



**ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 3 NOVEMBER 2011**

## **Acquisition of Nalesbitan Exploration Project**

The Board of Sierra Mining Limited is pleased to advise that the Company has agreed to acquire the Nalesbitan Project in Camarines Norte, Luzon, to add to its outstanding portfolio of Philippine exploration assets.

The Project has been explored extensively to date, defining a wide area of gold and copper mineralisation however, considerable potential remains to pursue additional epithermal gold and copper porphyry targets on the property.

The acquisition is in accordance with Sierra's strategy of utilising its established network and exploration expertise in the Philippines to simultaneously advance a number of exploration projects with potential to hold world class gold and copper deposits.

Sierra, in conjunction with its Filipino associate, has agreed to acquire a private Filipino corporation which owns 100% of the Nalesbitan Project and also the nearby Mabilo gold prospect. The assets comprise:

- The Nalesbitan Hill deposit, where over 24,000m of drilling in over 400 holes, has defined an exploration target\* ranging from 5 - 10mt @ 0.9 - 1.1g/t Au (**see Note 1**). The deposit has clear potential for extensions.
- Four other known areas of outcropping (high and low sulphidation) epithermal gold mineralisation where initial drill results indicate good potential for further gold resources.
- Outstanding deeper porphyry copper and epithermal gold targets indicated by a range of geological and geophysical data.

Consideration to acquire the projects will comprise up to 7 million new ordinary shares and up to \$630,000 - to be funded from existing cash resources.

*\* - This "exploration target" is not a Mineral Resource. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource. See Note 1 for further information.*

**Enquiries:** Matt Syme, Managing Director, +61 8 9322 6322



## The Nalesbitan Project

Nalesbitan is comprised of Mining Lease Contract MRD-459 of 497Ha and also MPSA Application APSA-V-0002 of 637Ha. The Project is located in Camarines Norte Province approximately 300km ESE of Manila (see Figure 1).



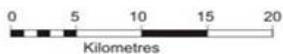
FIGURE 1  
NALESBITAN PROJECT  
GEOGRAPHIC & GEOTECTONIC  
LOCATION

PHILIPPINES



- Philippine Transform Fault
- Subsidiary / Splay Faults (LGL: Legaspi Lineament) (DBFZ: Dumagang-Bosigon F. Z.)
- Active Subduction Zone
- Inactive Trench
- Ocean Plateau Basalt
- Active Volcano (T: Taal, P: Pinatubo)
- Inactive Quaternary Volcano (b: Banahao, f: Labo)

FIGURE 2  
NALESBITAN PROJECT  
TENEMENT LOCATION PLAN  
NORTH BICOL PENINSULA



- El Doré Nalesbitan Tenement
- National Highway
- Subsidiary Road/Track
- Railway
- Province Boundary
- Fault: Actual or Inferred



Figures 1 & 2: Nalesbitan Project Location



The area was first worked for gold in the 1800's and artisanal mining continues today. The Nalesbitan Hill deposits were discovered in 1930 and mined underground between 1938 -1941 by a Filipino-American company, activities ceasing due to WWII. In the 1970's Renison Goldfields Consolidated (RGC) of Australia explored and systematically drilled Nalesbitan Hill. RGC briefly operated a small open pit mine and heap leach facility in 1990, which closed after poor results.

Subsequent exploration has further defined the Nalesbitan Hill deposit and tested a number of additional areas of outcropping epithermal gold veins nearby. In total 427 drill holes are recorded at Nalesbitan. On the basis of this past drilling, which has been modelled by independent consultants on behalf of the previous operators of the property, Sierra has an exploration target for Nalesbitan Hill ranging from 5-10 mt at grades ranging from 0.9-1.1g/t Au.

