

Ticker: CHN AU
Market cap: A\$104m

Cash: A\$23m
Price: A\$0.38/sh

Project: Julimar, Pyramid Hill
Country: WA / Vic, Australia

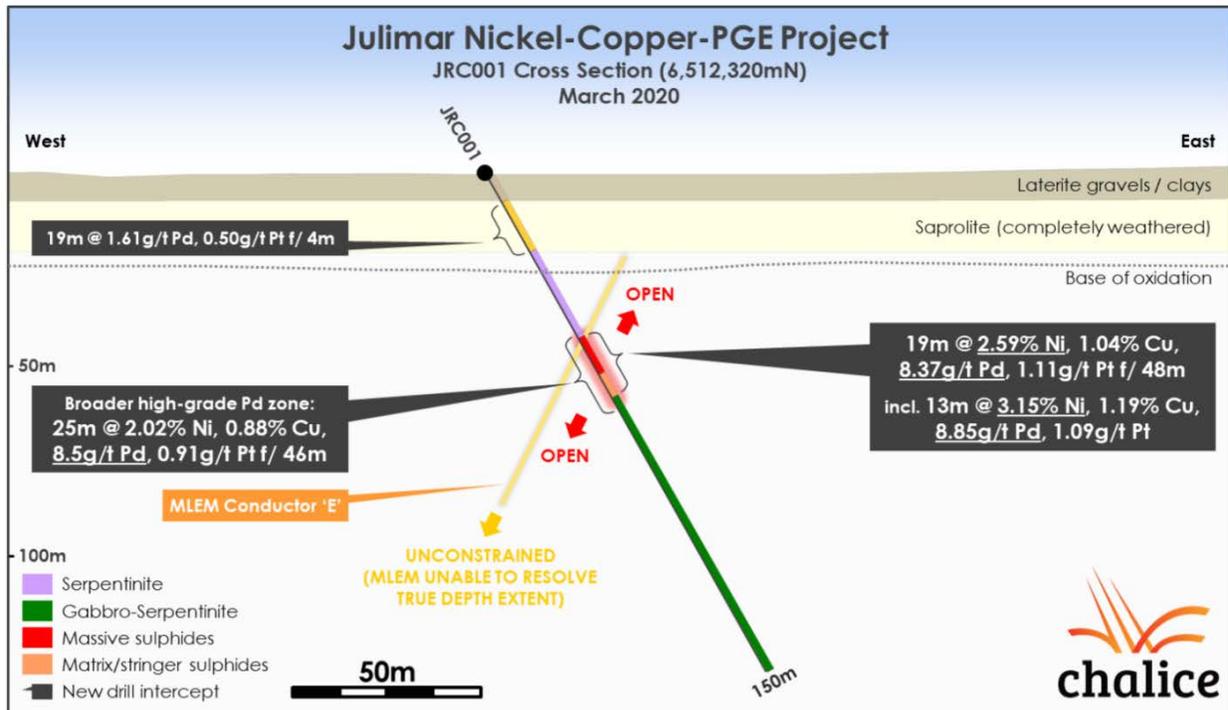
RECOMMENDATION: NOT RATED / COVERED

We think today's drill hit, the maiden hole exploring for nickel in a large ultramafic intrusion, is, put simply, remarkable. Firstly, massive palladium-rich nickel sulphides, by themselves, are extremely sought after in Australia. However, given this is a 'concept' target on the edge of the Yilgarn Craton near the younger Darling Fault, there is the potential for this to signal a new province. While there is risk of first-hole best-hole and/or true thickness being lower, the proof of concept for both economic mineralisation, and the success of geophysics, are both key positives in our view. We expect substantial corporate and investor interest in coming days and weeks, exemplified by peer Legend (LEG AU) whose market cap rose to A\$200m (A\$150m now) after drilling 15m @ 1.1% Ni and 0.7% Cu under ~50m of cover in the Fraser Range.

First hole 19m @ 7.5% NiEq / 15g/t PdEq in new discovery near Perth, Western Australia

Results from the first drilling into the Julimar project, ~70km from Perth in Western Australia, has returned 19m @ 2.59% Ni, 1.04% Cu, 8.37g/t Pd, and 1.11g/t Pt from 48m (54% Pd / 35% Ni; ~7.5% NiEq or 15.0g/t PdEq), hosted entirely in fresh rock. Drilling targeted a 26km long and up to 7km wide ultramafic layered intrusive complex. The zone comprised a 13m zone of massive sulphides grading 8.4% NiEq / 16.8g/t Pd equivalent, and a matrix-stringer zone of 6m @ 5.7% NiEq / 11.4g/t PdEq with a similar 1/3 2/3 base to precious ratio dominated by 65% Pd. Enrichment was seen in the supergene environment above, with 19m @ 1.2% NiEq / 2.5g/t PdEq from 4m. Cobalt assays are pending. As a consequence of the discovery, the company has expanded its regional licences by >2,300km² in a combination of nearby licences and regional targets with similar signature. The company has A\$23m cash as at March 2020. A second hole drilled ~900m NE is testing Conductor A.

