

18 June 2019

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Chalice acquires highly prospective nickel sulphide project in west Kimberley region of WA

North West Nickel acquisition opens up new district-scale nickel exploration opportunity alongside Chalice's existing high-profile gold projects in Victoria and Quebec

Highlights

- Chalice to acquire the Ruins Nickel Sulphide Project in the west Kimberley region of WA.
- Project considered highly prospective for **high-grade nickel sulphide** mineralisation, with several late-time airborne **EM targets already identified** and associated with Ruins Dolerite.
- Situated adjacent to Buxton Resources' (ASX: BUX) Merlin Project, where high-grade nickel sulphide mineralisation (up to **8% Ni**) has been intersected in Ruins Dolerite.
- **Independence Group** (ASX: IGO) recently announced option / earn-in Joint Ventures with Buxton Resources at Merlin and in the wider west Kimberley region.
- IGO led exploration activities are currently ramping up in the area.
- The Ruins Project will be amalgamated into Chalice's new district-scale ~1,800km² King Leopold Nickel Project.
- Airborne and ground EM work to commence immediately, with drilling anticipated in Q3 2019.
- Chalice's strong **A\$21.7 million** cash balance (at 31 March 2019) and significant internal nickel expertise will allow it to progress comprehensive exploration programs in 2019.
- **Nickel market outlook exceptionally strong**, driven by electrification across multiple industries and increasing demand for class-1 nickel for use in lithium-ion batteries.

Chalice Gold Mines Limited ("Chalice" or "the Company") (ASX: CHN | TSX: CXN) is pleased to advise that it has secured a significant new nickel sulphide exploration opportunity in the west Kimberley region of Western Australia after reaching agreement to acquire all the outstanding shares in private nickel explorer North West Nickel Pty Ltd ("NWN").

NWN holds a portfolio of nickel exploration projects, including the Ruins Project ("the Project") which is located adjacent to the recent nickel sulphide discoveries reported by Buxton Resources ("Buxton", ASX: BUX) at its Merlin Project. Buxton recently entered into two option and earn-in joint venture agreements with Independence Group ("IGO", ASX: IGO) in the region.

The acquisition will form a central part of Chalice's new ~1,800km² district-scale King Leopold Nickel Project in the Kimberley, opening up an exciting new nickel exploration opportunity alongside the Company's high-profile gold projects in Victoria and Quebec.

Chalice's Managing Director Alex Dorsch said: "Over the past few years, we have searched globally for high-quality nickel sulphide projects with grade and scale potential, and what we see in the NWN portfolio excites us. The outlook for nickel is exceptionally strong, and there are very few advanced nickel sulphide projects out there to satisfy rapidly growing class-1 nickel demand."

"The Ruins Project is an ideal, drill-ready entry point into the King Leopold Orogen, which hosts new high-grade nickel sulphide discoveries. The presence of outcropping Ruins dolerite and co-incident EM targets

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along strike from Merlin immediately drew our attention, and we intend to commence drill testing these targets as soon as possible."

"The recent entry by IGO into this largely unexplored province and the substantial ramp-up of exploration activity is a sign that this area is primed for new high-grade nickel sulphide discoveries. The May-to-December field season in this region is also expected to work very favourably with ongoing exploration activities at our flagship Pyramid Hill Gold Project in the Bendigo region of Victoria."

Ruins Nickel Project

The Ruins Project is located in the King Leopold Orogen, a province that has seen recent exploration success with several high-grade nickel-copper sulphide drill intercepts reported from Buxton's Merlin Project.

The Ruins Project is located immediately south-east of Buxton's Merlin Project and is considered to be highly prospective for nickel sulphides as well as other associated metals (Cu, Co and PGEs), having similar geology and proximity to the Merlin discovery. The Project also hosts historic tin and tungsten workings.

An airborne electromagnetic (EM) survey conducted over the south-west part of the Project (E04/1169) has identified several late-time EM anomalies co-incident with known Ruins Dolerite geology, along strike to the south-east of Buxton's Merlin Prospect in mapped Ruins Dolerite (Figure 1).

