

21 October 2021

September 2021 Quarterly Activities Report

Resource modelling underway for the Gonneville PGE-Ni-Cu-Co-Au Deposit, with exploration set to ramp-up across the wider West Yilgarn Ni-Cu-PGE Province

Highlights

Julimar Nickel-Copper-PGE Project, Western Australia (100%-owned)

- « ~160,000m of drilling completed to date at the >1.9km x 0.9km Gonneville PGE-Ni-Cu-Co-Au Deposit:
 - « Wide intervals of high-grade PGE-Ni-Cu-Co+/-Au sulphide mineralisation intersected during the quarter, extending the **G8, G9 and G12 zones along strike**, the **G2, G4 and G6 zones down-dip** and the **G4 zone up-dip**.
 - « Wide-spaced step-out drilling now targeting extensions of the G1-G6 zones along the interpreted north-north-westerly plunge direction, with **~1,000m of potential plunge extent still untested** beyond a depth of 600m.
 - « All assays informing the maiden Mineral Resource Estimate (MRE) have now been reported, with the **pit-constrained MRE** expected to be released in **mid-Q4 2021**.
- « Final Conservation Management Plan submitted in early September for initial low-impact drilling (no vegetation clearance required) at the **Hartog-Baudin Targets** following extensive consultation – **approval expected in the coming weeks**.
- « Ongoing **metallurgical testwork** continues to deliver promising preliminary results:
 - « **Excellent Pd-Cu recoveries (75-90%)** and good Ni-Pt recoveries (60-75%) into separate Cu-PGE-Au and Ni-Co-PGE concentrates from high-grade sulphide composites.
 - « Initial locked-cycle flotation tests on disseminated sulphide composites indicate **good recoveries** achieved into separate Cu-PGE-Au and bulk Ni-Cu-PGE concentrates.

West Yilgarn Nickel-Copper-PGE Province, Western Australia

- « First-pass air-core drilling planned at the **Jansz and Torres Targets** at the northern end of the Julimar Complex, as well as at the **Recherche Target (Barrabarra)** in Q4 2021.

Falcon Metals Demerger and IPO

- « Chalice's **Pyramid Hill, Viking and Mt Jackson** gold projects to be spun-out (via a demerger and concurrent IPO) into **Falcon Metals Ltd** (proposed **ASX code: FAL**).
- « Highly qualified Board and Management secured to lead Falcon, including **Dr Mark Bennett** (Non-Exec Chair), **Tim Markwell** (Managing Director) and **Alex Dorsch** (Non-Exec Director).
- « Eligible Chalice shareholders are expected to receive 1 ordinary Falcon share for every 3 ordinary Chalice shares (**1-for-3**) via an **in-specie distribution**, subject to Chalice shareholder and regulatory approval.

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- « As part of the concurrent IPO, Falcon proposes to raise a **minimum of \$15 million and up to \$30 million** under a **pro-rata Priority Offer** to Chalice shareholders.

Corporate

- « Highly-regarded company director **Derek La Ferla** appointed as an Independent Non-Executive Director and will succeed retiring Chairman Tim Goyder at the upcoming AGM (subject to shareholder approval).
- « Experienced corporate lawyer and governance professional, **Linda Kenyon** appointed as an Independent Non-Executive Director.
- « Chalice remains in a **strong financial position** with **~\$81.3 million in cash** as at 30 September 2021.

1. Environment, Social and Governance

There were no significant environmental or safety incidents during the quarter.

Chalice released its inaugural Sustainability Report, Incorporated within the 2021 Annual Report lodged on 23 September 2021. This significant milestone reflects the growth of the Company and progress made in a number of sustainability themes. A copy of the Report can be viewed on our Company website [here](#).

Chalice's extensive stakeholder engagement activities on the Julimar Project continued during the quarter. The Company continues to prioritise local procurement options and has committed to several local community initiatives.

2. Exploration and Development Activities

2.1 Julimar Nickel-Copper-PGE Project, WA

2.1.1 Overview of activities

The following activities were completed at the project during the quarter:

- « Resource definition and extensional drilling continued on Chalice-owned private farmland during the quarter at the Gonneville PGE-Ni-Cu-Co-Au Deposit, which included:
 - « 92 RC holes for 17,800m – step-out drilling continued on an initial 80m x 40m spaced grid over the northern part of the Gonneville Intrusion and infill drilling continued on a nominal 40m x 40m spacing over the high-grade G1-G13 zones.
 - « 65 diamond holes (including diamond tails on RC pre-collars) for 19,600m – step-out drilling continued testing the extent of the high-grade zones along strike and down-dip and infill drilling commenced on selected locations on a nominal 40m x 40m spacing.
 - « Assay results were reported for 97 diamond holes and 174 RC holes and assay results remain pending for a further ~130 completed drill holes.
 - « Drilling is being completed on a nominal 40m x 40m spaced grid within an indicative pit shell, in order to maximise the classification of resources in the indicated category to a depth of ~220m below surface, and to define a combination of indicated and inferred category resources below ~220m.
 - « Resource and pit shell optimisation modelling is continuing for the maiden MRE, which is anticipated to be released in mid-Q4 2021.
- « Geotechnical diamond drilling and air-core (AC) drilling was completed in the oxide zone for metallurgical composites.

