

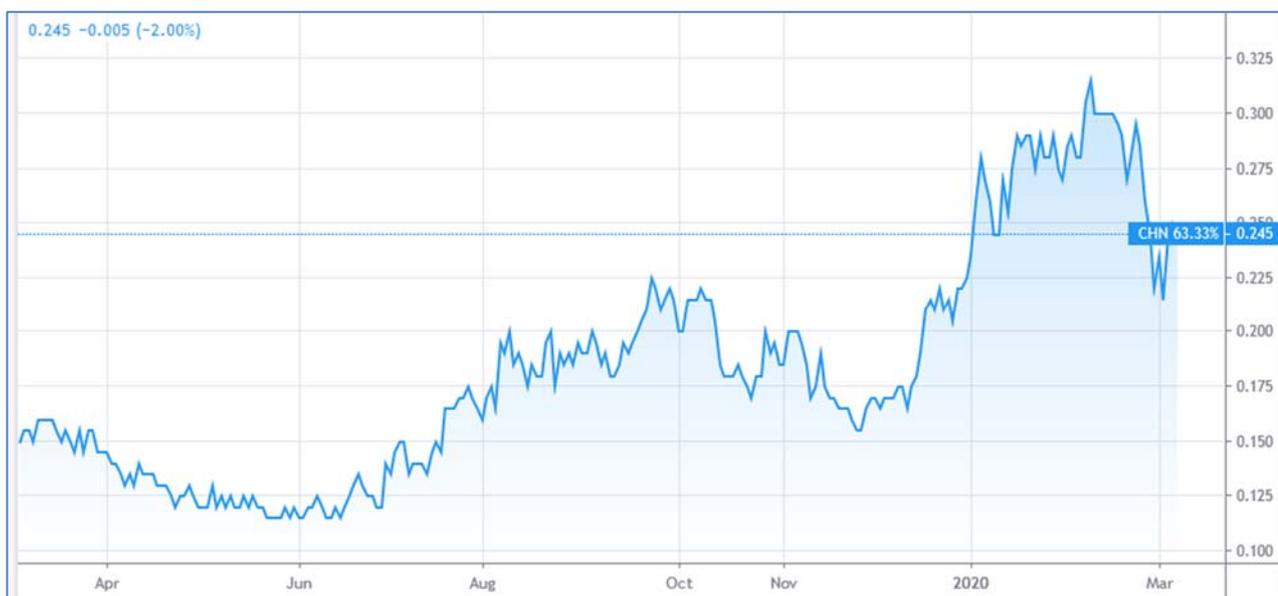
mine life

RESOURCE BULLETIN by Gavin Wendt

Sunday 8th March, 2020

Portfolio Stock Developments

Chalice Gold Mines - (ASX: CHN, Share Price: \$0.245, Market Cap: \$69m, coverage initiated @ \$0.16 in March 2019 – *current gain of 53%*)



Key Catalyst

New high-grade gold zones demonstrate scale and robustness of the gold trend under cover at the Karri Target, with a contiguous gold zone now extending over a 4km strike length.

We initiated coverage of CHN during March 2019 due to CHN's involvement in the burgeoning Victorian gold exploration scene. CHN's primary focus is Victoria through its 100%-owned Pyramid Hill Gold Project, which encompasses a 5,190 sq km district-scale land holding within the highly prospective (and reinvigorated) Bendigo gold district of Victoria. This is a region that has produced more than 60M oz of high-grade gold, yet has seen minimal exploration under shallow cover. CHN has been actively exploring the project since early 2018 and has outlined several large-scale targets through shallow reconnaissance drilling to date. Significantly too, CHN has not raised any capital since 2011 due to its commercially-driven exploration business model that has generated net proceeds of >\$100 million to date from asset sales, with more than \$36 million returned to shareholders since 2012.

Latest Activity

Pyramid Project Update

CHN has released further encouraging drilling results from its 100%-owned Pyramid Hill Gold Project in Victoria's Bendigo region. Assay results have been received for 62 air-core holes at the Karri Target, following on from the previously released results released from December to February. The Karri Target lies under 50-85m of Murray Basin cover.

Significant new 3m/4m composite drill intercepts include: 3m @ 3.86g/t Au and 322ppm arsenic (As) to end-of-hole (EOH) within 23m @ 0.67g/t Au and 252ppm As from 116m; 4m @ 1.35g/t Au within 20m @ 0.39g/t Au from 76m; 4m @ 0.70g/t Au and 272ppm As within 32m @ 0.18g/t Au from 78m; 38m @ 0.12g/t Au from 86m to EOH; and 3m @ 0.60g/t Au and 7,770ppm As from 124m to EOH.

