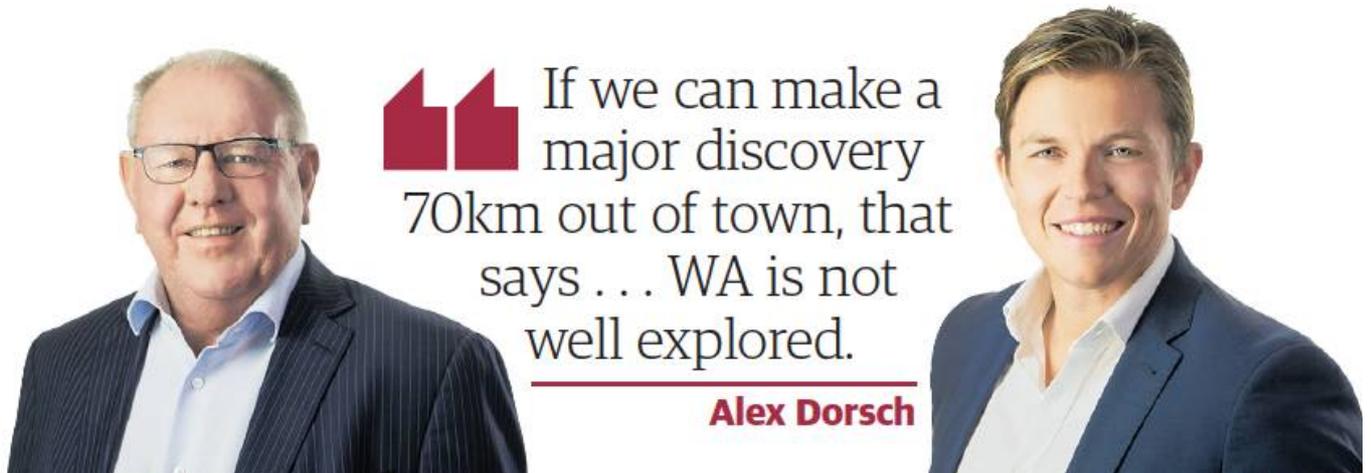


SO CLOSE TO HOME

Forget the north, here's a dig only 70km from Perth

STUART MCKINNON



When Chalice Mining unveiled a new greenfields mineral discovery on the doorstep of Perth in March, many in the WA exploration community were incredulous.

In a State saturated with junior explorers and mining giants alike, how could a shallow nickel-copper-palladium deposit on farmland near Toodyay have been missed?

For Chalice's young managing director Alex Dorsch, the discovery challenges the idea that WA is well explored.

He speaks of the importance of exploring "beyond the headframe" and "drilling holes where holes haven't been drilled before".

"If we can make a major discovery 70km out of town, that says to me WA is not well explored," Mr Dorsch said.

Since the explorer's celebrated maiden hole at its Julimar project, subsequent drilling has continued to intersect significant palladium mineralisation with associated base metals at what has become known as the Gonneville discovery.

And as the deposit heralded as Australia's first major palladium discovery has grown, so has Chalice's share price.

Punters could have picked up Chalice for 30¢ this time last year.

Yesterday the stock closed at \$4.48 for a market capitalisation of about \$1.4 billion.

But Chalice has traded as high as \$4.92 and Macquarie Research placed a price target of \$5 on the stock in November while Bell Potter gave it a valuation of \$5.35.

The surging price reflects not only the drilling results to date, but the company's suspicion that it may have only scratched the surface of what could be an elephant-sized deposit stretching from Gonneville into the Julimar State Forest to the north.

Some geologists, including Chalice's respected exploration boss Kevin Frost, say the mineralisation encountered at Julimar is reminiscent of that found in the Norilsk mineral province in northern Russia, which hosts the largest known nickel-copper-palladium deposits in the world.

The company's chairman and major shareholder Tim Goyder, pictured below left, is one investor who is betting that Gonneville could be part of something much bigger.

If he's correct, it could make the \$200 million he made on his investments last year seem like pocket change.

Besides Mr Goyder's 11 per cent stake in Chalice, he also has significant holdings in two other companies he chairs — Devex Resources and Liontown Resources, north of Julimar.

The WA mining veteran has also secured an indirect exposure to two other players exploring in the area in Caspin Resources (through Chalice) and Lachlan Star (through Liontown).

And while Chalice was last year busy with exploration, it was also pegging exploration applications over a further 2000sqkm of prospective ground near Gonneville, sparking a nearology rush from other players.

Despite the exuberance, some investors are cautious that Chalice's share price has run too hard, too fast while others are dubious about whether a large-scale mining operation would ever be permitted so close to Perth.

The company calmed some fears recently when it struck a \$15m deal with Barmenco founder Peter Bartlett to acquire three private properties covering 945ha under which Gonneville lies.

It also secured environmental approval for initial non-ground disturbing exploration activities in the Julimar State Forest.

The approval comes after an airborne electro-magnetic survey over the area pinpointed three big anomalies in the area, which could be markers of new deposits. "The thing we've found

with this discovery is that it continues to surprise . . . it continues to deliver on the upside," Mr Dorsch, pictured below right, said.

"The potential in that State forest is not going to go away."

As for mining being permitted in State forest so close to Perth, Mr Dorsch points to Newmont's Boddington gold mine and Alcoa's bauxite mining operations just south of Perth or the Greenbushes lithium mine in the South West as examples of local communities and mine sites co-existing.

Chalice is running six rigs at Julimar, ahead of a highly anticipated maiden resource estimate expected mid-year.

Mr Dorsch says the company has no plans to engage with bigger, cashed-up corporates until it can at least see some economics around its discovery.

"At the moment we're hard at work determining what we've got," the former McKinsey and Company specialist said.

"Potentially there may be a scenario where Chalice is not the natural owner of it, it becomes too big for us.

"But we're not there yet and certainly we're happy to take it well beyond where we are today."