to a "**Second Earn-in**" period to earn a total **80%** interest by generating an **NI 43-101 compliant resource and obtaining the grant of one or more large scale mining licences**.
- Following completion of the Second Earn-in, there is a one-time Put/Call option which allows Chrysalis to sell its Joint Venture interest to FQM at US$0.04c/lb. CuEq x amount of Cu in the combined Measured, Indicated & Inferred Resource x the Joint Venture percentage of the seller.
- Chrysalis carried through to production with all development costs to be paid back from production cash-flow (at LIBOR+4%).
- Joint Venture interests can be diluted, and if diluted below 15% the diluting party's interest will be converted to a 1% net smelter royalty subject to a US$20,000,000 cap.
- The agreement is subject to a due diligence period expiring December 14, 2014.

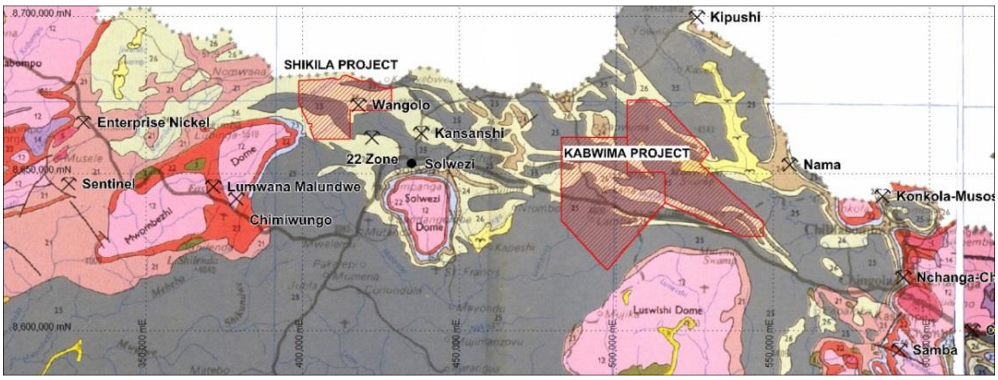

Figure 1: Projects subject to Chrysalis / FQM Letter Agreement

Chrysalis Resources Limited

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Company Snapshot

Listed on ASX	27 May 2008
ASX Share Code	CYS
Sector	Exploration

Company Structure

No of Shares on Issue (at 30th Sept 2014)	344,484,128
Cash (at 30th Sept 2014)	$1.3M

Board & Management

Dr Neale Fong – Non-Executive Chairman
Mr Jian Hua Sang – Non-Executive Director
Mr Leigh Ryan – Managing Director
Mr Kevin Hart – Company Secretary

Chrysalis Resources Limited (ASX: CYS) is pleased to announce the signing of a legally binding Letter Agreement with FQM Exploration (Zambia) Limited ("FQM") whereby FQM agrees to fund exploration across Chrysalis' Shikila and Kabwima Projects for a 6 month period prior to earning the right to enter a two stage Earn-in phase, and subsequent Joint Venture, Put/Call and/or Net Smelter Royalty options. The Letter Agreement includes licences 8194-HQ-LPL, 13404-HQ-LPL, and 13405-HQ-LPL) and includes the following terms:

- 6 month "Option Period" whereby FQM shall sole fund regional soil sampling programs across the Shikila and Kabwima Projects with a minimum spend of US$450,000. The 6 months can be shortened by completion of the soil programs and receipt of results, or extended if the wet season delays the completion of soil sampling.
- Chrysalis to manage Option Period exploration program in conjunction with technical input from FQM
- If FQM spends $450,000 or more, and are satisfied with the soil sampling results, FQM can advance to a "First Earn-in" period.
- During the "First Earn-in" period FQM may spend an additional US$5 million within 2 years in order to earn a 51% interest and enter a formal Joint Venture Agreement.
- The Farm-in Manager will be responsible for maintaining the Licenses, including ensuring compliance with all related statutory and compliance obligations
- FQM can then advance to a "Second Earn-in" period to earn a total 80% interest by generating an NI 43-101 compliant resource report (at FQM's cost) for the purpose of making an application for a large scale mining licence under the Zambian Mines Act, and obtaining the successful grant of one or more large scale mining licence(s).
- Chrysalis will be carried through to production with all development costs to be paid back from production cash-flow (at LIBOR+4%)
- Within 30 days of the completion of the Second Earn-in Requirements a Put/Call option will allow FQM to force Chrysalis to sell their Joint Venture interest, or enable Chrysalis to force FQM to buy Chrysalis' Joint Venture interest, at US$0.04c/lb. CuEq multiplied by the amount of Cu in the combined Measured, Indicated & Inferred (MII) Resource multiplied by the Joint Venture percentage of the seller.
- If either party are unable or unwilling to contribute to prorata share of cash requirements then the Joint Venture interest is diluted by an industry standard dilution formula.
- If diluted below 15% the diluting parties interest will be converted to a 1% net smelter royalty subject to a US$20,000,000 cap.
- A first right of refusal will apply to both FQM and Chrysalis.
- The Letter Agreement is subject to a due diligence period expiring December 14, 2014 in order for FQM to complete due diligence on the 3 licences involved.

Chrysalis' Managing Director Leigh Ryan stated that "FQM have the financial backing, technical expertise, logistical capabilities, and the long term support of the Zambian Government to enable them to fast track Chrysalis' two northern Projects from exploration to development and ultimately to the mining stage. This agreement with such a highly credentialed partner confirms the outstanding exploration potential of the Shikila and Kabwima Projects".

For further information please contact:

Leigh Ryan **Managing Director** **+61 427 093 043**

Website: **www.chrysalisresources.com.au**

Competent Person's Statement

The information in this report that relates to exploration results is based on information compiled by Mr Leigh Ryan, Managing Director employed by Chrysalis, who is a Member of the Australian Institute of Geoscientists (MAIG). Mr Ryan has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ryan consents to the inclusion in the report of the matters based on information in the form and context in which it appears. Mr Ryan participates in the Company's Employee Share Plan.

The company confirms that it is not aware of any new information or data that materially affects the information included in the recent market announcements referred to in the report.