Meanwhile, re-split and fire assay of the previous best air-core drill intercept of 4m @ 3.97g/t Au has returned 1m @ 15.85g/t Au within 2m @ 11.54g/t Au (within 30m @ 1.12g/t Au) – *the best intercept returned to date from the project so far.*

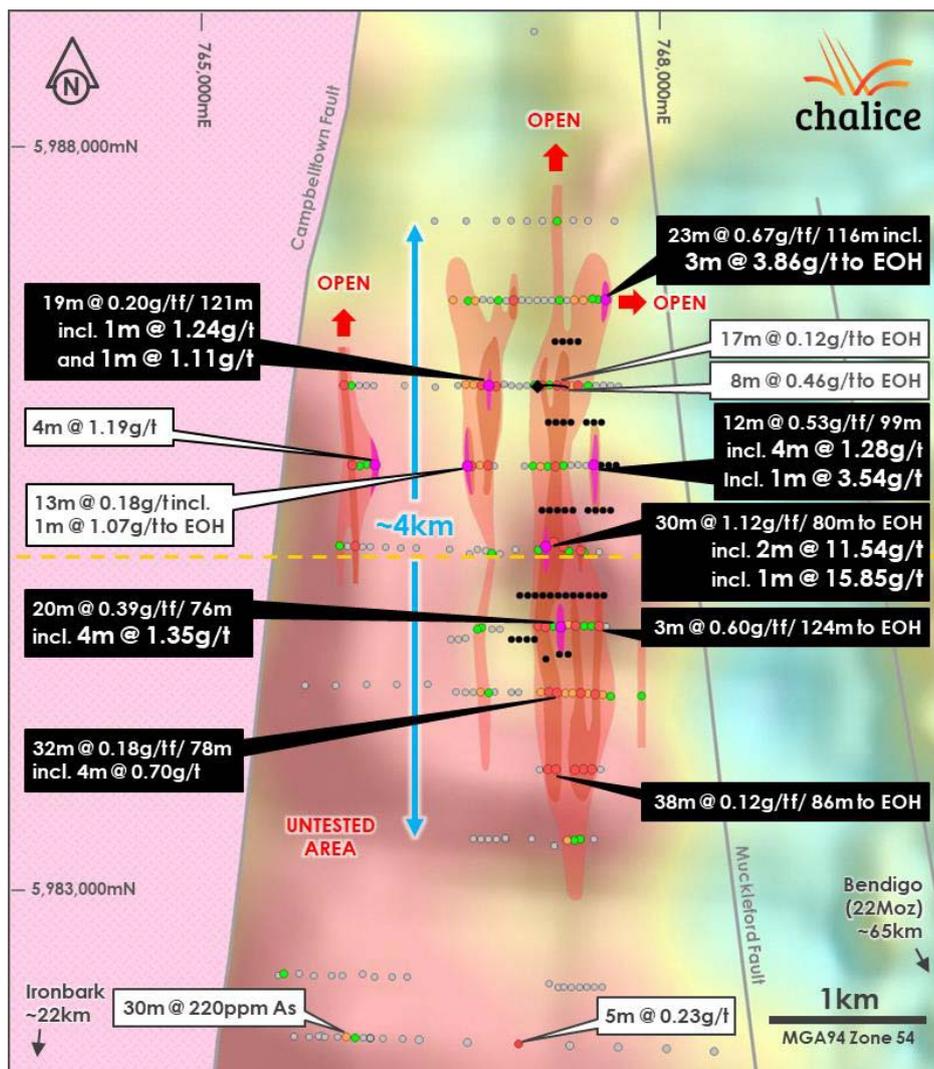


Figure 1: Karri Target Plan View – Maximum gold in AC drilling over gravity geophysics.

As with previously identified gold zones, these intercepts are associated with either zones of quartz veining in saprolite or altered/oxidised sandstone (all within the Castlemaine Group basement). The significant intercept of 3m @ 3.86g/t Au to EOH (within 23m @ 0.67g/t Au) is associated with a zone of laminated quartz veining and is located at the end of a drill line in a poorly tested area. As such, the newly identified zone remains open to the east and requires further infill drilling to refine.

Significant gold results (>0.1g/t Au) were also returned in a further seven drill holes. Importantly, all infill drilling continues to demonstrate the robustness of the multi-kilometre scale gold trends, with all defined gold trends showing continuity on 250m and 500m-spaced infill drill lines.

