

SIRIUS RESOURCES NL

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Polar Bear:

Nickel, gold

Lawlers:

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SIRIUS TO ACQUIRE PRIZE GOLD GROUND IN THE TROPICANA BELT FROM MARK CREASY

Announces A\$11 million raising to fund aggressive exploration plus proposed capital consolidation

Sirius Resources (**ASX:SIR**) is pleased to advise that it has reached agreement to acquire a portfolio of highly prospective gold exploration acreage in the Tropicana belt of Western Australia (**Acquisition Agreement**) from its major shareholder, Mark Creasy, and intends to raise up to A\$11 million through a private placement to sophisticated and institutional investors.

This transaction will position Sirius with 2,300 km² of prime gold prospective ground with drill-ready targets in one of Australia's gold exploration hotspots, and will enable the Company to aggressively drill these and its many other advanced gold, nickel, copper and zinc exploration targets.

The proposed placement will be at 1 cent per share and will position the Company as an emerging gold and base metal focussed junior with an enviable land holding in what may be Australia's final frontier for large scale gold discoveries.

Key components of the transaction are:

- Sirius will acquire a 70% interest in highly prospective tenements (**Tenements**) owned privately by Mark Creasy or vendor entities controlled by him (**Creasy**), which cover 120 strike kilometres and 2,300 km² within the Tropicana belt of Western Australia – one of Australia's most significant emerging gold belts which hosts the 5Moz Tropicana gold deposit. Mr Creasy is one of Australia's most respected and successful explorers who has been responsible for one of the largest gold discoveries in Australia's history;
- the Tenements contain numerous pre-defined gold anomalies, including a 10km long drill-ready gold and induced polarisation (IP) anomaly at the Brookman prospect;
- the Tenements will be incorporated into the existing Fraser Range Base Metal Joint Venture (FRBMJV), which will be restructured to give Sirius 70% ownership of *all* mineral rights over all tenements (now including gold);
- Creasy will receive a consideration of A\$2.76 million entirely in the form of 276 million Sirius shares at 1 cent per share as

reimbursement for past costs incurred on the Tenements, with a further 44 million ordinary shares to be issued in the event of Sirius defining a JORC compliant Inferred Resource of 500,000oz gold or more on the Tenements within five years from the date of completion under the Acquisition Agreement;

- Sirius will raise up to A\$11 million to fund future exploration on the Tenements and to continue exploring its other promising gold and base metal properties – all of which have drill-ready targets defined. This is to be raised via a private placement to sophisticated and institutional investors at 1 cent per share, with a free unlisted option for every 2 shares;
- the existing share capital of the company will be restructured via a 1 for 20 capital consolidation, decreasing the issued share capital from the current total of approximately 1.6 billion to approximately 150 million post-transaction, inclusive of the new shares issued for the capital raising and purchase of the Tenement interests. The placement shares and options, and shares to be issued to Creasy, will be issued on a post-consolidation basis;
- a condition of the Acquisition Agreement is that shareholder approval is to be sought to give Creasy the ability to exercise the 600 million options (on a pre-consolidation basis) to acquire Sirius shares that he recently purchased in a private transaction. Creasy's current shareholding in Sirius exceeds 20% and, as a consequence, these options cannot be exercised in compliance with the Corporations Act without first Sirius obtaining shareholder approval.

The acquisition of the Tenement interests, capital raising and capital consolidation (**Transaction**) are all subject to approval by Sirius shareholders and other relevant regulatory approvals. It is anticipated that Sirius will convene a shareholder meeting to consider the various resolutions relating to the Transaction, which by the terms of the Acquisition Agreement will be interdependent upon each other, in mid-December 2010.

Sirius' Managing Director Mark Bennett said the proposed transaction was a unique exploration opportunity available to the Company through its major shareholder Mark Creasy.

"The acquisition of the Fraser Range gold project fits well with our stated objective of acquiring embryonic assets with growth potential within two years. It is a quality exploration play with the potential to yield a multi-million ounce gold deposit.

"Opportunities to acquire 120 km of strike of an emerging gold province with significant pre-defined and undrilled gold anomalies do not come around very often. While there is exploration risk, this asset is at a stage where it is still affordable and has the potential to be a company-maker" he said.

