

ASX ANNOUNCEMENT 31st January 2011

Successful Follow-Up Drilling on the New Zone of Gold Mineralisation at Ballarat

Castlemaine Goldfields Limited (ASX:CGT) announces further encouraging drill results from exploration targeted on the Basking Fault Zone within the Sulieman Line of Mineralisation first intersected in November 2010.

Exploration drilling at Ballarat is focused on two known productive lines of reef: the (western) Sulieman Line and the (eastern) First Chance Line. For evaluation purposes, each line of reef is divided into "compartments" which are defined by sub-vertical cross-faults. Within each compartment, individual named fault zones host the potentially economic gold mineralisation.

Further to the announcement on 23rd November 2010, planning is continuing on the re-commencement of mine development in early 2011, with gold production to follow in late 2011.

Highlights from diamond drilling of the Sulieman Line – Basking Fault Zone

- Hole **CBU069**, drilled to test the up-dip height of the original discovery hole (CBU059) which was drilled in November 2010, suggests a minimum horizontal width of between 2-4 metres, and contains:
 - **1.2m @ 69.3 g/t Au from 132.0m at the Basking Fault Zone (BFZ)**
 - **8.8m @ 9.2 g/t Au from 39.3m at the upper fault spurs,**
 - **including 0.7m @ 109.6 g/t Au**
 - **9.3m @ 1.6 g/t Au from 192.0m beneath the BFZ.**
- **CBU060** was drilled to test 22 metres along strike from discovery hole CBU059, and reports quartz and gold intersections at the upper fault and lower BFZ, and contains:
 - **12.7m @ 7.1 g/t Au from 144.0m at the BFZ**
 - **3.7m @ 1.4 g/t Au from 135.8m immediately above the BFZ,**
 - **1.3m @ 65.5 g/t Au from 47.4m at the upper fault spurs,**
 - **including 0.6m @ 139.8 g/t Au,**
 - **0.4m @ 6.2 g/t Au from 107.1m between the two faults.**

Managing Director Mr. Matthew Gill commented "The Basking Fault Zone on the Sulieman Line is shaping up as a legitimate economic target as we step out from the initial discovery holes drilled in November last year. The short distances from existing underground mine infrastructure are beginning to make this an exciting target zone which can be brought forward in our mining planning".

DETAILED COMMENTARY

The assay results listed above come from four holes conducted since resumption of drilling activities in 2011. Hole CBU069 was drilled to test the up-dip continuity of the Basking Fault Zone mineralisation first identified in discovery hole CBU059 which contained a 30.5m downhole intersection of gold and high quartz contents (announced to the ASX on 9th December 2010). Encouragingly CBU069 contained a zone

of strong fault-reef or fissure style of quartz veining with stylolitic textures and galena which is reported as **1.2 metres at 69.3g/t Au**.

This result has identified the area where the BFZ intersects a parasitic fold in the Sulieman east fold limb as focus for the highest vein concentrations. The positive gold bearing quartz vein styles and contents has warranted drill testing of the same structural position to the north and south surrounding CBU059 (see Figure 1).

Hole CBU060 lies 22 metres north of the CBU059 Basking fault intersections and is found to contain a similar broad, high quartz content zone of gold mineralisation assaying **12.7 metres at 7.1g/t Au**. The southern step out hole CBU067 has intersected less quartz veining at the BFZ although it is likely to be too high on the fault relative to the parasitic fold. This quartz interval reports as **4.2 metres at 2.9g/t Au** with the favourable target remaining yet to be tested.

All holes drilled have intersected the high gold bearing spur veins associated with a narrow fault above the BFZ. This narrow fault zone lies approximately 40m below the Sulieman Decline from where this drilling originates (Figure 2). This narrow fault contained some extremely high gold concentrations across narrow intervals in disperse quartz veins in initial holes CBU058 and CBU059 with grades of 26.6g/t, 53.8g/t and 156.9g/t Au (ASX release of 9th December 2010). High grades from this zone continue with CBU069 reporting **8.8 metres at 9.3g/t Au** including 0.7 metres at 109.6g/t Au and CBU060 **1.3 metres at 65.5g/t Au**. This gold mineralisation appears associated with a felsic intrusive dyke which post dates folding, is fold cleavage parallel and may pre-date the gold mineralisation.

