

22 January 2024

Corporate update

Highlights

- « In light of current weak market conditions, a further expenditure review has been completed and 2024 expenditures are expected to **reduce by ~40%** relative to 2023:
 - « **Material reductions in executive salaries, director fees and other corporate costs**, plus a rationalisation of the Company's management structure, has driven a **~\$2.2Mp.a. decrease** in corporate overheads.
 - « **Completion of Gonneville Resource drilling** in the coming weeks also results in a significant decrease in future expenditure levels (**c. \$29M decrease on 2023**) – sufficient resources are at Indicated confidence level to allow completion of feasibility studies.
 - « Expenditure is forecast to average **~\$3M per month** from Q2 2024 onwards (previously ~\$5M per month) and can be adapted according to market conditions and circumstances.
- « Chalice's balance sheet remains very strong with **~\$112M cash on hand**, providing a significant runway that will allow execution of the growth strategy with maximum flexibility and capital discipline, **without needing to raise capital in the foreseeable future**.
- « The expenditure review **will not affect the overall Gonneville Project development schedule or ongoing high-priority greenfield exploration** activities across the West Yilgarn Province. Budgeted 2024 activities include:
 - « Ongoing re-modelling of the Gonneville Mineral Resource Estimate (Resource) to suit high-grade, selective open pit/underground mining methods (targeting completion in **March 2024**);
 - « Ongoing Gonneville Pre-Feasibility Study (PFS), including the scoping of a high-grade starter case (targeting completion in **Q2 2024**) as well as extensive metallurgical testwork and infrastructure development studies;
 - « Gonneville regulatory approvals (referral on track for Q1 2024); and,
 - « **High-priority greenfield exploration**, including new copper and precious metals targets – two rigs are currently drilling at northern end of the Julimar Complex and an initial program of RC drilling at Barrabarra is nearing completion.
- « The reduction in expenditure will not impact the targeted completion of the Gonneville PFS in mid-2025 and the expected Final Investment Decision (FID) for the Project in late 2026.
- « **Positive progress made with potential strategic partners for the Gonneville Project**, reinforcing the long-term strategic nature and value of the project – discussions remain ongoing with the aim of identifying a preferred partner in early 2024.

Overview

Chalice Mining Limited ("Chalice" or "the Company", ASX: CHN) advises that, in light of current weak market conditions, the Company has taken decisive action to reduce corporate overheads in order to maintain its strong balance sheet position (~\$112 million cash at 31 December 2023) and execute its growth strategy without needing to raise capital in the foreseeable future. This follows an earlier expenditure review which was completed in Q4 2023.

The changes will not impact Chalice's ability to advance the 100%-owned Gonneville Project towards a targeted FID in 2026, the ongoing strategic partnering process, or the Company's capacity to continue high-priority exploration activities outside of Gonneville.

Several executive and management changes have been implemented as part of a rationalisation of the Company's organisation and management structure.

Chalice remains in active discussions as part of the ongoing Gonneville strategic partnering process, however there can be no guarantee at this time of a transaction.

Drilling activities and associated expenditures at the Gonneville Project will cease in the coming weeks, given that sufficient resource definition drilling is now complete. Sufficient resources are at Indicated confidence level to allow the completion of feasibility studies¹.

Exploration activities going forward will be focused on high-priority greenfield targets, including copper and precious metals targets, across the Company's extensive ground position in the West Yilgarn Province of Western Australia. Two rigs are currently drilling at northern end of the Julimar Complex (at the Julimar Exploration Project) and an initial program of RC drilling at the Barrabarra Project is nearing completion. All assay results for these programs are pending.

These measures will ensure that the Company's current financial strength and flexibility is maintained and ensure there is no requirement to raise capital for the foreseeable future. Chalice maintains a disciplined approach to capital management and can adapt expenditure levels according to market conditions and circumstances if warranted.

Chalice Managing Director and CEO, Alex Dorsch said: *"Market conditions have continued to deteriorate in the resources sector in the early part of 2024, particularly in nickel and platinum group metals. Chalice has taken decisive action to ensure we maintain our strong financial position and re-balance expenditures, whilst preserving the key internal capabilities required to progress key development and exploration activities that will ultimately drive long-term value for shareholders."*

"The current palladium price is estimated to be at approximately 50% of the cost curve², meaning that around half of the world's mines are currently operating at a loss. Internal combustion and hybrid vehicle sales are also very strong³ and there are emerging palladium applications in the green hydrogen sector. As such, and guided by historical price behaviour, we expect to see a recovery in the palladium price in the near term."