The Asset

The creation of a new gold-focussed exploration joint venture with Creasy will be achieved through the purchase of a 70% interest in the Tenements comprising four large Exploration Licences currently owned by Creasy and the restructuring of the current Sirius-Creasy Fraser Range Base Metals Joint Venture (FRBMJV) to an all commodities joint venture in which Sirius has a 70% interest and Creasy has a 30% interest free carried to the completion of any bankable feasibility study.

The up-front consideration for the asset of A\$2.76 million is to compensate Creasy for prior expenditure on the project and will comprise 276 million 1 cent shares, on a pre-consolidation basis. Creasy will also be entitled to a further 44 million ordinary shares (on a pre-consolidation basis) should Sirius achieve the

milestone of defining a JORC compliant Inferred Resource of 500,000oz gold or greater on the Tenements within five years from the date the Acquisition Agreement completes.

Creasy's preference to accept the entire consideration in Sirius stock is a testament to his confidence in the prospectivity of the project and in Sirius' ability to realise its value.

The new Tenements cover an area of 2,300 km² and 120 km of strike of an unexplored part of the Fraser Range Province – host to the 5 million ounce Tropicana gold deposit (*see Figure 1*). This belt is considered by some to be Australia's last and potentially richest unexplored gold province.

Broad-spaced geochemical sampling over several years on the Tenements by Creasy has defined a number of gold anomalies (*see Figure 2*) and one of these, Brookman, has been sufficiently infill sampled to define a cohesive 10km long gold anomaly associated with a major shear zone (*see Figure 3*).

An induced polarisation (IP) geophysical survey completed over this prospect, undertaken to define potential zones of disseminated sulphides, has also defined a number of conductive zones coinciding with the gold geochemical anomaly (*see Figure 4*).

This anomaly has never been drilled but recent reconnaissance drilling by Sipa Resources at its nearby Heraclitus gold prospect has intersected encouraging supergene and bedrock gold mineralisation within gently east dipping shear zones beneath a geochemical anomaly of lesser size and magnitude than at Brookman. Sipa's Heraclitus prospect is located approximately 1km west of the strike of the Brookman gold anomaly, and some of Sipa's drillholes abut the Tenement boundary.

Heritage surveys and Mines Department approvals are already in place, enabling drilling to commence without impairment or delay. A major reconnaissance drilling program will commence as soon as practicable after completion of the Transaction, providing immediate news flow whilst the Company continues to progress its other longer lead time exploration projects.

In addition to this, several additional gold anomalies have been defined in reconnaissance geochemical sampling and are at various stages of infill sampling follow up. A number of these are also associated with major regional shear zones but have yet to be infilled to the extent that the Brookman anomaly has been. It is anticipated that these will provide a continuing pipeline of additional prospects for drill testing.

A key aspect of this opportunity is that it is close to established infrastructure. The Tenements straddle the Eyre Highway, and the Brookman prospect itself is a mere 30 minute drive from the highway along established tracks. This is in stark contrast to many competing exploration plays in the Tropicana belt.

Capital Raising

The accompanying capital raising comprises the placement (on a pre-consolidation basis) of up to 1,100 million shares at 1 cent each to sophisticated and institutional investors to raise up to A\$11 million gross. This represents an approximate 10% discount to Sirius' 10 and 20 day volume weighted average price (VWAP) of approximately 1.1 cent per share.

Placement participants will be entitled to one free unlisted option for every two shares, with the options having a two year term and a pre-consolidation exercise price of 3 cents. This will enable participants to benefit from any future success. The placement is being managed by RM Capital as lead manager, supported by Ochre Management.

Share Consolidation

The proposed consolidation on a one for twenty basis will reduce the number of shares on issue from approximately 1.6 billion prior to the Transaction to approximately 150 million shares after the Transaction, inclusive of the new shares issued for the capital raising and purchase of the Tenement interests.

Likewise, it will reduce the number of options from approximately 794 million prior to the Transaction to approximately 75 million post-consolidation, inclusive of all new options issued as part of the capital raising. Upon completion of the Transaction, all new and existing options will have an exercise price of 60 cents, and would raise approximately A\$46 million should they be exercised.

The proposed share consolidation will greatly reduce the number of shares and options on issue after completion of the Transaction and, in parallel with the company's expansion of its quality exploration portfolio and drilling program, will position the Company to attract additional institutional investment and support, particularly in North America and Europe.



