



ASX Announcement

5 September 2022

Issue of Performance and Retention Rights

Chalice Mining Limited ("Chalice" or "the Company", ASX: CHN | OTCQB: CGMLF) advises that it has issued 708,478 Performance Rights for 2022/2023 (Performance Rights) and 697,270 Retention Rights to Executive Key Management Personnel (Executive KMP) and employees of the Company under the terms of the Employee Securities Incentive Plan (Plan).

In addition to the above issue, Alex Dorsch, Managing Director and Chief Executive Offer, has been awarded 228,938 Performance Rights on the same terms and conditions. The issue of the Performance Rights to Mr Dorsch is conditional on the receipt of shareholder approval to be sought at the Company's 2022 Annual General Meeting. No Retention Rights were awarded to Mr Dorsch.

Performance Rights

The Performance Rights are issued for nil consideration and expire 30 June 2027. The Performance Rights are subject to performance and vesting conditions as set by the Board. The performance measurement period for the Performance Rights begins on 1 July 2022 and ends on the measurement date of 30 June 2025.

If the Performance Rights vest and are exercised, each participant will be issued one fully paid ordinary share in the Company for each Performance Right. Refer to the attached Annexure A for further details on the performance and vesting conditions.

Retention Rights

Increased activity in the resources industry in Australia and globally is creating significant challenges to attract and retain Executive KMP and key technical employees. This has become a significant risk factor to the Company achieving its strategic objectives and as such, retaining the Company's existing high performing employees is seen as critical to:

- « Ensure continuity of the Company's operations to maintain existing levels of business activity to deliver the Company's strategic objectives;
- « Reduce the financial impact of employee turnover, including the cost of recruitment;
- « Maintain the intellectual capital of the Company for a defined period;
- « Recognise that the Company values the commitment and loyalty of employees, and
- « Alleviate pressure on the Company to provide future above market annual remuneration increases, as a means of retention, to assist the Company in managing its salary costs in a more constrained manner over the longer term.

In response to these unique industry challenges and in addition to other retention strategies, the Board has determined that it is appropriate to implement a once off retention plan for Executive KMP (excluding the Managing Director and CEO) and other key technical employees to mitigate the risk of losing employees.

The retention plan consists of Retention Rights issued to Executive KMP and certain employees. The Retention Rights have a nil exercise price, an expiry date of 31 December 2027 and are exercisable

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into fully paid ordinary shares upon meeting a continued service vesting condition. The vesting condition requires the participant to be continuously employed by the Company during the period from the grant date to 31 December 2025.

For further information regarding the Performance Rights and Retention Rights, please refer to the respective "Notification Regarding Unquoted Securities" that will be released to the ASX following this announcement.

This announcement has been authorised for release by the Disclosure Committee.

For further information, please visit www.chalicemining.com, or contact:

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ANNEXURE A – PERFORMANCE RIGHTS
PERFORMANCE AND VESTING CONDITIONS

The measurement date for the 2022/2023 Performance Rights is set at 30 June 2025. The following table outlines the key business objectives and the weightings of the performance conditions:

No. FY2022-23 Performance Conditions and Weightings

1. Generative Exploration, Project Definition, Pre-development and Strategic Objectives (maximum weighting 40%)

Generate significant value, on an existing or new asset (either operated or non-operated), through the achievement of several strategic objectives that exceed stretch targets as pre-determined by the Board, including:

- « Define a new, material JORC Mineral Resource (excluding Gonneville);
- « Increase materially an existing JORC Mineral Resource;
- « Define JORC Mineral Reserves or a material increase in JORC Mineral Reserves,
- « Complete a Feasibility Study for the Gonneville starter mine at the Julimar Project,
- « Submit all technical studies required for major environmental approvals for the Gonneville starter mine,
- « Secure a pathway to obtaining granted mining licences within the Julimar State Forest, and
- « Sell or divest a material asset (as part of an asset sale, joint venture or corporate transaction) achieving certain pre-determined financial outcomes.

2. Absolute Total Shareholder Return (TSR) measure (maximum weighting 20%)

A proportional LTI payment shall be made which is directly proportional to the Total Shareholder Return (TSR) from 1 July 2022 to 30 June 2025. The proportion paid is calculated as:

- « If 3-yr TSR <10% p.a. (equivalent to <33.1% increase in share price in 3 years) – 0%
- « If 3-yr TSR between 10-20% p.a. (equivalent to 33.1-72.8% increase in share price) – weighting pro-rata between 5-20%
- « If 3-yr TSR >20% p.a. (equivalent to >72.8% increase in share price) – weighting 20%

3. Relative TSR compared to peer group. (maximum weighting 40%)

A proportional LTI payment shall be made where the TSR exceeds the median TSR of the ASX 300 Metals and Mining Index, between 1 July 2022 and 30 June 2025. The proportion paid is calculated as:

- « If TSR <50th percentile – 0%
- « If TSR between 50th and 75th percentile - weighting pro-rata between 5-40%
- « If TSR >75th percentile – weighting 40%

As an illustrative example: If the TSR is at the 65th percentile, 26% of the performance measure would be deemed to have been met – calculated as $((65\% - 50\%) / (75\% - 50\%)) \times (40\% - 5\%) + 5\%$

Board Discretion

Where required, the Board may, acting reasonably and in good faith, use its discretion to vary the LTI maximum weightings. For example, where a sale of an asset occurs prior to estimating resources or reserves (i.e. a milestone is unable to be met), the Board may allocate the attributable weighting to other milestones.

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