***This “exploration target” is not a Mineral Resource. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource. See Note 1 for further information.***

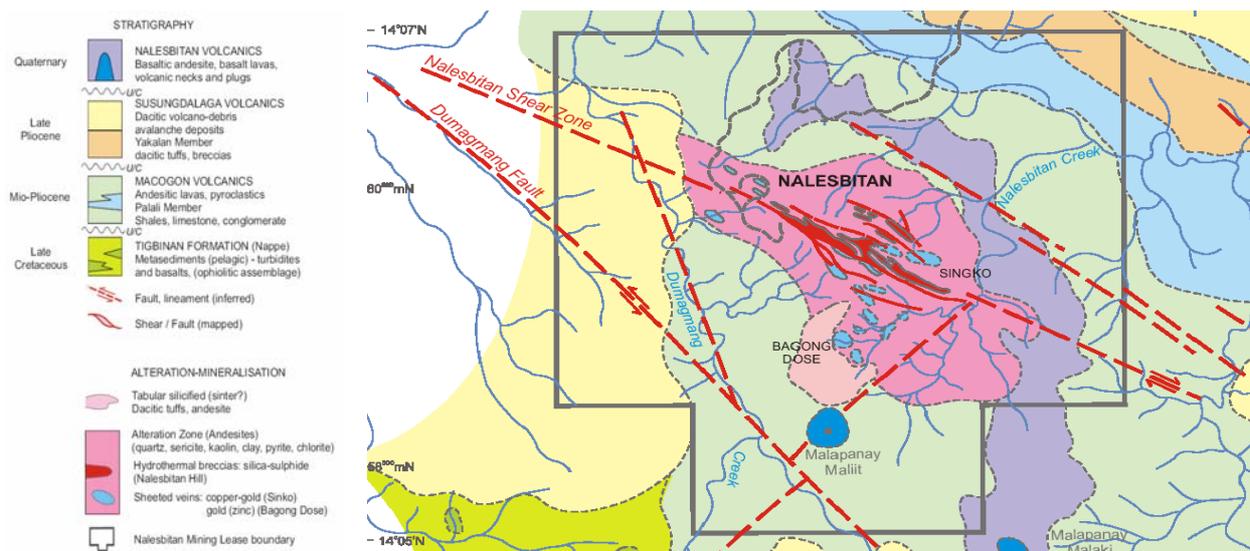
Given the substantial exploration to date, Sierra will investigate the potential for establishing a small open pit mining operation based on the near surface Nalesbitan Hill deposit, in conjunction with a local partner.

Sierra will also work with the local community and stakeholders to establish a mutually agreed basis to explore the other outstanding prospects in the Project area.



## Regional Geology

The Nalesbitan Project is located between 2 regional scale WNW-trending strike slip faults, the Bosignon Fault to the north of the project and the Dumagmang Fault to the south (Figure 2). These faults broadly parallel the Philippine trench to the northeast and the Philippine Fault to the southwest.



**Figure 3: Nalesbitan Project Geology**

## Project Geology

The geology of the project area is composed of Miocene/Pliocene to Quaternary volcanic rock units cut by major northwest trending strike slip faults with some conjugate Northeast trending crossfaults.

The Nalesbitan Hill gold deposit is confined to a northwest-striking fault zone (Nalesbitan Fault), in which steeply west-dipping mineralised structures and breccias occur over widths of up to 600 m and along strike for at least 1900m. The structures are hosted in andesite and tuffs. The principal lode coincides with the Nalesbitan ridge and is a 1300m long altered and mineralised body that ranges from 145m wide in the middle to as little as 12 m wide at its north-western and south-eastern extremities. The smaller, subsidiary lodes to the northeast and southwest may be faulted off remnants (Figure 3).

The mineralisation is surrounded by an extensive zone of alteration. The mineralogy and zonation of this alteration is typical of a high-sulphidation epithermal system. The mineralisation itself is described as being associated with silica-pyrite-clay mineralogy. At a larger scale, this alteration and mineralisation is likely to be related to a buried porphyry.

The mineralised breccia zones attain their greatest extent near surface and appear to pinch out at depth.



