



ASX ANNOUNCEMENT

19 JANUARY 2010

FURTHER RESULTS FROM DRILLING, ERITREA

Zara Joint Venture, Eritrea (Dragon Mining Limited - 20% Free Carried Interest)

The following announcement was released by Joint Venture partner Chalice Gold Mines Limited (ASX Code: CHN) detailing further results from infill drilling at the Koka Gold Deposit in Eritrea which include intersections of **8m @ 9.47 g/t gold, 6m @ 26.92 g/t gold, 11m @ 4.68 g/t gold, 18m @ 29.30 g/t gold and 11m @ 8.29 g/t gold.**

The Zara Joint Venture comprises four Exploration Licenses and two Prospecting Licenses covering an area of 615km² situated in northern Eritrea, approximately 160km northwest of Asmara city. The project is managed by Chalice Gold Mines and Dragon Mining has a 20% interest and is free carried through to completion of a bankable feasibility study.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Managing Director

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Further Results from Koka Drilling



Chalice Gold Mines Limited ABN 47 116 648 956

19 January 2010

Highlights

- Results from infill drilling continue to confirm the continuity and high grade nature at the rich Koka Gold Deposit at the Zara Project in Eritrea.
- Close to 80% of infill drilling program now completed with further assays pending.
- Geotechnical drilling program about to commence.
- Planning of follow-on drill programs at Koka East and Koka South underway.



Chalice Gold Mines Limited (ASX: **CHN**) is pleased to advise that the further results from infill drilling at its Koka Gold Deposit in Eritrea continue to confirm the robust nature of the ore body.

The new results come from diamond drill holes ZARD 129, 130, 131, 132 and 134 which all achieved significant intersections of quartz stockwork mineralisation within the Koka Main Zone. Better intersections included:

- 8 metres grading 9.47 grams of gold per tonne in ZARD 129;
- 6 metres grading 26.92 grams of gold per tonne in ZARD 130;
- 11 metres grading 4.68 grams of gold per tonne in ZARD 131;
- 18 metres grading 29.30 grams of gold per tonne in ZARD 132, and;
- 11 metres grading 8.29 grams of gold per tonne in ZARD 134.

A complete tabulation of results is provided in Table 1.

INVESTMENT HIGHLIGHTS

High grade gold deposit
(944,000 oz @ 5.8 g/t)

Scoping study completed

Feasibility study by Mid-2010

Medium term production potential

Large underexplored ground position with potential for discovery of additional resources

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Assays have now been received from six holes (ZARD 128 having been previously reported) from a planned 31 hole, 5,000 metre infill diamond drilling programme designed to bring further confidence to the high grade mineralisation of the Koka Main Zone and to be used as part of the final resource estimation for the Koka Bankable Feasibility Study. A total of 25 diamond drill holes have now been completed and further assay results will be released to the market as they become available (Figure 2).

Following completion of this infill drilling program the drill rigs will focus on exploration of nearby targets, particularly the Koka South and Koka East zones, detailed planning for which has commenced. In addition, a five hole geotechnical programme designed to provide data on ground conditions in the pit highwall will commence shortly.

Koka, which is the flagship deposit at Chalice's 80 per cent-owned Zara Project, has JORC compliant Indicated and Inferred resources of 944,000 ounces.

Table 1: Significant Koka Prospect Diamond Drill Assay Intercepts:

Hole	Depth (m)	North (Local)	East (Local)	Azimuth (°)	Dip (°)	From (m)	To (m)	Interval (m)	Gold (g/t)	
ZARD 129	113	9740	4980	102	-50	10	19	9	6.13	
						32	40	8	9.47	
ZARD 130	98	9740	5000	102	-52	6	12	6	26.92	
						29	46	17	4.66	
ZARD 131	102.4	9700	5000	102	-50	17	20	4	5.15	
						23	29	6	3.17	
						42	53	11	4.68	
						68	69	1	11.02	
ZARD 132	101.9	9620	5000	102	-51	9	27	18	29.30	
						including	9	11	2	49.14
						including	14	15	1	71.28
						including	18	19	1	188.25
						including	24	27	3	45.15
						41	43	2	5.57	
						50	53	3	13.02	
ZARD 134	99.5	9660	5000	102	-51	5.70	12	6.3	9.93	
						23	24	1	21.70	
						38	39	1	20.25	
						45	56	11	8.29	

Note: The metres quoted are down hole metres and gold grades are uncut with up to 2 metres of internal dilution (<0.25g/t gold). All samples are prepared at the Africa Horn Laboratory in Asmara, Eritrea and then analysed by Genalysis Laboratories in Perth, Western Australia.

About the Zara Gold Project

The Zara Joint Venture comprises four Exploration Licenses and two Prospecting Licenses covering an area of 615km² situated in northern Eritrea, approximately 160km northwest of Asmara city (Figure 1). Chalice holds an 80% interest in the project with the remaining 20% held by Dragon Mining (ASX: DRA). The Koka Gold Deposit within the project contains an estimated resource of 5 million tonnes of ore containing 944,000ozs gold, grading 5.8grams of gold per tonne. Metallurgical test work indicates +95% recovery with ~60% recovered by gravity.



