

ASX Announcement

6 June 2017

Chalice subscribes to \$1M share placement in, & sell its Dumbleyung Project to, Ausgold Limited

Chalice Gold Mines Limited (“Chalice” or the “Company”) (**ASX: CHN**) (**TSX: CXN**) today announced that it has agreed to subscribe to a share placement of 40 million shares in ASX listed Ausgold Limited (ASX: AUC) (“Ausgold”) at an issue price of 2.5 cents per share for a total of \$1.0 million (“the Placement”). The funds will predominantly be used to advance Ausgold’s flagship Katanning Gold Project in Western Australia. All amounts are in Australian dollars.

In addition to the Placement, Chalice has agreed to sell its Dumbleyung Project, which is located adjacent to the Katanning Gold Project, to Ausgold for 15 million shares (subject to a 12-month escrow) and 10 million unlisted share options that are exercisable at 3.5 cents per share within a 2-year period. The issue of the consideration shares and options to Chalice is subject to Ausgold shareholder approval. Ausgold directors have agreed to (1) recommend the transaction to shareholders and (2) vote all of the shares they hold or control in favour of all necessary resolutions in relation to the transaction. Chalice will also retain a 2 percent NSR over the Dumbleyung Project.

Following completion of the Placement and the issue of the Dumbleyung consideration shares and options, Chalice will hold a 12% interest in Ausgold (increasing to a 14% interest in the event that the consideration options are exercised).

Ausgold’s Katanning Gold Project is located 275km southeast of Perth, Western Australia where Ausgold holds a dominant ground position of approximately 4,031km² in a relatively under-explored greenstone belt that is prospective for Archaean gold deposits. In 2015, Ausgold announced a mineral resource for the Katanning Gold Project (<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&id=01674505>).

Managing Director Tim Goyder said the Placement and tenement sale provides Chalice with exposure to a relatively advanced, low-risk open-pit gold project in Western Australia.

“We look forward to Ausgold advancing the Katanning Project where we see potential to increase the existing mineral resource. Given the rarity of undeveloped gold projects in Western Australia, Ausgold’s large tenement package and the current strong A\$ gold price of ~A\$1720 per oz, we believe there is potential for considerable upside.”

ENDS



TIM GOYDER
Managing Director

For further information, please contact:
Tim Goyder, Managing Director
Chalice Gold Mines Limited
Telephone +618 9322 3960

For media inquiries, please contact:
Nicholas Read
Read Corporate
Telephone: +61 8 9388 1474

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 future share price performance of Ausgold, the likelihood that the Ausgold shareholders will vote in favour of the acquisition of the Dumbleyung Project from Chalice, the estimation of mineral resources at the Katanning Project, the impact recent drilling completed by Ausgold on the mineral resource estimate for the Katanning Project, the likelihood of exploration success and future drilling increasing the current mineral resources, the timing and amount of estimated future mineral resource, mineral reserves, 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, estimates, 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 and future exploration activities; changes in project parameters as plans continue to be refined; future prices of metals contained in the mineral resources; possible variations in mineral resources or ore reserves (if any are defined), 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 www.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.