

# Chalice Gold Mines: Good project, "fantastic potential"

This is the first in a series of regular articles from contributor Simon Pople, who owns and runs the Brookville Capital Newsletter, which specialises in mining sector coverage. As such these are Simon's views and ideas. The article should not be construed as investment advice. For further information see our T&Cs in the footer



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Firstly, let me introduce myself. I'm Simon Pople and I write a weekly newsletter called the Brookville Capital Newsletter (here's a link to the website [www.brookvillecapital.com](http://www.brookvillecapital.com)). The aim is to find interesting investing ideas - but have some fun in the process.

I'd view it as being a bit like Fantasy Football for investors.

In the Newsletter I give you a portfolio of shares (and I'll be sharing some of these with you on Proactive), but that's only part of the service. Having the right team at the start of the season does not mean you'll have the right one at the end of it. You'll need help, support, guidance and most importantly, a strategy that you'll need to stick to. If you want to try and not only make, but also keep a lot of money.

Here on Proactive, I'll be providing you with a good taster of what you could be doing. Once a fortnight you'll be getting a write-up of one of my mining ideas. It's a fascinating sector. Many believe it is all about gold and silver prices – but that's simply not true.

I've previously written two newsletters - Metals & Miners for Moneyweek and Gold Speculator for Agora. Recommendations included Northern Star and Saracen Minerals. Over that period, not much happened to metal prices – but the share prices of these companies soared, largely because they found more gold.

To kick things off, let me tell you about one of my favourite companies, Chalice Gold Ltd (ASX:CHN, TSX:CXN).

## What's the story?

Firstly, let's deal with their key assets. Because that's why people are so excited – including me – it's my largest investment.

They have one of the most exciting greenfield projects in the mining industry, because they are exploring not that far away from one of the best mines in the industry – Fosterville.

Not only that, but with A\$33 in working capital and investments (including cash) as at 2nd September 2019 - which equates to about 12 cents of their current share price (18 cents). So not much value is being attributed to these key assets I'm about to tell you about.

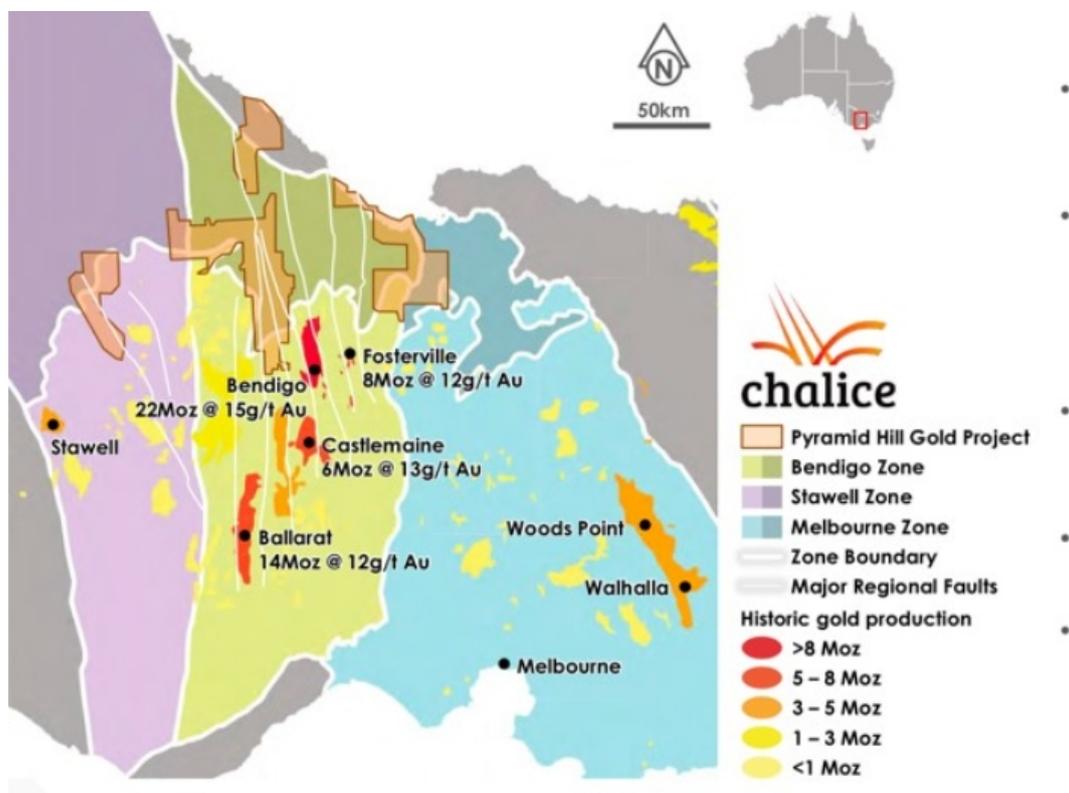
Let's take a look.

## Where are they exploring?

Pyramid Hill

First of all, you need to take a look at the map below. The area in light red with a dark red border being their project. The reason people are getting excited, is that as I mentioned earlier, there have been some great results at Fosterville.

Pyramid Hill is located in the Bendigo Zone of Victoria, an area that has produced over 60 million ounces of high-grade gold. The general consensus is that the geology extends to the north – which as you can see from the diagram below - is where Chalice have a major land holding. In fact, they own about 60% of the 7,000km<sup>2</sup> prospective area.



