

DOOLGUNNA WEST COPPER-GOLD PROJECT

Initial Program of Reconnaissance Exploration Drilling Completed

2nd September 2010

ASX ANNOUNCEMENT

Chrysalis Resources Ltd (ASX Code: CYS) advises that the initial program of reconnaissance exploration drilling was finalised in early August 2010 at its Doolgunna West Copper – Gold Project in Western Australia.

The objective of the drilling program was to ascertain the nature of observed geophysical anomalies in airborne and ground EM surveys, and determine if any mineralisation was present.

Five (5) target areas, namely Anomaly 4, 5, 6, Wizard and Warlock, have previously been identified through airborne and subsequent ground EM surveys (ASX Announcement 5 November 2009). The geophysical data collected from the VTEM and EM was then modelled and used as a basis to define drill targets. Chrysalis drilled 12 holes at these 5 target areas for a total depth of 1172m.

Chrysalis believes that because of the findings which are listed below, and which were observed by the Company Geologist during the drill program, it has identified possible VMS and epigenetic gold systems.

1. Presence of sulphides at both Anomaly 4 and 5 and weaker sulphides at Anomaly 6.
2. Pyrite – chalcopyrite rock formations at Anomaly 4 and 5.
3. Native Copper at Anomaly 4 – subject to polished thin section verification.
4. Laminated quartz veins at Anomaly 5.

However, the assay results of our drilling at the 5 target areas have returned no results of significance. At this stage the Company has no explanation why the assays have not returned any anomalism.

To seek answers the Company is:

- 1) Reassaying samples from the ground at Doolgunna West.
The main reason for the reassaying is that the drilling was conducted wet due to the large volumes of ground water intercepted and the failure of the drilling contractor's compressor to handle these volumes. As a consequence, it is possible that the majority of sulphides that appear on the fracture may have been 'washed away'.
- 2) Immediately undertaking down hole EM surveys on some of the drilled holes; and
- 3) Seeking external advice from consulting with industry colleagues and experts to further clarify the situation.

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Company Snapshot

Listed on ASX	27 May 2008
ASX Share Code	CYS
Sector	Mining

Company Structure

No of Shares on Issue	44,873,001
No of Options on Issue	35,059,127
Cash (as at 30th June 10)	\$2.15M

