

Discovery of new >2km gold trend in air-core drilling at Karri Target indicates potential for a significant gold system

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Drilling has now significantly upgraded a second target at the district-scale Pyramid Hill Gold Project in Victoria

Highlights

- Encouraging assays received for ~4,700m of Phase 2 air-core (AC) drilling at the Karri Target.
- Anomalous gold intersected in basement on ~1km spaced drill lines over a >2km strike length; mineralisation remains open along strike.
- Strongly anomalous gold grades for this early stage of drilling up to 0.7g/t Au (in 4m composites) intersected in zones of abundant quartz veining with accompanying sulphides.
- Several parallel gold trends over an area of ~1.5 x 2km are emerging, indicating the potential for an extensive primary gold system.
- Similar anomalous gold intersections on wide-spaced drill lines were early indicators of significant gold discoveries under cover by other explorers in the region.
- Given the high-grade nature of historic gold deposits along strike from Karri to the south of the Project, such as Ballarat (~14Moz @ ~12g/t Au) and Maldon (~2Moz @ 33g/t Au), the Company is optimistic about the potential to discover high-grade gold mineralisation at Karri.
- In-fill AC drilling is currently underway to a line spacing of 500m and an initial phase of diamond drilling is planned in January 2020.
- Encouraging visual indications of similar quartz veining and sulphides in several recent holes at 500m line spacing indicate a continuous mineralised trend is likely; all assays are pending for these holes.
- Chalice's ongoing 25,000m Phase 2 AC program continues to upgrade several key targets on the Project, with both Karri and Ironbark now showing encouraging early signs of potential for large-scale mineralised systems.
- Chalice is positioned well in this exciting region with a 100%-owned, ~5,190km² land position and remains fully-funded to continue its systematic exploration on the Project, with a working capital and investments balance of ~\$30M (\$0.11 per share) as of 30 September 2019.

PERTH, Western Australia, Dec. 12, 2019 /CNW/ - [Chalice Gold Mines Ltd.](#) ("Chalice" or "the Company") (ASX: CHN | TSX: CXN | OTCQB: CGMLF) is pleased to announce encouraging air-core (AC) drilling results from the Karri Target at its 100%-owned Pyramid Hill Gold Project, located in the Bendigo Region of Victoria.

The Company's 25,000m Phase 2 reconnaissance AC drill program at the Ironbark, Karri and Beech Targets continues in the Muckleford Area. A total of 63 AC drill holes for 7,260m have now been completed at the Karri Target, which is defined by Phase 1 AC anomalous gold and/or pathfinder results from wide-spaced drill lines under 50-75m of Murray Basin cover.

Chalice's Managing Director, Alex Dorsch, said, "The drill bit continues to build our excitement levels in Victoria, with another round of excellent results at the Karri Target. We knew from the outset that this target had all the hallmarks of a significant gold system, and we are optimistic that we are on track to make a gold discovery."

"The identification of broad zones of low-level gold anomalism, such as these results at Karri, have been an important step in the discovery of numerous gold deposits throughout Australia and in Victoria in particular. They are particularly important in under cover areas as they allow the target search space to be rapidly refined."

"The strike extent of the parallel gold trends identified to date is particularly encouraging, as these sorts of

multi-kilometre strike lengths point to the potential for a significant scale gold system. Given the prolific high-grade nature of the Bendigo Zone and the lack of exploration in the undercover region, the Karri Target presents a rare discovery opportunity under shallow cover in Australia."

"We are just beginning to scratch the surface on our district scale Pyramid Hill Gold Project and, given our strong financial position and significant technical expertise in-house, Chalice is positioned exceptionally well for the exploration journey ahead. We eagerly await the commencement of our first diamond drill program in January and look forward to releasing more drill results over the next few months."

Phase 2 AC drilling – initial results from Karri Target

The Phase 2 AC drill holes at Karri were designed as follow-up to the promising results generated from the Phase 1 AC drilling program previously completed across the project area (refer ASX Announcement 8 July 2019).

All holes were drilled vertically to AC blade refusal with good penetration into weathered Castlemaine Group sediments. The Castlemaine Group is the target basement rock and host to >60Moz Au of high-grade historic gold production in the Bendigo Zone to the south of the Project.

Drilling has intersected several broad zones of anomalous gold with the better gold intersections associated with zones of abundant quartz veining with accompanying sulphides (pyrite ± arsenopyrite).

The main anomalous gold trend (>25ppb Au) covers a strike length of >2km and strikes in a N-S orientation. Encouragingly, there are several sub-parallel zones of gold anomalism, all of which remain open along strike to the north and south (Figure 1).

The gold zones are within an interbedded sequence of sandstones and shales that have been variably altered (silicified) and show strongly elevated levels of arsenic (up to 430ppm), an important gold pathfinder in the region.

Two consecutive holes 100m apart on the main eastern trend intersected an encouraging zone of anomalous gold, with 4m composite intersections of 36m at 0.07g/t Au from 78m and 17m at 0.12g/t Au from 118m to bottom-of-hole (PA433) and 40m at 0.13g/t Au from 80m to bottom-of-hole (PA444) (Figure 2).

Future work

An additional ~5,700m of Phase 2 AC drilling is currently underway at Karri to in-fill drill coverage to 50m hole spacing on several existing lines and also tighten drill line spacing to 500m. Visual indications of abundant quartz veining in several step-out holes at 500m drill line spacing to the north and south of Section A-B are viewed as encouraging indications of a large-scale mineralised system.