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Competent Persons statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Dr. Mark Bennett, who is an employee of the company. Dr Bennett is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bennett consents to the inclusion in this report of the matters based on information in the form and context in which it appears. Exploration results are based on standard industry practices, including sampling, assay methods, and appropriate quality assurance quality control (QAQC) measures. Reverse circulation (RC), aircore and rotary air blast (RAB) drilling samples are collected as 1 metre samples and composited where stated. Core samples are taken as half core sampled to geological boundaries where appropriate. In the case of soil samples, PGM assays are based on an aqua regia digest and Inductively Coupled Plasma (ICP) finish, and base metal assays are based on a four acid digest and inductively coupled plasma mass spectrometry (ICPMS), inductively coupled optical emission spectrometry (ICPOES) or atomic absorption spectrometry (AAS) finish. In the case of rockchip samples, PGM assays are based on lead or nickel sulphide collection fire assay digests and an ICP finish, base metal assays are based on a four acid digest and inductively coupled plasma mass spectrometry (ICPMS), inductively coupled optical emission spectrometry (ICPOES) and atomic absorption spectrometry (AAS) finish, and oxide metal elements such as Fe, Ti and Cr are based on a lithium borate fusion digest and X-ray fluorescence (XRF) finish. Sample preparation and analysis is undertaken at Genalysis Intertek and Ultratrace laboratories in Perth, Western Australia. The accuracy and precision of analytical results is monitored by the use of internal laboratory procedures and, where appropriate, certified standards, and subsequent statistical analysis to ensure that results are representative. Exploration results obtained by other companies and quoted by Sirius have not necessarily been obtained using the same methods or subjected to the same QAQC protocols. These results have not necessarily been independently verified because original samples and/or data may no longer be available.

