Chrysalis RESOURCES

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30th October 2008

ASX Release

Chrysalis Resources Ltd

Quarterly Report 30th September 2008

HIGHLIGHTS

- **Acquisition of tenements to form a consolidated project land holding in the Gregory Range in the east of the Hamersley Basin in the Pilbara Region**
  - **Three new tenements at Gregory South prospective for Iron Ore**
  - **Two new tenements at Isabella North prospective for Iron Ore**
  - **Two new tenements at Gregory Isabella prospective for Uranium**
- **Acquisition of new project in Spring Creek prospective for Iron Ore**
- **Acquisition of new project tenements in Youanmi prospective for Uranium**
- **Non-renounceable Rights Issue**

NEW ACQUISITIONS

1. <u>Gregory Range Project</u>

The Company has been active in acquiring some 2450 km^2 of ground in the Gregory Range area and will plan a staged exploration program over the coming months.

Gregory South

On 24th September 2008 Chrysalis announced the acquisition of Gregory South Iron Ore Projects comprising of three exploration licences which have not yet been granted (EL45/3213, EL46 / 782, EL46 / 786).

The combined area is approximately $206km^2$ and is located South East of the Woodie Woodie manganese mining centre.

Surface sampling by previous explorers has returned consistent values of greater than 50% Fe, with a maximum value of 59.8% Fe. Several of these samples have been collected from the extensive ironstone pebble lag deposits which are estimated to cover approximately 60% of the project area.

These ironstone pebble lag deposits are considered to be indicators of laterite or ferruginous duricrust surfaces at shallow depth (Williams and Trendall, 1998b).

The remainder of the samples with values greater than 50% Fe are rock chip samples from ferruginous outcrops, including the unusual iron-rich quartz-hematite veins which outcrop near the southern boundary and trend at about 340 degrees for approximately 12 kilometres further north, also within the project area.

The palaeodrainage system is interpreted to follow the trend of these quartz-hematite veins, and it is likely that hematite-rich scree deposits shed from these veins have been concentrated in palaeochannels within the palaeodrainage system, possibly forming economic iron ore deposits.

Potential also exists within the project area for the discovery of Roxby Downs style and vein hosted base metal deposits.

Initial exploration through further sampling and geological mapping to establish the extent of the quartz-hematite vein system, followed by a re-interpretation of the palaeodrainage system will be undertaken.

The Company also envisages conducting a RAB drilling programme to investigate the possible concentration of iron minerals within the palaeodrainage system.

Following a field visit by our geological team in September 2008, out-cropping iron ore has now also been found to exist in the tenement area. Further evaluation is required to qualify the likely magnitude and scope of this occurrence and its implications for a potential economic iron ore deposit.

Isbaella North

Two new tenements (EL45/3313 and EL45/3314) were acquired though no exploration licences have yet been granted. The presence of banded-iron formations is established at Mt Cecelia, though no iron ore investigations by CYS have been made to date. TMI data does suggest sub-surface presence of banded-iron formations within our project area. On ground investigations to define targets for exploration will now be undertaken.

Gregory Isabella

Two new tenements (EL45/3283 and EL45/3284) for which licences have not been granted have also been acquired since listing, adding to three existing tenements which were part of the original Prospectus. The primary target in this project is Uranium, as a large scale Uranium anomaly was defined during a recent GSWA South Paterson Radiometric Survey in 2005. The 'footprint' for the Kintyre Uranium Mine (also in the survey area) will be used as a guide for ongoing exploration.

Definition of a potential Uranium source, either primary and/or drainage related will form the basis of the ongoing exploration.

2. Spring Creek Project

The Spring Creek Project comprises two application areas that include E47/1967 and E47/1968, both of which are considered prospective for Channel Iron Deposits.

The Spring Creek Project is located within approximately 12 kilometres to the south and south-east of the township of Tom Price and is situated on the sealed Paraburdoo - Tom Price Road: adjacent to the Rio Tinto Paraburdoo Railway line.

In the east, the exploration target is the possible extension of the 'Spring Creek Limonites' Deposit, whereas the more western area is postulated to contain possible extensions of the previously mined Hamersley Iron Pty Ltd 'Southern Plains Detritals' Deposit.

Samples taken by Hamersley Iron Pty Ltd in 1978 - examining an area approximately 600 metres north of the most northern boundary of the project area - discovered a limonite profile of approximately 14.5 metres in thickness and containing values up to 55.6% Fe.

Recent exploration by Ausquest Limited, conducted along the western boundary of E47/1968, has produced channel iron sampling results in the order of 57.59%, 58.35% and 57.6% Fe. These samples were obtained from within a drainage channel that appears from aerial photographs to continue east-west through the CYS application area.

These applications are now with the Department of Industry and Resources and are currently awaiting a determination by the Minister in respect to their possible grant.

