Deal with Traka Resources provides counter-cyclical investment opportunity in emerging nickel province

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

Highlights:

- Farm-in deal with Traka Resources whereby Chalice may earn up to a 70% interest in west Musgrave Ni-Cu-PGE Project for total expenditure of A$10M with minimum A$1M expenditure commitment.
- Large project area of approximately 1,007 square kilometres already covered by Spectrem airborne electromagnetic surveys.
- Chalice targeting orthomagmatic nickel-copper-PGE mineralisation in the highly prospective Giles Complex mafic to ultramafic intrusives of the west Musgrave Province.
- 2012 airborne Spectrem EM survey identified seven priority targets modelled as shallow bedrock sulphide conductors. Modelling indicates a depth range of 50-160m below surface, which is viewed as encouraging from the viewpoint of a potential mineral discovery.
- Electromagnetic anomalies have an apparent linear morphology, consistent with shallow plunging chonolith-type intrusive bodies.
- No previous ground-based exploration undertaken as tenements are under application.
- Counter-cyclical investment opportunity in a greenfields nickel-copper-PGE sulphide project in an under-explored frontier igneous province in central Australia.

PERTH, Western Australia, Sept. 22, 2016 /CNW/ - Chalice Gold Mines Ltd. (ASX: CHN, TSX: CXN) ("Chalice" or the "Company") and Traka Resources Limited (ASX: TKL) ("Traka") are pleased to advise that they have entered into a binding Heads of Agreement in relation to the Latitude Hill Nickel-Copper-PGE Project, located in the west Musgrave Province of Western Australia.

The project covers an area of 1,007 km² and is centred approximately 40km south-west of the Wingellina nickel deposit in the west Musgrave Province.

The latitude Hill Project is considered prospective for massive and disseminated nickel-copper-PGE sulphide mineralisation in Giles Complex mafic to ultramafic intrusives, providing Chalice with a counter-cyclical investment opportunity in an under-explored frontier province where there is excellent potential to make substantial new discoveries, similar to the discovery of the Nova-Bollinger nickel-copper sulphide deposit in the Albany-Fraser orogen.

Under the terms of the farm-in agreement Chalice may earn up to 70% interest in the Latitude Hill Project, which consists of five tenement applications (Figure 1).

The Latitude Hill Project represents an exciting opportunity for Chalice to capitalise on a high quality airborne Spectrem Electromagnetic (EM) survey completed in 2012, which identified seven priority conductors which are modelled as high-conductance bedrock anomalies (Figure 2). Importantly, none of these priority conductors have been followed-up with ground-based exploration as the tenements are held under application, which does not permit ground activity until the tenements are granted.

The Latitude Hill Project lies within the southern part of the west Musgrave Province in an area of widespread but thin colluvium and sand dune cover estimated at less than 10m thick. Along the eastern edge of the tenement package the local geological sequence is dominated by the well exposed Giles Complex Bell Rock Range layered mafic to ultramafic intrusives. Within the project area outcrop is poor but Geological Survey of Western Australia mapping has identified localised outcrops of mafic intrusive rock-types that have similar character to the Bell Rock Range mafic intrusives.

Of the prioritised EM targets, six have associated subtle to strong linear magnetic anomalies with a morphology consistent with shallow-plunging chonolith intrusive bodies. Chonoliths represent pipe-like magma conduits which have focused magma emplacement and are important host structures for orthomagmatic nickel-copper-PGE sulphide deposits. The significance of the interpreted magnetic bodies associated with the EM conductors is that chonolith-type intrusive bodies host the large Nebo-Babel nickel-copper-PGE deposits, located about 100km west of Latitude Hill in the west Musgrave Province.

An important observation from historical exploration in the west Musgrave Province is the lack of graphitic sediments, which can be the source of bedrock EM conductive responses. The priority EM targets in the Latitude Hill Project are modelled with a high conductance – which is consistent with a source from bedrock sulphides. This supports the interpretation that the priority EM conductors are highly prospective for massive nickel-copper-PGE sulphides.

Farm-in Agreement Terms

Key terms agreed are as follows:

- Chalice to spend a minimum of A$1 million on exploration within the first 12 months from the grant of the tenements;
- Chalice has the right, after meeting the minimum commitment, to earn a 51% interest by the expenditure of A$5 million (which includes the minimum spend) within 3 years of commencement;
- If Chalice earns a 51% interest, Chalice must advise Traka whether it wishes to increase its interest to 70%. Traka then has 14 days to notify Chalice as to whether it wishes to maintain its interest at 49% by proportionally contributing to all future expenditures or not;
- If Traka does not wish to maintain the 49% interest, Chalice has the right but not the obligation to expend a further A$5 million, within an additional three years, to increase its interest to 70%; and
- If Chalice earns a 70% interest (or 51% as the case may be) both parties will contribute proportionally to all expenditures going forward.

Planned Exploration Program

Chalice and Traka will work together to progress the tenements to grant. Once granted, Chalice will undertake ground EM surveying over all priority targets to better define the conductors and to identify stronger EM responses which may potentially indicate higher abundances of sulphides.

Follow-up exploration work will comprise a program of shallow aircore traverse drilling for regolith and bedrock geochemical sampling. The EM conductors will be tested by Reverse Circulation (RC) drilling to provide a definitive test of the stronger conductive responses.

Chalice's General Manager – Exploration, Dr Kevin Frost, an expert in nickel-copper-PGE sulphide exploration and a co-recipient of the AMEC Prospector Award for the 2009 discovery of the Spotted Quoll nickel sulphide deposit says 'The Latitude Hill project presents a unique first-mover opportunity to undertake focused exploration on high quality airborne EM targets situated in a fertile geological terrain. EM geophysics has played a significant role in the discovery of massive nickel-copper sulphide deposits worldwide.'

JORC 2012

Further details on reporting of exploration results and estimation can be found within the JORC 2012 tables by clicking here.

TIM GOYDER
Managing Director
Chalice Gold Mines Ltd.

Competent Persons and Qualifying Persons Statement

The information in this report that relates to Exploration Results in relation to the Latitude Hill 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 likelihood of exploration success including the discovery of nickel-copper mineralization in potentially commercial quantities and grades, the estimation of mineral reserve and mineral resources should such mineralization be identified, the realisation of mineral reserve estimates should any such resources be defined, the feasibility of mine development, the timing and amount of any so 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.

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