

ASX Announcement

9 January 2012

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## RESOURCE AND INVESTMENT NL (RNI) TO BECOME AUSTRALIAN GOLD PRODUCER FOLLOWING \$35M DEAL TO ACQUIRE FORTNUM PROJECT AND EXTENSIVE TENEMENT PACKAGE

*COMPANY-MAKING ACQUISITION DELIVERS 1.2Moz JORC RESOURCE, PROCESSING PLANT AND OUTSTANDING EXPLORATION UPSIDE*

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### HIGHLIGHTS

- RNI to acquire Grosvenor Gold, owner of the Fortnum Gold Project and extensive 1,791km<sup>2</sup> tenement package in WA, from BlueCrest Mercantile Master Fund Limited.
- Acquisition will increase RNI's footprint in the Bryah-Padbury Basin more than five-fold to 2,225km<sup>2</sup>, including 100km strike of Narracoota Volcanics, host of the world-class DeGrussa copper-gold deposit.
- +100 walk-up drilling targets with outstanding exploration potential for new lode gold and VMS copper-gold discoveries.
- Existing 1.2Moz resource base and 1Mtpa processing plant offers path to near-term production.
- \$35M consideration to BlueCrest to comprise \$20M cash and \$15M in RNI shares.
- Argonaut engaged to conditionally underwrite \$30M in equity funding.
- New Holland Capital to arrange debt facility of approximately \$20M to fund plant re-commissioning and provide additional working capital.

Resource and Investment NL (ASX: **RNI**) (RNI or the Company) is pleased to announce that it is poised to become a gold producer, with significant exploration upside, following a deal to acquire the **Fortnum Gold Project** and surrounding exploration tenements in WA's highly prospective Bryah Basin for a total consideration of **\$35 million** in cash and shares.

Fortnum hosts a JORC-compliant resource of 1.2 million ounces at a grade of 2.2g/t and has more than 100 walk-up drilling targets based on an extensive exploration database compiled by previous owners, offering outstanding exploration potential for both lode gold and VMS copper-gold deposits.

As part of the acquisition, RNI will gain the 1Mtpa Fortnum processing plant, which the Company plans to bring back into production within 12-18 months.

The acquisition will significantly increase RNI's strategic footprint in the Bryah-Padbury Basin from 434km<sup>2</sup> currently to 2,225km<sup>2</sup>.

This will make RNI a dominant tenement holder in the region with control of a 100km strike length of the highly prospective Narracoota Volcanics, host to the world-class DeGrussa copper-gold deposit currently being developed by Sandfire Resources.

RNI has reached agreement to acquire the Fortnum Project following a tender process conducted by Cayman Island hedge fund BlueCrest, which took ownership of the project after the former operator fell into receivership in a low gold price environment.

## PROJECT SUMMARY

The Fortnum Project, owned by BlueCrest subsidiary Grosvenor Gold Pty Ltd, is located 170km north-west of Meekatharra in WA (*see Figure 2 attached*). The acquired assets include:

- 11 granted Mining Leases (ML's) and 51 Exploration and Prospecting Leases (EL's and PL's) (*see Table 2 attached – Tenement Schedule*);
- open pit and underground resources in multiple deposits totalling 1.2Moz (*see Table 1 attached – Resource Inventory*);
- a carbon-in-leach (CIL) gold processing facility with a nameplate capacity of around 1Mtpa which was in production until May 2007(*see Figure 1 below*);
- an extensive exploration portfolio extending over a total area of 1,791km<sup>2</sup> stretching from the Great Northern Highway over 100km westwards, covering an approximate 100km strike length of Narracoota Volcanics. The tenements are prospective for both lode gold and VMS-style deposits similar to the nearby DeGrussa copper-gold discovery;
- a +100-person accommodation village, airstrip and other utilities including communications, all located within 1km of the Fortnum mine site;
- a tailings storage facility and borefield; and
- a 40 per cent stake in the Robinson Range Iron Ore Project in WA managed by PepinNini Minerals.



*Figure 1 – 1Mtpa Fortnum Gold Processing Plant*

## ACQUISITION DETAILS

RNI has entered into a Sale & Purchase Agreement with BlueCrest Mercantile Master Fund Limited under which RNI will acquire all the issued capital of Grosvenor Gold Pty Ltd for a total consideration of \$35 million payable as \$20 million in cash and \$15 million of fully paid ordinary shares in RNI. Grosvenor Gold owns the Fortnum Mining Project and surrounding exploration tenements.