Recent high-grade finds at both Fosterville and Catalyst have got tongues wagging and explorers very excited that there could be a very large deposit out there....waiting to be discovered.

Fosterville currently has a mineral reserve of 2.7 million ounces at an incredibly high grade of 31.0 g/t. The exceptional grade means that their operating cash costs are extremely low – coming in at

around US\$180 per ounce (to provide some perspective on this, the top quartile (i.e. the best quartile) of costs in Australia is US\$600 per ounce. Similarly, Northern Star, one of the darlings of the Australian gold mining industry (look at their share price over the last 5 years) has a 6.3g/t reserve at their highest-grade underground deposit – their joint venture at East Kundana.

The reserve grade at Fosterville is exceptionally high – meaning it should be extremely profitable for their owners – Kirkland Lake.

Chalice are due to start a new drilling campaign in a couple of weeks (see link)

<https://chalicegold.com/sites/default/files/asx-announcements/6943387.pdf>

Although it's impossible to predict what good results could mean for the company, if you take a look at [Catalyst Metals \(ASX:CYL\)](#) who own 50% of two projects in the area - you will see that their share price has moved dramatically over the past three years (see below)



Clearly this is on the back of some great discoveries – but given there's a chance that Chalice could get similar results – if you are a speculator – you may want to take a look.

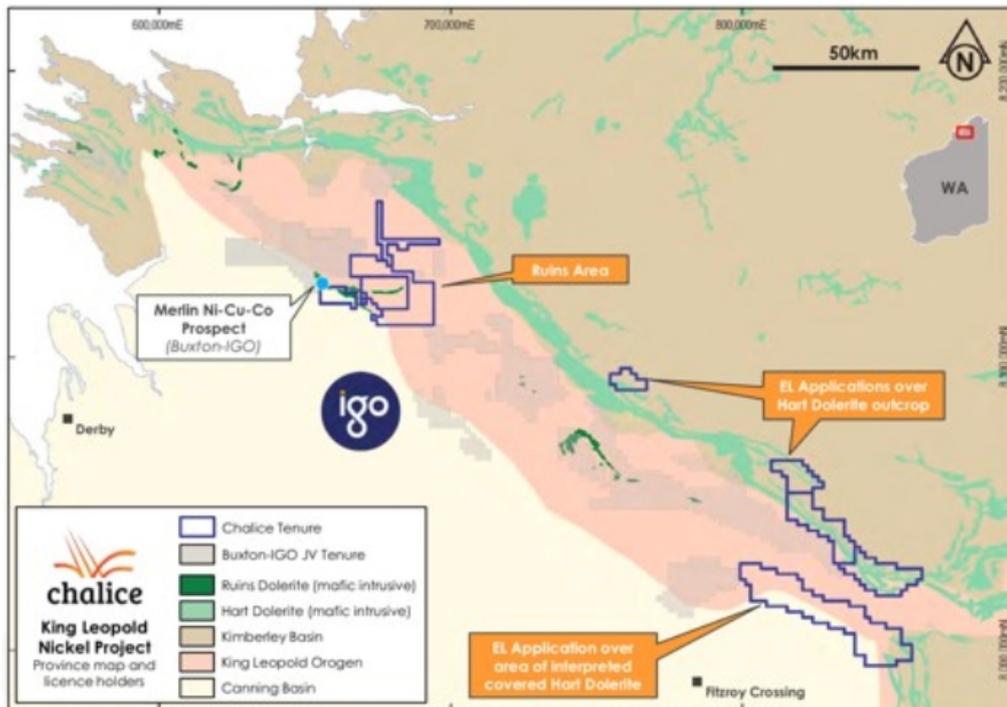
But that's only part of the story!

What I like about Chalice, is that it's not all about one project. There's an exciting Nickel project you should also be aware of.

## King Leopold – Nickel Project

Before I get into the detail on this, you need to be aware that unlike the Pyramid Hill project where they own 100%, this project is a combination of several 100% owned exploration licences, 100% owned hard rock rights as well as an earn-in agreement (earning up to 85%). So, although they own the lion's share, they don't own all of it.

There are really two things you need to know about this one. First of all, a great discovery was recently made at Merlin which is very near to their tenure (see the diagram below). The Merlin discovery had drill intercepts with grades up to 8.14% Ni, 5.26% Cu and 0.69% Co – which are very high. If Chalice can find anything similar, they could be sitting on a very valuable deposit.



Secondly, this discovery was made in a type of ore known as Ruins Dolerite and similar geology is thought to be on Chalice tenements. That's not to say they'll find the same concentration of nickel. But it's certainly encouraging.

## Summary

What I really like about this opportunity is not only is there fantastic potential, but they also have a track record of finding good projects, selling them and returning capital to shareholders.

Management are clearly important, especially for smaller companies like this. The Managing Director is Alex Dorsch, who was formerly with McKinsey, the consultants. Although he's not the largest shareholder, he seems to be a wise head on relatively young shoulders and well respected in the mining community. I feel confident that they've got the right man running the show.

He's relatively new to the company (he joined in late 2017), so it's worth taking a look at what they've done prior to his appointment. Here is a timeline since they were listed on the ASX in 2006. As you can see, they've got a good track record of buying assets, finding something and then selling them on at a decent profit.



