



ASX ANNOUNCEMENT

22 SEPTEMBER 2016

## Chalice secures farm-in agreement on west Musgrave Nickel-Copper-PGE Project, WA

*Deal with Traka Resources provides counter-cyclical investment opportunity in emerging nickel province*

### Highlights:

- Farm-in deal with Traka Resources whereby Chalice may earn up to a 70% interest in west Musgrave Ni-Cu-PGE Project for total expenditure of A\$10M with minimum A\$1M expenditure commitment.
- Large project area of approximately 1,007 square kilometres already covered by Spectrem airborne electromagnetic surveys.
- Chalice targeting orthomagmatic nickel-copper-PGE mineralisation in the highly prospective Giles Complex mafic to ultramafic intrusives of the west Musgrave Province.
- 2012 airborne Spectrem EM survey identified seven priority targets modelled as shallow bedrock sulphide conductors. Modelling indicates a depth range of 50-160m below surface, which is viewed as encouraging from the viewpoint of a potential mineral discovery.
- Electromagnetic anomalies have an apparent linear morphology, consistent with shallow plunging chonolith-type intrusive bodies.
- No previous ground-based exploration undertaken as tenements are under application.
- Counter-cyclical investment opportunity in a greenfields nickel-copper-PGE sulphide project in an under-explored frontier igneous province in central Australia.

Chalice Gold Mines Limited (ASX: CHN) ("Chalice" or the "Company") and Traka Resources Limited (ASX: TKL) ("Traka") are pleased to advise that they have entered into a binding Heads of Agreement in relation to the **Latitude Hill Nickel-Copper-PGE Project**, located in the west Musgrave Province of Western Australia.

The project covers an area of 1,007 km<sup>2</sup> and is centred approximately 40km south-west of the Wingellina nickel deposit in the west Musgrave Province.

The Latitude Hill Project is considered prospective for massive and disseminated nickel-copper-PGE sulphide mineralisation in Giles Complex mafic to ultramafic intrusives, providing Chalice with a counter-cyclical investment opportunity in an under-explored frontier province where there is excellent potential to make substantial new discoveries, similar to the discovery of the Nova-Bollinger nickel-copper sulphide deposit in the Albany-Fraser orogen.

Under the terms of the farm-in agreement Chalice may earn up to 70% interest in the Latitude Hill Project, which consists of five tenement applications (Figure 1).