- « The Phase 2 metallurgical testwork program was completed, which included:
 - « Locked cycle sequential flotation testwork and batch variability testwork on composite metallurgical samples from various mineralised zones within the Gonneville Intrusion (G1-G6, G11 high-grade zones as well as disseminated zones).
 - « Leaching testwork also continued on oxide mineralisation samples.
 - « Testwork to determine comminution material properties was also completed.
- « Development studies for Gonneville to support a Scoping Study continued, which included:
 - « Ongoing geotechnical, water and non-process infrastructure studies.
 - « Investigation into bulk concentrate enrichment alternatives for the disseminated sulphide mineralisation, which commenced as part of the recent \$2.9M grant from the Australian Government's Co-operative Research Centre Projects (CRC-P) Program.
 - « The Company anticipates that a Scoping Study for the initial stage of development at Gonneville will be completed in Q2 2022.
- « Environmental and heritage surveys were completed at the Hartog-Baudin Targets, which included:
 - « Dieback and spring flora baseline surveys were completed over a ~2,000ha area in the southern part of the Julimar Complex, including the Hartog and Baudin Targets. Results have informed final environmental management requirements for drilling and have not resulted in any significant changes to the planned drilling program.
 - « A final Conservation Management Plan (CMP2) was submitted to the Department of Biodiversity, Conservation and Attractions. The 2nd CMP covers initial low-impact drilling activities at the Hartog and Baudin Targets, within the Julimar State Forest.
 - « Heritage surveys were completed by the Whadjuk and Yued Traditional Owners.
 - « No material modifications to the proposed ~70 drill sites across the ~10km strike length were made, following completion of the surveys.
 - « The Company has finalised its Environmental Management Plans, which are designed to minimise any significant impacts from drilling, ahead of expected State Government endorsement and approval to access the Julimar State Forest in the coming weeks.

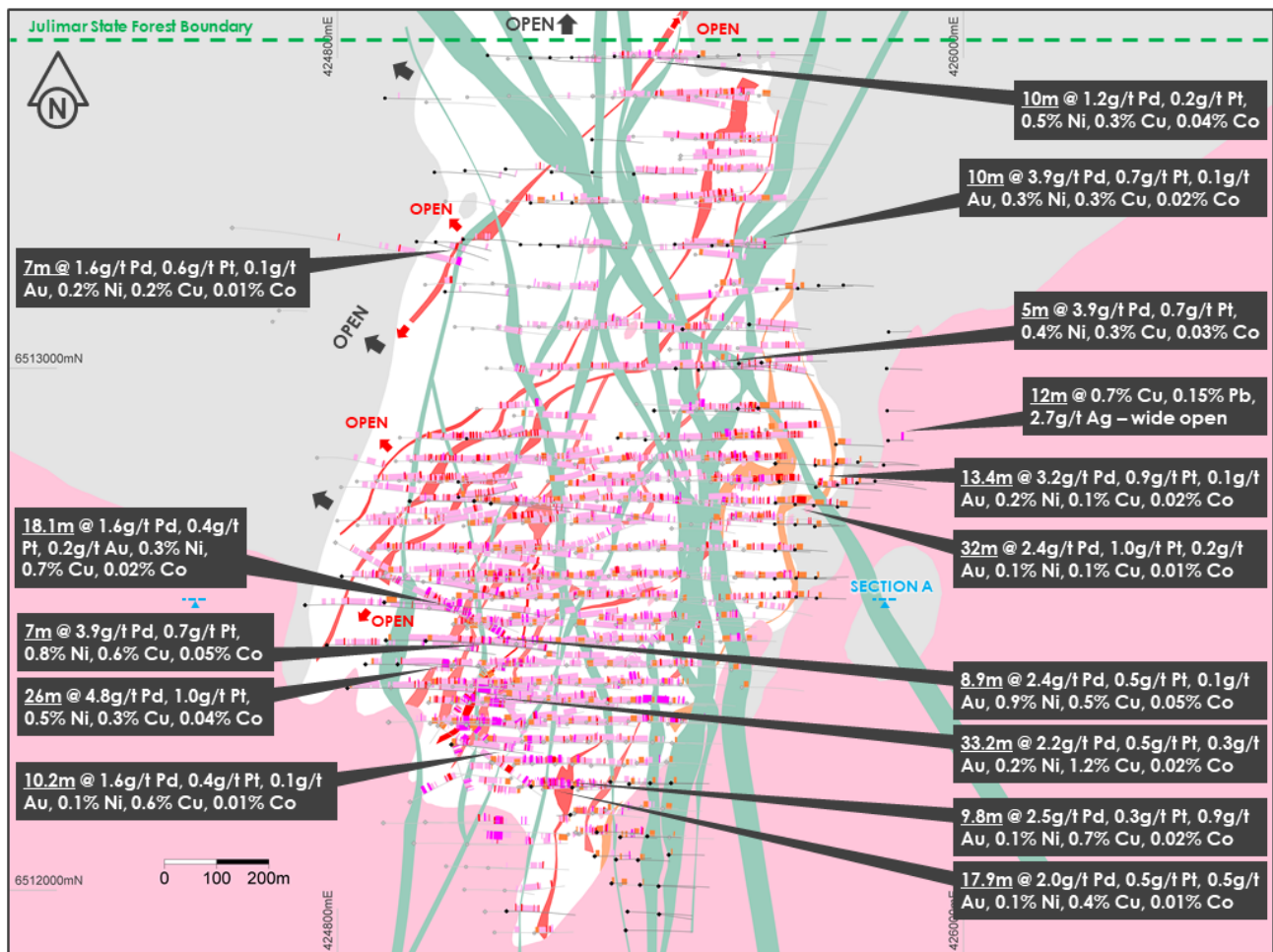
2.1.2 Gonneville resource definition drilling results

The step-out and resource definition drill program at the >1.9km x 0.9km Gonneville Deposit is continuing with six rigs. A total of 179 diamond drill holes and 425 RC drill holes (including RC pre-collars with diamond tails) for ~160,000m have been completed to date at the Project.