Technical Significance

The main Karri gold trend defined by air-core drilling remains continuous over ~4km of strike, open along strike to the north and open at depth. These additional robust results continue to support the potential for a significant gold system at depth.

The potential for a high-grade gold system at Karri is now supported by the highest-grade gold intercept from the project so far - 1m at 15.85g/t Au. This result is especially important as it lies at the centre of a new 4km long, continuous gold trend that is yet to be tested at depth.

Significantly too, the first ever diamond hole at Karri has encountered tight folding of the Castlemaine Group sediments - which are a key feature of the large gold deposits in the Bendigo Zone. The presence of this structural setting at Karri further enhances the target and provides confidence that the gold trends identified by shallow air-core drilling may be caused by a gold system below.

The Karri gold trend has a consistent north-south orientation, sub-parallel to the interpreted position of the regional scale Muckleford Fault. This structural setting is similar to many large-scale gold deposits in the Bendigo Zone, such as Fosterville, ~70km south-east of Karri, where the high-grade gold zones are associated with a secondary structure, sub-parallel to the regional-scale fault.

Furthermore, given the location of very high-grade historical gold deposits along the Muckleford Fault to the south of the project – such as Ballarat (~14Moz @ ~12g/t Au) and Maldon (~2Moz @ 33g/t Au) – there is the potential for similar high grades to be intersected as drilling progresses at depth.

Next Steps

CHN expects the likelihood of intersecting primary gold zones to increase as its air-core hole spacing progressively tightens up, given that primary gold zones in the Bendigo Zone are typically less than 15m wide. Two rigs are currently drilling on site, with an additional diamond drill rig scheduled to arrive in mid-March. Step-out and infill air-core drilling should continue to refine the secondary dispersion footprint of the Karri target, while the maiden diamond drill program, which has now been extended to 11 holes, will provide the first insight into the geological and structural picture at depth.

Project Overview

The 100%-owned Pyramid Hill Gold Project was staked in 2017 and now covers an area of ~5,190 sq km within the Bendigo region of Victoria. The project comprises three key districts within the Murray Basin-covered North Bendigo and North Stawell Zones - Muckleford, Mt William and Percydale.

The central Muckleford Area extends to the northwest of the high-grade historic +22Moz Bendigo Goldfield. The Mt William Area extends to the northeast of one of the world's highest-grade producing gold mines, the +8Moz Fosterville Gold Mine owned by Kirkland Lake Gold (NYSE / TSX: KL | ASX: KLA). The Percydale Area is located northwest of the historical St Arnaud Goldfield within the Stawell Zone.

The 'Gold Undercover' initiative by the Victorian Government estimated a potential ~32Moz (P50) of undiscovered gold beneath Murray Basin cover in the Bendigo Zone, where CHN holds ~60% of the total ~7,000 sq km prospective area.