Approximately 500m to the east of Nalesbitan Hill and on a distinct structural trend (to the north of the Nalesbitan trend) is the Millsite-Singko prospect, which has been the focus of small-scale miners in recent years but has only had limited drill testing. The mineralisation descriptions are similar to Nalesbitan Hill, though there is more copper and silver reported (related to tennantite-enargite occurrence).

Approximately 500m south of Nalesbitan Hill is the Bagong Dose prospect which shows mineralogical and textural features indicative of low sulphidation epithermal mineralisation.

Further to the east, the younger basalts of the Nalesbitan Volcanics cover the potentially mineralised older volcanics, possible up to 100m of cover. Exploration beneath this unit (in the so-called One Tree Hill area) will be more difficult but potentially rewarding.

For personal use only



## Previous Exploration

A very substantial amount of work has been undertaken in the Project area, dating back to RGC's work starting in the 1970's. Most of this data remains available although there is no longer any drill core.

Comprehensive soil, rock chip, tunnel and trench sampling has generated over 4,000 sampling datapoints.

Over 400 diamond, RC and percussion drill holes, totalling over 24,000m, have been drilled by previous explorers. These are mainly in the Nalesbitan hill area, although a number of holes made preliminary investigations at other known prospects such as Millsite/Singko, Bagong Dose, Venus Springs, New Horizon.

On the basis of drilling results at Nalesbitan Hill, previous explorers have constructed models of the deposit and made estimates of tonnage and grade. Based on these previous estimates (see Note 1 below), Sierra has an exploration target for the Nalesbitan Hill area ranging from 5-10mt at grades from 0.9-1.1g/t Au.

Better intersections from drilling at some of the other areas, which are not included in the above exploration target, are:

Table 1  
Nalesbitan Project Area Drill Results  
Selected Drillhole Intercepts

| Hole Id                | From | To | Interval | Au g/t | Ag g/t | Cu ppm |
|------------------------|------|----|----------|--------|--------|--------|
| <b>Millsite/Singko</b> |      |    |          |        |        |        |
| ND003                  | 14   | 16 | 2        | 11.93  | 66     | 22,362 |
| ND010                  | 37   | 47 | 10       | 3.79   | 31     | 14,546 |
| ND011                  | 20   | 39 | 19       | 2.06   | 21     | 3,384  |
| ND011                  | 43   | 45 | 2        | 3.16   | 36     | 56,920 |
| ND011                  | 48   | 49 | 1        | 2.02   | 10     | 18,740 |
| ND011                  | 51   | 53 | 2        | 1.29   | 7      | 27,895 |
| ND013                  | 25   | 34 | 9        | 2.29   | 23     | 5,008  |
| <b>Bagong/Dose</b>     |      |    |          |        |        |        |
| ND016                  | 42   | 49 | 7        | 2.50   | 11     | 801    |
| ND022                  | 61   | 69 | 8        | 6.60   | 16     | 2,085  |
| ND072                  | 78   | 84 | 6        | 5.26   | 11     | 201    |
| <b>New Horizon</b>     |      |    |          |        |        |        |
| ND046                  | 30   | 39 | 9        | 1.69   | 42     | 3,594  |
| ND088                  | 50   | 56 | 6        | 2.28   | 21     | 4,693  |

The Mabilo prospect, located 15km East of Nalesbitan, is a skarn style copper-gold occurrence within calcsilicate altered sediments and hornfelsed volcanics of the Tertiary Universal Formation. Mineralisation is exposed in a “window” through 0-50m of recent Labo volcanic cover. Renison drilled 10 diamond holes totalling 892m in the late 1980’s, defining an area of gold mineralisation, although detailed data is not available. A subsequent ground magnetic survey has defined a number of magnetic bodies beneath the volcanic cover, which may be worth targeting.

