



ASX Announcement

30 September 2021

Chalice confirms gold spin-out into Falcon Metals Limited

Highlights

- « Chalice's **Pyramid Hill, Viking and Mt Jackson** gold projects to be spun-out (via a demerger and concurrent IPO) into a new standalone, gold-focused ASX-listed exploration company called **Falcon Metals Ltd** ("Falcon"; proposed **ASX code: FAL**).
- « Highly qualified Board and Management secured to lead Falcon, including one of most decorated explorers in Australia, **Dr Mark Bennett, who has been appointed Non-Executive Chair**.
- « Highly-regarded geologist and executive **Tim Markwell appointed as Managing Director**.
- « Chalice's MD & CEO **Alex Dorsch** will join the Board of Falcon as a **Non-Executive Director** to ensure a smooth transition of the projects into the new standalone entity.
- « 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.
- « As part of the concurrent IPO, Falcon to raise a **minimum of \$15 million and up to \$30 million** under a **pro-rata Priority Offer** to Chalice shareholders.
- « Prospectus and offer documentation currently being prepared and to be issued in due course.

Overview

Chalice Mining Limited ("Chalice" or "the Company", ASX: CHN | OTCQB: CGMLF) is pleased to confirm that it is proceeding with the previously foreshadowed demerger and IPO of its highly prospective Australian gold assets (see Figure 1). 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.

The decision follows a strategic review of Chalice's portfolio which concluded that a demerger of the Company's gold projects (including the district-scale, 100%-owned Pyramid Hill Gold Project in Victoria) is the optimal structure to maximise value for our shareholders.

The demerger will allow Chalice to focus on its world-class Julimar Ni-Cu-PGE Project and the new West Yilgarn Ni-Cu-PGE Province in Western Australia, where exploration and evaluation activities are rapidly accelerating.

Following its admission to the official list of ASX, Falcon intends to transition its headquarters to Melbourne, Victoria, as its principal focus will be its highly prospective Pyramid Hill Gold Project in the Bendigo Zone of Victoria. Following the planned demerger, Falcon will hold exploration interests over

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the largest exploration licence holding (>5,000km²) of any company in the Bendigo Zone, which hosts the world-class Fosterville Gold Mine (>8Moz Au)¹ and historic Bendigo Goldfield (>22Moz Au)².

Falcon's portfolio will be further enhanced by two other early-stage but highly prospective gold projects in Western Australia, the Viking Project and the Mt Jackson Project (Figure 1).