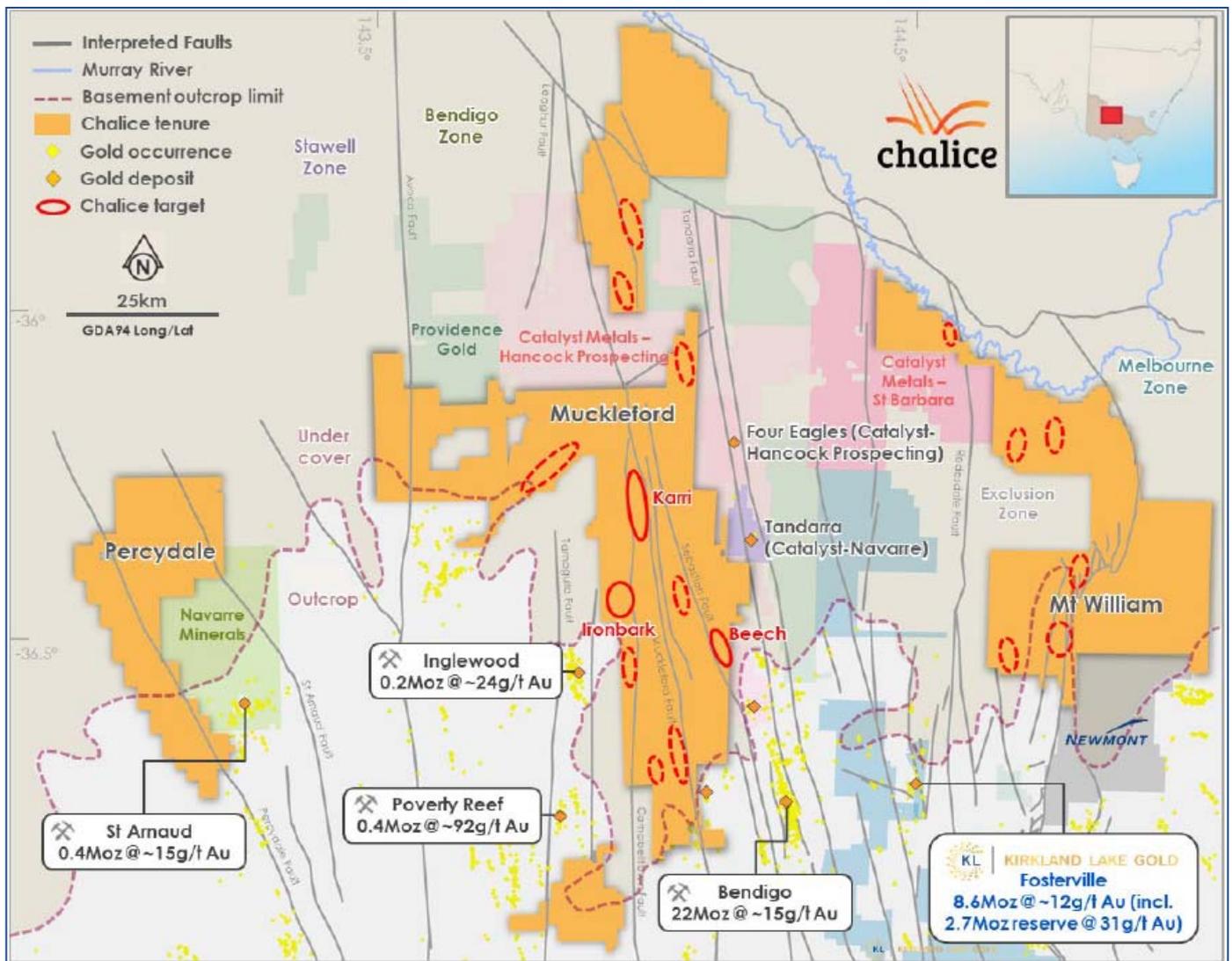


Figure 2: Pyramid Hill Gold Project tenure, regional land holders, gold deposits and occurrences.

CHN is targeting large-scale, high-grade gold deposits, and is currently conducting regional-scale greenfield exploration. So far ~57km of reconnaissance air-core drilling has been completed, which has outlined high-priority targets within the Muckleford Area - Ironbark, Iron bark North, Karri and Beech.

Significantly from a geological standpoint, the Ironbark and Ironbark North targets are the first known occurrences of gold mineralisation associated with diorite in the Bendigo Geological Zone of Victoria.

As a reference point the historic Walhalla-Woods Point Goldfield, located ~230km southeast of the Project, hosted several high-grade diorite-associated gold deposits including Cohen's Reef (~1.5Moz @ ~32g/t Au) and Morning Star (~800koz @ ~26g/t Au). The diorite intrusions intersected at the Ironbark and Ironbark North Targets are now confirmed to have a significantly larger footprint than the smaller diorite dykes at Walhalla-Woods Point, indicating potential for large-scale gold discoveries at each target.

The company's 25,000m Phase 2 reconnaissance air-core drill program continues at the Karri, Ironbark North and Ironbark Targets in the Muckleford Area. The program is designed to further refine the secondary gold and pathfinder dispersion zones defined in shallow, wide-spaced vertical air-core drilling in Phase 1. These dispersion zones in the weathered top of basement can be used to vector towards primary gold mineralisation in future deeper, tighter spaced drill-holes.

CHN remains fully-funded to continue its systematic exploration at Pyramid Hill, with a working capital and liquid investments balance of ~\$30 million (~\$0.11 per share).

Summary

The main Karri gold trend defined by air-core drilling remains continuous over ~4km of strike, open along strike to the north and open at depth. These additional robust results continue to support the potential for a significant gold system at depth.

The potential for a high-grade gold system at Karri is now supported by the highest-grade gold intercept from the project so far - 1m at 15.85g/t Au. This result is especially important as it lies at the centre of a new 4km long, continuous gold trend that is yet to be tested at depth.

We anticipate further drilling results with great interest and CHN remains firmly within our coverage universe.

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