

ASX Announcement

4 May 2016

Chalice to sell Cameron Gold Project to First Mining Finance Corp.

Transaction has potential to unlock significant value for Chalice shareholders

Chalice Gold Mines Limited (**ASX: CHN**) (**TSX: CXN**) is pleased to advise that it has entered into an agreement to sell its wholly-owned subsidiary, Cameron Gold Operations Ltd. (“the **Subsidiary**”), which owns the Cameron Gold Project in Ontario, Canada, to First Mining Finance Corp. (“**First Mining**”), a mineral property holding company listed on the TSX-V (TSX-V:FF) (the “**Transaction**”).

The consideration for the Transaction is the issue to Chalice of 32,260,836 common shares (“**Consideration Shares**”) in First Mining. Chalice will also be granted a one per cent Net Smelter Return royalty over certain exploration licences at Cameron which are not encumbered by pre-existing royalties. Following completion of the Transaction, which is subject to Chalice shareholder approval, Chalice will hold approximately 8.1% of the issued and outstanding shares of First Mining.

Chalice acquired the Cameron Project in 2014 from Coventry Resources. Since then, Chalice has upgraded the Cameron resource, consolidated a regional tenement position and identified a number of promising new exploration targets both proximal to the deposit and regionally.

However, Chalice believes that First Mining, which is accumulating a significant bank of quality mineral assets in Canada, the USA and Mexico, would be better placed to unlock the value of the Cameron Project given its domicile in North America and the experience of its board and key management. In addition, Chalice shareholders gain exposure to First Mining’s diversified portfolio of advanced gold exploration projects in central and eastern Canada including the Springpole and Pickle Crow projects in Ontario, the Duquesne project in Quebec, and the Hope Brook project in Newfoundland.

Chalice Managing Director, Mr Tim Goyder, said:

“Through this transaction, the Company’s shareholders would retain exposure to the significant upside of the Cameron Project via its eight per cent shareholding in First Mining, while maintaining a strong cash balance of approximately \$37 million to pursue other opportunities.”

“The sale of the Cameron Project to First Mining allows us to unlock significant value for shareholders. With their unique business model of aggressively acquiring advanced projects in North America and a well-known and proven management team, First Mining is ideally placed to realize the value of this asset in an improving commodity price environment. We look forward to being part of that process through our significant shareholding in First Mining, which provides us with continued exposure to the Cameron Project and exposure to First Mining’s portfolio of other assets.”

“The successful completion of this sale would place Chalice in an enviable position in the current market and will give us a tremendous platform from which to grow the Company and take advantage of new opportunities as they arise.”

Closing of the Transaction is subject to the following key conditions:

- Chalice shareholder approval;
- Chalice receiving any required approvals of the Australian Securities Exchange (“ASX”), Toronto Stock Exchange (“TSX”) or any other applicable Australian or Canadian regulatory authorities;

- First Mining having received any required approvals from the TSX-V; and
- Certain other closing conditions customary in transactions of this nature such as material adverse changes to either the Subsidiary or First Mining's financial position.

The Consideration Shares will be subject to a statutory resale restriction in Canada for a four-month period from completion. In addition, Chalice has agreed to further provisions, restricting the sales of shares, to not more than approximately one eighth of the total Consideration Shares per month over the following eight months except where the sale is in a single block to a purchaser acceptable to First Mining.

Full details of the Transaction and further information regarding First Mining will be included in the Notice of Meeting of Chalice shareholders. It is expected that the meeting will be held on or around 16 June 2016.

Haywood Securities Inc. acted as financial advisor to Chalice. Blake, Cassels & Graydon LLP acted as Canadian legal counsel, and K&L Gates LLP acted as Australian legal counsel to Chalice.

ABOUT FIRST MINING FINANCE CORP.

First Mining is a new "mineral bank" business concept. The business model is to acquire mineral assets and hold or bank these assets until the capital markets for commodities and mining improves. At that point, First Mining would look to add value to its shareholders by entering into agreements with other parties which would move the projects forward through development or exploration while First Mining holds a residual interest in the project in question. The residual interest may be in the form of royalties, metal streams, minority interests or equity positions in the counterparty that is moving the project forward. Through recent acquisitions, First Mining now holds a portfolio of 26 mineral assets in Canada, the United States, and Mexico. First Mining intends to continue to aggressively acquire additional projects in geopolitically safe areas of the Americas. Ultimately, First Mining's goal is to have numerous projects generating cash flow.

First Mining currently has four material mining properties, being the Hope Brook Gold Project located in Newfoundland, the Pickle Crow Gold Project and the Springpole Gold Project, each located in Ontario and the Duquesne Gold Project located in Quebec.

For further information on First Mining please refer to www.firstminingfinance.com



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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 results of business development activities which may result in a corporate transaction or investment, whether shareholders of Chalice will approve the proposed Transaction to sell the Cameron Project and other conditions to the Transaction will be satisfied, the future share price performance of First Mining Finance Corp., the estimation of mineral reserve and mineral resources, the realisation of mineral reserve estimates, the likelihood of exploration success, 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, 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. 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.