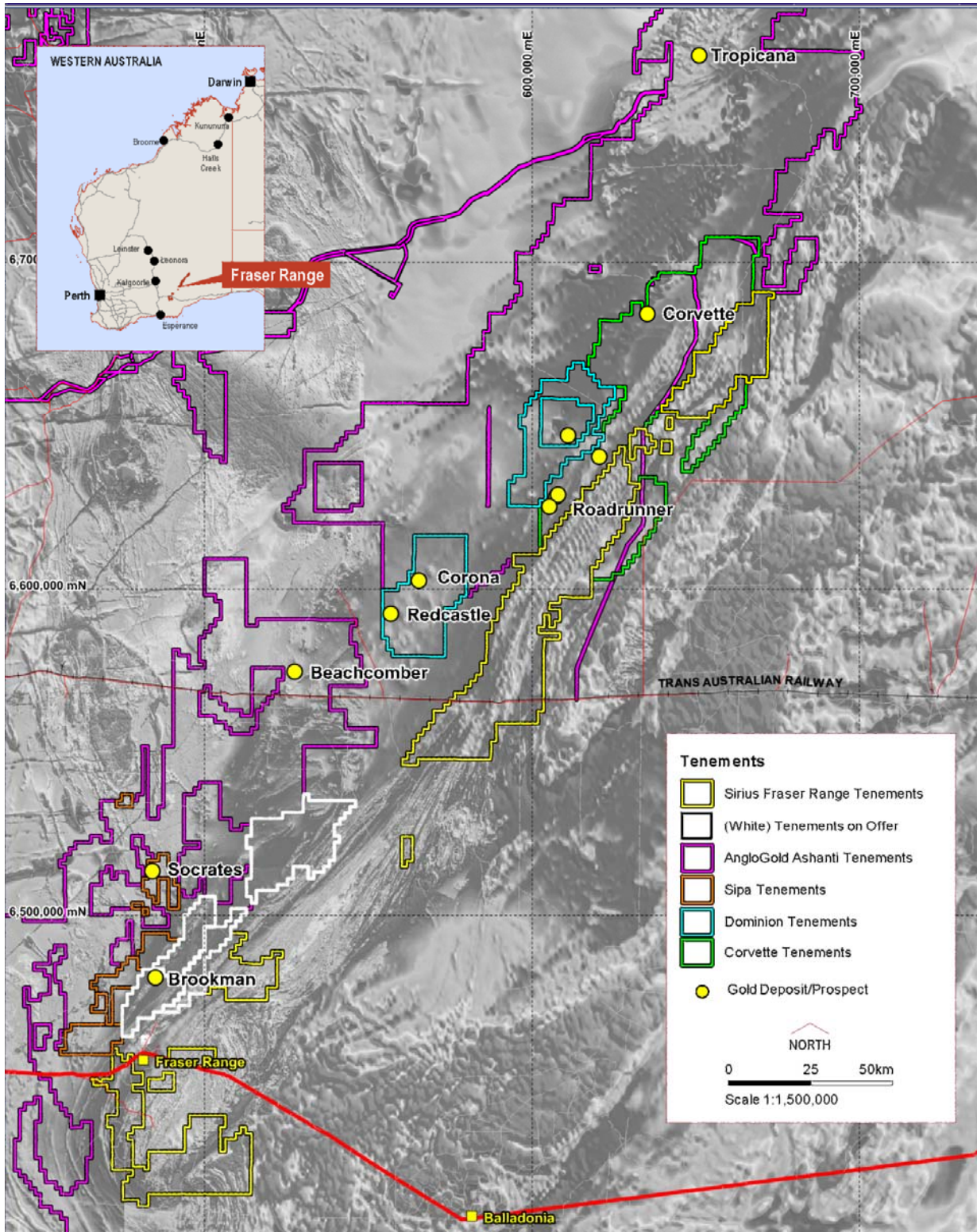


Figure 1. Fraser Range province, showing the location of Tropicana, other emerging prospects, existing Fraser Range Base Metal JV tenements (yellow) and the new tenements (white).

