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**2016
NOTICE OF ANNUAL GENERAL MEETING,
EXPLANATORY STATEMENT AND PROXY FORM**

The Annual General Meeting of the Company will be held at the office of Chalice Gold Mines Limited, Level 2, 1292 Hay Street, West Perth, Western Australia, on Monday, 21 November 2016 at 10.00 am (WST)

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Chalice Gold Mines Limited (“Chalice” or “the Company”) to which this Notice of Meeting relates will be held at 10.00 am (WST) on Monday, 21 November 2016 at the office of Chalice Gold Mines Limited, Level 2, 1292 Hay Street, West Perth, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

All Shareholders who are entitled to attend and vote at the meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder. Shareholders holding two or more Shares can appoint either one or two proxies. If two proxies are appointed, the appointing Shareholder can specify what proportion of their votes they want each proxy to exercise. The solicitation of proxies is being made by management of the Company.

To vote by proxy, please complete and sign the proxy form enclosed and either send it:

- (a) by post to Chalice Gold Mines Limited, GPO Box 2890, Perth, WA, 6001; or
- (b) by facsimile (within Australia) (08) 9322 5800 and (outside Australia) +61 8 9322 5800,

so that it is received **no later than 10.00 am (WST) on Saturday, 19 November 2016**, being not less than 48 hours prior to the commencement of the meeting. Proxy forms received later than this time will be invalid. Where the proxy form is executed under power of attorney, the power of attorney must be lodged in the same way as the proxy form.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- (c) if the proxy is the chairman of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chairman – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the chairman of the meeting;
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BODIES CORPORATE – CORPORATE REPRESENTATION

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the meeting of Shareholders. The appointment may be a standing one.

VOTING ENTITLEMENTS

The Board has determined that, for the purpose of voting at the meeting, Shareholders are those persons who are the registered holders of the Company's shares at 4.00pm (WST) on Friday, 18 November 2016. As at 6 October 2016 there were 270,280,802 Shares outstanding. Subject to the disclosure set-out herein, each holder of Shares is entitled to one vote per Share.

MAJOR SHAREHOLDERS

To the knowledge of the Company, other than as set out herein, no person beneficially owns, controls or directs directly or indirectly, voting securities carrying 10% or more of the voting rights:

- Mr Tim Goyder, a director of Chalice, owns approximately 43.8 million Shares, representing 16.22% of the issued and outstanding Shares of the Company; and
- Franklin Resources Inc. and its affiliates own approximately 31.1 million Shares, representing 11.51% of the issued and outstanding Shares of the Company.

ENQUIRIES

The Company welcomes enquiries in respect of matters covered in this Annual Notice of Meeting and Explanatory Statement and the attendance of Shareholders at the General Meeting. Should you require further information please contact:

The Company Secretary
Leanne Stevens
Phone: (+61 8) 9322 3960
Fax: (+61 8) 9322 5800
Email: lstevens@chalicegold.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting ("**Meeting**") of the Shareholders of Chalice Gold Mines Limited (the **Company**) will be held at the office of Chalice Gold Mines Limited, Level 2, 1292 Hay Street, West Perth, Western Australia on Monday, 21 November 2016 at 10.00 am (WST).

AGENDA

FINANCIAL REPORT

To receive and consider the Company's Annual Report for the year ended 30 June 2016, which includes the Financial Report, the Directors' Report and the Auditor's Report.

RESOLUTION 1 - REMUNERATION REPORT

To consider and, if thought fit, to pass as an ordinary resolution:

"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2016."

Note: The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

In accordance with section 250R of the Corporations Act votes must not be cast and the Company will disregard any vote cast on Resolution 1 by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party (such as close family members and any controlled companies) of such a member,

unless the vote is cast by a person as a proxy for a person entitled to vote in accordance with a direction on the Proxy Form, or by the Chairman as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit even if Resolution 1 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies in favour of the Resolution.

RESOLUTION 2 - RE-ELECTION OF MR STEPHEN QUIN AS A DIRECTOR

To consider and if thought fit, to pass the following as an ordinary resolution:

"To elect as a Director, Mr Stephen Quin, who retires by rotation in accordance with clause 14.4(a) of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election."

The Chairman intends to vote all available proxies in favour of the Resolution.

RESOLUTION 3 - ELECTION OF MR MORGAN BALL AS A DIRECTOR

To consider and if thought fit, to pass the following as an ordinary resolution:

"That Mr Morgan Ball, having been appointed as a Director on 24 June 2016, retires and is elected as a Director in accordance with clause 14.3(b) of the Company's Constitution and the ASX Listing Rules"

The Chairman intends to vote all available proxies in favour of the Resolution.

RESOLUTION 4 – ISSUE OF OPTIONS TO MR ANTHONY KIERNAN

To consider, and if thought fit, to pass as an ordinary resolution:

"That, subject to Shareholder approval of Resolution 8 and for the purposes of ASX Listing Rule 10.14, Chapter 2E and section 195(4) of the Corporations Act and for all other purposes, approval is given to grant 500,000 Options to the Company's Chairman, Mr Anthony Kiernan, with an exercise price 25 cents each, expiring 30 November 2019 on the terms set out in the Explanatory Statement and in accordance with the Company's Employee Share Option Plan ("ESOP")."

Voting Exclusion Statement

The Company will disregard any vote cast on Resolution 4 by Mr Anthony Kiernan (and his nominee) and by any other director of the Company who is eligible to participate in the ESOP and any of their respective associates.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, members of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such votes) as a proxy on Resolution 4 if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if Resolution 4 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies in favour of the Resolution.

