



19 July 2024

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Sent via email: CriticalMineralsProductionTaxIncentives@treasury.gov.au

Dear Adrian

CRITICAL MINERALS PRODUCTION TAX INCENTIVE

Chalice Mining Limited ("Chalice") welcomes the opportunity to provide feedback on the development of the Australian Government's Critical Minerals Production Tax Incentive (CMPTI). This submission builds on the valuable discussion with you, along with your Treasury and Department of Industry Science and Resources colleagues, on 18 July. We look forward to continuing to engage with the Commonwealth through the development of this important policy.

About Chalice

Chalice is developing the Gonneville Project ("the Project") located 70km northeast of Perth. The project hosts one of the world's largest nickel sulphide discoveries in decades¹ and the largest Platinum Group Element (PGE) discovery in Australian history (based on Chalice's July 2022 Mineral Resource Estimate).

This rare and unfolding discovery contains palladium, platinum, gold, nickel, copper and cobalt – metals critical for decarbonisation. Palladium, platinum, nickel and cobalt are on the Commonwealth's Critical Minerals List, while copper is identified as a Strategic Mineral. It is forecast that to successfully meet the goals of the Paris Agreement, the production of these metals will need to increase roughly four-fold relative to current production levels (IEA, 2022). Yet despite wide acknowledgement of this increased demand, there is a declining number of discoveries and new mines being developed.

A tier-1 scale Resource has been defined at the Gonneville Project. The Project has the potential to become a major source of these critical green metals generating significant economic benefits for the region, state and nation.

¹ Source: S&P Global Market Intelligence, Capital IQ

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The Gonneville Project is located on Chalice-owned farmland approximately 20km west of Toodyay.

Chalice expects that the Project can significantly contribute to Australia's critical minerals ambitions by providing a rich source of minerals for batteries (through a nickel-cobalt mixed hydroxide/sulphide precipitate), electrification (copper), and the hydrogen fuel cycle (platinum group elements).

Chalice released a scoping study for Gonneville in August 2023, which identified a range of possible development options. Chalice is now progressing a pre-feasibility study ("PFS") to identify the preferred development option, including examining potential "starter mines" and opportunities to improve project economics by enhancing mineral recovery during processing.

Chalice will progress this work in partnership with Mitsubishi Corporation ("Mitsubishi") after completing a non-binding MOU in early July 2024. Mitsubishi, one of Japan's largest conglomerates, is considered a tier-1 strategic partner, given its long and successful track record of partnering with mining companies to fund and develop major mining projects.

Following the completion of the PFS, Chalice will progress a Feasibility Study ("FS") on the preferred development option to conduct detailed engineering, costing and scope refinement ahead of a Final Investment Decision ("FID") targeted for late CY26.

The Project will require substantial processing of mined ore and is therefore sensitive to processing costs and improvements in metallurgical recovery.

In this context, Chalice welcomes the Commonwealth's commitment to develop Critical Minerals Production Tax Incentives ("CMPTI"). Chalice expects that the introduction of a CMPTI could substantially increase the likelihood of making a Final Investment Decision within its targeted timeframe and assist Chalice to consider further downstream processing in Australia than might otherwise be the case.

Response to CMPTI Consultation Paper

Chalice is a member of the Chamber of Minerals and Energy WA ("CME"), and the Association of Mining and Exploration Companies ("AMEC"). Chalice will work through the CME and AMEC to present a broader industry position on the CMPTI.

Chalice will seek to focus its own engagement with the Commonwealth on the following matters where it has a unique or more nuanced position:

- Treatment of Platinum Group Metals ("PGMs"), given that Gonneville represents the first significant PGM project in Australia.
- Treatment of polymetallic ores and processing activities within the CMPTI design. As outlined above, the Chalice resource contains unique mineralisation, including four critical minerals (palladium, platinum, nickel, and cobalt).

Eligibility Criteria

Chalice supports the AMEC position that the draft eligibility criteria of flat purity targets could unintentionally disqualify projects from the CMPTI.

Chalice believes the Commonwealth should consider an alternative activity-based framework that includes all activities that produce further chemical change beyond conventional mining and beneficiation stages. Chalice recognises that each mineral may need to be treated differently, but it believes this approach is appropriate for the Gonneville Project.