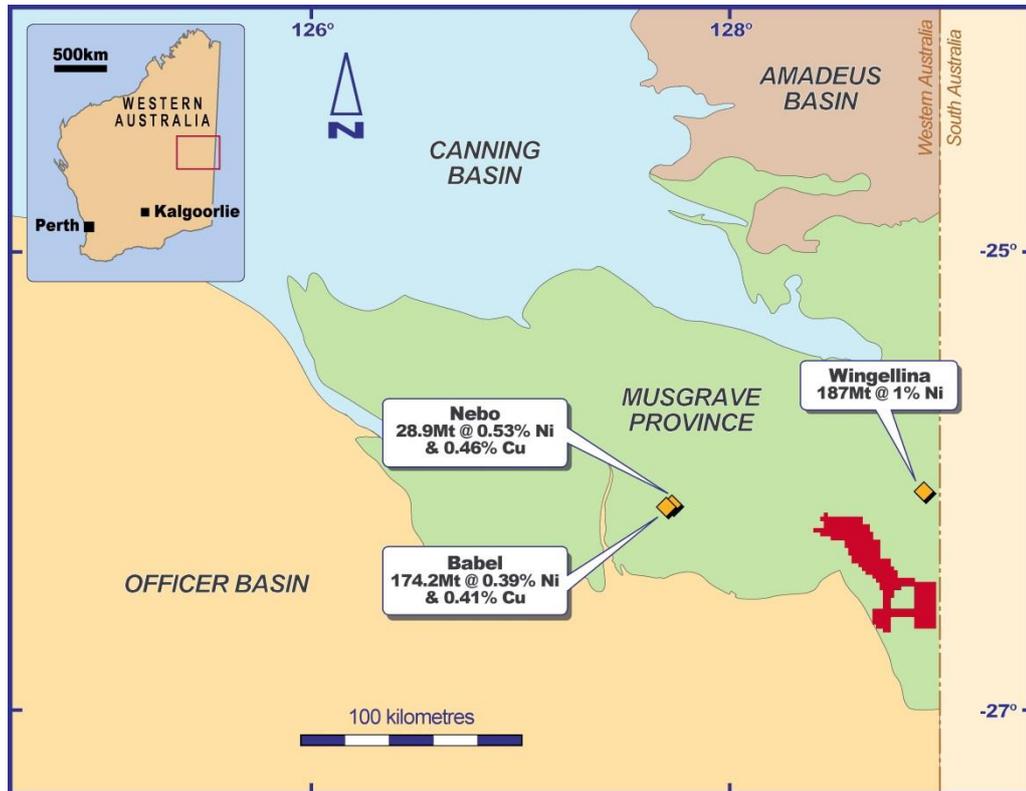


Figure 1. Location of the Latitude Hill Project.

The Latitude Hill Project represents an exciting opportunity for Chalice to capitalise on a high quality airborne Spectrem Electromagnetic (EM) survey completed in 2012, which identified seven priority conductors which are modelled as high-conductance bedrock anomalies (Figure 2). Importantly, none of these priority conductors have been followed-up with ground-based exploration as the tenements are held under application, which does not permit ground activity until the tenements are granted.

The Latitude Hill Project lies within the southern part of the west Musgrave Province in an area of widespread but thin colluvium and sand dune cover estimated at less than 10m thick. Along the eastern edge of the tenement package the local geological sequence is dominated by the well exposed Giles Complex Bell Rock Range layered mafic to ultramafic intrusives. Within the project area outcrop is poor but Geological Survey of Western Australia mapping has identified localised outcrops of mafic intrusive rock-types that have similar character to the Bell Rock Range mafic intrusives.

Of the prioritised EM targets, six have associated subtle to strong linear magnetic anomalies with a morphology consistent with shallow-plunging chonolith intrusive bodies. Chonoliths represent pipe-like magma conduits which have focused magma emplacement and are important host structures for orthomagmatic nickel-copper-PGE sulphide deposits. The significance of the interpreted magnetic bodies associated with the EM conductors is that chonolith-type intrusive bodies host the large Nebo-Babel nickel-copper-PGE deposits, located about 100km west of Latitude Hill in the west Musgrave Province.

An important observation from historical exploration in the west Musgrave Province is the lack of graphitic sediments, which can be the source of bedrock EM conductive responses. The priority EM targets in the Latitude Hill Project are modelled with a high conductance – which is consistent with a source from bedrock sulphides. This supports the interpretation that the priority EM conductors are highly prospective for massive nickel-copper-PGE sulphides.