RESOLUTION 5 – ISSUE OF OPTIONS TO MR STEPHEN QUIN

To consider, and if thought fit, to pass as an ordinary resolution:

"That, subject to Shareholder approval of Resolution 8 and for the purposes of ASX Listing Rule 10.14, Chapter 2E and section 195(4) of the Corporations Act and for all other purposes, approval is given to grant 500,000 Options to Non-executive Director, Mr Stephen Quin, with an exercise price 25 cents each, expiring 30 November 2019 on the terms set out in the Explanatory Statement and in accordance with the Company's ESOP."

Voting Exclusion Statement

The Company will disregard any vote cast on Resolution 5 by Mr Stephen Quin (and his nominee) and by any other director of the Company who is eligible to participate in the ESOP and any of their respective associates.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, members of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such votes) as a proxy on Resolution 5 if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if Resolution 5 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies in favour of the Resolution.

RESOLUTION 6 – ISSUE OF OPTIONS TO MR MORGAN BALL

To consider, and if thought fit, to pass as an ordinary resolution:

"That, subject to Shareholder approval of Resolution 8 and for the purposes of ASX Listing Rule 10.14, Chapter 2E and section 195(4) of the Corporations Act and for all other purposes, approval is given to grant 500,000 Options to Non-executive Director, Mr Morgan Ball, with an exercise price 25 cents each, expiring 30 June 2019 on the terms set out in the Explanatory Statement and in accordance with the Company's ESOP."

Voting Exclusion Statement

The Company will disregard any vote cast on Resolution 6 by Mr Morgan Ball (and his nominee) and by any other director of the Company who is eligible to participate in the ESOP and any of their respective associates.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, members of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such votes) as a proxy on Resolution 6 if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if Resolution 6 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies in favour of the Resolution.

RESOLUTION 7 – ISSUE OF PERFORMANCE RIGHTS TO MR TIM GOYDER

To consider and if thought fit, to pass the following as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given to issue up to 1,200,738 Performance Rights (and the issue of Shares following vesting of the Performance Rights) to the Managing Director of the Company, Mr Tim Goyder, for no cash consideration, in accordance with the Company's Employee Long Term Incentive Plan ("Plan") and on the terms set out in the Explanatory Statement."

Voting Exclusion Statement

The Company will disregard any vote cast on Resolution 7 by Mr Tim Goyder (and his nominee) and by any other director of the Company who is eligible to participate in the Plan and any of their respective associates.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, members of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such votes) as a proxy on Resolution 7 if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if Resolution 7 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies in favour of the Resolution.

RESOLUTION 8 – RENEWED APPROVAL OF THE EMPLOYEE SHARE OPTION PLAN

To consider and if thought fit, to pass the following as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.2 (exception 9) and all other purposes, Shareholders approve the Company's Employee Share Option Plan ("ESOP"), the terms and conditions of which are summarised in the Explanatory Statement, and the issue of Options (and Shares on their exercise) under the ESOP."

Voting Exclusion Statement

The Company will disregard any vote cast on Resolution 8 by any Director (except one who is ineligible to participate in any employee incentive scheme of the Company) and any of their associates.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, members of Key Management Personnel and their Closely Related Parties may not vote (and the Company will disregard any such votes) as a proxy on Resolution 8 if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if Resolution 8 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies in favour of the Resolution.

By order of the Board



LEANNE STEVENS
Company Secretary

7 October 2016

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting of Chalice Gold Mines Limited (“Chalice” or “the Company”) to be held at the office of Chalice Gold Mines Limited, Level 2, 1292 Hay Street, West Perth, Western Australia on Monday, 21 November 2016 at 10.00 am (WST).

At the Annual General Meeting, Shareholders will be asked to consider the following Resolutions:

Resolution 1	Remuneration Report
Resolution 2	Re-election of Mr Stephen Quin as a Director
Resolution 3	Election of Mr Morgan Ball as a Director
Resolution 4	Issue of Options to Mr Anthony Kiernan
Resolution 5	Issue of Options to Mr Stephen Quin
Resolution 6	Issue of Options to Mr Morgan Ball
Resolution 7	Issue of Performance Rights to Mr Tim Goyder
Resolution 8	Renewed Approval of the Employee Share Option Plan

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting. It explains the Resolutions and identifies the Board’s reasons for putting them to Shareholders. The Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

FINANCIAL STATEMENT AND REPORTS

The Corporations Act at section 317 requires the Company to lay before the Annual General Meeting the Annual Report, which includes the Financial Report, Directors’ Report (including the Remuneration Report) and the Auditor’s Report for the last financial year that ended before the Annual General Meeting.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at www.chalicegold.com/investor-relations/annual-reports.html;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Company's auditor questions relevant to:
 - (iii) the conduct of the audit;
 - (iv) the preparation and content of the Auditor's Report;
 - (v) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (vi) the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (d) the content of the Auditor's Report to be considered at the Meeting; and
- (e) the conduct of the audit of the Annual Report to be considered at the Meeting,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

EXEMPTIONS FROM CERTAIN TSX REQUIREMENTS

The Company is an “Eligible Interlisted Issuer” and an “Eligible International Interlisted Issuer,” as such terms are defined in the TSX Company Manual (the “Manual”). As an Eligible International Interlisted Issuer, the Company has applied for and received an exemption from the TSX, pursuant to section 401.1 of the Manual, from sections 461.1, 461.2, 461.3 and 461.4 of the Manual, which relate, respectively, to annual election of directors, to voting on each individual director, to a majority voting policy and to the issuance of a news release disclosing voting results for the election of each director. The Company expects that it will provide the notice to the TSX required by section 401.1 of the Manual to enable the Company to rely on this exemption in future years.