There have been 2 main episodes of geophysical exploration at Nalesbitan. McPhar Geophysics undertook a dipole-dipole IP-Resistivity survey in 1996 and Scintrex completed a pole-dipole survey in 1999 (Figure 4 below). Logantek carried out data reprocessing on both surveys in 2005 and recommended further work as well as postulating about the possible location of a deep porphyry system. Other consultants – including Richard Sillitoe (1990), Terry Leach (1999, 2005), AJ Teluk (2006) - have carried out detailed geological studies on the property and concluded that there is a high probability that source of the mineralising fluids at Nalesbitan Hill and other near surface prospects is a concealed, mineralised porphyry system. This possibility has not to date been fully tested, with the previous owners’ exploration programs being focussed on Nalesbitan Hill.

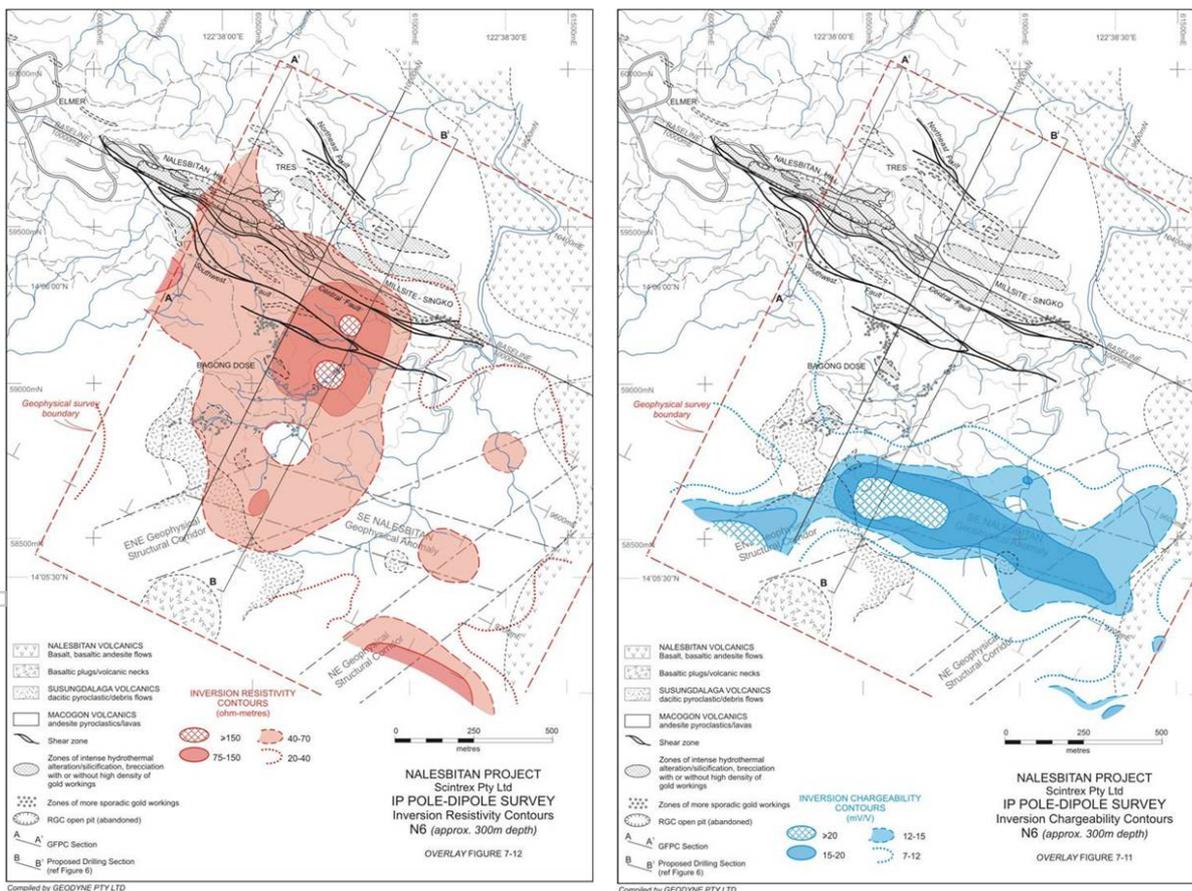


Figure 4: Scintrex Resistivity (left) and Chargeability surveys



## Work Program

Sierra's main focus in the near term will be to establish sound working practices and relationships with the local community and stakeholders. Sierra recognises the rights of indigenous peoples in the Philippines and is also very aware of the interests of small scale miners and their dependants. The Company always seeks ways to maximise employment and income opportunities for the local people and to optimise environmental outcomes for all landowners and other stakeholders.