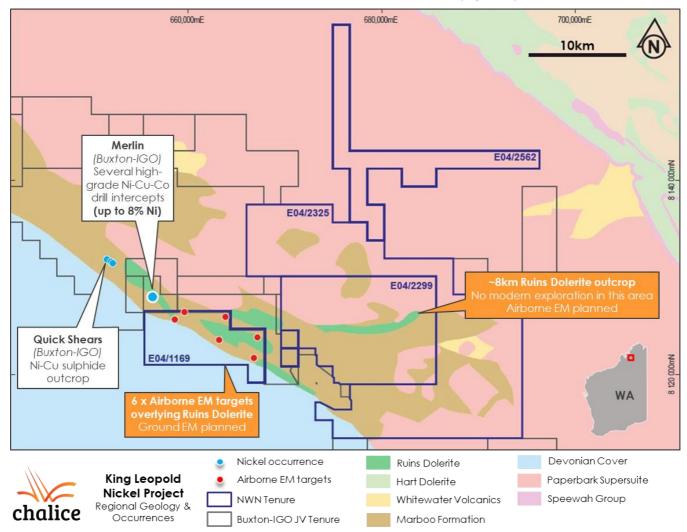


Figure 1. Ruins Project tenure and nickel occurrences over regional geology.



Buxton's Merlin Prospect was discovered in 2015 and exploration activities have since demonstrated that Ruins Dolerite is a favourable host rock for high-grade nickel sulphides. The Prospect includes several high-grade nickel sulphide drill intercepts (up to 8% Ni), which indicates a fertile and highly prospective maficultramafic system in the area.

IGO recently announced two option and earn-in Joint Venture agreements with Buxton and exploration activities are currently ramping up in the region. The JV has also substantially increased its licence holding in the frontier province (Figure 2).

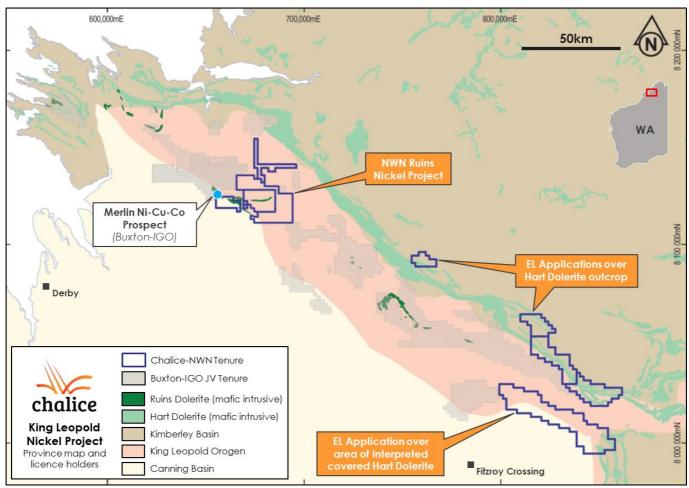


Figure 2. Chalice's King Leopold Project tenure and Buxton-IGO tenure over geological domains.

Exploration Plan

The Ruins Project will form a central part of Chalice's wider district-scale King Leopold Nickel Project. Chalice's immediate focus will be ground EM surveying over airborne EM targets identified on E04/1169 to better define targets for immediate drill testing. A maiden drill program is expected to commence in Q3 2019.

Nickel sulphide mineralisation typically has a strong EM response and therefore ground EM geophysics is considered the optimal exploration technique to define priority targets for drilling.

An additional detailed 1,075 line-km airborne EM survey (at 150m line spacing) is scheduled to commence in late June 2019 to provide the first EM coverage along an ~8km long east-west trending outcropping body of Ruins Dolerite in adjoining tenement E04/2299 to the east. Any EM conductors identified from this survey will be followed up with reconnaissance mapping, sampling and ground EM surveying.





Tenure

The Ruins Project includes >600km² of exploration licences with multiple known zones of Ruins Dolerite outcrop. NWN's interests in the licences are outlined in the table below.