As an Eligible Interlisted Issuer, the Company has applied for and received an exemption from the TSX, pursuant to section 602.1 of the Manual, from section 613 of the Manual, which relates to security based compensation arrangements. The Company has relied on this exemption and intends to rely on this exemption for grants of Options under the ESOP.

RESOLUTION 1 – REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with section 250R(2) of the Corporations Act. The Remuneration Report details the Company’s policy on the remuneration of the Company’s Key Management Personnel, being its non-executive Directors, executive Directors, the Managing Director and senior executives and is set out in the Company’s 2016 Annual Report. In accordance with section 250R(3), the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Part 2G.2, Division 9 of the Corporations Act provides Shareholders with the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (“Strike”) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2015 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2017 annual general meeting, this may result in the re-election of the Board.

Shareholders will be provided with a reasonable opportunity to ask questions and to make comments on the Remuneration Report at the Annual General Meeting.

Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

- (a) If you appoint a member of the Key Management Personnel (other than the Chairman) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy:

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

- (b) If you appoint the Chairman as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member):

You do not need to direct your proxy how to vote on this Resolution. If you do not direct the Chairman how to vote, you will be taken to expressly authorise the Chairman to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

- (c) If you appoint any other person as your proxy:

You do not need to direct your proxy how to vote on this Resolution, and you do not need to mark any further acknowledgement on the Proxy Form.

Recommendation

The Board unanimously recommends that Shareholders vote **in favour** of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF MR STEPHEN QUIN AS A DIRECTOR

Under clause 14.4(a) of the Company's Constitution, one-third (or the number closest to one-third) of the Directors (other than the Managing Director) are required to retire by rotation each year.

Under clause 14.4(a) of the Company's Constitution and ASX Listing Rule 14.4, no Director (other than the Managing Director) may retain office for more than 3 years or the third annual general meeting following that Director's appointment, whichever is the longer.

Pursuant to clause 14.4(c) of the Company's Constitution, any Director who retires at any annual general meeting may be re-elected as a Director.

Mr Quin is a geologist with over 35 years' experience in the mining and exploration industry. Mr Quin is based in Vancouver, Canada, and has been the President and CEO of Midas Gold Corp. and its predecessor since January 2011. Mr Quin was previously President and COO of TSX listed copper producer Capstone Mining Corp. and, up until its merger with Capstone, President and CEO of TSX listed copper producer Sherwood Copper Corp. Prior to joining Sherwood, Mr Quin spent 18 years as Vice President and subsequently Executive Vice President of TSX listed Miramar Mining Corporation, a Canadian focused gold producer and developer.

Mr Quin has extensive experience in the resources sector, and in the financing, development and operation of production companies.

Mr Quin, an independent non-executive director, is a member of both the Audit Committee and Remuneration Committee and has been appointed by the Board as the Senior Independent Director and to act as lead when any conflicts of interest arise.

Mr Quin was first appointed as a Director of the Company on 3 May 2010 and was last elected by Shareholders at the 2014 annual general meeting. In accordance with clause 14.4(a) of the Constitution and the ASX Listing Rules, Mr Quin retires and, being eligible, has offered himself for re-election as a Director in accordance with clause 14.4(c) of the Constitution.

Recommendation

The Board (other than Mr Quin) unanimously recommends that Shareholders vote **in favour** of Resolution 2.

RESOLUTION 3 – ELECTION OF MR MORGAN BALL AS A DIRECTOR

Clause 14.3(a) of the Company's Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an additional Director, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Under the ASX Listing Rules and clause 14.3(b) of the Company's Constitution, any Director so appointed must stand for election at the next following general meeting and is then eligible for election by Shareholders.

Mr Ball was appointed as Non-executive Director on 24 June 2016. Accordingly, Mr Ball resigns as a Director at this Annual General Meeting and, being eligible, seeks approval to be elected as a Director.

The Company has undertaken appropriate checks before recommending the election of Mr Ball as a director and noted no material adverse information as a result of these checks. Mr Ball has acknowledged to the Company that he has sufficient time to fulfil his responsibilities as a director.

Mr Ball is a Chartered Accountant with more than 25 years' experience of Australian and international experience in the resources, logistics and finance industries. Mr Ball was previously Managing Director, and prior to that Finance Director, of ASX-listed BC Iron Limited.

Mr Ball's wide ranging financial skills complement the existing Board's skill set and the Board considers that Mr Ball will, if elected, qualify as an independent director.

Recommendation

The Board (other than Mr Ball) unanimously recommends that Shareholders vote **in favour** of Resolution 3.

RESOLUTIONS 4, 5 AND 6 – ISSUE OF OPTIONS TO MESSRS ANTHONY KIERNAN, STEPHEN QUIN AND MORGAN BALL

Resolution 4 seeks Shareholder approval for the Company to issue 500,000 unquoted Options to the Company's Chairman, Mr Anthony Kiernan, or his nominee, under the Company's Employee Share Option Plan ("**ESOP**") on the terms set out below.

Resolution 5 seeks Shareholder approval for the Company to issue 500,000 unquoted Options to Non-executive Director, Mr Stephen Quin, or his nominee, under the ESOP on the terms set out below.

Resolution 6 seeks Shareholder approval for the Company to issue 500,000 unquoted Options to Non-executive Director, Mr Morgan Ball, or his nominee, under the ESOP on the terms set out below.