Parallel with the community relations work above, Sierra will initially focus on collating and interpreting the large volume of historical exploration data.

In due course, field exploration will focus on:

- confirming previous results and infill drilling at Nalesbitan Hill to allow resource estimates, testing potential extensions of the deposit at depth and along strike. As no drill core is extant for the Projects, Sierra will also require drill samples for additional metallurgical testwork.
- re-assessing and completing soil sampling and mapping programs before drill testing other known outcropping gold vein systems.
- re-assessing and, where necessary, augmenting previous geophysical and geological data to provide drill targets aimed at the interpreted deeper porphyry copper and epithermal gold system.

## Terms of the Transaction

Sierra, in conjunction with its Filipino associate, has agreed to acquire a privately held Filipino corporation which owns the Nalesbitan and Mabilo project permits and associated exploration data.

The main terms of the agreement are:

- Sierra will issue to the vendor 5,250,000 new ordinary shares on settlement, of which 3,750,000 shares are subject to voluntary escrow for 1 year, plus pay cash consideration of A\$375,000.
- Sierra will issue a further 1,750,000 new ordinary shares, plus pay cash consideration of up to A\$125,000, conditional on receiving approval of the Motion for Reconsideration of a Notice of Denial of the Nalesbitan APSA # V-0002, within 2 years of settlement.
- Sierra will also pay US\$130,000 plus a 1% royalty on net revenue on the projects, as consideration to buy back and cancel an existing royalty.

The agreement contains standard representations and warranties from the vendor in relation to the projects and the Filipino corporation.

Settlement is expected to occur in early November 2011.



### **Note 1 – Exploration Target**

*The “exploration target” in this announcement is not a Mineral Resource. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

*The Nalesbitan Hill deposit and its surrounding areas have been subject of 427 drill holes, totalling over 24,000m. Excluding 157 RAB and percussion holes, reliable data exists for 124 diamond core (13,405m) and 141 RC holes (7,988m). These data (or the subsets of this data available at various times between 2006 and 2011) were used by previous explorers and their independent consultants to prepare a number of models of the deposit which included estimates of tonnage and grade using Multiple Indicator Kriging across a range of cut-off grades and with varied model parameters. The lower range of the exploration target is consistent with the modelling resulting from a search ellipse radius of 32.5m along strike x32.5m across strike x13m vertical based on existing drilling data only, with no allowance for identification of additional mineralisation due to infill or extension.*

*Quality control measures have varied over time with different phases of exploration but sufficient quality control data have been collected by the previous operators and analysed by their independent consultants to conclude that the data from all phases of exploration is essentially reliable. These quality control data include twinning of 6 RGC holes by the previous operators and RC sample duplicates, pulp duplicates, umpire assaying and internal and external standards collected from drilling by the previous operators.*

*Sierra’s independent consultant, Resource Analytics and Management, has determined an initial exploration target for the Nalesbitan Hill deposit, based on a review and assessment of this historical data and modelling.*

The information in this report relating to exploration results, mineral resources or ore reserves is based on information compiled by Mr Stuart Love of Resource Analytics and Management for Sierra Mining Limited. Mr Love is an independent consultant geologist and is a corporate member of the Australian Institute of Mining and Metallurgy. Mr Love has the relevant qualifications, experience, competence and independence to be considered an “Expert” under the definitions provided in the Valmin Code and “Competent Person” under the JORC Code. Mr Love consents to the inclusion in the report of the matters based on the information he has been provided and the context in which it appears.