Drilling has now constrained the host Gonneville Intrusion up-dip, with the Intrusion remaining open both down-dip and along strike to the north into the Julimar State Forest (Figure 1). The intrusive 'sill' has been confirmed to continue to at least 800m below surface and is consistently 500-600m thick along strike.

As previously reported, detailed analysis of litho-geochemical data from drilling across the Gonneville Intrusion has indicated that the intrusion contains several subtly different but distinct geological domains which strike broadly north-east and dip to the north-west. This understanding has been further refined, with seven separate domains now defined.

The interpreted strike and dip of the higher sulphide abundance zones generally correlates well with the strike and dip of these domains. However, in certain areas drilling density is still not sufficient to make a definitive geological interpretation.



Julimar Nickel-Copper-PGE Project

Gonneville Intrusion Plan View – key new drill results over simplified geology at 160m RL
24 September 2021



Mineralisation

- >0.3g/t Pd
- >1.0g/t Pd
- >0.5% Ni+Cu
- Oxide >0.5g/t Pd
- New key intersection

Geology (chronological order)

- Sediments
- Gonneville Intrusion
- Granite
- Dolerite

Drill holes

- RC – new
- DDH – new
- RC – previous
- DDH – previous

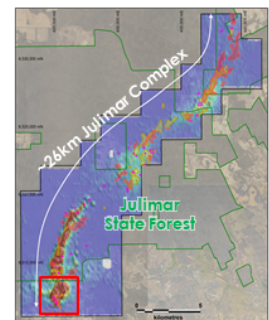


Figure 1. Gonneville Intrusion Plan View – key new drill results and high-grade G1-G13 zone outlines over simplified geology at 160m RL (~80m below surface).

2.1.2.1 Step-out drilling results

Step-out drilling down-dip of the high-grade G2, G4 and G6 zones has continued to intersect high-grade mineralisation, supporting the interpretation of a north-north-west plunge direction to each zone. Significant new high-grade (>1g/t Pd) results reported during the quarter include:

- « 26m @ 4.8g/t Pd, 1.0g/t Pt, 0.5% Ni, 0.3% Cu, 0.04% Co from 286m (JD130) – G2
- « 7m @ 3.9g/t Pd, 0.7g/t Pt, 0.8% Ni, 0.6% Cu, 0.05% Co from 223m (JD089) – G2
- « 6.3m @ 3.4g/t Pd, 2.0g/t Pt, 0.7g/t Au, 0.3% Ni, 0.3% Cu, 0.03% Co from 434.8m (JD096) – G6
- « 8.9m @ 2.4g/t Pd, 0.5g/t Pt, 0.1g/t Au, 0.9% Ni, 0.5% Cu, 0.05% Co from 246.1m (JD089) – G2
- « 7m @ 3.9g/t Pd, 0.7g/t Pt, 0.8% Ni, 0.6% Cu, 0.05% Co from 223m (JD089) – G2
- « 18.1m @ 1.6g/t Pd, 0.4g/t Pt, 0.2g/t Au, 0.3% Ni, 0.7% Cu, 0.02% Co from 600.2m (JD121) – G4

- « 3.3m @ 9.7g/t Pd, 0.3g/t Pt, 1.2% Ni, 0.6% Cu, 0.07% Co from 367.5m (JD115) – G2
- « 4.8m @ 2.9g/t Pd, 0.8g/t Pt, 1.2% Ni, 0.5% Cu, 0.07% Co from 374.2m (JD115) – G2
- « 10.2m @ 1.6g/t Pd, 0.4g/t Pt, 0.1g/t Au, 0.1% Ni, 0.6% Cu, 0.01% Co from 299m (JD090) – G4
- « 4.1m @ 3.6g/t Pd, 0.6g/t Pt, 0.5% Ni, 0.3% Cu, 0.04% Co from 368.5m (JD116) – G2

Step-out drilling up-dip of the high-grade G4 zone has intersected high-grade mineralisation near the eastern footwall contact of the Gonnevile Intrusion. Significant new high-grade (>1g/t Pd) results reported during the quarter include:

- « 32m @ 2.4g/t Pd, 1.0g/t Pt, 0.2g/t Au, 0.1% Ni, 0.1% Cu, 0.01% Co from 76m (JRC316) – G4
- « 13.4m @ 3.2g/t Pd, 0.9g/t Pt, 0.1g/t Au, 0.2% Ni, 0.1% Cu, 0.02% Co from 149m (JD123) – G4
- « 10m @ 3.9g/t Pd, 0.7g/t Pt, 0.1g/t Au, 0.3% Ni, 0.3% Cu, 0.02% Co from 225m (JRC301) – G4
- « 4m @ 6.2g/t Pd, 0.3g/t Pt, 0.7% Ni, 0.8% Cu, 0.04% Co from 58m (JRC351) – G4
- « 8m @ 2.0g/t Pd, 1.0g/t Pt, 0.2g/t Au, 0.1% Ni, 0.01% Co from 60m (JRC316) – G4
- « 4m @ 5.0g/t Pd, 0.5g/t Pt, 0.6g/t Au, 0.1% Ni, 0.01% Co from 88m (JRC351) – G4
- « 10m @ 1.7g/t Pd, 0.3g/t Pt, 0.3% Ni, 0.03% Co from 49m (JRC353) – G4

Step-out drilling along strike and down-dip of the high-grade G12 zone has continued to extend this zone, which remains open to the north. Hole JRC346 was drilled just south of the Julimar State Forest boundary and confirms that high-grade mineralisation is open into the State Forest. Significant new high-grade (>1g/t Pd) results include:

- « 10m @ 1.2g/t Pd, 0.2g/t Pt, 0.5% Ni, 0.3% Cu, 0.04% Co from 133m (JRC346) – G12
- « 7m @ 1.6g/t Pd, 0.6g/t Pt, 0.1g/t Au, 0.2% Ni, 0.2% Cu, 0.01% Co from 130m (JRC324) – G12

11 of the 13 zones of high-grade mineralisation within the deposit remain open. Most high-grade zones have now been defined to a depth of 250-600m below surface. The Company will continue wide-spaced step-out drilling targeting potential new high-grade zones and extensions of the highest-grade zones (G1-G6) defined to date, as these are currently assessed as being of sufficient grade to potentially support future underground mining.

