



8 August 2019

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

Dear Sir/Madam

Proposed issue of performance rights

Chalice Gold Mines Limited (ASX: CHN, TSX: CXN) advises that the Board has resolved to issue a total of 6,348,611 performance rights to directors, executives and employees of the Company under the terms of a proposed Employee Securities Incentive Plan (**Plan**).

The proposed issue of the performance rights is conditional on the receipt of shareholder approval of the Plan at the Company's 2019 Annual General Meeting (**AGM**).

In addition, the issue of all performance rights to directors, as set out below, is subject to separate shareholder approval at the AGM.

The performance rights will not vest 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 2022.

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 and shareholder approval of the Plan) | 735,294 - Tim Goyder (Executive Chairman) 1,074,402 – Alex Dorsch (Managing Director) |
| Number proposed to be issued to executives and staff (subject to shareholder approval of the Plan) | 4,538,915 |
| Principle terms | The unlisted performance rights will be issued under the terms of the Company's proposed Employee Securities 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

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ANNEXURE A – PERFORMANCE RIGHTS PROPOSED VESTING CONDITIONS

The performance rights shown above will not vest unless the performance conditions set by the Board (as outlined below) have been satisfied. For the proposed 2019/2020 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 2022.

The following table outlines key business objectives and the weightings of the performance condition:

| Overall Condition | Specific Condition | Percentage of Performance Rights to vest |
|--------------------------------|---|--|
| Strategic objectives | <p>Undertake a significant acquisition or corporate transaction: acquire one or more assets or undertake a corporate transaction with potential to generate an internal rate of return (IRR) of at least 20% using consensus commodity prices and board approved cost assumptions.</p> <p>AND/OR</p> <p>Value generation through:</p> <ul style="list-style-type: none"> • Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; • substantially increasing the Company's resource base; • 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. <p>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.</p> | 50% |
| Absolute TSR objectives | <p>If the volume weighted average price of the Company's Shares traded on ASX over the 30 trading days (30-Day VWAP) up to and including 30 June 2022 is:</p> <ul style="list-style-type: none"> • below \$0.18 per Share; • between \$0.18 and \$0.20 per Share; and • at or above \$0.20 per Share. <p>By way of example, if the 30-Day VWAP as at 30 June 2022 is \$0.19 per Share, 16.625% of the Performance Rights would vest, calculated as follows:</p> $8.25\% + ((\$0.19 - \$0.18)/(\$0.20 - \$0.18) * (25\% - 8.25\%)) = 16.625\%$ <p>In the event of a corporate action including a demerger, special dividend or reorganisation of capital (including a consolidation, sub-division, return of capital, or reduction of capital), the above thresholds are to be amended to account for that corporate action, provided that such amendment must not provide the</p> | <p>0%</p> <p>Pro rata between 8.25% and 25%</p> <p>25%</p> |

| Overall Condition | Specific Condition | Percentage of Performance Rights to vest |
|--------------------------------|--|--|
| | Performance Rights holder with a benefit that holders of Shares do not receive. | |
| Relative TSR objectives | <p>Comparison of the Company's total shareholder return (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 30 June 2022. The Performance Rights will vest depending on the Company's percentile ranking within the comparator group on the relevant vesting date as follows:</p> <ul style="list-style-type: none"> • Below 50th percentile • Between 50th and 75th percentile • At or above 75th percentile | <p>0%</p> <p>Pro rata between 8.25% and 25%</p> <p>25%</p> |