RNI will fund the cash component of the acquisition through an equity raising to be managed and conditionally underwritten by Argonaut Capital Ltd.

In addition, New Holland Capital will arrange a debt facility of approximately \$20 million to fund the re-commissioning of the gold treatment plant and to provide additional working capital.

On completion, the equity financing of approximately \$30 million and the debt facility of approximately \$20 million will ensure RNI has sufficient funding to complete the acquisition and to pursue an aggressive exploration strategy as set out below.

The acquisition, the issue of shares to BlueCrest and components of the equity financing will require the approval of RNI shareholders. The date of the EGM at which shareholders can vote will be set after the price of the equity financing and share issue has been set. The pricing of the equity financing and share issue will be set on or before 20 January 2012.

## FUTURE STRATEGY

Upon completion of the transaction, RNI will continue an extensive review of the assets with a particular emphasis on the existing JORC resource base at Fortnum and the vast exploration database.

As part of this review, RNI will finalise a mine plan, which has been reviewed by independent consultants, to resume gold production at Fortnum within 12-18 months. This plan forecasts initial gold production of approximately 50,000oz per annum at a forecast cash cost of A\$826/oz.

During this time, the Company will pursue a two-pronged approach which will see it undertake an extensive exploration program while also completing a \$10.2 million re-commissioning of the gold treatment plant.

The work to refurbish and re-start the gold treatment plant will be funded from part of the proceeds of the debt facility of approximately \$20 million to be arranged by New Holland Capital. The debt facility will also provide ongoing working capital.

This strategy is aimed at enabling the Company to generate strong cash flow from production in the near-term, while at the same time growing the reserve and resource inventory with a view to further increasing mine life, production and cash flow.

## **SIGNIFICANT EXPLORATION UPSIDE**

In addition to the physical assets, Grosvenor Gold has exploration data, assays and other intellectual property related to the properties. This includes an extensive drilling, geophysical and geochemical database and records, including information on preliminary exploration programs undertaken by previous explorers for gold deposits before the discovery of DeGrussa transformed the exploration potential of the region.

In recent years Grosvenor Gold has retained West Perth-based exploration consultancy CSA Global to progress exploration of these tenements, including current geophysical programs such as ground EM and micro-gravity surveys.

The Fortnum Project and surrounding tenements represent a dominant tenement position, and one of the most prospective, in the Bryah Basin. The acquisition will complement RNI's existing 434km<sup>2</sup> tenement package, which includes the flagship Doolgunna Project located immediately south of DeGrussa.

The package includes more than 100 walk-up drilling targets, providing an outstanding opportunity for RNI to increase the current gold resource inventory and to target the discovery of new copper-gold deposits similar to DeGrussa.

RNI Executive Chairman Miles Kennedy said he was delighted to have secured a deal to buy the highly sought-after Fortnum Project and exploration assets from BlueCrest.

"This represents a company-making acquisition for RNI which offers a compelling combination of near-term production potential and exploration upside," said Mr Kennedy.

"Quality acquisition opportunities in the Australian mining and exploration industry are increasingly difficult to identify. This standout opportunity will give RNI the ability to join the ranks of Australian gold producers within 12-18 months as well as to consolidate a world-class exploration portfolio in one of Australia's hottest exploration provinces – the Bryah Basin of Western Australia."

## **ASCIDIAN OPTION**

RNI has reached agreement with Ascidian Prospecting Pty Ltd to vary the terms of an option agreement signed in April 2010 to acquire 100% of the flagship Doolgunna Project (E52/2438).

Under the deed of variation, Ascidian will receive \$50,000 cash and two million RNI options exercisable at \$1 by 25 November 2013.

Upon exercising of the option to acquire the Doolgunna Project, RNI will pay Ascidian \$2 million cash and three million ordinary fully paid RNI shares.

This replaces the original agreement terms, under which Ascidian was previously entitled to shares in RNI equivalent to 20% of the Company upon exercise of the option to acquire the Doolgunna Project.