The G1-G6 zones appear to have a north-north-westerly plunge orientation and, as such, deeper drilling is now focused on extending those zones at depth. Approximately 1,000m of plunge extent remains untested between the deepest G1-G6 intersections and the Julimar State Forest boundary, projected vertically.

2.1.2.2 Infill drilling results

Infill drilling of the high-grade G4 and G6 zones has intersected two broad intervals of mineralisation (>0.3g/t Pd) containing several internal high-grade (>1g/t Pd) intervals:

- « 98.9m @ 1.3g/t Pd, 0.5g/t Pt, 0.3g/t Au, 0.1% Ni, 0.4% Cu, 0.01% Co from 90.7m (JD112), including:
 - « 17.9m @ 2.0g/t Pd, 0.5g/t Pt, 0.5g/t Au, 0.1% Ni, 0.4% Cu, 0.01% Co from 97.8m;
 - « 15.8m @ 1.8g/t Pd, 1.0g/t Pt, 0.3g/t Au, 0.1% Ni, 0.5% Cu, 0.01% Co from 118m;
 - « 6m @ 1.3g/t Pd, 0.3g/t Pt, 0.3g/t Au, 0.1% Ni, 0.4% Cu, 0.01% Co from 141m; and,
 - « 10m @ 1.6g/t Pd, 0.5g/t Pt, 0.6g/t Au, 0.2% Ni, 0.7% Cu, 0.02% Co from 164m.
- « 75.2m @ 1.4g/t Pd, 0.4g/t Pt, 0.2g/t Au, 0.1% Ni, 0.7% Cu, 0.01% Co from 446.8m (JD128), including:
 - « 33.2m @ 2.2g/t Pd, 0.5g/t Pt, 0.3g/t Au, 0.2% Ni, 1.2% Cu, 0.02% Co from 453.8m – G6; and,
 - « 5.8m @ 1.6g/t Pd, 0.6g/t Pt, 0.3g/t Au, 0.1% Ni, 0.9% Cu, 0.01% Co from 490m – G4.

Other significant new high-grade (>1g/t Pd) infill drill intersections include:

- « 5m @ 3.9g/t Pd, 0.7g/t Pt, 0.4% Ni, 0.3% Cu, 0.03% Co from 61m (JRC330) – G2;
- « 17.7m @ 4.7g/t Pd, 1.3g/t Pt, 0.4% Ni, 0.4% Cu, 0.03% Co from 271m (JD120) – G2;

- « 9.9m @ 5.8g/t Pd, 1.3g/t Pt, 0.6% Ni, 0.4% Cu, 0.04% Co from 68.1m (JD090) – G2;
- « 20.1m @ 1.8g/t Pd, 0.8g/t Pt, 0.4g/t Au, 0.2% Ni, 0.6% Cu, 0.02% Co from 51.9m (JD112);
- « 9.8m @ 2.5g/t Pd, 0.3g/t Pt, 0.9g/t Au, 0.1% Ni, 0.7% Cu, 0.02% Co from 23m (JD108) – G6
- « 5.8m @ 1.6g/t Pd, 0.6g/t Pt, 0.3g/t Au, 0.1% Ni, 0.9% Cu, 0.01% Co from 490m (JD128) – G4

2.1.3 Metallurgical testwork results

Results have been received from over 100 batch and nine locked cycle flotation tests completed on sulphide mineralisation samples representing a range of mineralogy and grades (refer to ASX Announcement on 16 February 2021). Unoptimised, preliminary results from sequential flotation tests on high-grade sulphide samples indicate (recovery to concentrate as a % of head grade):

- « Copper recovery to a typical Cu-PGE-Au concentrate is expected to be 80-90%;
- « Nickel and cobalt recovery to a typical Ni-Co-PGE concentrate is expected to be 60-75%;
- « Overall palladium recovery into the two concentrates is expected to be 75-85%;
- « Overall platinum recovery into the two concentrates is expected to be 65-75%; and,
- « Gold recovery to a typical Cu-PGE-Au concentrate is more variable, expected to be 35-75%.

Ongoing early-stage optimisation work continues to improve recovery and concentrate grades from the lower grade disseminated sulphide composites and has demonstrated the ability to produce commercially attractive concentrates. Given the new understanding of litho-chemical domains, new metallurgical samples will be compiled accordingly. Further work is required over the coming months to establish metal recoveries and concentrate grades.

In order to maximise metal payability from the disseminated sulphide composites, several processing alternatives are being investigated, including producing a high-grade Cu-PGE-Au concentrate for sale, together with a lower grade bulk Ni-Cu-PGE concentrate for sale or enrichment to higher grade intermediate products. Flowsheet development is continuing as part of the ongoing project Scoping Study.

Results from over 30 leach tests to date on oxide composites have demonstrated good recovery of Pd-Au into solution with various reagents. As yet, the Company has not attempted recovery of metal from solution and this work is ongoing.

Comminution parameters have been determined from a variety of composites providing a solid basis for design. Bond Work Index at a 38-53µm primary grind size is expected to be 19-24kWh/t, which is at the higher end of industry standards.