Licence No.	Status	NWN Ownership
E04/1169	Granted	 100% of hard-rock mineral rights via agreement with Waterford Bay Pty Ltd and Kimberley Alluvials Pty Ltd: NWN must spend \$0.15 million on exploration before end 2020 NWN must make the following deferred (contingent) cash payments
		upon meeting certain milestones on the tenure:
E04/2405	Granted	 \$0.2 million upon achieving a drill intercept (True Width) of at least 15%mNi at a minimum 1% average Ni grade and 1% Ni lower cut-off grade \$0.5 million upon receipt from an independent consultant a
		Mineral Resource Estimate Report showing a JORC Indicated Resource of over 40,000 tonnes contained Ni with a minimum lower cut-off grade of 1% Ni
E04/2563	Application	 \$2 million upon commencement of mine construction by NWN for any hard-rock hosted commodities A 2% NSR royalty is retained by the vendors
		Earn-in agreement with Strategic Metals Pty Ltd:
E04/2299	Granted	NWN can earn a 51% JV interest by spending \$0.25 million over 2 years
		At its election, NWN can earn a further 34% JV interest by spending
E04/2325	Granted	 \$3 million over the next 4 years Upon earning an 85% interest, Strategic may either contribute prorata, offer to sell its interest at a 'fair value' or convert to a 1.5% NSR royalty
E04/2562	Granted	100%

NWN has Native Title, Heritage Protection and Mineral Exploration Agreements with the Dambimangari Aboriginal Corporation and Warrwa Combined Native Title Claimant Group and has a deed of access for the Yampi Sound Training Area (covering part of E04/2299 and E04/2325 as well as all of E04/2562), all of which will apply to Chalice's exploration activities.

Acquisition Terms

Under the acquisition agreement, Chalice will acquire all the outstanding shares in NWN by issuing 7.5 million fully paid ordinary Chalice shares to NWN, effectively reimbursing NWN for costs incurred to date.

The agreement also includes contingent deferred consideration whereby, subject to the following milestones being achieved at the Ruins Project, Chalice will pay to NWN:

- A\$1.75 million in cash or Chalice scrip, at Chalice's election, within 60 days of Chalice releasing to the ASX a Mining Scoping Study or Feasibility Study in relation to the Project;
- A\$4.5 million in cash or Chalice scrip, at Chalice's election, within 60 days of commencement of commercial production and cumulative gross sales exceeding A\$300 million from the Project.



Any future issuance of Chalice shares to NWN remains subject to shareholder approval, as required, and will be priced according to the 20-day Volume Weighted Average Price (VWAP) at point of milestone completion. All shares issued by Chalice are subject to a separate 12-month escrow period.

The transaction is conditional upon NWN finalising distribution of capital to its existing shareholders prior to settlement.

Alex Dorsch Managing Director

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About the King Leopold Nickel Project, WA

The King Leopold Nickel Project covers an area of ~1,800km² in the west Kimberley region of Western Australia. The Project covers several known areas of Ruins and Hart Dolerite, which are both considered highly prospective for magmatic nickel sulphides as well as other related metals (Cu, Co and PGEs).

The Ruins Dolerite has been demonstrated to host high-grade nickel sulphides (drill intercept grades up to 8% Ni) after the Merlin discovery in 2015 of Buxton Resources (ASX: BUX). Buxton has since executed two option and earn-in joint venture agreements with Independence Group (ASX: IGO) and exploration activities are currently ramping up in the region. The JV has also substantially increased its licence holding in the frontier province.

The Project is a combination of several 100% owned exploration licences, 100% owned hard rock rights as well as an earn-in agreement (earning up to 85%). Field activity on the Project is anticipated to commence in late June 2019, initially focusing on areas immediately adjacent to the Merlin discovery.

Competent Persons and Qualifying Persons Statement

The information in this announcement that relates to Exploration Results is based on information compiled by Dr. Kevin Frost BSc (Hons), PhD, a Competent Person, who is a Member of the Australian Institute of Geoscientists. Dr. Frost is a full-time employee of the company and has sufficient experience that is relevant to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Dr. Frost consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

Forward Looking Statements

This report 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 report 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 Company's strategy, the estimation of mineral reserve and mineral resources, the realisation of mineral resource estimates, the likelihood of exploration success at the Company's projects including King Leopold, the prospectivity of the Company's exploration projects including King Leopold, the timing of future exploration activities on the Company's exploration projects, planned expenditures and budgets and the execution thereof, the timing and availability of drill results, potential sites for additional drilling, 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", "planning" "expects" or "does not expect", "is expected", "will", "may", "would", "potential", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", "occur" or "be achieved" 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 or planned exploration activities; changes in project parameters as plans continue to be refined; changes in exploration programmes based upon the results of exploration; 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.