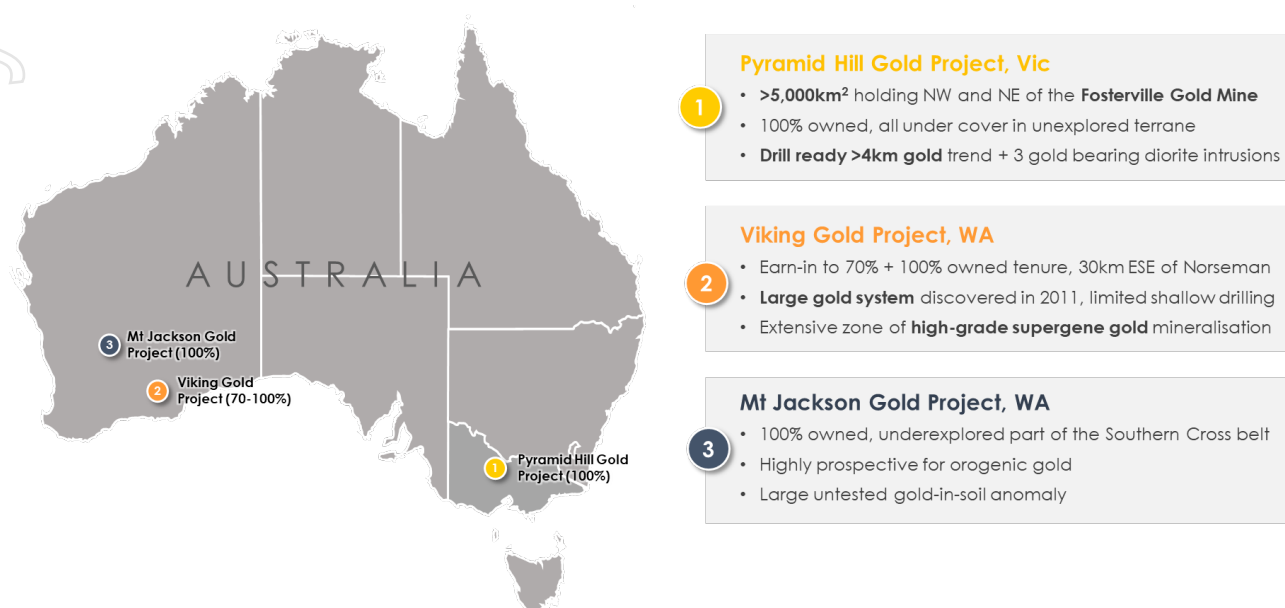


Figure 1. Falcon Metals Ltd portfolio

Chalice's Managing Director and Chief Executive Officer, Alex Dorsch, said: "We are pleased to confirm the details of the upcoming demerger and IPO of our highly prospective Australian gold assets into Falcon Metals. This will result in the establishment of a significant new, well-funded ASX-listed gold explorer with a high-quality portfolio spanning some of Australia's most highly-endowed gold provinces.

"Importantly, Chalice shareholders will retain exposure to these assets via an in-specie distribution of shares in Falcon Metals on a 1-for-3 basis. I think this is a great result for our shareholders, particularly coming on the back of the standout returns that Chalice has been able to generate over the past 18 months.

"I'd also like to formally welcome Mark and Tim to the Falcon Board. We are incredibly fortunate to have secured the services of these two highly-regarded explorationists, and we are looking forward to their stewardship of what will be one of the most dynamic new gold companies on the ASX.

"Given their vast depth of expertise and capability – building on the strong foundations already created by Chalice – I am confident that Falcon Metals will be incredibly well-placed for discovery success.

"The Chalice technical team, led by Dr Kevin Frost and Graham Kubale, have done a superb job in advancing the Pyramid Hill Project over the last three years, setting Falcon up with an incredible array of compelling drill targets.

"I am very much looking forward to the demerger and IPO proceeding, obviously subject to shareholder approval. I encourage shareholders to look out for the Prospectus and Offer documentation and encourage shareholders to take advantage of the opportunity to participate in the upcoming priority offer."

¹ 'Resources and Reserves' Kirkland Lake Gold, www.kl.gold

² 'History of gold mining in Victoria' Earth Resources Victoria, Website: earthresources.vic.gov.au

Board and Senior Management

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 admission of Falcon to the official list of the ASX.

Non-Executive Chair

Dr Mark Bennett has been appointed as Non-Executive Chair of Falcon Metals. Mark is a highly-experienced geologist and mining executive with over 30 years' experience in gold and base metal exploration. He was the founding Managing Director and CEO of Sirius Resources Ltd, where he was awarded the Association of Mining and Exploration Companies (AMEC) "Prospector of the Year Award" for the world-class Nova-Bollinger nickel-copper discovery in 2013. He went on to lead the company until its ~\$1.8 billion merger with IGO Ltd (ASX: IGO).

Mark is a two-times winner of the AMEC award, having previously been recognised for the Thunderbox gold and Waterloo nickel discoveries in 2002 during his time as a key member of the senior leadership team of LionOre Mining International. In addition to his technical exploration expertise, Mark is experienced in corporate affairs, equity capital markets, investor relations and community engagement and led Sirius from pre-discovery to the construction stage, until the completion of its merger with IGO.

