

APPENDIX C – TERM SHEET FOR MERGER

TERM SHEET FOR MERGER

Dated: 28 September 2013

Provision	Explanation
Parties	<p>Chalice Gold Mines Limited Level 2, 1292 Hay Street West Perth Western Australia AUSTRALIA 6005 (“Chalice”)</p> <p>Coventry Resources Inc. Suite 760-36 Toronto Street Toronto Ontario CANADA M5C 2C5 (“Coventry”)</p> <p>(together the Parties)</p>
Nature and purpose of this Term Sheet	<p>Chalice and Coventry are proposing to merge by Chalice acquiring all issued securities in Coventry by way of a Statutory Plan of Arrangement to be conducted pursuant to Division 5 of Part 9 of the Business Corporations Act (British Columbia (“BCBCA”)) (Merger).</p> <p>The purpose of this Term Sheet is to:</p> <ul style="list-style-type: none"> • enter into a binding commitment to implement the Merger; • record the major commercial terms of the Merger; • record the process and timing by which the Merger will be implemented; and • the terms and conditions applying thereto.
Merger Implementation Agreement	<p>Subject to each of Coventry and Chalice being satisfied with their respective due diligences hereunder, they shall as expeditiously as possible following from due diligence confirmation, negotiate and enter into a more formal and comprehensive Arrangement Agreement (“AA”) by the date set out in the Timetable attached hereto, which such AA is to record the terms and conditions herein and also to include such other provisions as are found in documents of that nature and as are reasonably necessary to effect the Merger including as to title, corporate standing and each of the Parties having complied with their respective continuous disclosure obligations under applicable corporate and securities laws and the requirements of applicable stock exchanges, being in the case of Chalice the Australian Securities Exchange (“ASX”) and the Toronto Stock Exchange (“TSX”) and in the case of Coventry the TSX Venture Exchange (“TSXV”) and the ASX (collectively, the “Exchanges”).</p>
Treatment of different securities; Scheme Consideration	<p><i>Coventry Shares (Currently 90,974,487 listed shares on issue)</i></p> <p>The Coventry Shares will be acquired by Chalice by way of Plan of Arrangement and</p>

	<p>each holder of a Coventry Share shall be entitled to 1 ordinary share in the capital of Chalice (Chalice Share) for every 1.78 Coventry share held.</p> <p>Under the Plan it is intended that approximately 51 million Chalice Shares will be issued to the Coventry security holders in proportion to their respective interests in Coventry.</p> <p><i>Coventry Unlisted Options (3,558,594 which expire between 08/08/14 and 17/08/17 with average prices between \$0.50 and \$5.00)</i></p> <p>As part of the transaction contemplated herein these options are to be either exercised by the holder converted to Chalice options and/or warrants or purchased by Chalice.</p> <p>As noted in the conditions below, it is a condition of the Merger that these options have been dealt with as stated above on or before the second court hearing.</p> <p>In the event Coventry shareholders approve the issue of approximately 3,350,000 options to directors and officers within 45 days of the date hereof in lieu of the fees those directors and officers have not been receiving of late (Fee Options), then those Fee Options shall be included in the treatment of the Coventry Unlisted Options herein.</p> <p><i>Warrants (9,375,000 on Issue which expire 22/10/14 with an exercise price of \$0.45)</i></p> <p>As part of the transaction contemplated herein these warrants are to be either exercised by the holder, converted to Chalice options and/or warrants or purchased by Chalice.</p> <p>As noted in the conditions below, it is a condition of the Merger that these warrants have been dealt with as stated above on or before the second court hearing.</p> <p>If the Warrants or Options are not cancelled or purchased they will be adjusted in line with the Share Exchange Ratio. This would increase the exercise price for these securities by a multiple of 1.78 and reduce the number on issue by 0.5618.</p>
Conditions precedent to Merger	<p>The Merger is subject to the following conditions precedent:</p> <p style="text-align: center;">Mutual benefit</p> <ul style="list-style-type: none"> • The Parties executing the AA by 18 October 2013; • The receipt of all requisite regulatory and other approvals, including the Supreme Court of British Columbia (the “Court”), the Exchanges and other necessary approvals; • The approval of the security holders of Coventry, such approval to be the affirmative vote of the holders of at least two thirds (2/3) of eligible security holders present and voting in person or represented by proxy at a meeting of such security holders; • Court approval of the Merger as required under the BCBCA;