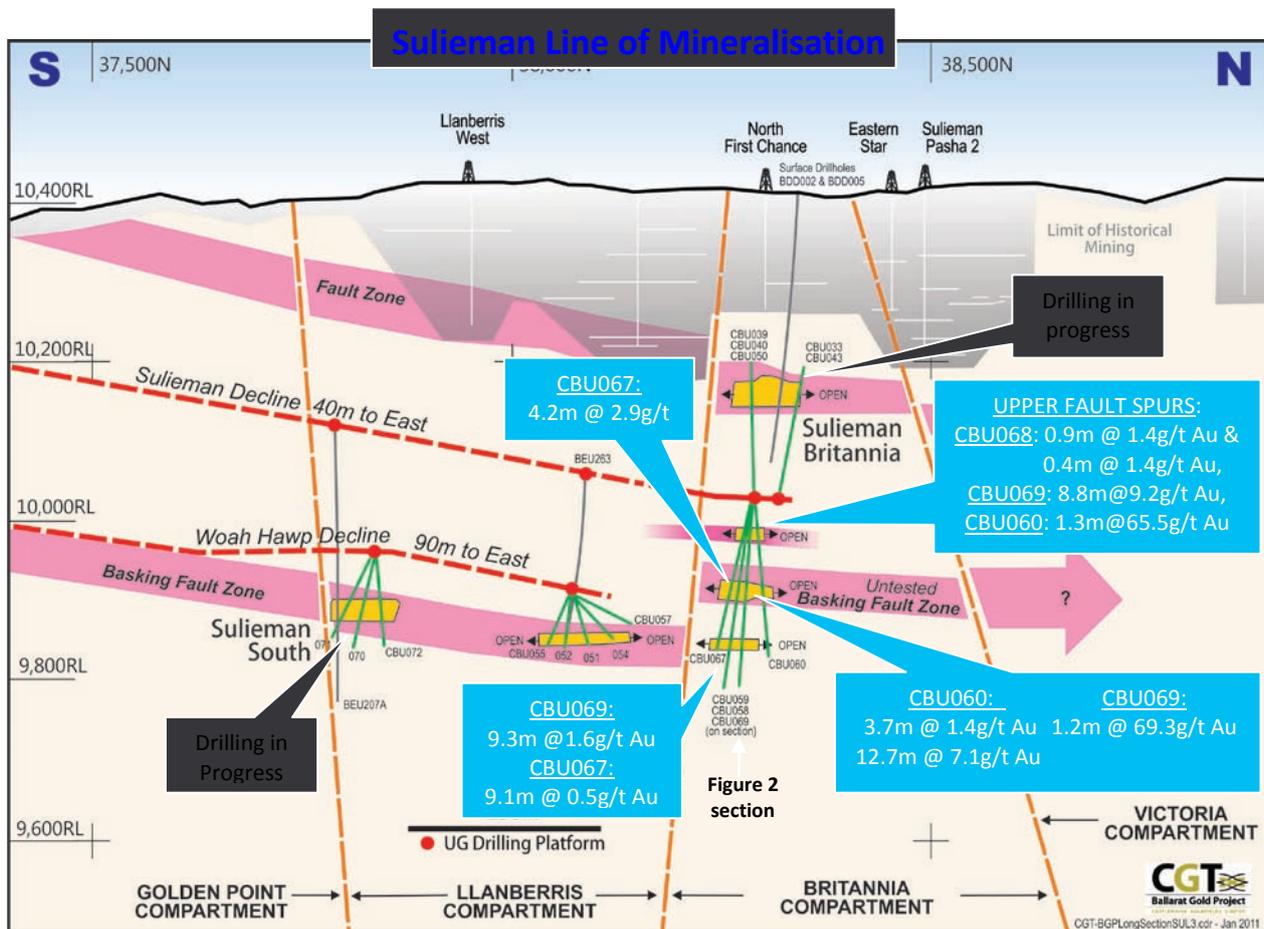


Figure 1. Long section (looking west) of the northern zone of the Ballarat East goldfield along the Sulieman Line of gold mineralisation. Recently drilled areas are shown as green hole traces.