2.1.4 Forward plan

Chalice's Julimar Project strategy is to concurrently advance studies for an initial mining development at Gonneville on private farmland while continuing to define the full extent of mineralisation along the >26km long Julimar Complex.

Ongoing and planned activities at Julimar include:

- « **Step-out drilling (Gonneville)** – RC drilling is expected to be completed in the coming weeks, subject to results. Deeper step-out diamond drilling on a nominal ~80m spacing is expected to continue until ~Q1 2022, subject to results. The Company anticipates that its maiden Mineral Resource Estimate will be released in mid-Q4 2021.
- « **Geotechnical, metallurgical, hydrogeological and infrastructure drilling (Gonneville)** – AC/RC/diamond drilling to support studies for Gonneville will commence once resource drilling is complete and will continue until ~Q1 2022.
- « **Metallurgical testwork (Gonneville)** – ongoing testwork is now focused on the optimisation of disseminated sulphide performance and continuing leach testwork on oxide composites.

Investigation into bulk concentrate enrichment alternatives has commenced for the disseminated sulphide mineralisation as part of the recent \$2.9M grant from the Australian Government's Co-operative Research Centre Projects (CRC-P) Program. Initial waste rock and tailings characterisation testwork continues.

- « **Studies (Gonneville)** – Work is underway to support studies for the project, which will assess mining development scenarios for the Gonneville deposit. The Company anticipates that a Scoping Study for the initial stage of development at Gonneville will be completed in Q2 2022.
- « **Reconnaissance drilling at the Hartog-Baudin Targets within the Julimar State Forest** – First-pass low-impact drilling utilising small track-mounted diamond rigs is planned to commence immediately once access and permitting approvals have been secured, which is expected in the coming weeks. A total of ~70 drill sites are planned across the ~10km strike length, with the ability to drill multiple angled holes at each site. No mechanised vegetation clearance is required to complete this first pass of drilling.
- « **Reconnaissance drilling at the Jansz-Torress Targets at the northern end of the Julimar Complex** – First-pass AC drilling is planned on private farmland in Q4 2021.

2.2 Pyramid Hill Gold Project, Victoria

Chalice has commenced the transfer process of tenure, in preparation for the demerger and IPO of Falcon Metals.

Planning is underway in preparation for the next round of exploration drilling at Pyramid Hill, which is expected to commence in Q4 2021. Future diamond and AC drilling programs are planned at the Karri, Ironbark, Banksia and Wandoo prospects. Initial reconnaissance AC drilling is also planned over new targets on recently granted tenure.

2.3 Hawkstone Nickel-Copper-Cobalt Project, WA

Diamond drill hole HD001 (225.6m) was completed during the quarter targeting a ground EM conductor associated with outcropping Ruins Dolerite. HD001 intersected two intervals of Ruins Dolerite from 0-171m and 202-225.6m, separated by Marboo Formation metasediments over 171-202m containing graphitic siltstone (197.3-202m) with narrow semi-massive sulphides (pyrrhotite-pyrite). Minor amounts of disseminated sulphides (1-3% sulphides) were logged from the uppermost interval of Ruins Dolerite, however these appear to be dominantly iron sulphides (pyrrhotite, pyrite).

The interval of graphitic siltstone containing semi-massive sulphides appears to explain the EM target and downgrades the target. Assays for the hole remain pending.

2.4 Barrabarra Nickel-Copper-PGE Project, WA

Land access agreements and permit approvals are in place for first-pass AC drill testing of the Recherche soil geochemical anomaly and associated EM conductors, which is expected to commence in November 2021.

A program of auger soil sampling is also planned to commence in November to test a series of aeromagnetic anomalies located along the western extension of the Recherche target.

2.5 South West Nickel-Copper-PGE Project, WA

A ground EM program is planned to re-commence in late-October 2021 targeting the Thor Prospect, an interpreted mafic-ultramafic intrusive complex. This program will utilise fixed-loop EM surveying due to the difficult nature of the terrain. Any resultant bedrock conductors will be followed up with soil geochemistry to define potential drill-ready targets.

2.6 Auralia Nickel-Copper-PGE Project, WA

An earn-in agreement was executed with SensOre Limited whereby SensOre may earn up to a 51% interest in the Auralia Project by spending \$1.5 million within 2 years (Stage 1), which includes a minimum commitment of \$0.5 million and drilling at least one 600m hole before being able to withdraw. SensOre may earn an additional 19% (at Chalice's election) by spending a further \$3.5 million within 2 years from earning its Stage 1 interest.

2.7 Viking Gold Project, WA

Chalice has commenced the transfer process of tenure, in preparation for the demerger and IPO of Falcon Metals.

No exploration was completed during the quarter. The Company continues to progress permitting approvals for initial RC drilling, which is expected to commence in late Q4 2021.

3. Corporate

3.1 Board Appointments

On 24 August 2021, the Company announced the appointment of Ms Linda Kenyon as an Independent Non-Executive Director and the intention of Canadian based Independent Non-Executive Director, Mr Stephen Quin to step down from the Board at the upcoming Annual General Meeting (AGM) in November.

Ms Kenyon is a highly experienced corporate lawyer, governance professional and former senior executive with a career spanning 32 years at Wesfarmers Limited. Linda was a member of Wesfarmers Executive Leadership Team and was Wesfarmers Company Secretary for 17 years.

On 1 October 2021, the Company announced that its long-serving Chairman and founder, Mr Tim Goyder, intends to retire from the Board at the upcoming AGM. Mr Goyder founded Chalice in 2006 and, over an impressive 15-year term, has been a key driving force behind the Company's growth and success, culminating most recently in the globally-significant Julimar Nickel-Copper-PGE discovery near Perth. Mr Goyder leaves a remarkable legacy and feels that now is the appropriate time to retire as the Company moves into development studies phase.