"The nickel market is also experiencing structural changes, with an oversupply of highly polluting, high carbon intensity nickel from Indonesia. Given the majority of this supply is driven by Chinese investment and will not be compliant with the United States Inflation Reduction Act, in our view western battery makers are still actively looking to source western nickel and this is not reflecting in LME prices."

¹ It is expected that current Indicated Resources are sufficient for completion of studies, however, only once studies are completed will this be confirmed

² UBS Research Jan 2024, SFA Oxford

³ JPM Research, Motor Intelligence Jan 2024

"The changes implemented will ensure that Chalice maintains a strong cash runway, giving us the flexibility to navigate through the current challenging market conditions while ensuring we are still well placed to capitalise on the value of the Gonneville asset for our shareholders.

"We remain focused on attracting a tier-1 strategic partner for Gonneville with the financial, technical and/or marketing capabilities to assist Chalice in bringing the Gonneville Project into production. We have made positive progress on this front and remain in active discussions.

"At the same time, our exploration team remains focussed on delivering the next major discovery in the West Yilgarn with several high-priority targets to be drilled over the next few months. Given the West Yilgarn hosts the >40Moz Boddington Gold-Copper Mine, the world-class Greenbushes Lithium Mine and our world-class Gonneville Ni-Cu-PGE Deposit, we are very excited about the exploration potential of the province.

Expenditure review

Total forecast expenditure in 2024 is expected to be ~40% lower than in 2023. This reduction reflects the completion of Gonneville resource definition drilling (a \$29 million decrease on 2023) and a reduction in corporate overheads by ~\$2.2 million.

Following the de-mobilisation of drill rigs at Gonneville in the coming weeks, expenditure is forecast to average ~\$3 million per month from Q2 2024 (previously ~\$5 million per month) onwards and can be adapted according to market conditions and circumstances at any time.

Following a comprehensive review, executive salaries, director fees (reduced by 25%) and other corporate costs (i.e. insurance, advisors, compliance fees) have been materially reduced and several management roles have been rationalised.

While the Gonneville Project continues to offer substantial exploration upside at depth, exploration activities going forward will be focused on new greenfield targets across the Company's >9,600km² West Yilgarn licence holding.

Gonneville Project studies and regulatory approvals will not be affected by the reduction in expenditures. Budgeted 2024 activities at the Project include:

- « Ongoing re-modelling of the Resource to suit high-grade, selective open pit/underground mining methods (targeting completion in March 2024);
- « Ongoing PFS, including the scoping of a high-grade starter case (targeting completion in Q2 2024), metallurgical testwork and infrastructure studies; and,
- « Regulatory approvals (referral on track for Q1 2024).

No change to the overall Project schedule is anticipated, with a targeted FID in late 2026.

This announcement has been authorised for release by the Board.

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

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Forward Looking Statements

This announcement may contain forward-looking statements and forward information, (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 impact of the discovery on the Gonneville Project's capital payback; the Company's planned strategy and corporate objectives; objectives of the strategic partnering process, the realisation of Mineral Resource Estimates; anticipated production; sustainability initiatives; climate change scenarios; the likelihood of further exploration success; the timing of planned exploration and study activities on the Company's projects; mineral processing strategy; access to sites for planned drilling activities; planned production and operating costs profiles; planned capital requirements; the success of future potential mining operations and the timing of the receipt of exploration results.

In certain cases, forward-looking statements can be identified by the use of words such as, "anticipate", "are", "continue", "estimate", "expected", "for", "forecast", "future", "interpreted", "is", "may", "open", "plan" or "planned", "potential", "strategy", "target", "view", "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 actual results of current or planned exploration activities; whether geophysical and geochemical anomalies are related to economic mineralisation or some other feature; whether visually identified mineralisation is confirmed by laboratory assays; obtaining appropriate approvals to undertake exploration activities; metal grades being realised; metallurgical recovery rates being realised; results of planned metallurgical test work including results from other zones not tested yet, scaling up to commercial operations; changes in project parameters as plans continue to be refined; changes in exploration programs and budgets based upon the results of exploration; successful completion of the strategic partnering process; changes in commodity prices and economic conditions; political and social risks, accidents, labour disputes and other risks of the mining industry; delays or difficulty in obtaining governmental approvals, necessary licences, permits or financing to undertake future mining development activities; changes to the regulatory framework within which Chalice operates or may in the future; movements in the share price of investments and the timing and proceeds realised on future disposals of investments 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 the ASX at asx.com.au.

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.