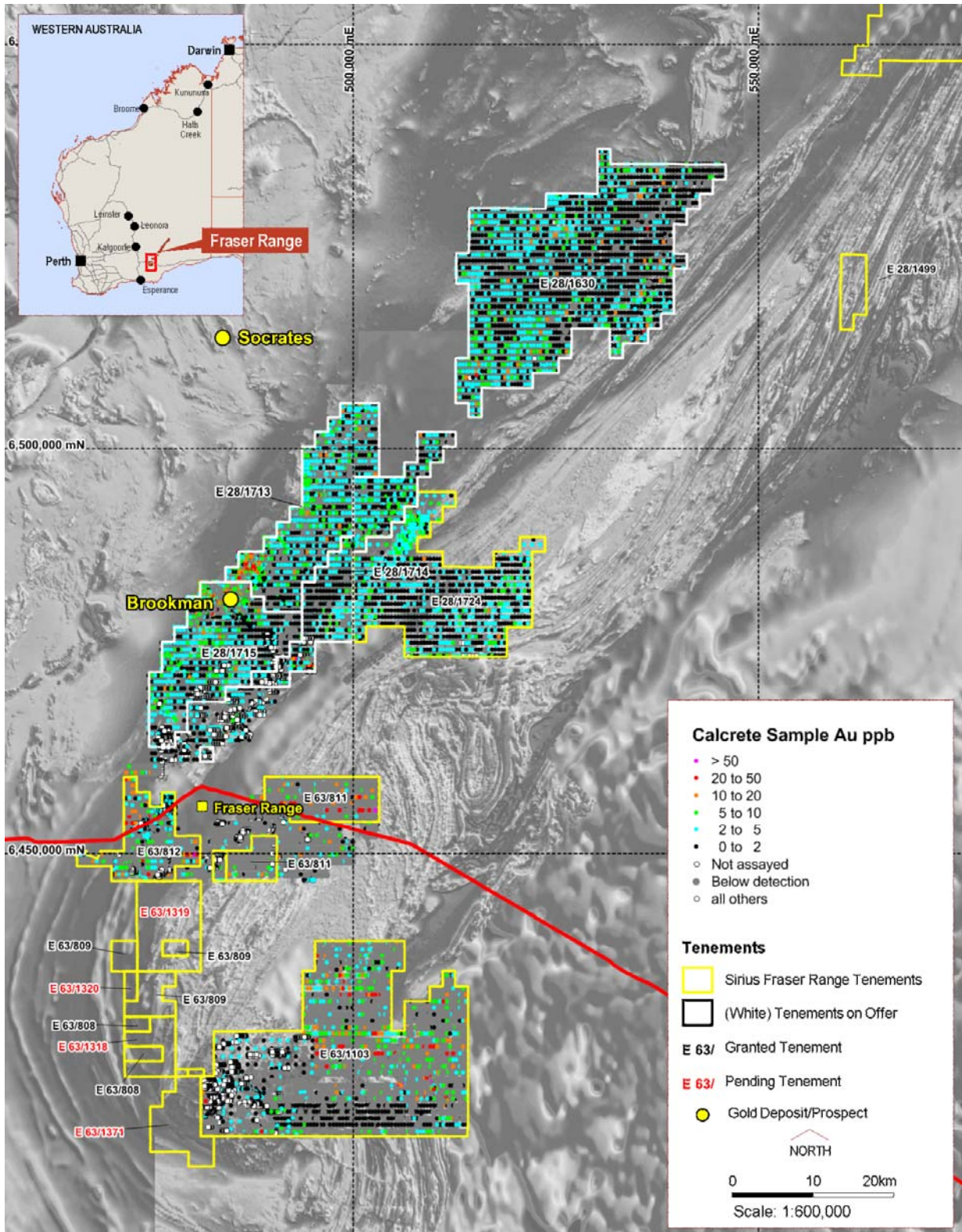


Figure 2. Gold anomalies in regional calcrete sampling on the new Fraser Range JV.

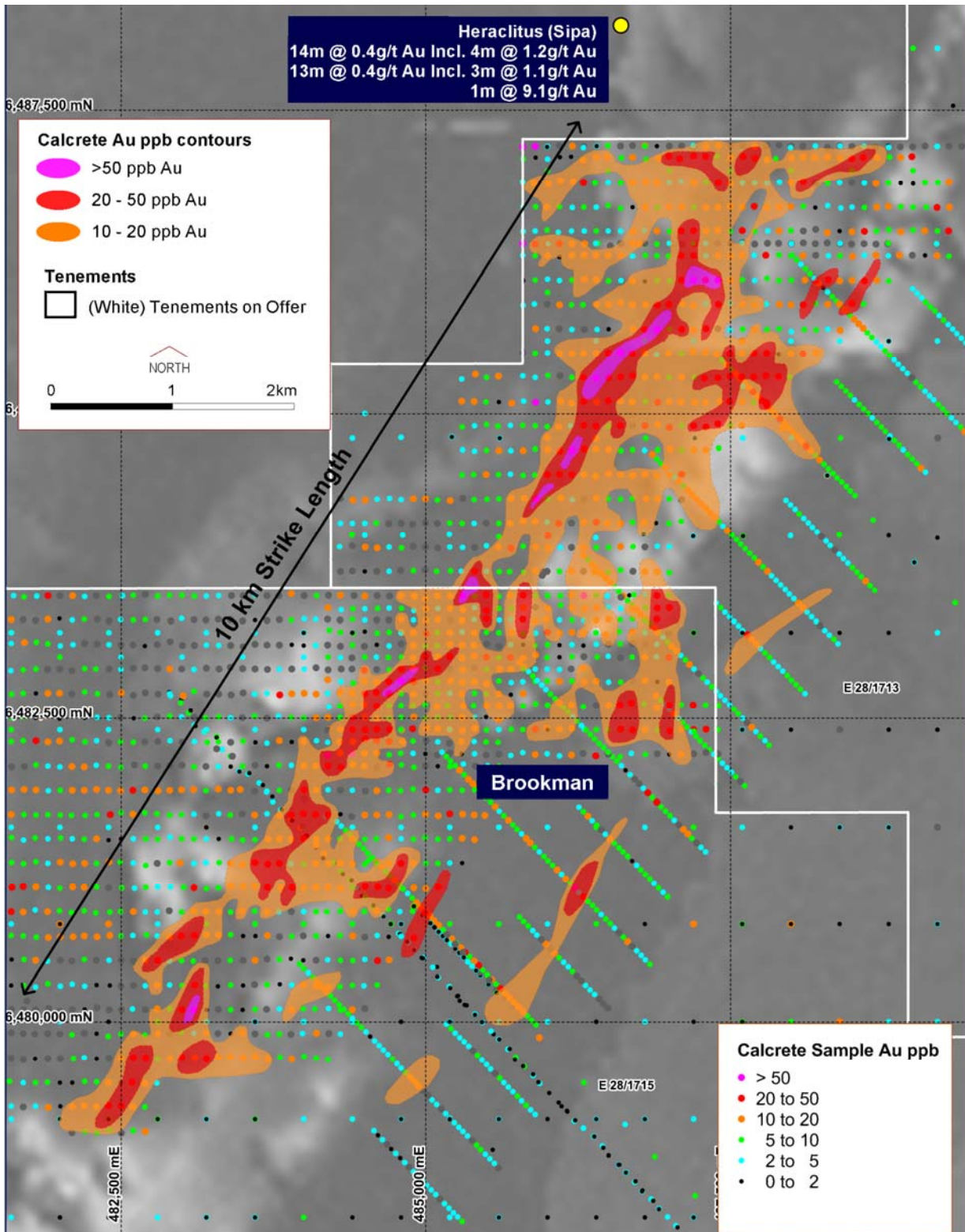


Figure 3. The Brookman gold anomaly, superimposed on magnetic image and showing the location of Sipa's Heraclitus gold prospect.