Ascidian will retain a royalty of 1.5% of any metals or minerals recovered from the tenement. The deed of variation with Ascidian will take effect contemporaneously with the completion of the BlueCrest transaction.

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Table 1 - Resource Inventory

Project	Cut-off (g/t)	Tonnes	Grade (Au g/t)	Tonnes	Grade (Au g/t)	Tonnes	Grade (Au g/t)	Tonnes	Grade (Au g/t)	Au Ounces
		Measured		Indicated		Inferred		Total		
Yarlarweelor	0.7	--	--	4,333,000	2	1,216,000	1.87	5,549,000	1.9	331,800
Starlight	1	--	--	1,558,000	3	924,000	3.4	2,482,000	3.2	252,500
Starlight Hanging Wall	1	--	--	145,000	4.3	503,000	2.9	648,000	3.2	67,500
Twilight	1	--	--	1,138,000	2.7	316,000	2.6	1,454,000	2.7	124,700
Ricks	1	--	--	232,000	1.9	63,000	2.1	295,000	2	18,800
Midnight	1	--	--	229,000	2.3	124,000	2.7	353,000	2.4	27,400
Dougies	1	--	--	99,000	3.1	123,000	2.9	222,000	3	21,500
Eldorado	0.6	--	--	--	--	386,400	1.4	386,400	1.4	17,300
Toms and Sams	1	--	--	--	--	780,000	1.9	780,000	1.9	47,400
Horseshoe	0.75	--	--	--	--	2,245,500	2.3	2,245,500	2.3	162,900
Nathans	0.75	--	--	--	--	1,081,400	1.9	1,081,400	1.9	66,900
Callies	0.6	--	--	--	--	801,300	1.7	801,300	1.7	44,700
Regent	0.6	--	--	--	--	328,300	1.4	328,300	1.4	14,300
<b>TOTAL</b>		-		<b>7,734,000</b>		<b>8,891,900</b>		<b>16,625,900</b>	<b>2.2</b>	<b>1,197,700</b>

Cut-off grade is nominal. Resource is in-situ, except for Yarlarweelor which is estimated with MIK and has mining dilution, otherwise no mining dilution or metallurgical recovery applied. Rounding of grade, ounces and tonnes may result in computational discrepancies