Shareholder approval for the issue of the Options, is sought for the purposes of:

- (a) Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to “related parties”, such as directors of a company; and
- (b) ASX Listing Rule 10.14, which requires the grant of securities to a director of a company under an employee incentive scheme to be approved by shareholders.

Each of Resolutions 4, 5 and 6 is subject to Shareholders approving Resolution 8 (renewed approval of the ESOP).

Purpose of the Options Issue

The purpose of the proposed grant of Options is to provide Messrs Kiernan, Quin and Ball (“**Eligible Directors**”) with an added incentive in carrying out their duties as Directors of the Company. In addition, the Board also believes that incentivising with Options is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Options to continue to attract and retain highly experienced and qualified Board members in a competitive market.

Terms of the Options

Subject to Shareholder approval:

- (a) Mr Kiernan (or his nominee) will be issued 500,000 Options for nil consideration under the Company's ESOP, which vest immediately, are exercisable at 25 cents each and expire on 30 November 2019;
- (b) Mr Quin (or his nominee) will be issued 500,000 Options for nil consideration under the Company's ESOP, which vest immediately, are exercisable at 25 cents each and expire on 30 November 2019; and
- (c) Mr Ball (or his nominee) will be issued 500,000 Options for nil consideration under the Company's ESOP, which vest immediately, are exercisable at 25 cents each and expire on 30 June 2019.

A summary of the terms and conditions of the ESOP is set out in the Explanatory Statement for Resolution 8.

ASX Listing Rule 10.14

ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

As Shareholder approval is sought under ASX Listing Rule 10.14, approval under ASX Listing Rule 7.1 is not required, in accordance with ASX Listing Rule 7.2 exception 14.

Information required by ASX Listing Rule 10.15

The following information is provided for the purposes of ASX Listing Rule 10.15:

- (a) the Options will be issued under the ESOP to the Eligible Directors (or their nominee/s), each of whom is a Director;
- (b) the maximum number of Options to be issued to the Eligible Directors (or their nominee/s) is 1,500,000, as follows:
 - (i) pursuant to Resolution 4, the maximum number of Options that can be acquired by Mr Kiernan is 500,000;
 - (ii) pursuant to Resolution 5, the maximum number of Options that can be acquired by Mr Quin is 500,000; and
 - (iii) pursuant to Resolution 6, the maximum number of Options that can be acquired by Mr Ball is 500,000;
- (c) the price payable on the issue of each Option is nil (as the Options will be issued as part of the remuneration packages of the Eligible Directors) and the price payable on the exercise of each Option is 25 cents;
- (d) no persons as referred to in ASX Listing Rule 10.14 have received securities under the ESOP since the last approval at the Company's 2013 annual general meeting;
- (e) all Directors (being persons referred to in ASX Listing Rule 10.14) are entitled to participate in the ESOP, subject to appropriate approvals (including shareholders), being Messrs Anthony Kiernan, Stephen Quin, Morgan Ball and Tim Goyder;
- (f) voting exclusion statements are included in the Notice;
- (g) there are no loans proposed in relation to the proposed acquisition of the Options by the Eligible Directors; and

- (h) the Options will be issued as soon as practicable following the date of Shareholder approval but in any event no later than 12 months after the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).

Part 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Eligible Directors are related parties of the Company by virtue of being Directors. The proposed grant of unquoted Options to the Eligible Directors (or their nominee/s) involves the provision of a financial benefit to a related party of the Company, and therefore, requires Shareholder approval.

Information required by section 219 of the Corporations Act

In accordance with the requirements of Part 2E of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to the Eligible Directors:

- (a) **(Related parties):** Mr Kiernan is the Chairman of the Company, and Messrs Quin and Ball are Non-executive Directors of the Company. The Eligible Directors are the persons to whom the financial benefit, in the nature of Options, is to be given. As Directors, the Eligible Directors are related parties of the Company for the purposes of the Corporations Act.
- (b) **(Financial benefit):** The financial benefits to be given is the grant of 500,000 unquoted Options to each of the Eligible Directors on the terms noted above and otherwise on the terms and conditions of the ESOP.
- (c) **(Directors' recommendations):** Those Directors who have no interest in the outcome of Resolution 4 (being all Directors other than Mr Kiernan) recommend that Shareholders vote in favour of Resolution 4 on the basis that the Options to be granted provide Mr Kiernan with an appropriate incentive in recognition of his extensive knowledge, experience and will enable directors' fees to be kept to a modest figure.

Those Directors who have no interest in the outcome of Resolution 5 (being all Directors other than Mr Quin) recommend that Shareholders vote in favour of Resolution 5 on the basis that the Options to be granted provide Mr Quin with an appropriate incentive in recognition of his extensive knowledge, experience and will enable directors' fees to be kept to a modest figure.

Those Directors who have no interest in the outcome of Resolution 6 (being all Directors other than Mr Ball) recommend that Shareholders vote in favour of Resolution 6 on the basis that the Options to be granted provide Mr Ball with an appropriate incentive in recognition of his extensive knowledge, experience and will enable directors' fees to be kept to a modest figure.

In determining the appropriate number of Options to be issued, the Board has calculated the value of the Options using a Black & Scholes valuation model (see (f) below). The Board believes that the value of the Options in addition to the modest director's fees is an appropriate quantum and incentive for the Eligible Directors.