An additional third zone of mineralisation has also been located in CBU069 (**9.3 metres at 1.6g/t Au**) at the parasitic fold beneath the Basking Fault Zone. Also intersected in step out hole CBU067 (**9.1 metres at 0.5g/t Au**), this lowest zone contains similar quartz contents as those in CBU069. Horizontal thicknesses for this lower zone cannot be estimated from current data although are likely to be substantially less than the assay downhole lengths. The exact significance of this zone is yet to be defined and may require specific drill testing although at this early stage of discovery and definition the zone is a secondary target only.

Drilling is continuing upon other Sulieman Line of Mineralisation targets with an expanded drill program for the Sulieman – BFZ mineralisation being designed to follow-up on this successful drilling to date.

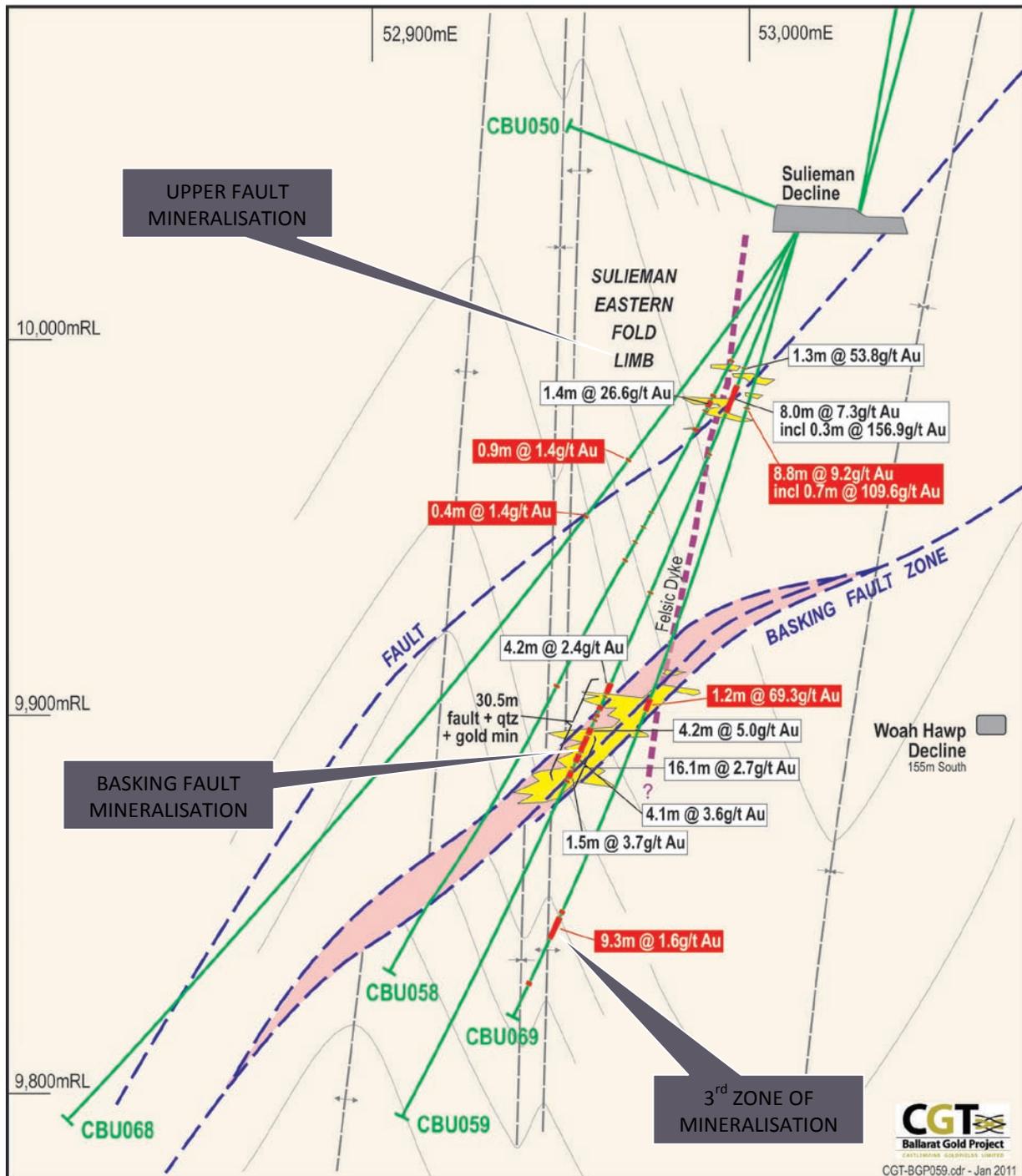


Figure 2. Cross section at mine grid 38,300N (looking north) showing results and geological interpretation for holes CBU058 and CBU059 in the Britannia Compartment, drilled in November 2010, and holes CBU068 and CBU069 drilled in January.