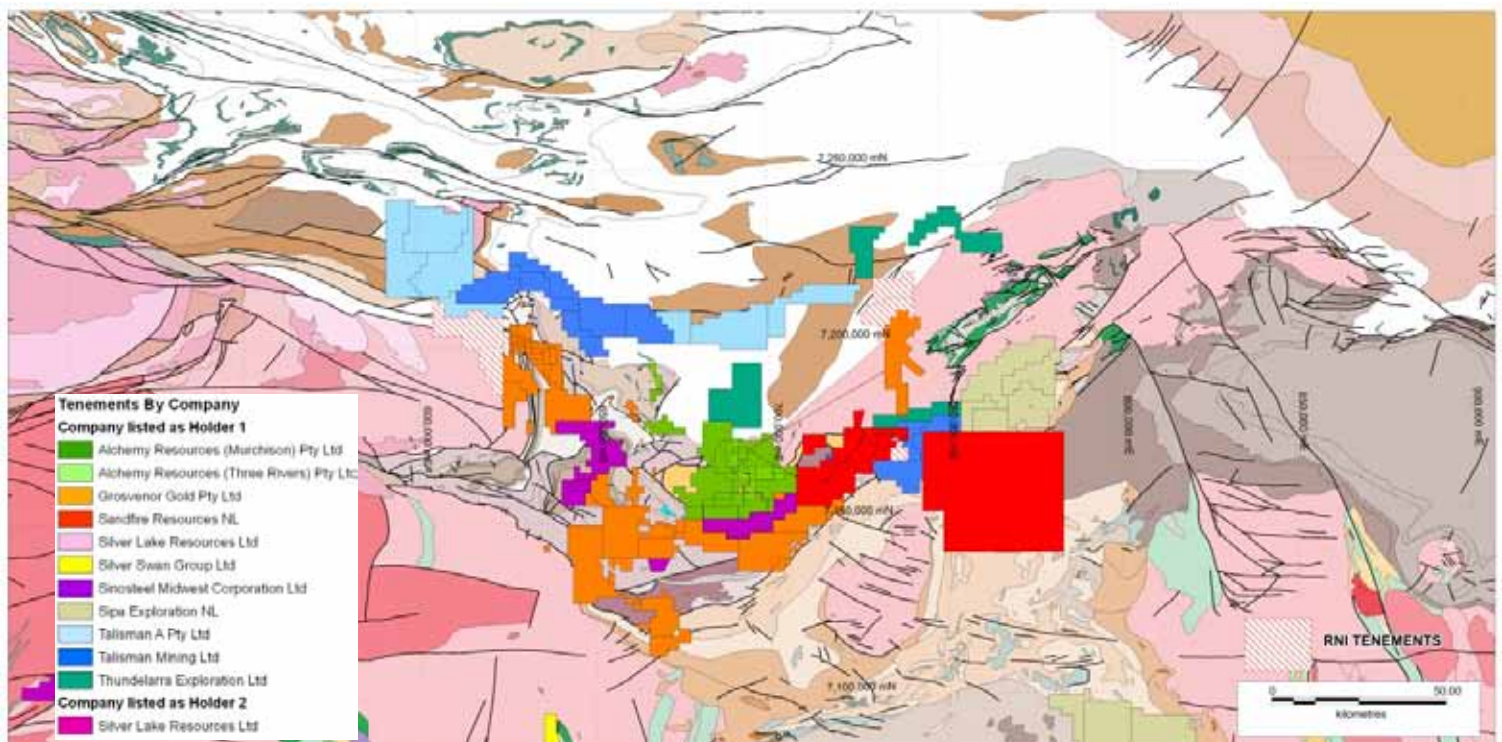


Figure 2 – Fortnum Gold Project Tenements and Location

Table 2 - Acquired Tenement position as at 9 January 2012

Tenement	TYPE	Grant Date	End Date	Area (ha)	Area (blocks)	Area (ha)	% Interest	Other parties
E 5101033	EXPLORATION LICENCE	22/09/2005	21/09/2012		53	16430	40	Jackson and PepinNini
E 5101053	EXPLORATION LICENCE	22/09/2005	21/09/2012		35	10850	100	
E 5101060	EXPLORATION LICENCE	20/07/2005	19/07/2012		1	310	100	
E 5101085	EXPLORATION LICENCE	22/09/2005	21/09/2012		17	5270	100	
E 5101120	EXPLORATION LICENCE	10/08/2006	9/08/2013		70	21700	100	
E 5101134	EXPLORATION LICENCE	15/11/2006	14/11/2011		4	1240	100	
E 5201613	EXPLORATION LICENCE	29/03/2006	28/03/2013		30	9300	40	Jackson and PepinNini
E 5201655	EXPLORATION LICENCE	23/02/2004	22/02/2013		8	2480	100	
E 5201659	EXPLORATION LICENCE	27/01/2004	26/01/2013		13	4030	100	
E 5201670	EXPLORATION LICENCE	23/11/2004	22/11/2011		9	2790	40	Jackson and PepinNini
E 5201671	EXPLORATION LICENCE	23/11/2004	22/11/2011		61	18910	100	
E 5201672	EXPLORATION LICENCE	22/09/2005	21/09/2012		35	10850	40	Jackson and PepinNini
E 5201817	EXPLORATION LICENCE	13/10/2008	12/10/2013		1	310	100	
E 5201818	EXPLORATION LICENCE	14/04/2005	13/04/2012		2	620	100	
E 5201832	EXPLORATION LICENCE	16/03/2009	15/03/2014		19	5890	100	
E 5201910	EXPLORATION LICENCE	10/08/2006	9/08/2013		67	20770	50	PepinNini
E 5201951	EXPLORATION LICENCE	26/02/2007	25/02/2012		29	8990	100	
E 5201964	EXPLORATION LICENCE	1/11/2007	31/10/2012		18	5580	100	
E 5202059	EXPLORATION LICENCE	17/02/2010	16/02/2015		2	620	100	
E 5201846	EXPLORATION LICENCE	2/11/2011	01/11/2015		66	20460	100	
L 5200102	MISCELLANEOUS LICENCE	11/11/2008	10/11/2029	9		9	100	
M 5200005	MINING LEASE	20/04/1983	19/04/2025	464.8		464.8	100	
M 5200006	MINING LEASE	20/04/1983	19/04/2025	479.6		479.6	100	
M 5200093	MINING LEASE	8/02/1988	7/02/2030	772		772	100	
M 5200095	MINING LEASE	8/02/1988	7/02/2030	649.3		649.3	100	
M 5200096	MINING LEASE	8/02/1988	7/02/2030	682.7		682.7	100	
M 5200098	MINING LEASE	8/02/1988	7/02/2030	910.6		910.6	100	
M 5200099	MINING LEASE	8/02/1988	7/02/2030	486.1		486.1	100	
M 5200125	MINING LEASE	30/12/1988	29/12/2030	338		338	100	
M 5200132	MINING LEASE	11/05/1989	10/05/2031	698.2		698.2	100	
M 5200133	MINING LEASE	11/05/1989	10/05/2031	879.7		879.7	100	
M 5200338	MINING LEASE	28/10/1992	27/10/2013	684.3		684.3	100	
P 5201114	PROSPECTING LICENCE	8/01/2009	7/01/2013	48		48	100	
P 5201147	PROSPECTING LICENCE	3/01/2007	2/01/2015	130		130	100	