- (d) **(Directors' interests):** Mr Kiernan makes no recommendation in relation to Resolution 4 on the basis that he has an interest in the outcome of the Resolution, Mr Quin makes no recommendation in relation to Resolution 5 on the basis that he has an interest in the outcome of the Resolution and Mr Ball makes no recommendation in relation to Resolution 6 on the basis that he has an interest in the outcome of the Resolution.
- (e) **(Valuation of financial benefit):** The Options will be issued free of charge. However in the event that the Eligible Directors wish to exercise their Options they would need to pay the appropriate exercise price in relation to the Options which is 25 cents. If an Eligible Director were to exercise all 500,000 of his Options he would be required to pay \$125,000 assuming an exercise price of 25 cents. These proceeds would be used for the Company's general working capital requirements at the appropriate time. The exercise price and exercise date for the Options are set out below.

Using a Black & Scholes valuation model, the Company estimates that each Option, the subject of Resolutions 4, 5 and 6 respectively, has the following values based on the following assumptions:

Director	Mr Kiernan	Mr Quin	Mr Ball
Exercise Price	25 cents	25 cents	25 cents
Market Value on the ASX of underlying Shares at time of setting exercise price	18.5 cents	18.5 cents	17 cents
Expiry date	30 November 2019	30 November 2019	30 June 2019
Expected volatility	45.7%	45.7%	44.44%
Risk free interest rate	1.58%	1.58%	1.5%
Annualised dividend yield	Nil	Nil	Nil
The value of the Options	4.54 cents	4.54 cents	3.25 cents
The aggregate value of the Options	\$22,700	\$22,700	\$16,250

- (f) **(Trading history):** Over the past 12 months prior to the date of this Notice of Meeting, the lowest recorded closing price of Shares traded on ASX was 10 cents on 18 January 2016 and the highest closing price was 20.5 cents on 10 August 2016. At the close of trading on 6 October 2016 the Share price on the ASX was 15.5 cents.

The exercise price of 25 cents represents a premium of 54.2% to the Company's closing 30 day volume weighted average price of 16.2 cents prior to 6 October 2016.

- (g) **(Directors' relevant interest):** The Company currently has 270,280,802 Shares, 6,825,988 Performance Rights and 500,000 Options on issue. The interests of the Eligible Directors in Company securities of the date of this Notice are as follows:

Director	Mr Kiernan	Mr Quin	Mr Ball
Shares	1,662,041	26,321	Nil
Options	Nil	Nil	Nil
Performance Rights	Nil	Nil	Nil

If Resolutions 4, 5 and 6 are passed, the Eligible Directors will hold interests in Company securities as follows:

Director	Mr Kiernan	Mr Quin	Mr Ball
Shares	1,662,041	26,321	Nil
Options	500,000 (exercisable at \$0.25 each on or before 30 November 2019)	500,000 (exercisable at \$0.25 each on or before 30 November 2019)	500,000 (exercisable at \$0.25 each on or before 30 June 2019)
Performance Rights	Nil	Nil	Nil

Assuming that all Resolutions in this Notice of Meeting are approved by Shareholders and each Eligible Director exercises all of the Options to be granted to him pursuant to Resolutions 4, 5 and 6 respectively, the Eligible Directors' interests in Company securities (including all securities currently held) would be as follows:

- (i) Mr Kiernan's interest would represent approximately 0.8% of the Company's expanded capital;
 - (ii) Mr Quin's interest would represent approximately 0.2% of the Company's expanded capital; and
 - (iii) Mr Ball's interest would represent approximately 0.2% of the Company's expanded capital.
- (h) **(Total remuneration package):** Mr Kiernan is entitled to non-executive director's fees of \$80,000 (inclusive of superannuation), Mr Quin is entitled to non-executive director's fees of \$65,000 and Mr Ball is entitled to non-executive director's fees of \$65,000 (inclusive of superannuation). Mr Kiernan also provides consulting services to the Company and in the 2016 financial year was paid \$40,500 (plus GST) for these services.
- (i) **(Taxation consequences):** There are no taxation consequences for the Company arising from the issue of the Options (including fringe benefits tax).
- (j) **(Issue of Options):** The Options will be issued as soon as practicable following the date of Shareholder approval but in any event no later than 12 months after the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules). The right to exercise will be subject to the terms of their issue.
- (k) **(Other information):** Neither the Directors nor the Company are aware of any other information that would be reasonably required by the Shareholders to make a decision whether it is in the best interests of Shareholders to approve Resolutions 4, 5 and 6.

Section 195(4) of the Corporations Act

In accordance with section 195 of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

The Eligible Directors may have a material personal interest in the outcomes of Resolutions 4, 5 and 6 and in the absence of approval under section 195(4) of the Corporations Act, the Directors may not be able to form a quorum at Directors' meetings necessary to carry out the terms of Resolutions 4, 5 and 6.

The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Recommendation

The Directors, excluding Mr Anthony Kiernan, recommend that Shareholders vote in favour of Resolution 4.

The Directors, excluding Mr Stephen Quin, recommend that Shareholders vote in favour of Resolution 5.

The Directors, excluding Mr Morgan Ball, recommend that Shareholders vote in favour of Resolution 6.

RESOLUTION 7 – ISSUE OF PERFORMANCE RIGHTS TO MR TIM GOYDER

Background

Shareholder approval is sought for the issue of up to but not exceeding 1,200,738 Performance Rights to Mr Tim Goyder, the Managing Director of the Company, or his nominee, under the terms of the Company's Employee Long Term Incentive Plan ("**Plan**").

Shareholder approval for the proposed issue of Performance Rights to Mr Goyder under the Plan is required under ASX Listing Rule 10.14 because Mr Goyder is a Director.

Mr Goyder commenced as Managing Director on 10 October 2014, and prior to this appointment, Mr Goyder was the Executive Chairman of the Company. Further information on Mr Goyder appears at the end of this section of the Explanatory Statement.