3. Youanmi Project

Three tenements (E57/0775, E57/0776 and E57/0777) were acquired in the Mt Magnet mining area prospective for Uranium and Iron Ore. Exploration licences have not yet been granted.

Radiometric data covering the Youanmi Project area boasts significant uranium channel anomalism consistent with near surface calcrete style enrichment. Such a geological environment is considered similar to that hosting the Yeelirrie Uranium Deposit, which is located to the north east of the Project area. Other localized deposits include the Windimurra Uranium Deposit, reported to contain 7.5 million pounds U3O8, and the Yuinmery Uranium Deposit, 1,580,000t @ 0.037% U3O8 (after Pickaxe Pty Ltd, 1998).

Near surface uranium mineralization is contained with calcrete occurrences that have been deposited in mature drainage channels present within the project area.

GSWA mapping has also noted the presence of banded-iron-formations within E57/777. This data is further supported by elevated TMI readings at the same location. Further investigations are now required to determine scope of the occurrence.

OTHER PROJECTS

1. <u>Windarra Project</u>

The EL39/1324 tenement was granted on 5th September 2008 and the Company is assessing the next stage of its exploration program.

NON-RENOUNCEABLE RIGHTS ISSUE

The Company is offering shareholders non-renounceable options on the basis of one option for every share held exercisable at 20 cents each on or before 30th June 2013.

The purpose of the offer is to raise approximately $413,750 (before expenses of the offer) to continue to fund the Company's exploration activities to identify and delineate commercially significant mineral deposits and for general working capital.

The offer closes on 3rd November 2008.

BOARD CHANGES

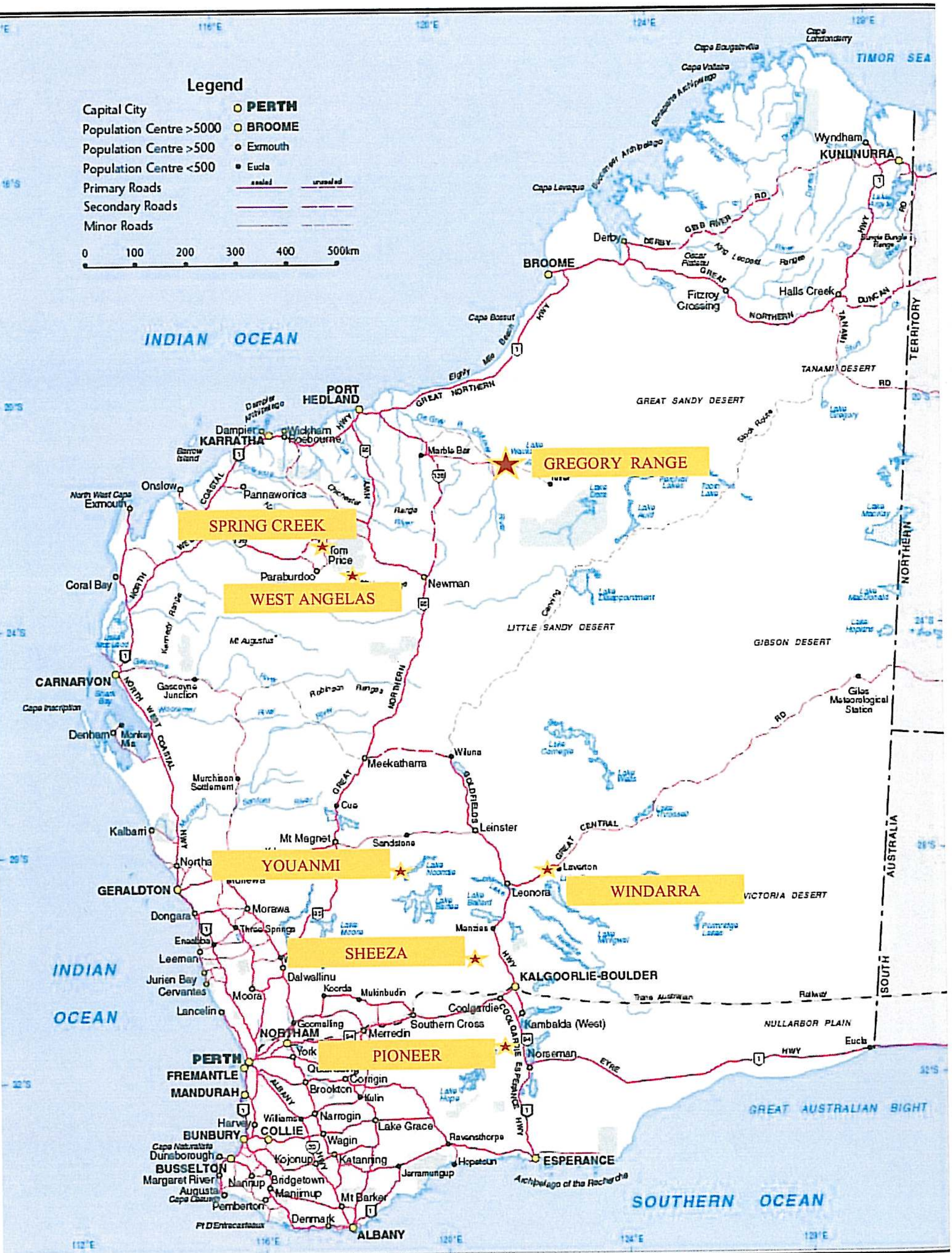
Michael Fry resigned as a non-executive director with effect 31st August 2008 and Grant Kidner was appointed as a non-executive director with effect from 31st August 2008. Mr Kidner also continues as Company Secretary.