DR DOUG JONES
Managing Director

19 January 2010

Competent Persons' Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Chartered Professional Geologist. Dr Jones has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

The Independent Resource Estimate for the Koka deposit was prepared by Mr Brian Wolfe, whilst employed as a Specialist Resource Geologist for Coffey Mining Pty Ltd. Mr Wolfe, who is a Member of the Australasian Institute of Mining and Metallurgy, has sufficient experience in the field of Resource Estimation to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

The break-down between Indicated and Inferred Resource categories at Koka is as shown in the Table below.

Category	Lower Grade cut-off (g/t)	Tonnes (Mt)	Gold (g/t)	Metal (Koz)
Indicated	1.2	4.55	5.9	867
Inferred	1.2	0.49	4.9	77
TOTAL	1.2	5.04	5.8	944



Figure 1 – Zara Project Location Map

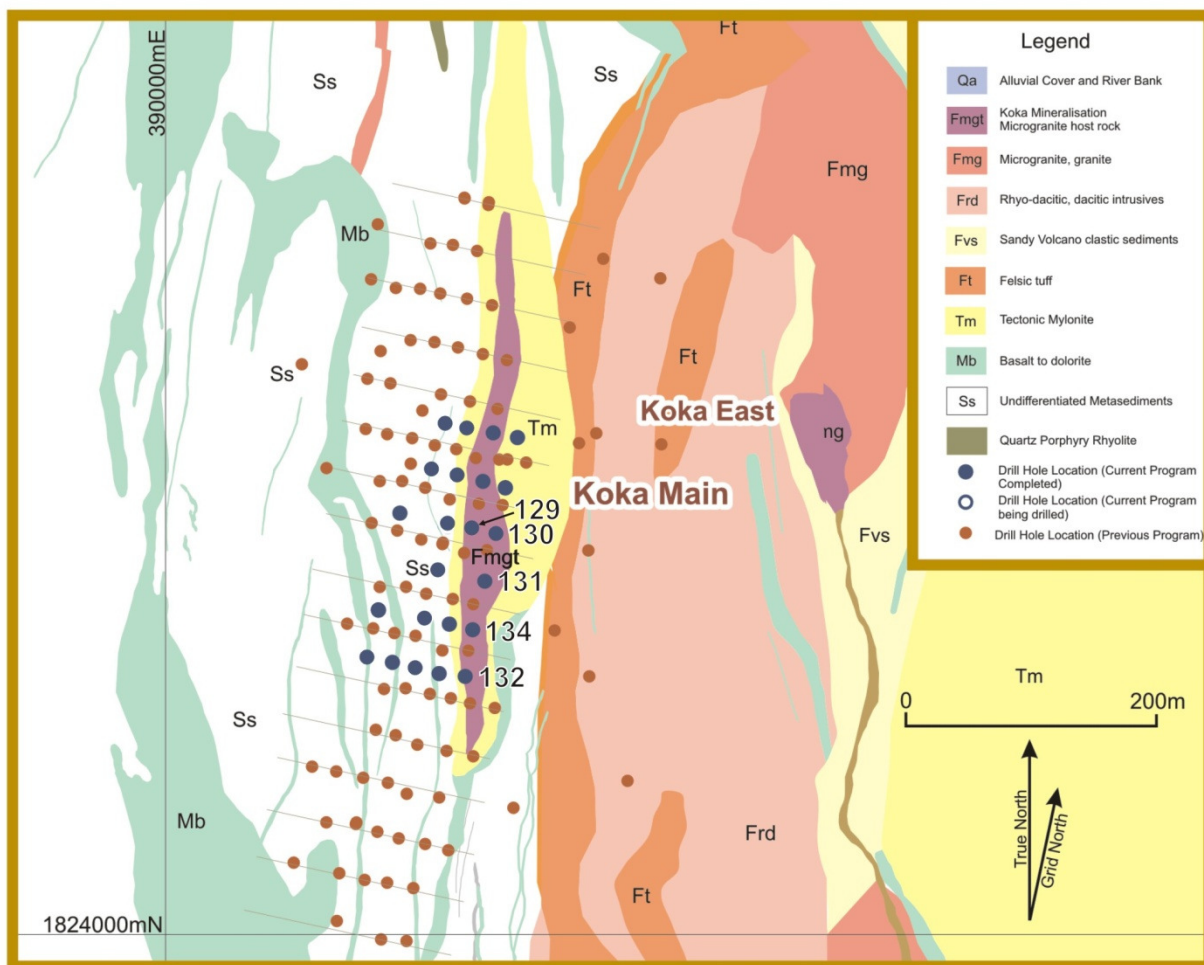


Figure 2 – Zara Project – Koka Drill Hole Location Plan