

30 September 2014

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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 7,349,779 performance rights to directors and executives 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 2014 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 2016.

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
<b>Number proposed to be issued to Directors (subject to shareholder approval)</b>	3,961,422
<b>Number proposed to be issued to executives and staff</b>	3,388,357
<b>Principle terms</b>	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 share price, achieving key business objectives and service periods ( <b>see Annexure A</b> )
<b>Issue price</b>	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 2014/2015 annual grant of performance rights, a maximum of 50% is to be based on achieving share price hurdles and the remaining 50% is to be based on achieving key business objectives.

In addition to the measurement period of 1 July 2014 to 30 June 2016, a 12 month service period must also be completed by each person, meaning that performance rights will not vest or convert into shares until 30 June 2017 at the earliest.

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	<p><b>Undertake a significant acquisition:</b> acquire one or more assets in addition to the Cameron Gold Project with potential to generate returns above the Company's internal hurdle rates based on consensus commodity prices and cost assumptions.</p> <p>AND/OR</p> <p><b>Make a significant new discovery:</b> at the Cameron Gold Project or any other Projects/Joint Venture acquired by the Company which shows potential to be economic based on consensus commodity prices and cost assumptions.</p>	50%
Share price objectives	Below 23 cents	0%
If the 60 Day VWAP as at the measurement date is:	23 cents	16.5%
	Between 23 cents and 38 cents	Pro rata between 16.5% and 50%
	Above 38 cents	50%