Remuneration arrangements

As previously announced, Mr Goyder's employment contract specifies the following remuneration arrangements:

- (a) an annual fixed salary of \$390,000 per annum inclusive of superannuation; and
- (b) by way of incentive arrangements, Mr Goyder may participate in incentive plans that may be in place from time to time subject to the Board's discretion and any Shareholder approvals required.

Summary

If Resolution 7 is approved by Shareholders, the Performance Rights to be issued to Mr Goyder will be calculated and treated as follows:

- (a) on or about 21 November 2016, Mr Goyder will be issued 1,200,736 Performance Rights;
- (b) the number of Performance Rights to be issued was calculated by reference to 50% of Mr Goyder's annual fixed salary and the Company's 30 day VWAP at 30 June 2016;
- (c) on 30 June 2019, being the Measurement Date as defined below, the Remuneration Committee will evaluate the performance of the Company against the criteria set out in the table below to determine the percentage of Performance Rights that will vest, if any; and
- (d) Mr Goyder is entitled to an annual issue of Performance Rights on 1 July each year, subject to future Shareholder approval.

Plan

The Company established the Plan to provide its executives (including executives and Directors) with long term incentives designed to create a link between the delivery of value to Shareholders, financial performance and the rewarding and retaining of executives. Under the Plan, which was approved by Shareholders on 26 November 2014, the Board has discretion to grant Performance Rights to any person it determines eligible upon the terms of the Plan. Any issue to Directors would additionally require a separate Shareholder approval under the ASX Listing Rules.

A Performance Right is, in effect, a contractual right to be issued a Share on the satisfaction of certain conditions. It follows, therefore, that if these conditions are not satisfied, the Shares would not be issued. Also, the number of Shares ultimately to be issued may not equate to the number of Performance Rights as the issue of those Shares is subject to performance hurdles/conditions to be met.

Proposed number of Performance Rights to be issued

Approval is being sought for the 2016/2017 annual grant of 1,200,738 Performance Rights to Mr Goyder (or his nominee). Any future annual issues of Performance Rights to be issued to Mr Goyder will require separate Shareholder approval.

Following the issue of the Performance Rights, there is a test or measuring date (which in this case is 30 June 2019) ("**Measurement Date**"). At that date the Board will assess the extent to which the performance conditions or hurdles are met and the extent to which the Performance Rights vest.

If Resolution 7 is approved, Mr Goyder will be invited to apply for, and if application is made, will be issued 1,200,738 Performance Rights.

Performance conditions and vesting period

The Performance Rights will not vest (and the underlying Shares will not be issued) unless the performance conditions set by the Board have been satisfied. For the 2016/2017 annual grant of Performance Rights, the Remuneration Committee recommended that up to 50% of the Performance Rights vest on achievement of Total Shareholder Return ("**TSR**") and up to 50% vest based on achieving key business objectives.

The following table outlines key business objectives and weightings of the performance conditions:

Overall Performance Condition	Specific Performance Conditions	Percentage of granted Performance Rights that will vest if Performance Conditions are met
Strategic objectives	<p>A. Undertake a significant acquisition or corporate transaction: acquire one or more assets or undertake a corporate transaction with potential to generate an IRR of at least 20% using consensus commodity prices and Board approved cost assumptions.</p> <p>AND/OR</p> <p>B. Value generation through:</p> <ul style="list-style-type: none"> • Making a significant new discovery which shows the potential to be economic based on consensus commodity prices and Board approved cost assumptions; or • substantially increasing the Company's resource base; or • conducting economic/feasibility studies which show the potential to generate an IRR of at least 20% using consensus commodity prices and Board approved cost assumptions; or • the sale of an asset(s) at a significant profit. <p>NB: The determination as to whether the above objectives have been met will be done by the Board of the Company in a timely manner, acting reasonably and in good faith.</p>	<p style="text-align: center;">50%</p>
TSR objectives	<p>The performance conditions for Performance Rights issued will be measured by comparing the Company's TSR with that of an appropriate comparator group of companies as determined by the Remuneration Committee over the period from the grant of the Performance Rights, to the end of the financial year that is 3 years after that date (i.e. the Measurement Date). The Performance Rights will vest depending on the Company's percentile ranking within the comparator group on the relevant Measurement Date as follows:</p> <ul style="list-style-type: none"> • below 50th percentile • between 50th and 75th percentile • at or above 75th percentile 	<p style="text-align: center;">0%</p> <p style="text-align: center;">pro rata 16.5 - 50%</p> <p style="text-align: center;">50%</p>

The Measurement Date for the Performance Rights is 30 June 2019, being 3 years from the date of grant.

For the 2016/2017 grant of Performance Rights, relative TSR performance will be assessed against an appropriate group of ASX and TSX listed companies as determined by the Remuneration Committee.

ASX Listing Rule 10.14

A summary of ASX Listing Rule 10.14 is set out at page 11. Shareholder approval is required under ASX Listing Rule 10.14 for the issue of Performance Rights to Mr Goyder as he is a Director and therefore a related party of the Company. The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of Performance Rights to Mr Goyder pursuant to section 208 of the Corporations Act in addition to the approval now being sought under the ASX Listing Rules.

As Shareholder approval is sought under ASX Listing Rule 10.14, approval under ASX Listing Rule 7.1 is not required, in accordance with ASX Listing Rule 7.2 exception 14.