AC drill line spacing will then be immediately tightened in the Phase 3 program, to refine the position of the main gold trends in readiness for systematic deeper angled RC/DD drilling.

An initial diamond drill hole will be completed at Karri in late January 2020 in parallel to the ongoing Phase 2 AC drill program. The diamond drilling will be used to gain an early understanding of the local stratigraphic and structural controls of the gold mineralisation and also determine the optimal drilling strategy for the next phases of exploration.

Assays are currently pending for ~5,500m of Phase 2 AC drilling at the Karri and Beech Targets, and it is anticipated that the Phase 2 AC drill program will continue until mid Q1 2020.

Sampling Techniques

- Aircore (AC) drilling samples were collected via 2-4m composite samples from 1m bulk samples using a pvc spear with each combined composite sample weighing approximately 3kg. 1m samples were taken within some mineralised zones using a spear.
- All composite and 1m samples were pulverised to nominal 85% passing 75 microns before being analysed.
- Qualitative care was taken to ensure representative sample weights were consistent when sampling on a metre by metre basis.
- Individual recoveries of 1m samples were recorded on a qualitative basis. Generally sample weights are comparable and any bias considered negligible.
- No relationships have been noticed between sample grade and recoveries.
- 1 metre AC samples were collected in bulk form from the rig cyclone. 2-4m composite samples of the 1m samples were collected using a spear method. Where 1m samples were collected a spear method was also used. The majority of the samples were dry in nature.
- Field duplicate samples were sent every 20th sample to check for assay repeatability. Results of duplicate samples were considered acceptable and within precision and accuracy limits for the style of mineralisation.
- Sample sizes are considered appropriate for the style mineralisation sought and the initial reconnaissance nature of the drilling programme.
- All samples were sent to ALS prep facility in Adelaide for sample preparation then on-sent to ALS Perth for chemical analysis.
- 40 elements (including gold) were analysed using up to a 25g aqua regia method with an ICPAES and ICPMS finish depending on the elements (ALS method code – TL43-MEPKG). Aqua Regia techniques are not considered total in nature. Should refractory mineralisation be encountered this can affect the nature of final results.
- Chalice has its own internal QAQC procedure involving the use of certified reference materials. Standards - 4 per 100 samples, blanks – 1 per 100 samples and duplicates 4 per 100 samples which accounts for ~9% of the total submitted samples.

JORC 2012 Tables

Please refer to Appendix 2 for JORC 2012 tables.

(signed)

Alex Dorsch
Managing Director

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Refer Figure 3.

About the Pyramid Hill Gold Project, Victoria, Australia

The 100%-owned Pyramid Hill Gold Project was staked in 2017 and now covers an area of ~5,190km² in 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 (Figure 4).

The central Muckleford Area extends to the north-west of the high-grade historic >22Moz Bendigo Goldfield. The Mt William Area extends to the north-east 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 north-west 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 Chalice holds ~60% of the total ~7,000km² prospective area.

Chalice is targeting large-scale, high-grade gold deposits, and is currently conducting regional scale greenfield exploration. ~57km of reconnaissance aircore (AC) drilling has been completed to date, which has outlined 3 high priority targets within the Muckleford Area (Ironbark, Karri and Beech).

Competent Persons and Qualifying Persons Statement

The information in this release that relates to Exploration Results in relation to the Pyramid Hill Gold Project is based on information compiled by Dr. Kevin Frost BSc (Hons), PhD, a Competent Person, who is a Member of the Australian Institute of Geoscientists. Dr. Frost 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. Dr. Frost consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

The Information in this release that relates to previous exploration results for the Pyramid Hill Project is extracted from the ASX announcements entitled "Chalice identifies two 12km+ gold-in-soil anomalies at Pyramid Hill Project, Bendigo", "Reconnaissance Drilling at Pyramid Hill Gold Project Continues to Outline High-Priority Target Areas", "Shallow drilling hits gold in basement and outlines three high priority targets for follow-up at the Pyramid Hill Gold Project, Victoria", "Drilling to recommence at the Pyramid Hill Gold Project in late September" and "Extensive gold and arsenic footprint points towards potential gold system at Ironbark Target, Pyramid Hill Gold Project" dated 12 July 2018, 27 September 2018, 19 March 2019, 8 July 2019, 2 September 2019 and 14 November 2019 respectively.

The above announcements are available to view on the Company's website at www.chalicegold.com. The Company confirms that it is not aware of any new information or data that materially affects the information 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 release may contain 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 Gold Mines Ltd.](#) (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 price of O3 Mining securities and Spectrum Metals Limited securities, receipt of tax credits and the value of future tax credits, the estimation of mineral reserve and mineral resources, the realisation of mineral resource estimates, the likelihood of exploration success at the Company's projects, the prospectivity of the Company's exploration projects, the timing of future exploration activities on the Company's exploration projects, planned expenditures and budgets and the execution thereof, the timing and availability of drill results, potential sites for additional drilling, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "planning" "expects" or "does not expect", "is expected", "will", "may", "could", "would", "potential", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", "occur" or "be achieved" 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; changes in project parameters as plans continue to be refined; changes in exploration programs based upon the results of exploration; future prices of mineral resources; possible variations in mineral resources or ore reserves, 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 O3 Mining and Spectrum Metals securities and future proceeds and timing of potential sale of O3 Mining and Spectrum Metals securities, 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.

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