Appendix 1: Ruins Nickel Project – JORC Table 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	 Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sounders, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	No sampling data reported
Drilling techniques	Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).	No drilling reported
Drill sample recovery	 Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	Not applicable
Logging	 Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections 	Not applicable
Sub-sampling techniques and sample preparation	 logged. If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	Not applicable
Quality of assay data and laboratory tests	 The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, 	No analytical data reported

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Criteria	JORC Code explanation	Commentary
	 the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	
Verification of sampling and assaying	 The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	Not applicable
Location of data points	 Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	MGA grid 94 zone 51 datum for location map
Data spacing and distribution	 Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	Not applicable
Orientation of data in relation to geological structure	 Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	Not applicable
Sample security	The measures taken to ensure sample security.	Not applicable
Audits or reviews	The results of any audits or reviews of sampling techniques and data.	Not applicable

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	 Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	 The Ruins Nickel Project comprises 6 tenements (E04/1169, 2299, 2325, 2405, 2562-2563) which cover a total area of ~612km² located ~110km ENE of Derby, Western Australia. The Ruins Project tenements are 100% owned by Waterford Bay Pty Ltd, Strategic Metals Pty Ltd, Kimberley Alluvials Pty Ltd and North West Nickel Pty Ltd. Chalice has entered into an agreement with North West Nickel to acquire the Ruins Nickel Project tenements (see body of report for further details). The Ruins Project is composed of granted licences except for application E04/2563. There are no known land access impediments. Stakeholders have been successfully engaged by North West Nickel including but not limited to the Napier Downs



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Criteria	JORC Code explanation	Commentary
		Pastoralists, Wanjina-Wunggurr Aboriginal corporation, Dambimnangari Aboriginal Corporation and Warrwa Combined Native Title Claimant Group.
Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties.	 There has been little modern exploration completed by other parties on the Ruins Project. There are a number of historic shallow prospects for Tin and Tungsten known collectively as the King Sound workings. An Xcite airborne electro-magnetic (AEM) survey was completed by North West Nickel over a portion of E04/1169. The survey was helicopter supported, and consisted of 284 line km at 150m line spacing. Results were processed and interpreted by Southern Geoscience and identified several late-time anomalies (channel 35). These AEM anomalies were subsequently followed-up by a field reconnaissance/mapping and surface sampling programme. Work completed by previous explorers on the Ruins Project was reviewed by Chalice and include third party geophysical reviews. Historic exploration data has also been reviewed; however, Chalice has not yet completed digital capture and compilation of data collected by previous explorers.
Geology	Deposit type, geological setting and style of mineralisation.	The Ruins Project is located in the King Leopold region of Western Australia which represents the western mobile belt of the North Australia Craton (NAC), the eastern belt being defined by the Halls Creek Orogen. The King Leopold province is a Paleoproterozoic terrain that contains the Ruins Dolerite which comprise a wide suite of mafic intrusives, considered prospective for nickel, copper, cobalt and PGE mineralisation. Known deposits and occurrences in the region include the Savannah mine (Ni-Cu-Co), Merlin (Ni-Cu-Co) as well as small tin-tungsten workings.
Drill hole Information	A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: a easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the	No drilling reported



Criteria	JORC Code explanation	Commentary
	information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	
Data aggregation methods	 In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	Not applicable
Relationship between mineralisation widths and intercept lengths	 These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	Not applicable
Diagrams	Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	Not applicable
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	Not applicable
Other substantive exploration data	Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	Previous exploration programs on the project include: aeromagnetic, radiometrics and gravity surveys, an airborne Xcite EM survey, surface sampling (auger, soil and rock-chip) and field mapping.

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Criteria	JORC Code explanation	Commentary
Further work	 The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not 	Follow up exploration would most likely consist of ground and airborne electro-magnetic surveys (AEM) followed up with surface geochemical sampling and drill testing of priority targets.