Information required by ASX Listing Rule 10.15

Listing Rule 10.15 requires the following information to be provided in relation to the Performance Rights which may be issued to Mr Goyder pursuant to the Plan:

- (a) the Performance Rights will be issued under the Plan to Mr Goyder, who is a Director;

- (b) the maximum number of Performance Rights (and hence the maximum number of Shares on vesting of the Performance Rights) which may be issued to Mr Goyder for the period 1 July 2016 to 30 June 2017 is 1,200,738;
- (c) the price payable on the issue or grant of each Performance Right is nil;
- (d) since the Plan was last approved by Shareholders at the Company's 2014 annual general meeting, there have been 8,204,814 Performance Rights issued under the Plan of which 1,378,826 have been forfeited or lapsed. Since the Company's 2014 annual general meeting 1,664,707 Performance Rights were issued to Mr Tim Goyder, being a person referred to in ASX Listing Rule 10.14;
- (e) executive Directors, executives and employees of the Company are entitled to participate in the Plan. Mr Goyder is the only person referred to in ASX Listing Rule 10.14 who is currently entitled to participate in the Plan;
- (f) a voting exclusion statement is included in the Notice;
- (g) no loans will be made by the Company in connection with the issue of Performance Rights to Mr Goyder; and
- (h) the Performance Rights will be issued to Mr Goyder as soon as practicable following the date of the Meeting and in any event no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).

Except as stated above, all other terms and conditions of Mr Goyder's Performance Rights are described in the Plan.

Recommendation

The non-executive Directors are of the view that the remuneration for Mr Goyder, including the grant of Performance Rights is reasonable having regard to the circumstances of the Company, the duties and responsibilities of Mr Goyder as Managing Director and market levels of remuneration for managing directors of similar companies.

The Directors (excluding Mr Goyder) unanimously recommend that Shareholders vote **in favour** of Resolution 7.

Earlier History of Mr Goyder

Mr Goyder has considerable experience in the resource industry as an executive and investor. He has been involved in the formation and management of a number of publicly-listed and private companies and is currently Chairman of Uranium Equities Limited and Liontown Resources Limited, both listed on ASX.

RESOLUTION 8 – RENEWED APPROVAL OF THE EMPLOYEE SHARE OPTION PLAN

Background

Resolution 8 seeks the renewed approval of Shareholders for the Company's Employee Share Option Plan ("**ESOP**") and for the issue of Options (and Shares on their exercise) under the ESOP. The ESOP was approved by Shareholders at the Company's 2010 and 2013 Annual General Meetings. Under the ASX Listing Rules, a refreshed approval by Shareholders is required every 3 years.

ASX Listing Rule 7.1 provides that a listed company may not issue equity securities equal to more than 15% of that company's issued share capital in any 12 months without obtaining shareholder approval. An exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (Exception 9) which provides that issues under an employee incentive plan (such as the ESOP) are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the plan as an exception to ASX Listing Rule 7.1.

If Resolution 8 is passed, the Company will be able to issue Options (and Shares) under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

The ESOP is available to both full-time and part-time employees, including directors and consultants. Since the ESOP was last approved by Shareholders on 28 November 2013, 500,000 Options have been issued under the ESOP.

Any issue of Options to a Director or related party under the ESOP would require separate Shareholder approval pursuant to the ASX Listing Rule 10.14. To this extent, please refer to Resolutions 4, 5 and 6 above.

A summary of the key terms and conditions of the ESOP is set out below. In addition, a copy of the complete rules of the Plan is available upon request by contacting the Company Secretary, Mrs Leanne Stevens on (08) 9322 3960.

Summary of the ESOP

Participants

Pursuant to the ESOP, the Board may offer free Options to full-time and part-time employees (including Directors) and consultants based on a number of criteria, including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board may consider relevant.

Shares upon exercise

Each issued Option entitles the holder upon exercise to the number of Shares specified by the Board, which will rank equally with all other Shares. The maximum number of Options that may be issued at any one time under this and any other employee incentive plan is 15% of the total number of Shares on issue.

Exercise price

The exercise price of the Options shall be such price as is determined by the Board in its discretion on or before the date of issue, provided that the exercise price shall not be less than the VWAP of Shares during the five business days prior to the date of issue, or such other period as determined by the Board at its discretion.

Not transferable or quoted

Options may not be transferred other than to an associate of the holder, and quotation of the Options on ASX and TSX will not be sought. However, the Company will apply to the ASX/TSX for official quotation of the Shares issued on the exercise of the Options.

Vesting conditions

An Option may only be exercised after that Option has vested and any other conditions imposed by the Board on exercise are satisfied. The Board may determine the vesting period. An Option will lapse upon the first to occur of:

- (a) the expiry date;
- (b) the Board determining that the holder acted fraudulently or dishonestly in relation to the Company;
- (c) within three (3) months of the holder ceasing to be employed by the Company (except where the employment ceased as a direct result of the disposal or sale of the Company); or
- (d) on certain conditions associated with a party acquiring a 90% interest in Shares.

The Board may declare an Option to be free of any conditions of exercise if in the opinion of the Board, any of the following change of control event has occurred or is likely to occur:

- (a) the company entering into a scheme arrangement;
- (b) the announcement of a takeover bid for the Shares; or
- (c) a party acquiring a sufficient interest in the Company to enable that party to replace the Board.

Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date in any number.

No participating rights

There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 3 business days after the issue is announced. Option holders will be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to the ESOP prior to the date for determining entitlements to participate in such issue.

Bonus issues

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each Option holder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue, upon exercise of those Options, will be entitled to be issued with the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the Option holder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).. The Bonus Shares will be paid by the Company out of

the profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue, rank pari passu in all respect with the other Shares issued.