The indicative process flowsheet for the Project below outlines this position:

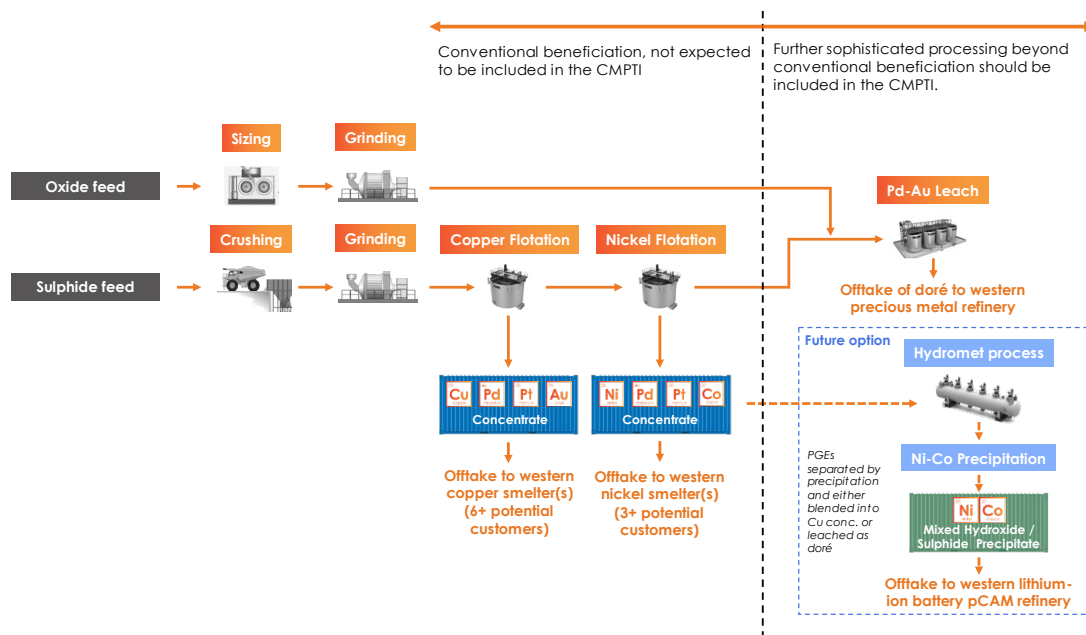


Figure 1 - Indicative process flow-sheet for the Gonneville Project

At a minimum, Chalice will need to crush and grind ore, which will then go into flotation circuits to produce a copper concentrate (with PGM and gold by-products) and a separate nickel concentrate (with PGM and cobalt by-products). These concentrates could be readily shipped to global copper and nickel smelters. Projects that ship concentrate are relatively common in Australia, and Chalice would not expect these activities to be eligible for the CMPTI.

However, Chalice expects to undertake further chemical processing of the metals on site under which the metals will undergo a 'chemical change'. Firstly, Chalice expects to undertake further leaching and processing to produce high-purity palladium doré bars. This will be a new value-adding activity for Australian critical minerals and should be included in the CMPTI scope.

In the case of Nickel, Chalice is studying and considering the potential option of further processing nickel concentrate through a hydromet process and nickel-cobalt precipitation to produce a nickel-cobalt mixed hydroxide precipitate ("MHP") or mixed sulphide precipitate ("MSP"). This processing of nickel/PGM concentrates would also be a new and unique value-adding process, which Chalice advocates should be included in the CMPTI.

Chalice believes that including the above processing activities would reflect the policy intent of the CMPTI. Australia has strong capability and natural advantages for mining and beneficiation but less capability and relatively few existing natural advantages in further chemical processing and manufacturing. Supports like the CMPTI provide Australia with a real opportunity to generate new manufacturing jobs and increase its participation in the critical minerals value chain.

Timeframe for eligibility

Chalice advocates for flexibility to access the CMPTI beyond the draft requirement for an FID by 30 June 2030. While Chalice is targeting an FID in late 2026, shifts in commodity prices, global markets, increasing approval complexity, and the rapidly evolving nature of the critical minerals sector could disrupt these plans.

These challenges are particularly acute for Chalice, given its status as the potential first significant PGM producer in Australia.

Chalice recognises that there is a public interest in time limits that put boundaries around the costs and timeframe of the CMPTI. However, consideration should be given to alternative criteria that would allow companies to certify a project as "investment ready" (e.g. where an FS is completed) and maintain their eligibility for the CMPTI where there may be factors that prevent the company from taking FID (e.g. low commodity prices or approvals delays). Chalice would welcome further discussion on this point.

Conclusion

Chalice congratulates the Australian Government on pursuing the passage of this innovative policy to provide a competitive edge to Australia's emerging critical minerals industry. We welcome continued collaboration and look forward to further engagement as the policy develops.

Please do not hesitate to contact me if you would like any further information.

Yours sincerely



Chris MacKinnon
Chief Financial Officer