P 5201148	PROSPECTING LICENCE	3/01/2007	2/01/2015	168		168	100	
P 5201149	PROSPECTING LICENCE	3/01/2007	2/01/2015	160		160	100	
P 5201150	PROSPECTING LICENCE	3/01/2007	2/01/2015	180		180	100	
P 5201151	PROSPECTING LICENCE	3/01/2007	2/01/2015	200		200	100	
P 5201152	PROSPECTING LICENCE	3/01/2007	2/01/2015	190		190	100	
P 5201153	PROSPECTING LICENCE	3/01/2007	2/01/2015	190		190	100	
P 5201154	PROSPECTING LICENCE	3/01/2007	2/01/2015	190		190	100	
P 5201155	PROSPECTING LICENCE	3/01/2007	2/01/2015	124		124	100	
P 5201156	PROSPECTING LICENCE	3/01/2007	2/01/2015	160		160	100	
P 5201157	PROSPECTING LICENCE	3/01/2007	2/01/2015	190		190	100	
P 5201158	PROSPECTING LICENCE	3/01/2007	2/01/2015	190		190	100	
P 5201159	PROSPECTING LICENCE	3/01/2007	2/01/2015	190		190	100	
P 5201160	PROSPECTING LICENCE	3/01/2007	2/01/2015	133		133	100	
P 5201161	PROSPECTING LICENCE	3/01/2007	2/01/2015	198		198	100	
P 5201162	PROSPECTING LICENCE	3/01/2007	2/01/2015	198		198	100	
P 5201163	PROSPECTING LICENCE	3/01/2007	2/01/2015	193		193	100	
P 5201164	PROSPECTING LICENCE	3/01/2007	2/01/2015	171		171	100	
P 5201165	PROSPECTING LICENCE	3/01/2007	2/01/2015	156		156	100	
P 5201169	PROSPECTING LICENCE	3/01/2007	2/01/2015	56		56	100	
P 5201170	PROSPECTING LICENCE	3/01/2007	2/01/2015	193		193	100	
P 5201171	PROSPECTING LICENCE	3/01/2007	2/01/2015	175		175	100	
P 5201172	PROSPECTING LICENCE	3/01/2007	2/01/2015	178		178	100	
P 5201194	PROSPECTING LICENCE	8/01/2009	7/01/2013	192		192	100	
P 5201197	PROSPECTING LICENCE	8/01/2009	7/01/2013	112		112	100	
P 5201198	PROSPECTING LICENCE	8/01/2009	7/01/2013	96		96	100	
P 5201201	PROSPECTING LICENCE	8/01/2009	7/01/2013	128		128	100	
P 5201202	PROSPECTING LICENCE	8/01/2009	7/01/2013	144		144	100	
P 5201214	PROSPECTING LICENCE	8/01/2009	7/01/2013	74		74	100	

#### Competent Person's Statement

The information in this ASX release that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Albert Thamm, who is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Mr Thamm is a Geological Consultant to and Director of Resource and Investment NL and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Mineral Resources and Ore Reserves. Mr Thamm consents to the inclusion in the release dated 3 January 2012 of the matters based on information in the form and context in which it appears.

#### Forward-Looking Statements

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