In conjunction with the announcement of Mr Goyder's retirement, Mr Derek La Ferla was appointed as an Independent Non-Executive Director. Mr La Ferla will seek re-election at the upcoming AGM, and subject to being re-elected, will be appointed Chair effective from the close of the AGM.

Mr La Ferla is an experienced and highly regarded ASX200 chair and company director, with an extensive national network in business, capital markets, government and industry. He has wide-ranging board experience across a number of corporations in Western Australia, including as chair of leading mid-tier copper miner Sandfire Resources Limited.

3.2 Proposed demerger and IPO – Falcon Metals Limited

The Company is proceeding with the previously foreshadowed demerger and IPO of its highly prospective Australian gold assets. The proposed demerger will establish a new ASX-listed gold exploration company called **Falcon Metals Limited** (proposed ASX: **FAL**), with its own highly experienced board and management team.

Chalice has secured a high-calibre and experienced team with a proven track record in making major discoveries and delivering exceptional returns to shareholders. The team will bring a significant amount of technical knowledge, together with strong commercial acumen and corporate

leadership skills. These appointments will commence upon the receipt of conditional approval from the ASX for the admission of Falcon to the official list of the ASX.

The demerger will be effected by a distribution of 100% of the Falcon shares on issue via an in-specie dividend and capital return by Chalice, through which eligible Chalice shareholders are expected to receive 1 share in Falcon for every 3 shares held in Chalice (based on the current number of shares on issue).

Chalice shareholders whose address as shown in Chalice's members' register is in Australia or New Zealand as of the record date will be eligible shareholders. The entitlements of ineligible foreign shareholders to Falcon shares as part of the in-specie distribution will be transferred to a sale agent nominated by Chalice, with the net proceeds of sale to be transmitted to the ineligible foreign shareholders (Sale Facility). Further details regarding the Sale Facility will be detailed in a Notice of Meeting to be made available to all Chalice shareholders.

As part of the demerger and concurrent listing on the ASX in an initial public offering (IPO), Falcon also proposes to raise a minimum of \$15 million and up to \$30 million (before costs) under a pro-rata priority offer to eligible Chalice shareholders (Priority Offer).

The Priority Offer will allow eligible Chalice shareholders to subscribe for an amount of shares in Falcon proportional to the number of shares held in Chalice as at the relevant record date (in a similar manner to a rights issue).

Any shares not taken up pursuant to the Priority Offer will form the Shortfall Offer. Eligible Chalice shareholders, together with new investors, will also have the opportunity to subscribe for any shares that are not subscribed for under the Priority Offer. Further details regarding the IPO and the allocation policy will be provided in a Prospectus to be lodged by Falcon in due course.

Chalice has engaged with the Australian Tax Office (ATO) in relation to demerger tax relief and has submitted a final ruling application to the ATO on this matter. However, as is usual, any final class ruling will only be issued after implementation of the demerger.

The demerger is subject to final Board, regulatory and shareholder approvals. If approved, the demerger is expected to be completed in late 2021. The Notice of Meeting and Prospectus are currently being prepared and the Company will provide further details around timing in the upcoming Prospectus.

3.3 Cash and investments

As at 30 September 2021, Chalice had a cash balance of ~\$81.3 million and \$5.1 million in listed investments, which include shares held in Caspin Resources Ltd (ASX: CPN).

During the Quarter, Chalice disposed of its remaining holding in O3 Mining Inc for proceeds of ~\$4.6 million.

3.4 Cashflow

During the quarter, operating cashflows included expenditures of \$13.7 million on exploration activities (including ~\$12.1 million at the Julimar Project), \$2.0 million in payroll taxes in relation to vested performance rights and \$1.3 million on corporate and administration (net of interest).

Further details are available in the attached Appendix 5B.

3.5 Payments to related parties of the entity and their associates

Payments of \$367k reported in Item 6.1 of the attached Appendix 5B, relates to salaries and fees (including superannuation) paid to Directors.

3.6 Share Capital

On 3 August 2021, the Company issued 5,930,787 fully paid ordinary shares following the vesting of 2018/2019 Performance Rights (Performance Rights) in accordance with the terms of the Company's Long Term Incentive Plan.

The Performance Rights were issued to key management personnel and employees in 2018 vested in full following determination by the Board that the performance conditions have been satisfied over the three-year measurement period ended 30 June 2021.

On 5 August 2021, 150,000 options were exercised at \$2.20 per fully paid ordinary share.

On 23 September 2021, 296,160 Performance Rights for 2021/2022 were issued to senior executives and employees of the Company under the terms of the Employee Securities Incentive Plan. In addition, 65,631 performance rights were awarded to Mr Dorsch, Managing Director and Chief Executive Officer on the same terms and conditions, subject to the receipt of shareholder approval at the upcoming AGM.

The following table provides a summary of the securities on issue as at the date of this report:

Security Description	No.
Ordinary fully paid shares	352,938,180
Unlisted options @ \$0.21, expiry 30 November 2021	1,000,000
Unlisted options @ \$2.20, expiry 30 June 2023	550,000
2019/2020 Performance Rights, measurement date 30 June 2022	5,292,347
2020/2022 Performance Rights, measurement date 30 June 2023	1,170,077
2021/2022 Performance Rights, measurement date 30 June 2024	296,160

3.7 Tenement holdings

In accordance with ASX Listing Rule 5.3, please refer to Appendix A for a listing of all tenement holdings.

Authorised for release by the Board.