	<ul style="list-style-type: none"> • No court or other order restraining implementation of the Merger; and • The distribution of the Chalice shares shall be exempt from the prospectus and registration requirements of applicable Canadian and US securities legislation. <p>Chalice’s benefit (can be waived by Chalice)</p> <ul style="list-style-type: none"> • Chalice completing such due diligence as it considers reasonably necessary for the purposes of fully informing itself as to Coventry and its operation with the same being approved by the board of Chalice within 14 days of the date hereof (Due Diligence Period); • Customary conditions precedent, including the absence of a material adverse change in the business affairs, financial conditions and the like of Coventry and there being no “prescribed occurrences” (as that term is used under the Corporations Act of Australia); • All outstanding options and warrants on issue are either exercised, acquired by Chalice or cancelled as at the second Court hearing; • Material contracts ,as notified by Chalice as being material following the conduct of its due diligence, being in full force and effect as at the second Court date; • No cash distributions, material compensation adjustments or any grant of equity interests having been made by Coventry between signing of the AA and completion of the Merger; • All warranties and representations to be given by Coventry under the AA being true and correct in all material respects as at completion and Coventry having complied with its covenants under the AA; • Coventry not giving any party a notice of termination of any employment or consultancy agreement in respect to which there is a contingent liability without Chalice’s prior written consent; and • Holders of no more than 5% of the Coventry Shares shall have exercised dissent rights. <p>Coventry’s benefit (can be waived by Coventry)</p> <ul style="list-style-type: none"> • Customary conditions precedent, including the absence of a material adverse change in the business affairs, financial conditions and the like or Chalice and no prescribed occurrence in relation to Chalice having taken place; • Chalice’s representations and warranties under the AA being true and correct in all material respects as at completion and Chalice have complied with its covenants under the AA; and
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	<ul style="list-style-type: none"> Coventry being satisfied with its due diligence investigations into Chalice within the Due Diligence Period of 14 days from the date hereof.
Exclusivity	<p>Each Party grants to the other Party exclusivity with respect to the transaction contemplated herein as set out below and as may be further covered in the AA.</p> <p>During the Due Diligence Period, and until execution of the AA (if the due diligence conditions are satisfied) each of Parties agree that:</p> <ul style="list-style-type: none"> The Parties will not undertake or allow any material business change to their businesses and activities; The Parties will not issue any more equity or debt securities or grant any rights over existing issued capital (except pursuant to existing Options or Warrants and any Fee Options approved for issue by the shareholders of Coventry); The Parties will not participate in any negotiations or discussions with, or provide any information to, or accept or enter into any agreement, arrangement or understanding with, any third parties in respect of a transaction that may reduce the likelihood of success of the Merger and will also cease any existing discussions or negotiations regarding such transactions; provided that nothing contained in this Term Sheet shall prevent the Board of either Party, if it receives after the date hereof a bona fide Acquisition Proposal (as defined in Schedule A) involving the Party which was not solicited after the date hereof, from considering, negotiating, approving or recommending to its shareholders such Acquisition Proposal if the Board of the Party determines in good faith such Acquisition Proposal to be a Superior Proposal (as defined in Schedule A). Coventry acknowledges Chalice is reviewing other business opportunities and confirms that this provision is not designed to limit Chalice's activities in this regard provided such activities or transaction would not materially impact upon Chalice and its executive team's ability to complete the Merger and in advancing the Coventry projects after completion of the Merger; Each Party will immediately notify the other Party of any approach or attempt to initiate discussions or negotiations regarding any Acquisition Proposal and provide to the other Party full details of that Acquisition Proposal including its material terms, which shall include the identity of the other party, the proposed price or implied value, conditions and timing; and <p>Except where a person has made or has indicated it intends to make an Acquisition Proposal which the Board of a Party determines in good faith to be a Superior Proposal, neither Party will provide any other third party with any information regarding, its business, assets or undertakings without the prior written approval of the Party</p>
Lock Up Agreements	<p>It is a condition that upon signing the AA (for the benefit of Chalice) that all of the senior officers and directors of Coventry, Macquarie (on behalf of Macquarie Bank Limited) and Sun Valley Gold LLC (on behalf of Sun Valley Gold Master Fund Ltd) (in their capacity as shareholders of Coventry) will enter into agreements with Chalice pursuant to which they will agree to vote in favour of the Merger or tender their shares to the offer to be made pursuant to the Plan of Arrangement (in the absence of a Superior Proposal), to exercise any Options or Warrants held by them or sell the same to Chalice, to not solicit other transactions and will otherwise support the Merger and will further agree not to sell or dispose of their Coventry Shares.</p>