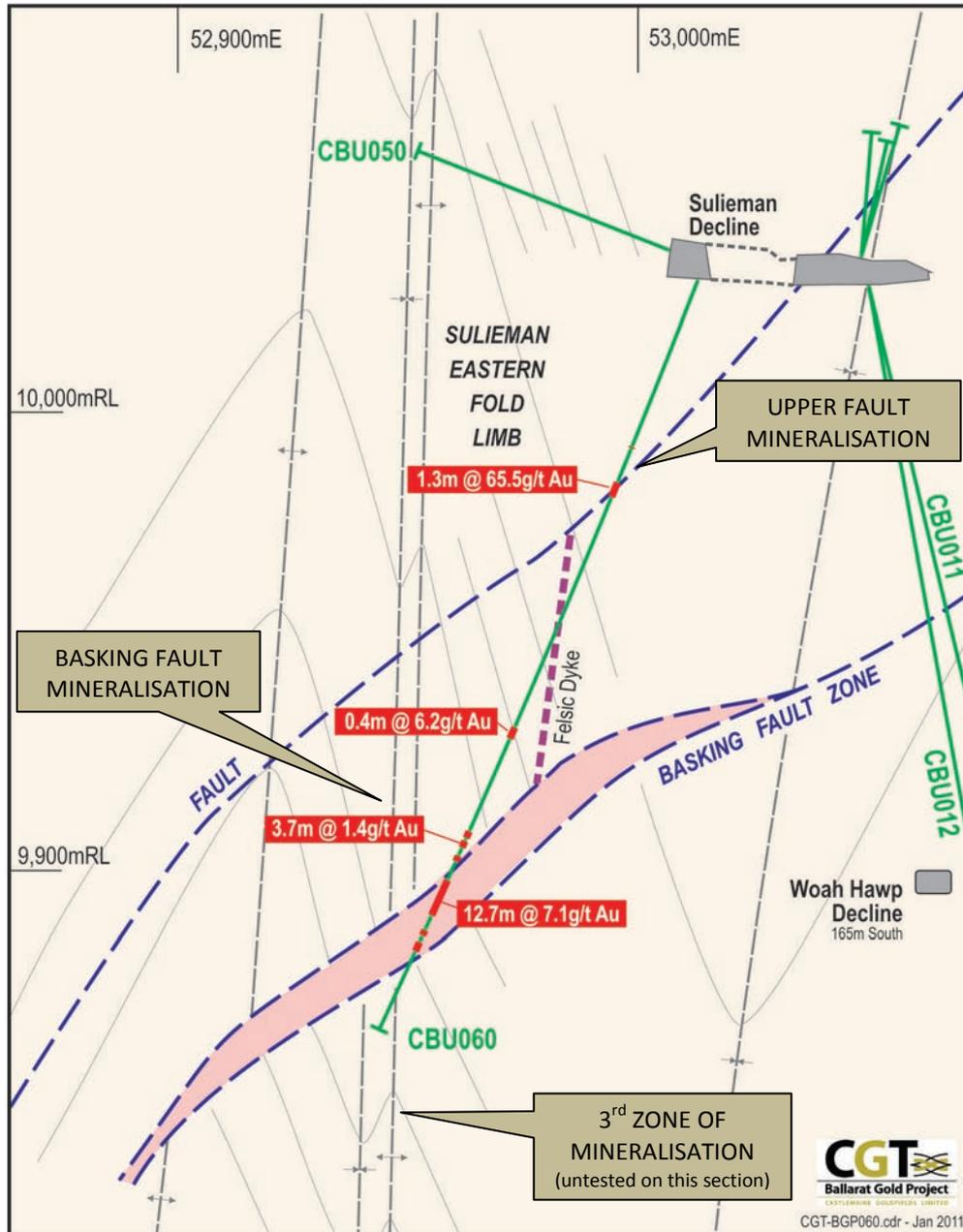


Figure 3. Cross section approximately 25m north of the section in Figure 2 showing results from first step out hole CBU060 (refer Figure 1 for location).