For further information, please visit www.challicemining.com or contact:

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Follow our communications

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Twitter: [@challicemining](https://twitter.com/challicemining)

Competent Persons and Qualifying Persons Statement

The information in this report that relates to Exploration and Metallurgical Results in relation to the Julimar Nickel-Copper-PGE Project is based on and fairly represents information and supporting documentation compiled by Mr. Bruce Kendall BSc (Hons), a Competent Person, who is a Member of the Australian Institute of Geoscientists. Mr. Kendall is a full-time employee of the Company and has sufficient experience that is relevant to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Mr Kendall consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Information in this report that relates to prior exploration results for the Julimar Project is extracted from the following ASX announcements:

- « "Resource drilling continues to define continuous high-grade zones at Julimar", 2 July 2021
- « "Twelfth High-Grade Zone Defined at Julimar", 2 August 2021
- « "Gonneville High-Grade Zones Extended at Depth", 28 September 2021

The above announcements are available to view on the Company's website at www.chalicemining.com. The Company confirms that it is not aware of any new information or data that materially affects the exploration results included in the relevant original market announcements. The Company confirms that the form and context in which the Competent Person and Qualified Person's findings are presented have not been materially modified from the relevant original market announcements.

Forward Looking Statements

This report may contain forward-looking information, including forward looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, forward-looking statements). These forward-looking statements are made as of the date of this report and Chalice Mining Limited (the Company) does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company's strategy, the likelihood of the planned demerger transaction and subsequent IPO of Falcon Metals Ltd, the proposed capital raising by Falcon associated with the transaction and the prospects of success of the demerged entity post-demerger.

In certain cases, forward-looking statements can be identified by the use of words such as, "anticipated", "appears", "being", "expected", "interpreted", "highly", "planned", "potential", "preliminary", "proposes", "significant", "subject to", "upcoming", "will" or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Such factors may include, among others, risks related to regulatory approvals of the demerger transaction and listing of Falcon on the ASX, actual results of current or planned exploration activities by Falcon, changes in market conditions which affect the completion of the demerger and capital raising process, obtaining appropriate approvals to undertake exploration activities in the portfolio

of projects, changes in exploration programs and budgets based upon the results of exploration, future prices of mineral resources; grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; movements in the share price of investments and the timing and proceeds realised on future disposals of investments, the impact of the COVID 19 epidemic as well as those factors detailed from time to time in the Company's interim and annual financial statements, all of which are filed and available for review on SEDAR at sedar.com, ASX at asx.com.au and OTC Markets at otcmarkets.com.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Not an offer of securities

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

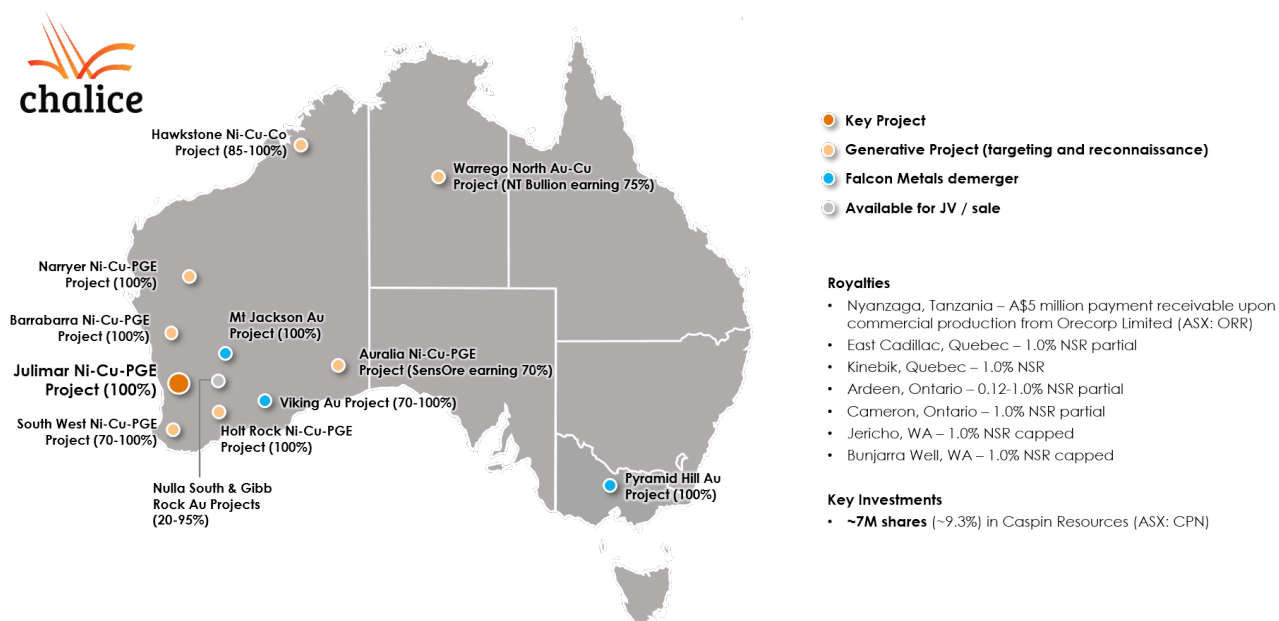


Figure 2. Chalice's project locations, royalties and investments.

The following information is provided in accordance with ASX Listing Rule 5.3 for the quarter ended 30 September 2021.