Appointment of Merger Implementation committee	<p>A Merger Implementation Committee comprising:</p> <ul style="list-style-type: none"> • Richard Hacker and Tony Kiernan for Chalice • Steven Chadwick and Nicholas Day for Coventry <p>will oversee the efficient implementation of the Merger in accordance with the Merger Timetable attached hereto.</p>
Mutual obligations to implement the Merger	<p>Each Party must use its best efforts to:</p> <ul style="list-style-type: none"> • implement the Merger as soon as is reasonably practicable and in any event in accordance with the Merger Timetable attached hereto; • provide the other Party with all information reasonably required to assess the terms of the Merger; • assist the other in obtaining any approval required from any government agency to implement the Merger; • consult with each other on all material and relevant communications with third parties
Conduct of Merger process	<ul style="list-style-type: none"> • Chalice is primarily responsible for drafting of all transaction documents including the AA (but excluding any Shareholder Circular or similar document required for the purposes of the approval of the Merger by the Coventry Shareholders (Circular)) • Chalice to be consulted on, and to have input into the Circular and also provide Coventry such information as Coventry may reasonably require in relation to Chalice for the purpose of properly completing the Circular. To the extent as to may be reasonably required by Coventry, Chalice is to verify the information provided to Coventry for the purpose of the Circular. • Whilst the Circular is the document and obligation of Coventry, it will, prior to dispatch provide Chalice with sufficient opportunity to review and comment on the same and, acting reasonably, pay due regard to any comment by Chalice.
Fairness report	<ul style="list-style-type: none"> • If Coventry's Board so requires it shall obtain a Fairness Opinion. • If the Fairness Opinion concludes that the consideration to be received by the Coventry security holders is not fair, from a financial point of view, to the Coventry security holders, Chalice and Coventry shall meet to discuss the prospects of the Plan but the Plan Meeting shall be convened and held as provided for in the AA unless both Chalice and Coventry decide otherwise. However, in such an event the Board of Coventry will no longer be obliged to recommend that Coventry shareholders approve the Merger.
Coventry Board recommendation	<ul style="list-style-type: none"> • The Coventry Board will unanimously recommend that Coventry shareholders approve the Merger on announcement to TSXV and indicate that all Board members will vote their own shares in favour of the Merger. • This recommendation may only be changed where the Fairness Opinion has concluded that the Merger is not fair from a financial point of view to Coventry security holders, or where the Board has received written advice from its legal advisers, or that each director is required to change the recommendation because a failure to do so would be a breach of their fiduciary duties, or there is an Acquisition Proposal which the Board in good faith determines to be a Superior Proposal.

Conduct of business prior to implementation	<p>The AA shall include customary restrictions on Coventry and Chalice between signing and implementation of the Merger requiring them to carry on their business in the ordinary course and not, without the consent of the other:</p> <ul style="list-style-type: none"> • deal with or otherwise dispose of any material assets (other than in the ordinary course); • undertake any new activities or commit to new business opportunities or buy assets. Coventry acknowledges Chalice is reviewing other business opportunities and confirms that this provision is not designed to limit Chalice's activities in this regard provided such activities or transaction would not materially impact upon Chalice and its executive team's ability to complete the Merger and to advance the Coventry projects after completion of the Merger; • create an encumbrance over its assets or borrow any funds from a third party; • pay a dividend or distribute or return capital to its members; • issue any shares, options or other convertible securities (except pursuant to existing options or warrants and the grant or exercise of the Fee Options); • buy back its shares; • change its accounting policies or alter its constitution; and • make or agree payments (other than in the ordinary course of business) to directors/management or change employment terms and other customary restrictions. <p>Each party to have access to the other's business information, records etc until implementation date.</p>
No shop, no talk restrictions	The AA shall contain customary non-solicitation and "right to match" provisions.
Break Fees	<p>A break fee of A\$250,000 is payable to Chalice if after the execution of this Term Sheet:</p> <ul style="list-style-type: none"> • A Superior Proposal (as defined in Schedule A) is recommended by the Directors of Coventry; • Control of Coventry changes (i.e. if a person obtains voting power of >50% ownership or control over more than 50% of the issued and outstanding Coventry shares); • Coventry commits a material breach of the terms of the AA and Chalice terminates the AA in reliance on that breach; and • Coventry changes its Board recommendation (i.e. there is no longer a unanimous or majority board recommendation for the Merger) other than where it is required to do so to meet its fiduciary obligations and duties as would be required in assessing a Superior Proposal. <p>A break fee of A\$250,000 is payable to Coventry if Chalice commits a material breach of the terms of the AA and Coventry terminates the AA in reliance on that breach.</p>
Costs and expenses	Each party will bear its own costs and expenses in respect of the negotiation and execution of the AA and Merger.
Governing law	British Columbia, Canada