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Information in this document which relates to exploration results and Mineral Resources, is based on information compiled by Mr Wesley Edgar, Exploration Manager for Castlemaine Goldfields Limited, who is a member of the Australasian Institute of Mining & Metallurgy, and who has the relevant experience as a competent person, as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)'. Mr Edgar, has given and has not withdrawn prior to lodgement, his written consent to be named in this Announcement as the person responsible for the Exploration Result statements and to the inclusion of these statements in the form and context in which they appear.

Table 1. Significant assay results for Sulieman Line - Britannia-Basking Fault Zone (downhole lengths)

| Drill hole | From (m) | To (m) | Length (m) | Au (g/t) | Intersection | Gold Zone |
|------------|----------|--------|------------|---|--|-------------|
| CBU058* | 50.8 | 52.2 | 1.4 | 26.57 | 1.4m @ 26.6g/t Au from 50.8m | Upper Fault |
| CBU059* | 39.0 | 40.3 | 1.3 | 53.77 | 1.3m @ 53.8g/t Au from 39.0m | Upper Fault |
| | 44.5 | 52.5 | 8.0 | 7.28 | 8.0m @ 7.3g/t Au from 44.5m | Upper Fault |
| | 129.0 | 159.5 | 30.5 | 1.8 | 30.5m @ 1.8g/t Au from 129.0m | Upper Fault |
| | | | 4.2 | 2.39 | including 4.2m @ 2.4g/t Au from 129.0m | BFZ |
| | | 16.1 | 2.68 | and 16.1m @ 2.7g/t Au from 143.4m | BFZ | |
| CBU060 | 47.4 | 48.7 | 1.3 | 65.48 | 1.3m @ 65.5g/t Au from 47.4m | Upper Fault |
| | 107.1 | 107.5 | 0.4 | 6.2 | 0.4m @ 6.2g/t Au from 107.1m | Spur |
| | 135.8 | 139.5 | 3.7 | 1.38 | 3.7m @ 1.4g/t Au from 135.8m | HW to BFZ |
| | 144.0 | 156.7 | 12.7 | 7.13 | 12.7m @ 7.1g/t Au from 144.0m | BFZ |
| | | 1.0 | 79.21 | including 1.0m @ 79.2g/t Au from 149.0m | BFZ | |
| CBU067 | 25.0 | 25.7 | 0.7 | 2.77 | 0.7m @ 2.8g/t Au from 25.0m | Spur |
| | 39.0 | 41.1 | 2.1 | 3.45 | 2.1m @ 3.4g/t Au from 39.0m | Upper Fault |
| | 127.1 | 131.1 | 0.3 | 14.99 | including 0.3m @ 15.0g/t Au from 39.0m | Upper Fault |
| | | | 4.2 | 2.92 | 4.2m @ 2.9g/t Au from 127.1m | BFZ |
| 192.3 | 201.4 | 9.1 | 0.50 | 9.1m @ 0.5g/t Au from 192.3m | Lower Zone | |
| CBU068 | 75.8 | 76.7 | 0.9 | 1.45 | 0.9m @ 1.4g/t Au from 75.8m | Spur |
| | 94.8 | 95.2 | 0.4 | 1.38 | 0.4m @ 1.4g/t Au from 94.8m | Upper Fault |
| CBU069 | 39.3 | 48.1 | 8.8 | 9.25 | 8.8m @ 9.2g/t Au from 39.3m | Upper Fault |
| | 132.0 | 133.2 | 0.7 | 109.6 | including 0.7m @ 109.6g/t Au from 39.3m | Upper Fault |
| | | | 1.2 | 69.32 | 1.2m @ 69.3g/t Au from 132.0m | BFZ |
| | 192.0 | 201.3 | 0.5 | 147.53 | including 0.5m @ 147.5g/t Au from 132.7m | BFZ |
| 9.3 | | | 1.57 | 9.3m @ 1.6g/t Au from 192.0m | Lower Zone | |

All results are Leachwell[®] cyanide leach 2000g analysis.

* = Holes previously reported on 9th December 2010