

ASX Announcement

1 October 2018

Chalice to focus on high-impact exploration as it refines growth strategy and proposes capital return

Renewed business strategy positions Chalice to return excess capital while focusing on outstanding exploration opportunities within its portfolio

Highlights:

- Growth strategy refined to focus on high-impact exploration opportunities within portfolio
- Proposed capital reduction and return of up to 4cps (~A\$10.7m)
- Company will maintain a strong balance sheet with ~A\$23.3m in cash and no debt
- Major drill program about to commence at Pyramid Hill Gold Project in Victoria

Chalice Gold Mines Limited (ASX: CHN | TSX: CXN) is pleased to advise that it has determined an updated business strategy focusing on high-impact exploration opportunities in Australia and Canada and will seek shareholder approval to make a capital return up to **4.0 cents cash per share (~A\$10.7 million)**. This capital return follows a review of the Company's capital needs and the determination that its current cash reserves of ~A\$34 million exceed its immediate and medium term capital requirements to execute this strategy, justifying a return of excess capital to shareholders.

Accordingly, the Company proposes to seek shareholder approval under section 256B and 256C of the *Corporations Act (2001)* for an equal capital reduction and return of up to **4.0 cents cash per share (A\$10.7 million)** to those persons or entities that are shareholders at the appropriate record date.

The Company will submit a Class Ruling request on behalf of shareholders to the Australian Taxation Office ("ATO"), to confirm the tax treatment of the proposed return of capital. Details of the tax treatment of the distribution will be released to shareholders once the Class Ruling has been issued by the ATO.

Subject to receipt of the ATO Class Ruling and shareholder approval, it is anticipated the capital reduction and return would be completed in early December 2018. Full details will be outlined in the 2018 AGM Notice of Meeting and Explanatory Memorandum, currently scheduled for late November 2018.

Chalice's Executive Chairman, Tim Goyder, said: *"Over the past number of years, a significant number of opportunities worldwide have been thoroughly reviewed on technical and commercial grounds, with the limited pool of quality opportunities and high degree of competition for those projects making the task challenging. The combination of a lack of quality opportunities appropriate for the Company's financial capability and the promise of our current exploration portfolio has prompted a shift in focus towards our priority exploration stage projects. Our proposal to return a substantial amount of capital to shareholders is a decision that has not been taken lightly. The capital return is expected to be treated as a reduction in the cost base of each shareholder's holding by 4cps and, accordingly, it is expected to have minimal tax implications.*

After realising more than \$100 million in net proceeds from asset sales over the last decade, Chalice had been focused on acquiring an advanced mineral asset with the potential for significant growth and near-term cash flow. However, after careful consideration, the Board strongly believes that continued investment in our current exploration portfolio provides a compelling opportunity for shareholders and, in light of this strategic shift, the acquisition of an advanced resource project is no longer the major focus for the Company. Our management team

has the full support of the Board and our track record of exploration success is proof that we can deliver significant returns for shareholders by pursuing this approach.”

Chalice’s CEO, Alex Dorsch, added: *“The proposed capital return marks a significant turning point for Chalice. While the decision to return surplus capital to shareholders is an acknowledgement of the difficulty in finding suitable quality assets in a highly competitive market place, it also highlights the significant exploration opportunities we have within our current portfolio. We strongly believe that a more compelling risk-reward proposition for shareholders exists in exploration stage projects.”*

“The current exploration portfolio, underpinned by our district-scale gold projects in Victoria (Australia) and Quebec (Canada), is now the primary focus for the Company. We remain exceptionally well-funded and well-resourced to progress our projects in an accelerated manner. We will continue to be results-driven and actively manage the portfolio to ensure a balanced risk profile. We are excited about the prospect of generating significant returns for shareholders from our new leveraged exploration strategy and highly encourage shareholders to re-invest their proceeds.”



Alex Dorsch
Chief Executive Officer

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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 estimation of mineral reserve and mineral resources, the realisation of mineral reserve estimates, the likelihood of exploration success at the Company’s projects, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “will”, “may”, “would”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes” or variations of such words and phrases or statements

that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

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.