Reconstructions

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Option holder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provision of the Listing Rules.

Tax

Under current taxation laws, any taxation liability in relation to the Options, or the Shares issued on the exercise of the Options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to the Options or Shares issued under the Plan.

Recommendation

The Board unanimously recommends that Shareholders vote **in favour** of Resolution 8.

GLOSSARY

The following is a glossary of terms and abbreviations used frequently throughout this Explanatory Statement and in the Notice of Meeting and which such meanings shall apply unless the context requires otherwise. Additional terms used only occasionally are defined where used in their first instance in the body of this Explanatory Statement.

“Annual Report” means the Financial Report, the Directors' Report and the Auditor's Report, in respect to the year ended 30 June 2016.

“ASX” means ASX Limited or the Australian Securities Exchange, as appropriate.

“ASX Listing Rules” means the Listing Rules of ASX.

“Auditor's Report” means the auditor's report on the Financial Report.

“Board of Directors” or **“Board”** means the board of Directors.

“Chairman” means the chair appointed for the Annual General Meeting.

“Chalice” or **“Company”** means Chalice Gold Mines Limited (ABN 47 116 648 956).

“Closely Related Party” has the meaning given in section 9 of the Corporations Act, and includes a spouse or child of the member.

“Constitution” means the constitution of the Company.

“Corporations Act” means the *Corporations Act 2001* (Cth).

“Director” means a director of the Company.

“Directors' Report” means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

“Eligible Director” means each of Messrs Anthony Kiernan, Stephen Quin and Morgan Ball.

“ESOP” means the Company's Employee Share Option Plan.

“Explanatory Statement” means this explanatory statement.

“Financial Report” means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

“IRR” means internal rate of return.

“Key Management Personnel” means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

“Managing Director” means the managing director of Chalice.

“Meeting” or **“Annual General Meeting”** means the meeting of Shareholders called by the Notice of Meeting.

“Notice” or **“Notice of Meeting”** means this notice of meeting including the Explanatory Statement.

“Office” means Level 2, 1292 Hay Street, West Perth, WA 6005, Australia.

“Option” means an option to acquire a Share.

“Performance Right” means a right granted under the Plan to acquire a Share on the terms set out in the Plan subject to the satisfaction of certain performance conditions.

“Plan” means the Company's Employee Long Term Incentive Plan.

“Proxy Form” means the proxy form enclosed with the Notice of Meeting.

“Remuneration Committee” means the remuneration committee of the Company.

“Remuneration Report” means the remuneration report of the Company for the financial year ended 30 June 2016 (unless otherwise stated) as set out in the Directors’ Report contained in the 2016 Annual Report to Shareholders.

“Resolution” means a resolution to be considered by the Shareholders at the Meeting.

“Share” means a fully paid ordinary share in the capital of the Company.

“Shareholder” means a holder of a Share.

“Strike” means a 'no' vote of 25% or more on the Resolution approving the Remuneration Report.

“TSX” means the Toronto Stock Exchange.

“VWAP” means volume weighted average share price.

“WST” means Western Standard Time.

**PROXY FORM
APPOINTMENT OF PROXY**

I/We

being a Shareholder of Chalice Gold Mines Limited entitled to attend and vote at the Annual General Meeting hereby appoint

the Chairman of the Meeting OR

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directors have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Chalice Gold Mines Limited to be held at 10.00 am (WST) on Monday, 21 November 2016 at Chalice Gold Mines Limited, Level 2, 1292 Hay Street, West Perth, Western Australia and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4, 5, 6 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4, 5, 6 and 7 by marking the appropriate box below.

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Stephen Quin as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr Morgan Ball as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options to Mr Anthony Kiernan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Options to Mr Stephen Quin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to Mr Morgan Ball	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Performance Rights to Mr Tim Goyder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Renewed Approval of the Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

Signed this day of 2016

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company.
3. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of Annual General Meeting or may be obtained from the Company's share registry.

4. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
5. Please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Chalice Gold Mines Limited, GPO Box 2890, Perth, Western Australia, 6001;
or
 - (b) send the proxy form by facsimile to the Company on facsimile number (+61 8) 9322 5800,

so that it is received **no later than 10.00 am (WST) on Saturday, 19 November 2016**, being not less than 48 hours prior to the commencement of the meeting. **Proxy forms received later than this time will be invalid.**

Appointment of Corporate Representative

Section 250D of the Corporations Act 2001 (Cwlth)

This is to certify that by a resolution of the directors of:

..... *(Insert name of company)*

(Company), the Company has appointed:

....., *(Insert name of corporate representative)*,

in accordance with the provisions of section 250D of the *Corporations Act 2001* (Cth), to act as the body corporate representative of that company at the Annual General Meeting of Chalice Gold Mines Limited to be held at 10.00 am (WST) on Monday, 21 November 2016 and at any adjournment of that meeting.

DATED 2016

Executed by the Company)
)
in accordance with its constituent documents

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

INSTRUCTIONS FOR COMPLETION

Under Australian law, an appointment of a body corporate representative will only be valid if the Certificate of Appointment is completed precisely and accurately.

Please follow the following instructions to complete the Certificate of Appointment:

1. Execute the certificate following the procedure required by your company’s constitution or other constituent documents.
2. Print the name and position (e.g. director) of each company officer who signs this certificate on behalf of the company.
3. Insert the date of execution where indicated.
4. Send or deliver the certificate to the registered office of Chalice Gold Mines Limited or fax the certificate to the registered office at (+61 8) 9322 5800.