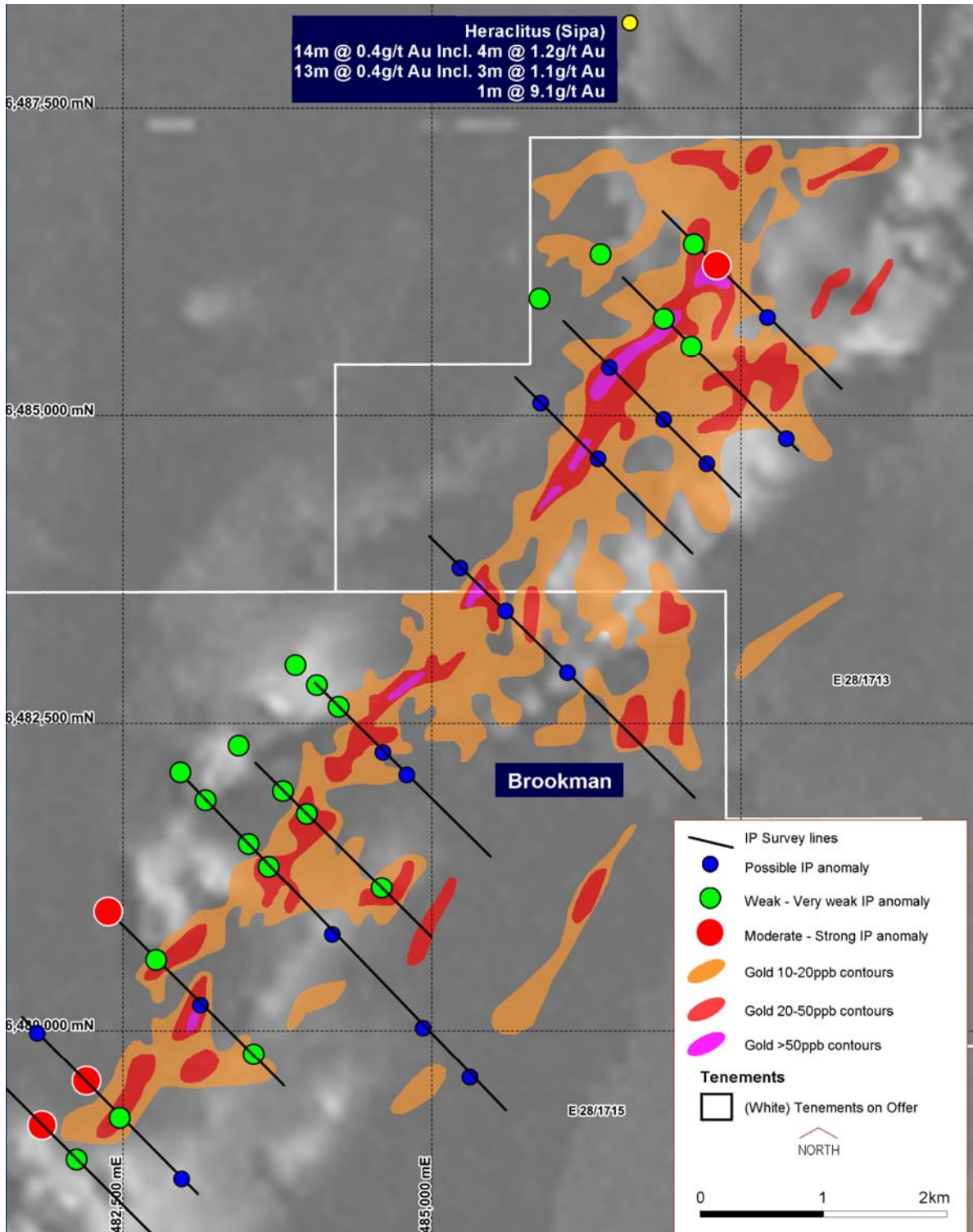


Figure 4. Induced polarisation (IP) responses over the Brookman gold anomaly, showing conductive areas associated with the geochemical anomaly.