Board Structure

Dr Neale Fong
Executive Chairman

Mr Adrian Paul
Non Executive Director

Mr Grant Kidner
Non Executive Director/Company
Secretary

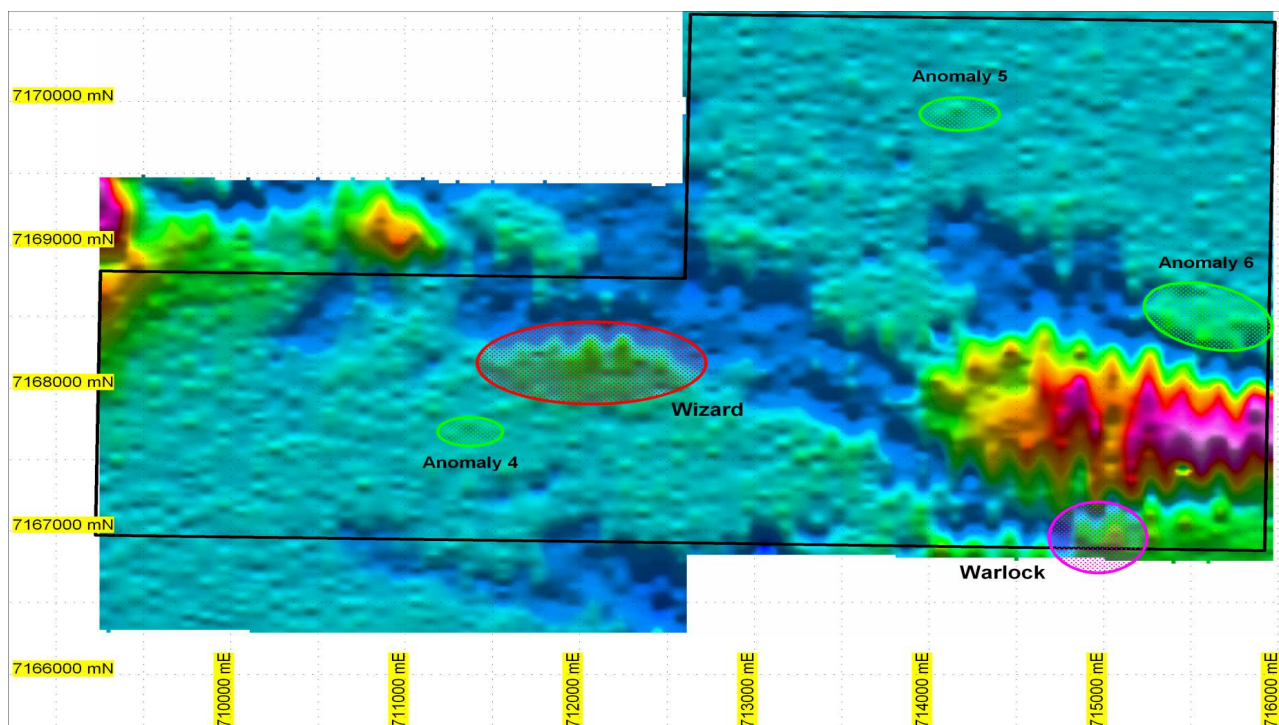


Figure One: Five Anomalies

Below is a brief description of what was observed at each Anomaly:

- Anomaly 4: Within the drilling minor sulphides on fractures (pyrite – chalcopyrite +- native copper- subject to polished thin section verification) were observed in intensely silica altered Narracoota Mafic Volcanoclastics.
- Wizard: Within the drilling a major water bearing shear was intersected and interpreted to be the geophysical response.
- Anomaly 5: Laminated quartz veins coupled with disseminated sulphides alluding to an epigenetic gold system.
- Anomaly 6: Within the drilling minor sulphides on fractures (pyrite – chalcopyrite) were observed in intensely silica altered Narracoota Mafic Volcanoclastics.
- Warlock: Within the drilling minor sulphides on fractures (pyrite – chalcopyrite) were observed in intensely silica altered Narracoota Mafic Volcanoclastics.

To this end the Company will continue to exhaust all avenues in answering the above questions and will report results to the market as soon as they come to hand.

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About the Doolgunna West Project

The Doolgunna West project area is approximately 150km north north east of Meekatharra and consists of Exploration Licence 52/2275, covering an area of 18.5 km² (see Figure One). This tenement is approximately 20 km west of the DeGrussa copper-gold massive sulphide deposit which is currently being evaluated by Sandfire Resources Ltd.

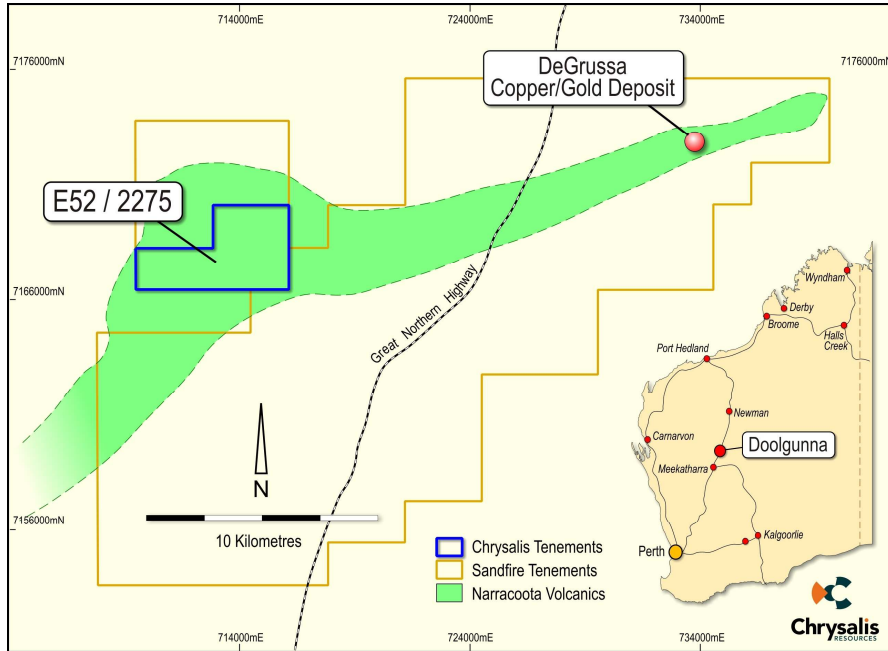
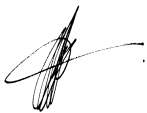


Figure Two: Project Location & Access



DR N FONG
Executive Chairman



G KIDNER
Company Secretary

Competent Person’s Statement:

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Jason Livingstone, who is a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) and is a fulltime employee of Chrysalis Resources Limited. Mr Livingstone is the Company Geologist of Chrysalis Resources Ltd and has over 11 years of exploration and mining experience in a variety of mineral deposit styles. Mr Livingstone has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Livingstone consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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