Confidentiality and public announcements	<p>The parties must keep confidential the terms and conditions of this Term Sheet, the AA and status of negotiations and will only discuss or disclose if required by law or as otherwise authorised by the other party (subject to the required ASX or TSXV announcements) and then only after appropriate consultation.</p> <p>Both Parties will make an announcement to their respective Exchanges or under applicable Securities Laws immediately upon the signing of this Term Sheet, such announcement to include Coventry Board and major shareholder voting intentions at the meeting to approve this. The contents of the announcements shall be agreed as between the Parties acting reasonably and in good faith.</p>
Binding Nature of the Term Sheet and Formal Documents	<p>The Parties intend this Term Sheet to be a binding document which such nature shall continue until such time as the AA (as referred to above) is executed.</p>
Counterparts	<p>This Term Sheet may be executed in any number of counterparts and by the Parties on separate counterparts. Each counterpart constitutes an original of this Term Sheet, and all together constitutes one agreement.</p>

INDICATIVE TIMETABLE

Activity	Date
Execute Term Sheet	Week ending 28 September 2013
Announce binding Term Sheet to ASX, TSX, TSXV and public	Immediately after execution of this Term Sheet
Due Diligence Period during when AA will be negotiated, fairness opinion prepared and other transaction documents identified	14 days from execution of Term Sheet
Execute AA and Voting Agreements;	Week ending 18 October 2013
Set record date (at least 30 days before meeting) and initiate meeting process	Week commencing 21 October 2013
Prepare meeting materials	Week commencing 21 October 2013
File court materials and obtain interim order	November 4/5
Record Date	November 6
Deliver circular to depositary/intermediaries	November 7
Meeting	December 5
File court materials and obtain final order	December 6
Completion	TBD

Executed by **Coventry Resources Inc** in accordance with)
(*appropriate Canadian legislation*):)
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Signature of director

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Signature of director or company secretary

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Name (please print)

.....
Name (please print)

Executed by **Chalice Gold Mines Limited** ACN 116 648)
956 in accordance with section 127(1) of the Corporations)
Act 2001 (Cth):)
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Signature of director

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Signature of director or company secretary

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Name (please print)

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Name (please print)

SCHEDULE A – DEFINITIONS

“Acquisition Proposal” means, other than the transactions contemplated by this Agreement, any offer, proposal, expression of interest or inquiry from any Person (other than a Party or any of its affiliates) relating to; (i) any acquisition or sale, direct or indirect, of: (a) the assets of a Party or any of its subsidiaries that, individually or in the aggregate, constitute 20% of more of the fair market value of the consolidated assets of a Party and its subsidiaries taken as a whole or (b) 20% of more of any voting or equity securities of a Party or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% of more of the fair market value of the consolidated assets of a Party and its subsidiaries taken as a whole; (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of a Party; or (iii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganisation, recapitalisation, liquidation, dissolution or other similar transaction involving a Party or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% of more of the fair market value of the consolidated assets of a Party and its subsidiaries taken as a whole;

“Superior Proposal” means any *bona fide*, unsolicited, written Acquisition Proposal in respect of a Party made after the date of this Agreement by a person who is an arm’s length third party (and not obtained in violation of this Agreement) which the Board of such Party, after consultation with its legal and financial advisors, determines in good faith: (a) that considering, negotiating, approving or recommending to its shareholders such Acquisition Proposal would be a proper exercise of its fiduciary duties under applicable law; and (b) that such Acquisition Proposal would, if consummated in accordance with its terms, result in a transaction: (i) more favourable to its shareholders than the Merger; (ii) that is reasonably capable of being completed within a reasonable period of time; and (iii) which is not contingent upon financing.