

JV agreement with Red Hill Iron over project located near Paulsens Gold Mine

Symbol:	ASX: CHN TSX: CXN
Shares outstanding:	270 million
Fully diluted:	278 million

Highlights:

- Chalice Gold Limited (ASX:CHN) (TSX:CXN) and [Red Hill Iron Ltd.](#) (ASX:RHI) have reached agreement to allow Chalice to explore the highly prospective West Pilbara Gold Project located in the Ashburton Basin in WA's Pilbara region through a Joint Venture.
- Chalice can earn up to 70% in the gold and base metals interests through expenditure of A\$3M with an initial minimum commitment of A\$500,000.
- The Project extends over an extensive area of 1,390 square kilometres and covers rocks of the Lower Wyloo Group, which are prospective for both gold and base metals.
- The tenement package extends almost continuously 90km north from the northern margin of the Wyloo Dome, which hosts the nearby large Paulsens Gold Mine (owned by Northern Star Resources).
- Project area is under-explored with no gold or base metal exploration undertaken since 2009.
- Numerous immediate drilling targets have been identified, including historical drill results of up to 9m at 4.52 g/t Au from previous exploration which have not been fully assessed.

PERTH, Western Australia, Sept. 20, 2016 /CNW/ - [Chalice Gold Mines Ltd.](#) (ASX:CHN, TSX: CXN) ("Chalice" or the "Company") and [Red Hill Iron Ltd.](#) (ASX: RHI) ("Red Hill") are pleased to advise that they have entered into a binding Heads of Agreement allowing Chalice to farm-in to all minerals other than iron ore within Red Hill's West Pilbara Gold Project (the "Project").

Chalice can earn up to 70% interest in the West Pilbara Project by funding A\$3 million worth of exploration with a minimum commitment of A\$500,000 within the first 12 months. Chalice may spend A\$1 million within two years (including the minimum commitment) to earn 51% at which point Red Hill have a one off election to contribute to its 49% pro rata interest. If Red Hill elects not to contribute, Chalice may then spend another A\$2 million to earn a further 19% within no set time period, or withdraw and retain no interest.

This opens up an exciting new gold and base metal exploration opportunity for Chalice and Red Hill in the highly prospective Ashburton Mineral Field in WA's Pilbara region, which is significantly under-explored for gold and base metals.

The project area (Figure 1), covering 1,390km², is located approximately 160km south-southwest of Karratha, and extends almost continuously some 90km north from the northern margin of the Wyloo Dome, an important regional geological feature which hosts the Paulsens Gold Deposit located 8km south-west of the southern extent of the Project (owned and operated by Northern Star Resources (ASX: NST)).

Of a number of prospects identified by Red Hill which require further exploration, Derek's Bore and Urandy are the most advanced with Red Hill completing widely spaced follow-up RC drilling at both prospects.

At the Urandy Prospect (Figure 1), RC drilling returned a best intercept of 9m at 4.52 g/t Au from 46m in drill hole RCW007 and 9m at 1.79 g/t Au from 14m in drill hole RCW006, the up-dip projection of the RCW007 mineralised zone. Drill sections 50m to the north and south of drill holes RCW006 and 007 returned intercepts of 5m at 0.2 g/t Au from 14m (RCW005) and 4m at 0.8 g/t Au from 41m (RCW009) respectively.

RC drilling has defined the mineralised zone over 100 metres to date with surface mapping identifying the extent of silicification to over 1 km.

Drilling at Derek's Bore returned broad low-grade gold intersections associated with strong silica ± minor sulphide alteration within carbonaceous sediments in close proximity to the NNW trending Bitherabooga shear zone which require further work. (Figure 1)

Planned Exploration

Chalice plans to commence an immediate review of all data and undertake a field review of the identified targets. Mapping and drill programs will follow the review at the earliest opportunity. The Urandy prospects will be prioritised for follow-up RC drilling.

Farm-in Agreement Terms

Chalice and Red Hill have entered into a binding Heads of Agreement, which will be fully documented in a formal Farm-in Agreement. Key Terms agreed are listed below:

- Chalice to spend A\$1M in the first 24 months from commencement to earn 51%;
- Chalice must spend a minimum of A\$0.5M within the first 12 months prior to withdrawal;
- Chalice must notify Red Hill once the first earn-in expenditure has been satisfied of its election to increase its interest at which time Red Hill have 14 days or such shorter period to notify Chalice that Red Hill wish to maintain their interest at 49% by proportionally contributing to all future expenditures;
- If Red Hill does not elect to maintain its interest, Chalice may expend a further A\$2M with no set time period to increase its interest to 70%, or withdraw with no interest. Minimum annual expenditures by Chalice during this stage must exceed A\$0.1M;
- Once Chalice has earned its 70% interest, both parties will contribute proportionally to all expenditure; and
- The Project area is also subject to an Iron Ore JV with API Management Pty Ltd who are responsible for maintaining all the tenements in good standing.

JORC 2012

Further details on sampling techniques, reporting of exploration results and estimation can be found within the JORC 2012 tables by clicking [here](#).

Sampling techniques – Reverse Circulation Drilling

Drill samples were collected by employees and direct contractors of [Red Hill Iron Ltd.](#) Sample collection from Reverse Circulation (RC) drill holes was undertaken using industry standard practices. Holes were drilled with a 5 ¼" face sampling percussion drill hammer. All material, representing each 1 metre drill interval, weighing approximately 25 to 40 kg (depending of rock type and weathering intensity), is presented as crushed / pulverized rock with the majority (>90%) of the material returned being <1 mm in size. All material from each interval was passed through a three tier riffle splitter to produce a sub-sample for analysis. Each sample represented approximately 12% by volume of the drill interval with the average weight of each sample being 2.5 to 4 kg per 1 metre interval. Samples were transported within tagged bags and chain of custody documentation directly from site to Genalysis Laboratory Services (accredited laboratory) in Perth, Western Australia. Drill holes were logged consistent with sample intervals recording sample recovery, lithology and mineralization. QA/QC protocols were adopted throughout the drilling campaign with laboratory reference standards, duplicate and blank samples inserted every 20 samples. Gold and multi-element analysis by 50g FA/AA finish gold analysis and multi-elements by acid digest ICP-OES analysis by Genalysis Laboratory Services (accredited laboratory).

TIM GOYDER

NEIL TOMKINSON

Managing Director

Chairman

[Chalice Gold Mines Ltd.](#)

[Red Hill Iron Ltd.](#)

Competent Persons and Qualifying Persons Statement

The information in this report that relates to Exploration Results in relation to the West Pilbara Gold Project is based on information compiled by Dr Kevin Frost BSc (Hons), PhD, who is a Member of the Australian Institute of Geoscientists. Dr Frost is a full-time employee of the company and has sufficient experience in the field of activity being reported 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 release of information in the form and context in which it appears here.

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 Ltd.](#) (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 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.

SOURCE [Chalice Gold Mines Ltd.](#)

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