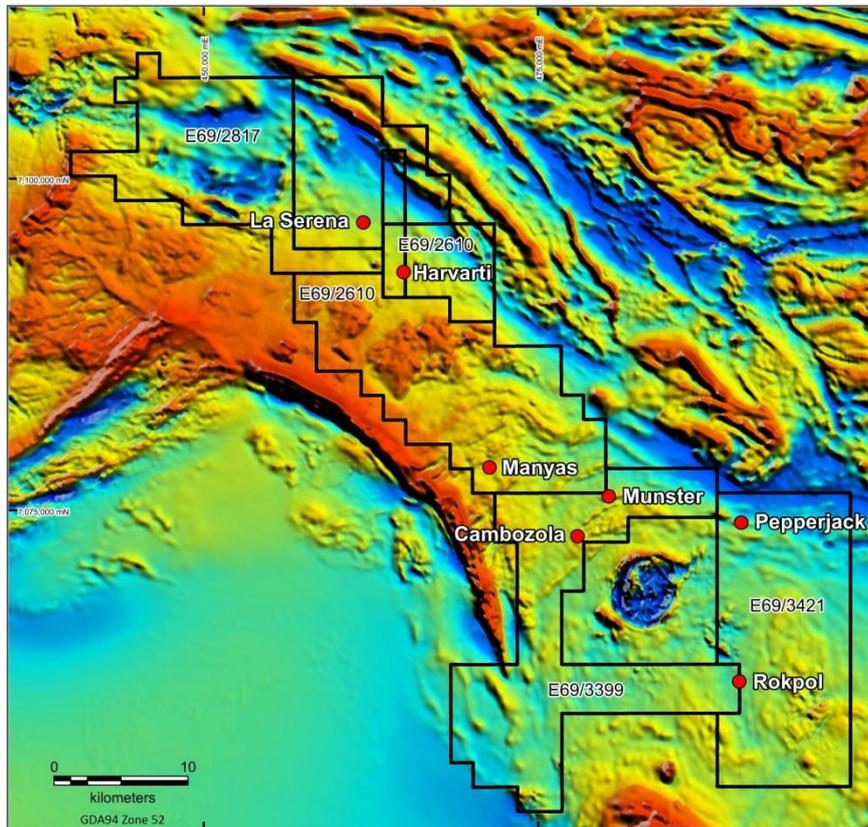


Figure 2. Aeromagnetic image showing location of Latitude Hill project tenements and priority EM conductors.

### Farm-in Agreement Terms

Key terms agreed are as follows:

- Chalice to spend a minimum of A\$1 million on exploration within the first 12 months from the grant of the tenements;
- Chalice has the right, after meeting the minimum commitment, to earn a 51% interest by the expenditure of A\$5 million (which includes the minimum spend) within 3 years of commencement;
- If Chalice earns a 51% interest, Chalice must advise Traka whether it wishes to increase its interest to 70%. Traka then has 14 days to notify Chalice as to whether it wishes to maintain its interest at 49% by proportionally contributing to all future expenditures or not;
- If Traka does not wish to maintain the 49% interest, Chalice has the right but not the obligation to expend a further A\$5 million, within an additional three years, to increase its interest to 70%; and
- If Chalice earns a 70% interest (or 51% as the case may be) both parties will contribute proportionally to all expenditures going forward.

### Planned Exploration Program

Chalice and Traka will work together to progress the tenements to grant. Once granted, Chalice will undertake ground EM surveying over all priority targets to better define the conductors and to identify stronger EM responses which may potentially indicate higher abundances of sulphides.

Follow-up exploration work will comprise a program of shallow aircore traverse drilling for regolith and bedrock geochemical sampling. The EM conductors will be tested by Reverse Circulation (RC) drilling to provide a definitive test of the stronger conductive responses.

Chalice's General Manager – Exploration, Dr Kevin Frost, an expert in nickel-copper-PGE sulphide exploration and a co-recipient of the AMEC Prospector Award for the 2009 discovery of the Spotted Quoll nickel sulphide deposit says *'The Latitude Hill project presents a unique first-mover opportunity to undertake focused exploration on high quality airborne EM targets situated in a fertile geological terrain. EM geophysics has played a significant role in the discovery of massive nickel-copper sulphide deposits worldwide.'*

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### **Competent Persons and Qualifying Persons Statement**

The information in this report that relates to Exploration Results in relation to the Latitude Hill Project is based on information compiled by Dr Kevin Frost BSc (Hons), PhD, who is a Member of the Australian Institute of Geoscientists. Dr Frost is a full-time employee of 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, Minerals Resources and Ore Reserves, and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Dr Frost consents to the release of information in the form and context in which it appears here.

### **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 likelihood of exploration success including the discovery of nickel-copper mineralization in potentially commercial quantities and grades, the estimation of mineral reserve and mineral resources should such mineralization be identified, the realisation of mineral reserve estimates should any such resources be defined, the feasibility of mine development, the timing and amount of any so 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, or 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 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; 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](http://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.