SUMMARY

The Company has project areas which cover a range of target commodities, including gold, iron ore, uranium and nickel. The Board is of the view that notwithstanding current global market conditions, particularly as they relate to commodities each of our target commodities will be in demand over the coming years.

As stated in our previous Quarterly Report the Company will continue to look selectively for other expansion opportunities, by considering the acquisition of additional properties or joint ventures with appropriate partners.

Dr Neale Fong
EXECUTIVE CHAIRMAN



Legend
Capital City
PERTH
Population Centre >5000
BROOME
Population Centre >500
Exmouth
Population Centre <500
Eucla
Primary Roads
Secondary Roads
Minor Roads
0 100 200 300 400 500km
INDIAN OCEAN
TIMOR SEA
SOUTHERN OCEAN
GREAT AUSTRALIAN BIGHT
GREGORY RANGE
SPRING CREEK
WEST ANGELAS
YOUANMI
WINDARRA
SHEEZA
PIONEER
Wyndham
KUNUNURRA
Derby
BROOME
Fitzroy Crossing
Halls Creek
PORT HEDLAND
Dampier
Wickham
Roebourne
KARRATHA
Marble Bar
Onslow
Pannawonica
Exmouth
Tom Price
Paraburdoo
Newman
Coral Bay
CARNARVON
Gascoyne Junction
Denham
Monkey Mia
Meekatharra
Wiluna
Murchison Settlement
Cue
Kalbarri
Mt Magnet
Sandstone
Leinster
Laverton
Leonora
GERALDTON
Morawa
Dongara
Three Springs
Eneabba
Leeman
Menzies
Jurien Bay
Cervantes
Dalwallinu
KALGOORLIE-BOULDER
Moora
Koorda
Mukinbudin
Lancelin
Coolgardie
Goomalling
Southern Cross
Kambalda (West)
NORTHAM
Merredin
York
Norseman
Eucla
PERTH
FREMANTLE
MANDURAH
Corrigin
Brookton
Kulin
Narrogin
Williams
Harvey
BUNBURY
COLLIE
Lake Grace
Wagin
Ravensthorpe
Dunsborough
BUSSELTON
Kojonup
Katanning
Hopetoun
ESPERANCE
Margaret River
Nannup
Bridgetown
Jerramungup
Augusta
Manjimup
Pemberton
Mt Barker
Denmark
ALBANY
GREAT SANDY DESERT
TANAMI DESERT
LITTLE SANDY DESERT
GIBSON DESERT
VICTORIA DESERT
NULLARBOR PLAIN
Giles Meteorological Station
NORTHERN TERRITORY
SOUTH AUSTRALIA
Trans Australian Railway

COMPETENT AUTHORITY

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Peter Poole, who is a member of the Australian Institute of Geoscientists and an independent consultant to the Company. Mr Poole has over 35 years exploration and mining experience in a variety of mineral deposit styles. Mr Poole has sufficient experience relevant to the styles of mineralisation and types of deposits 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 Poole consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Chrysalis Resources Ltd

ABN	Quarter ended ("current quarter")
56 125 931 964	30 September 2008

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a)exploration and evaluation	(209)	(209)
	(b) development		
	(c) production		
	(d) administration	(134)	(134)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	64	64
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - GST	7	7
	Net Operating Cash Flows	(272)	(272)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows		
1.13	Total operating and investing cash flows (carried forward)	(272)	(272)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(272)	(272)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – capital raising costs	(6)	(6)
	Net financing cash flows	(6)	(6)
	Net increase (decrease) in cash held	(278)	(278)
1.20	Cash at beginning of quarter/year to date	3,827	3,827
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	3,549	3,549

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	51
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available
Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	250
4.2	Development	
	Total	**250**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	16	6
5.2	Deposits at call	3,533	3,821
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)		

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	41,375,001	21,375,001	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does~~ not* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: .... (Director/Company secretary)

Date: 30/10/2008

Print name: GRANT KLONER

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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