Figure 1. Cross section showing assays from the first drill hole released today

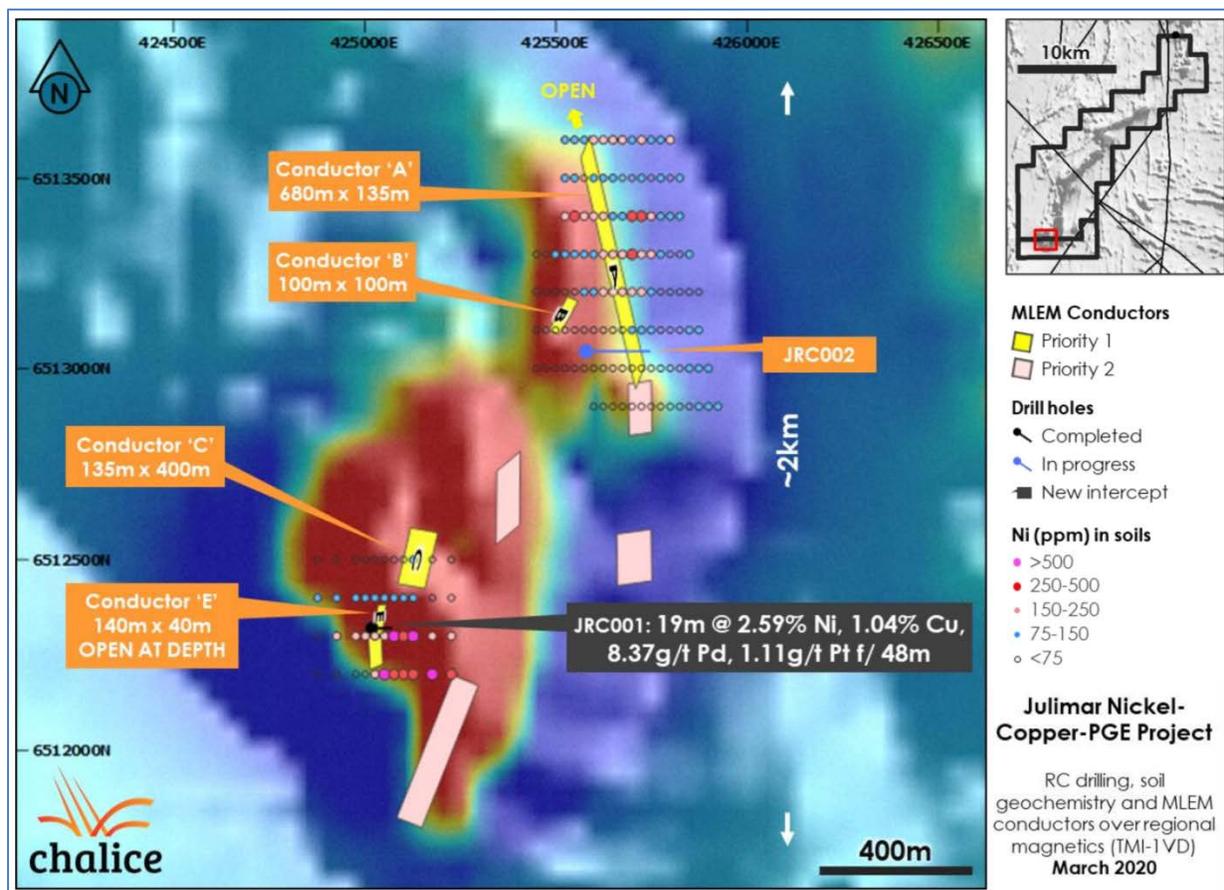


Source: Chalice

Our view

Today's drill hit is remarkable in that it is a concept target, testing an ultramafic intrusion commonly thought to be non metal-bearing. Limited historic surface drilling was done on the intrusion to test for vanadium, part of the reason the company acquired the project. However, this 'long snake-shaped' intrusion isn't the typical 'big blob' shape associated with thick cumulate accumulations of nickel sulphides. Nor does it lie in the central parts of the Archean Yilgarn Craton. However, two areas of the intrusion certainly appear more rounded, from early geophysics at least, as shown in Figure 3, with a zoom-in shown below in Figure 2. Of note, hole two, targeting conductor A below is underway. We think the much longer strike, location outside the main intrusion and orientation parallel to regional stratigraphy could well point to a non-metalliferous conductor, which has no bearing on our thesis if so.

