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15 July 2016

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

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 3,957,172 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 2016 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 2019.

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>	1,200,738
<b>Number proposed to be issued to executives and staff</b>	2,756,434
<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 TSR objectives and achieving key business objectives ( <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 2016/2017 annual grant of performance rights, a maximum of 50% is to be based on meeting Total Shareholder Return (“TSR”) objectives and the remaining 50% is to be based on achieving key business objectives.

The test date for the performance rights is set at 30 June 2019 (being 3 years from the date of grant).

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

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 or corporate transaction:</b> acquire one or more assets or undertake a corporate transaction with potential to generate an IRR of at least 20% using consensus commodity prices and board approved cost assumptions.</p> <p><b>AND/OR</b></p> <hr/> <p><b>Value generation through:</b></p> <ul style="list-style-type: none"> <li>• Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and board approved cost assumptions; or</li> <li>• substantially increasing the Company’s resource base; or</li> <li>• 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</li> <li>• the sale of an asset(s) at a significant profit.</li> </ul> <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%
TSR objectives	<p>The performance conditions for performance rights issued will be measured by comparing the Company’s 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 the end of the financial year that is 3 years after that date (vesting date). The performance rights will vest depending on the Company’s percentile ranking within the comparator group on the relevant vesting date as follows:</p>	
	Below 50 <sup>th</sup> Percentile	0%
	Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile	Pro rata between 16.5% and 50%
	At or above 75 <sup>th</sup> percentile	50%