Mark is currently the Executive Chairman of S2 Resources Ltd (ASX: S2R) and Non-Executive Director of Todd River Resources Ltd (ASX: TRT).

Managing Director

Mr Tim Markwell has been appointed as Managing Director of Falcon Metals. Tim is a geologist, fund manager and mining executive with over 25 years' experience in gold and base metal exploration. Tim has been the Investment Manager of the African Lion funds at Lion Selection Group for over 14 years. Lion Selection is a highly-regarded and successful ASX-listed investment company focused on junior mining companies.

During his time at Lion Selection, Tim also had various board roles including as Non-Executive Director and acting CEO of Celamin Holdings Ltd (ASX: CNL), and Non-Executive Director of both Predictive Discovery Ltd (ASX: PDI) and Anax Metals Ltd (ASX: ANX). Prior to Lion Selection, Tim worked in senior technical roles at BHP Ltd (ASX: BHP) and Golder Associates, as well a resource analyst role at broker DJ Carmichael.

Tim brings diverse and broad experience in executive leadership, exploration, investor relations and capital markets to the role.

Non-Executive Director

Chalice Managing Director and Chief Executive Officer Alex Dorsch has been appointed as a Non-Executive Director of Falcon Metals. In this role, we will be able to ensure the smooth transition and handover of Chalice's gold projects into the new standalone entity.

Alex joined Chalice in 2017 and was appointed as Managing Director in November 2018. He played an instrumental role in the initial staking and securing of Chalice's licence holding at the Pyramid Hill Gold Project. Since his appointment as Managing Director, Alex has led Chalice through an exceptional period of growth following the world-class Julimar nickel-copper-PGE discovery and was recognised as 'New/Emerging Leader of the Year' by Mining News and 'CEO of the Year' by Kitco in 2020.

Alex has diverse experience in a variety of leadership roles across the resources sector, as a management consultant, engineer, project manager and corporate advisor. Prior to joining Chalice, he was working as a Specialist Consultant with the global management consultancy McKinsey & Company.

Proposed demerger structure and next steps

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.

Chalice has appointed Bell Potter Securities Limited as Lead Manager and HWL Ebsworth Lawyers as legal advisor.

Authorised for release on behalf of the Company by the Disclosure Committee.

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

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Important Notices

Falcon IPO

In accordance with section 734(5)(b) of the *Corporations Act 2001* (Cth) (**Corporations Act**), it is noted that:

- « Falcon will be the offeror of fully paid ordinary shares under the IPO;
- « a disclosure document will be issued by Falcon in accordance with Part 6.2 of the Corporations Act when the IPO shares are offered;
- « the disclosure document is anticipated to be issued in the coming months and will be made available on the website to be established by Falcon and to eligible Chalice shareholders;
- « a person should consider the disclosure document in deciding whether to apply for IPO shares; and
- « anyone who wants to apply for the IPO shares will need to complete an application form that will be in or will accompany the disclosure document.

In specie distribution

Chalice has applied to the Australian Securities and Investments Commission for relief from the requirement for Chalice to issue a disclosure document in accordance with Part 6.2 of the Corporations Act in connection with the notice of meeting seeking approval for the in-specie distribution of Falcon shares to eligible Chalice shareholders (**ASIC Relief**).

In the event the ASIC Relief is not granted, the following is noted in accordance with section 734(5)(b) of the Corporations Act:

- « Chalice will be the offeror of fully paid ordinary shares in Falcon under the in-specie distribution;
- « a disclosure document will be issued by Chalice in accordance with Part 6.2 of the Corporations Act when shareholders are issued the notice of meeting seeking the requisite shareholder approvals for the in-specie distribution;
- « the disclosure document is anticipated to be issued in the coming months and will be made available on the Chalice website and to eligible Chalice shareholders; and
- « a person should consider the disclosure document in deciding how to vote on the resolutions.

Forward-looking statements

This announcement 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, "being", "expected", "highly", "planned", "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 otcm Markets.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.