Figure 2. Plan map showing modelled EM plate and soil samples along with today's drill hole



Source: Chalice

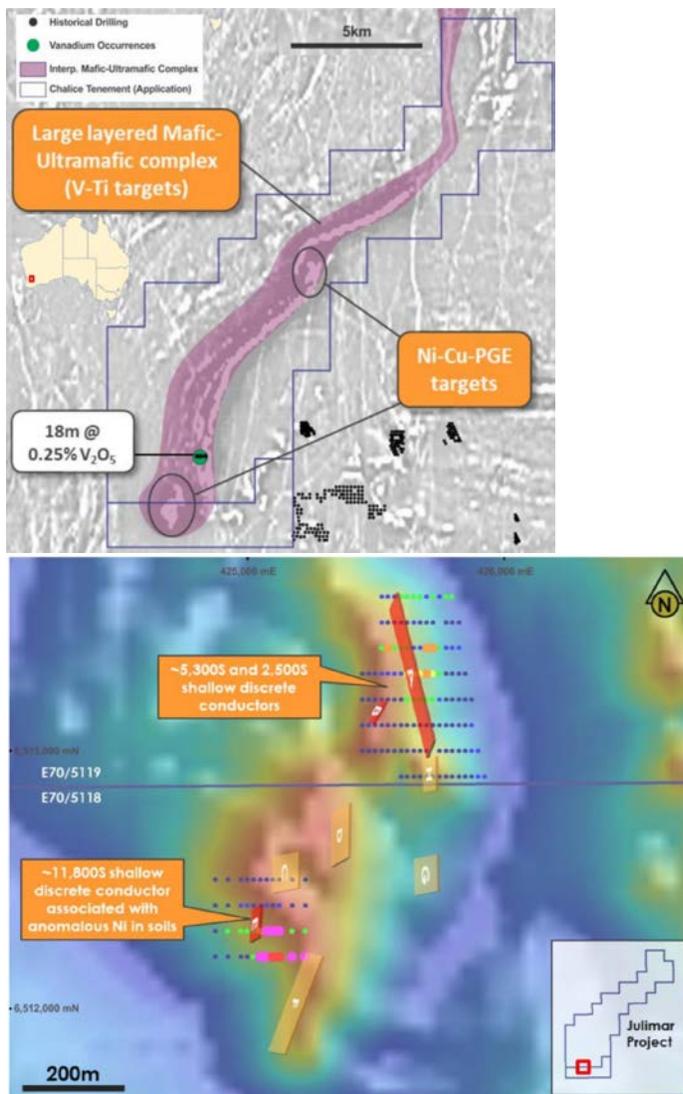
History

Chalice applied for the licences in 2Q18, at the time when vanadium had doubled and was ramping up. At the time, the Julimar project comprised 156km² covering the entirety of a layered intrusion and the company was targeting both Ni-Cu-PGM and vanadium-titanium enrichment. The first of two applications was granted in 3Q18, with subsequent reconnaissance showing the feeder to be covered in a thin horizon of gabbro scree. The company specifically focussed on potential feeder zones, identified below from a 2018 release. After carrying out surface soil sampling and ground geophysics, the company modelled seven different conductors, A-H. The strongest conductance (*best indication of sulphides*)

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came from E, the anomaly on which drilling was released today. Anomalies A and B also returned strong anomalism.

Figure 3. (A) License application highlighting potential ‘feeder’ zones, and (B/C) initial plate modelling



| Plate ID | Depth to top (m) | Length (m) | Depth Extent (m) | Conductance (Siemens) |
|----------|------------------|------------|------------------|-----------------------|
| A | 214 | 680 | 135 | 5,360 |
| B | 66 | 100 | 100 | 2,500 |
| C | 102 | 135 | 400 | 1540 |
| D | 108 | 200 | 200 | 500 |
| E | 40 | 140 | 40 | 11,830 |
| F | 34 | 400 | 100 | 300 |
| G | 100 | 135 | 300 | 800 |
| H | 100 | 135 | 200 | 800 |

Source: Chalice

Around 25km to the north, Cassini Resources Yarawindah Brook target returned anomalous nickel and cobalt results with 1.1m @ 0.50% Ni, 0.10% Cu, and 0.08% Co from 93m. While neither economic, nor the focus for Cassini, it provides interesting geological evidence of a ‘province’ rather than a discrete occurrence. Cassini highlighted PGMs as a vector into nickel-copper mineralisation. Interestingly,

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diamond core from that project showed what appeared to be vein (as opposed to cumulate) mineralisation.

Figure 4. Neighboring Yarawindah Brook (Cassini Resources) drill core with narrow massive sulphides



Source: Chalice Resources, Cassini Resources

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| UNDER REVIEW: | 0 |
| TENDER: | 1 |
| NOT RATED: | 1 |
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