

ASX ANNOUNCEMENT

27 OCTOBER 2009

QUARTERLY UPDATE ON JOINT VENTURE

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

Refer to the September 2009 quarterly report of Chalice Gold Mines Limited (ASX Code: CHN) for an update on the Zara Joint Venture which was released to ASX today.

The Zara Joint Venture is 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