## APPENDIX 1 – LATITUDE HILL PROJECT - JORC TABLE 1

### Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i>	No sampling completed by Chalice
	<i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i>	Not applicable
	<i>Aspects of the determination of mineralisation that are Material to the Public Report.</i>	
	<i>In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i>	
<b>Drilling techniques</b>	<i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i>	No drilling completed by Chalice
<b>Drill sample recovery</b>	<i>Method of recording and assessing core and chip sample recoveries and results assessed.</i>	Not applicable
	<i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i>	Not applicable
	<i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	Not applicable
<b>Logging</b>	<i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i>	Not applicable
	<i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i>	Not applicable
	<i>The total length and percentage of the relevant intersections logged.</i>	Not applicable
<b>Sub-sampling techniques and sample preparation</b>	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	Not applicable
	<i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i>	Not applicable
	<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	Not applicable
	<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	Not applicable

Criteria	JORC Code explanation	Commentary
	<i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i>	Not applicable
	<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	Not applicable
<b>Quality of assay data and laboratory tests</b>	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	Not applicable
	<i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i>	Not applicable
	<i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established</i>	Not applicable
<b>Verification of sampling and assaying</b>	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	Not applicable
	<i>The use of twinned holes.</i>	Not applicable
	<i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i>	Not applicable
	<i>Discuss any adjustment to assay data.</i>	Not applicable
<b>Location of data points</b>	<i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i>	Not applicable
	<i>Specification of the grid system used</i>	Not applicable
	<i>Quality and adequacy of topographic control.</i>	Not applicable
<b>Data spacing and distribution</b>	<i>Data spacing for reporting of Exploration Results.</i>	Not applicable
	<i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i>	Not applicable
	<i>Whether sample compositing has been applied.</i>	Not applicable
<b>Orientation of data in relation to geological structure</b>	<i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i>	Not applicable
	<i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	Not applicable
<b>Sample security</b>	<i>The measures taken to ensure sample security.</i>	Not applicable
<b>Audits or reviews</b>	<i>The results of any audits or reviews of sampling techniques and data.</i>	Not applicable

## Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i>	<p>The Latitude Hill Project comprises 5 exploration licences applications (EL69/2592, E69/2610, E69/2817, E69/3399, E69/3421) which covers a total area of ~1007km<sup>2</sup> located ~40km SW of Wingellina in Western Australia.</p> <p>The tenement applications are owned 100% by Traka Resources Limited</p> <p>Chalice has executed a farm in agreement with Traka Resources whereby Chalice can earn-in in two stages with a minimum commitment of \$1m:</p> <ol style="list-style-type: none"> <li>1. Earn-in 51% interest by spending \$5m within 3 years, and;</li> <li>2. Earn-in 70% by spending \$10m within 6 years from the grant of all tenements.</li> </ol>
	<i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	Tenement are under application by Traka Resources.
<b>Exploration done by other parties</b>	<i>Acknowledgment and appraisal of exploration by other parties.</i>	<p>There has been a 2012 Spectrem airborne EM survey completed by the previous operators.</p> <p>Historic exploration data has been reviewed and results summarised; however, Chalice has not yet completed digital capture and compilation of data collected by previous explorers.</p>
<b>Geology</b>	<i>Deposit type, geological setting and style of mineralisation.</i>	The Latitude Hill Project is located in the west Musgraves Province of Western Australia which represents the western extension of the Musgraves Province occurring in Western Australia. The Musgraves province in a Mesoproterozoic terrain that contains the Warrakurna Large Igneous Province intrusives which comprise a wide suite of mafic to ultramafic layered intrusives. Known deposits in the region include the Nebo and Babel orthomagmatic nickel-copper+/-PGE deposits and the Wingellina nickel laterite deposit.
<b>Drill hole Information</b>	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <ul style="list-style-type: none"> <li>• <i>easting and northing of the drill hole collar</i></li> <li>• <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li>• <i>dip and azimuth of the hole</i></li> <li>• <i>down hole length and interception depth</i></li> <li>• <i>hole length.</i></li> </ul>	Not applicable

Criteria	JORC Code explanation	Commentary
<b>Data aggregation methods</b>	<i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i>	Not applicable
	<i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i>	Not applicable
	<i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	Not applicable
<b>Relationship between mineralisation widths and intercept lengths</b>	<i>These relationships are particularly important in the reporting of Exploration Results.</i>	Not applicable
	<i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i>	
	<i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i>	
<b>Diagrams</b>	<i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	See Figures in body of report
<b>Balanced reporting</b>	<i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	No results reported by Chalice.
<b>Other substantive exploration data</b>	<i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	Previous exploration programs on the project include aeromagnetic surveys and a 2012 airborne Spectrem EM survey.
<b>Further work</b>	<i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i>	Not applicable