

Chalice Gold Mines Ltd. (ASX:CHN)

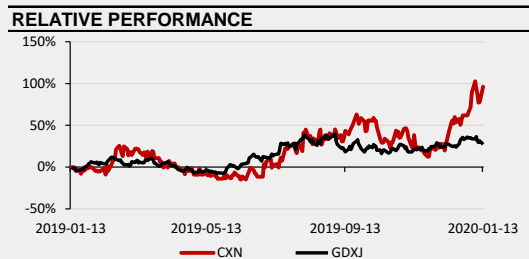
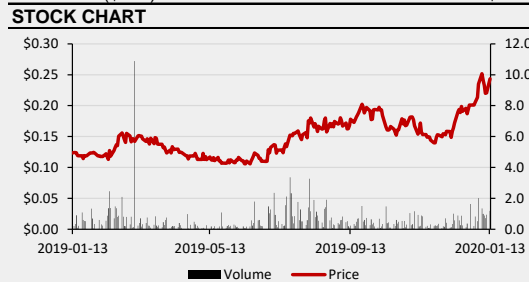
Gold Halo Increases at Karri; Primary Source Targeting Next

Exploration Update

January 14, 2020

(Currency is CAD\$ unless noted otherwise)

| | | |
|------------------------------|-----------------|---------|
| Closing Price | \$0.24 | |
| Fair Value Estimate | NA | |
| 52 Week Low / High | \$0.12 / \$0.28 | |
| CAPITALIZATION | Basic | Diluted |
| Shares Outstanding (M) | 274.1 | 291.2 |
| Market Capitalization (\$MM) | \$66.8 | |
| Enterprise Value (\$MM) | \$53.4 | |
| Cash and Equivalents (\$MM) | \$13.4 | |
| Total Debt (\$MM) | \$0.0 | |



| Peer Comparison | EV C\$M |
|----------------------------|---------|
| Canadian Peer Group | \$210 |
| Australian Peer Group | \$92 |
| Chalice Gold Mines Limited | \$53 |

*Capital IQ Consensus

| MAJOR SHAREHOLDERS |
|---|
| Management (21.39%), Franklin Resources, Inc. (11.35%), Canadian Register Control (5.97%) |

DISCLOSURE CODE: 2,4
(Please refer to the disclosures listed on the back page)
Source: RCS, Company Information, Capital IQ

Company Description

Chalice Gold Mines is a well-funded junior explorer with district-scale exploration projects across the tier-1 mining jurisdiction of Australia. Chalice's key projects are the 100%-owned Pyramid Hill Gold Project located in the prospective Bendigo gold district of Victoria, as well as the King Leopold Nickel Project in the west Kimberley region of Western Australia.

Impact: Positive

Chalice Gold Mines announced it has received the second batch of assays (3,275m) for the Karri target at its 100%-owned Pyramid Hill Gold project in Victoria, Australia. The company now has ~73% of assays from its Phase 2 air-core (AC) drilling program at Karri. Drilling has highlighted a large halo of anomalous gold that could potentially indicate a significant gold system at depth. **We note that these results, together with reconnaissance work at Ironbark, mark an inflection point for Chalice as the company starts diamond drilling in Q1/20 to follow up on the identified gold trends.**

Highlights:

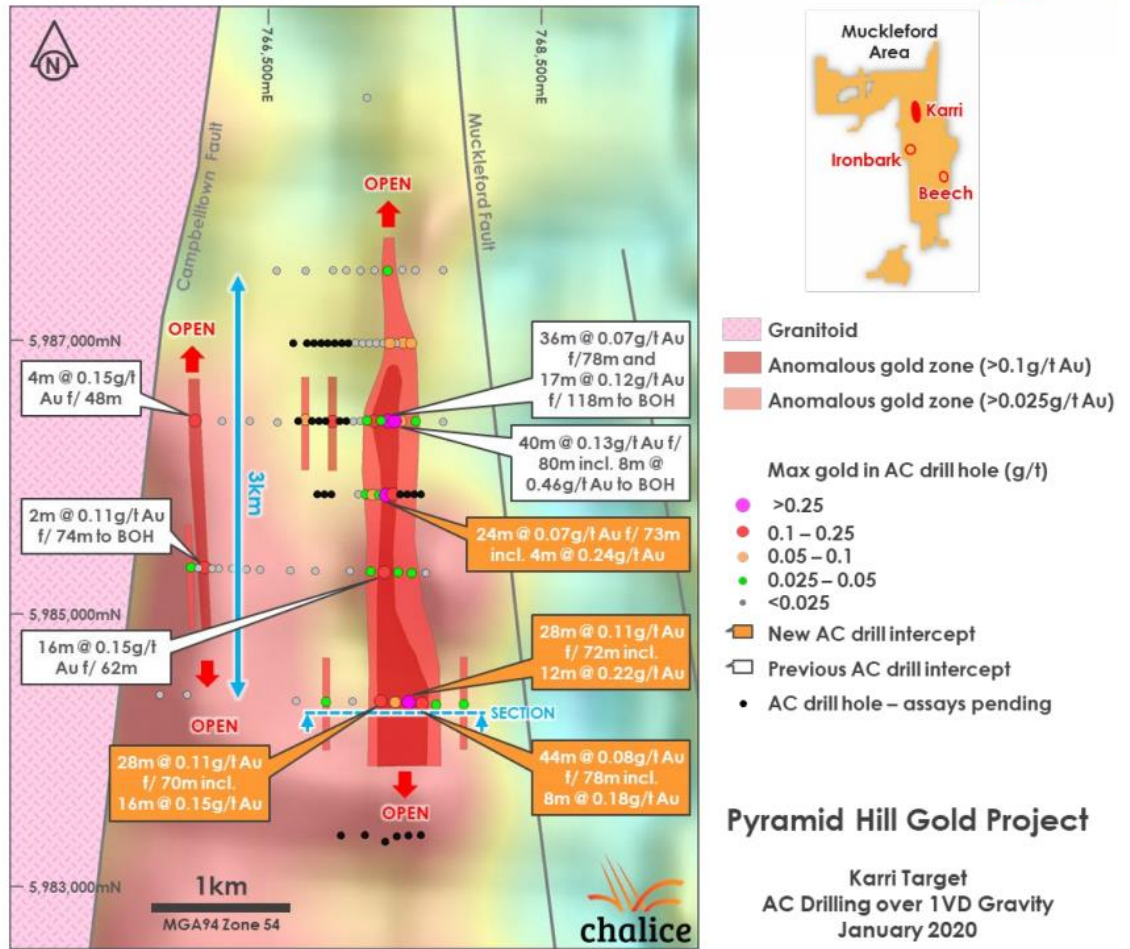
- **Broad zones of anomalous gold intersected at Karri.** Chalice has completed a total of 99 AC holes (~11,000m) at the Karri target, with assays returned for ~8,000m to-date (~3,000m remains outstanding). Anomalous gold grades continue to be intersected as the gold footprint expands (Figure 1). While the results individually are not blockbuster results by any means, spatially as a group they could be pointing to a large system at depth.
- **Step-out drilling points to potential large-scale system.** The Karri target is located within the Bendigo Zone, which has historically been high-grade in nature and lacks exploration due to there being little visible outcrop. The halo of anomalous gold discovered in December 2019 (read our comment [here](#)) has been extended from 2km to 3km in strike length. The gold trend strikes NS and is flanked by adjacent sub-parallel zones of gold anomalism – all of which remain open along strike to both the north and south. Several step-out holes with spacings of 500m have been drilled that have visual indications of abundant quartz veining and sulphides, potentially indicating a large-scale mineralizing system.
- **More drilling and geophysics planned at Karri.** In late January 2020, an initial ~300m deep diamond drill hole will be done at each of the Karri, Ironbark North and Ironbark targets in parallel with ongoing AC drilling at the Ironbark North target to better understand local stratigraphic and structural aspects of mineralization. An initial 2D high-resolution seismic survey will be done to highlight areas of structural complexity to guide future drilling, since faults are important controls on mineralization in the region.

Valuation:

With a fully funded exploration program and discounted EV, Chalice offers significant upside as the company better defines gold trends.

With the ongoing success of its exploration efforts, Chalice is well funded with an EV of ~\$27.8M, and we believe it offers significant upside with very limited downside risk. **Upcoming catalysts:** 1) Ongoing exploration results from Phase 2 AC drilling at Pyramid Hill (Q1/20), 2) Initial deep diamond drilling at Ironbark North, Ironbark and Karri (Q1/20) and 3) Seismic survey results at the Muckleford area (Q1/20).

Figure 1: Plan View of Karri Target with AC Drilling over Gravity Geophysics



Source: Company Reports

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Company Specific Disclosure Details

| Company Name | Ticker Symbol | Disclosures |
|-------------------------|---------------|-------------|
| Chalice Gold Mines Ltd. | ASX:CHN | 2,4 |

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