Table 1. Listing of tenements held

Location	Project	Tenement No.	Registered Holder	Nature of interest
Western Australia	Hawkstone	E04/1169	Waterford Bay Pty Ltd	100% of the hard-rock mineral rights
		E04/2405	Waterford Bay Pty Ltd	100% of the hard-rock mineral rights
		E04/2563	Kimberley Alluvials Pty Ltd	100% of the hard-rock mineral rights
		E04/2299	Strategic Metals Pty Ltd	0% - Earn-in agreement, right to earn up to an 85% interest
		E04/2325	Strategic Metals Pty Ltd	0% - Earn-in agreement, right to earn up to an 85% interest
	Gibb Rock	E70/4869	CGM (WA) Pty Ltd	95%
		E70/5194	CGM (WA) Pty Ltd	100%
	Nulla South	E77/2353 to E77/2354	CGM (WA) Pty Ltd	20% - JV with Ramelius Resources
	Julimar	E70/5118 to E70/5119	CGM (WA) Pty Ltd	100%
		E70/5350	CGM (WA) Pty Ltd	100%
	Julimar (regional)	E70/5358 to E70/5361	CGM (WA) Pty Ltd	100%
		E70/5367	CGM (WA) Pty Ltd	100%
		E70/5369	CGM (WA) Pty Ltd	100%
		E70/5373	CGM (WA) Pty Ltd	100%

	Auralia	E69/3636 to E69/3637	CGM (WA) Pty Ltd	100% - SensOre has the right to earn up to a 70% interest
		E69/3700	CGM (WA) Pty Ltd	
	Barrabarra	E70/5263 to E70/5264	CGM (WA) Pty Ltd	100%
		E70/5355 to E70/5356	CGM (WA) Pty Ltd	100%
		E70/5535	CGM (WA) Pty Ltd	100%
		E70/5550 to E70/5551	CGM (WA) Pty Ltd	100%
		E70/5624	CGM (WA) Pty Ltd	100%
		E70/5666 to E70/5667	CGM (WA) Pty Ltd	100%
		E70/5695	CGM (WA) Pty Ltd	100%
		E59/2451	CGM (WA) Pty Ltd	100%
	Viking	E63/1963	Metal Hawk Ltd	0% - Earn-in agreement, right to earn up to a 70% interest
	Mt Jackson	E77/2577	CGM (WA) Pty Ltd	100%
	South West	E70/5086	Nebula Pty Ltd	100%
		E70/5532	Nebula Pty Ltd	100%
		E70/5685	CGM (WA) Pty Ltd	100%
		E70/4837	Venture Lithium Pty Ltd	0% - Earn-in agreement, right to earn up to a 70% interest
		E70/5067	Venture Lithium Pty Ltd	
	E70/5421	Venture Lithium Pty Ltd		
	Holt Rock	E70/5536	CGM (WA) Pty Ltd	100%
	Wubin	E70/5357	CGM (WA) Pty Ltd	100%
Narryer	E09/2436	CGM (WA) Pty Ltd	100%	
	E09/2446 to E09/2447	CGM (WA) Pty Ltd	100%	
Victoria	Pyramid Hill	EL006661	CGM (WA) Pty Ltd	100%
		EL006669	CGM (WA) Pty Ltd	100%
		EL006737 to EL006738	CGM (WA) Pty Ltd	100%
		EL006864	CGM (WA) Pty Ltd	100%
		EL006898	CGM (WA) Pty Ltd	100%
		EL006901	CGM (WA) Pty Ltd	100%
		EL006960	CGM (WA) Pty Ltd	100%
		EL007040	CGM (WA) Pty Ltd	100%
		EL007120 to EL007121	CGM (WA) Pty Ltd	100%
		EL007322	CGM (WA) Pty Ltd	100%
Northern Territory	Warrego North	EL23764	CGM (WA) Pty Ltd (51%) & Meteoric Resources NL (49%)	Earn-in agreement, right to earn up to a 70% interest

		EL31608	CGM (WA) Pty Ltd	100% - TC Resources NT Pty Ltd has the right to earn up to a 75% interest
		EL31610	CGM (WA) Pty Ltd	
Queensland	Flinders River	EPM26861	CGM Lithium Pty Ltd	100%
		EPM26866	CGM Lithium Pty Ltd	100%

Table 2. Listing of tenements acquired (directly or beneficially) during the quarter

Location	Project	Tenement No.	Registered Holder	Interest at end of Quarter
Western Australia	South West	E70/5685	CGM (WA) Pty Ltd	100%

Table 3. Tenements relinquished, reduced or lapsed (directly or beneficially) during the quarter

Nil

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Chalice Mining Limited

ABN

47 116 648 956

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9	9
1.2 Payments for		
(a) exploration & evaluation	(13,730)	(13,730)
(b) development	-	-
(c) production	-	-
(d) staff costs	(798)	(798)
(e) administration and corporate costs	(492)	(492)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	34	34
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/received	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Payroll taxes on vested performance rights	(2,065)	(2,065)
1.9 Net cash from / (used in) operating activities	(17,042)	(17,042)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment ⁽¹⁾	(5,269)	(5,269)
(d) exploration & evaluation	-	-
(e) investments	(901)	(901)
(f) other non-current assets ⁽¹⁾	(278)	(278)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	4,637	4,637
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1,811)	(1,811)

(1)Includes cash consideration paid for a private property at the Julimar project.

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	330	330
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(70)	(70)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(17)	(17)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	243	243

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	99,884	99,884
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(17,042)	(17,042)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,811)	(1,811)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	243	243

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	74	74
4.6	Cash and cash equivalents at end of period	81,348	81,348

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	15,635	15,635
5.2 Call deposits	65,713	65,713
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	81,348	81,348

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	367
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(17,042)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(17,042)
8.4 Cash and cash equivalents at quarter end (item 4.6)	81,348
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	81,348
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.77
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not applicable	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Not applicable	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date:21 October 2021.....

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.