

9 November 2018

Market Announcements Office
ASX Limited

**Acquisition of East Menzies Gold Project
Placement to raise up to \$5 million
Strong support from existing shareholders who have provided early
stage funding – agreement to convert \$4.5m - \$5.5m debt to equity**

Resources and Energy Group Limited ASX: REZ (“**REZ**” or the “**Company**”) is pleased to announce that:

- It has agreed to acquire the East Menzies Gold Project located in Western Australia for a total consideration of \$2.1m subject to various conditions;
- It will raise up to \$5 million by way of a share placement at 5 cents per share (the “**Placement Price**”) to professional and sophisticated investors; and
- Its major debt holders have agreed to convert between \$4.5m and \$5.5m of debt to equity at the Placement Price.

Acquisition of East Menzies

REZ is pleased to advise that, subject to shareholder approvals, it has entered into agreements to acquire the East Menzies Gold Project located in central Western Australia for a total consideration of \$2.1m (**Menzies Acquisition**).

The Menzies Gold project is located in a highly prospective region and comprises 27 tenements and 19 applications covering an area of over 103 km². The Menzies Acquisition brings together over 20km of contiguous strike of mineralised greenstone belt in the East Menzies gold field (**EMGF**). EMGF is part of the Yilgarn Gold province, 130km north of Kalgoorlie.

The leases cover an area over the highly prospective Norseman-Wiluna Greenstone Belt. There is a large historical exploration database, with positive drill results underscoring the highly prospective nature of the area. There is also a history of significant gold production. The leases encompass multiple project areas with existing exploration targets supported by high grade drill results. These target areas are largely untested below depths of 100m.

Full details of the East Menzies Project and the Company's existing assets are detailed in an Investor Presentation which will follow this announcement.

The acquisition is subject to shareholder approval at a meeting to be held in December 2018. The areas comprising the East Menzies Project are currently owned by various entities, some of which are currently controlled by interests associated with Mr Richard Poole, a director of REZ (who already holds an interest in the Company). Accordingly, shareholder approval will be sought in accordance with, amongst other things, Listing Rule 10.1 and Item 7 Section 611 of the Corporations Act.

The Menzies Acquisition will be settled via a combination of ordinary shares and cash for the reimbursement of various project costs as per the below:

	Shares ¹	Cash
Vendors who are associates of Director Mr Poole	23,920,000 ²	\$444,000 ³
Unrelated Vendors	8,480,000	\$36,000

Notes:

1. Issued with a deemed issue price equal to the Placement Price.
2. As the shares will be issued in consideration for a classified asset the shares issued to related party vendors will be restricted in accordance with the ASX imposed escrow.
3. The cash consideration is a reimbursement of expenditure incurred by the vendors in developing the asset. This is subject to ASX approval of the reimbursement. Where ASX is not satisfied in respect of the reimbursement, this cash consideration will be reduced accordingly but no additional shares will issued at completion of the Menzies Acquisition. Following settlement of the Menzies Acquisition, the vendors may elect to convert the reduction in cash consideration to shares at the Placement Price. Any such issue will be subject to shareholder approval as required in accordance with the Corporations Act and Listing Rules at the time of issue. The Company confirms, that any additional shares issued subsequently in lieu of the reduction in cash consideration will be subject to ASX imposed escrow from the time of issue for the balance of 24 months after the date of completion of the Menzies Acquisition.

The acquisition agreements are subject to various conditions precedent, including:

- shareholder approvals, including the approvals referred to above;
- due diligence; and
- third party and regulatory approvals, including ministerial consent where applicable.

The conditions precedent must be satisfied by 31 March 2019 or such later time agreed by the parties.

A notice of meeting seeking the necessary shareholder approvals be sent to Shareholders in due course. As shareholder approval pursuant to ASX Listing Rule 10.1 and Item 7 Section 611 is required, the Company will engage an independent expert to prepare an Independent Expert Report on the transactions. This report will be provided to shareholders along with the relevant notice of meeting. If the relevant conditions, including shareholder approvals, are not satisfied the Company will not complete the acquisition of the East Menzies Project.

The Company has also agreed to pay the vendors a royalty of 1% of net smelter return from the relevant tenements the subject of the agreements. The agreements are otherwise on terms and conditions that are customary for agreements of this nature, including appropriate representations and warranties.

Placement of \$5 Million

REZ has appointed Arthur Phillip Pty Limited to lead manage the placement of up to \$5 million of Shares with professional and sophisticated investors on a best endeavour's basis.

The placement of the first \$1 million, comprising 20 million Shares at the Placement Price, is planned to occur as follows:

- The first 17 million Shares will be issued under the Company's existing capacity limit.
- The remaining 3 million Shares will be issued subject to shareholder approval.
- Subject to shareholder approval, each Share issued will be accompanied by an option to subscribe for 1 Share at an exercise price of 10 cents per share exercisable no later than 30 November 2021.

A further placement of up to \$4 million will be completed, subject to or following shareholder approval to be sought at a shareholder's meeting to be held on 28 November 2018. This will allow the issue of up to 80 million Shares at the Placement Price.

A notice of meeting to consider and approve the issue of the above securities will be dispatched to shareholders shortly.

The total funds raised of \$5 million from the placement will be applied as follows (assuming the maximum is raised):

	(\$)	(%)
Investigation and exploratory drilling of REZ's mining leases located at Mount Mackenzie in central Queensland.	\$800,000	16%
Exploratory drilling and evaluation of REZ's mining leases located at Radio Gold in Western Australia.	\$600,000	12%
Exploration and development activities at Mount Mackenzie and Radio Gold, subject to initial results.*	\$2,400,000	48%
General working capital and creditors.	\$1,200,000	24%
Total	\$5,000,000	100%

* The allocation of funds between Mount Mackenzie and Radio Gold for further exploration work will be determined following the findings from the initial exploration activities.

In the event the acquisition of the East Menzies Gold project proceeds funds will be allocated to be used to fund the acquisition as well as commence further exploration and development of the East Menzies Gold Project as follows (assuming the maximum under the placement is raised):

	(\$)	(%)
Investigation and exploratory drilling of REZ's mining leases located at Mount Mackenzie in central Queensland.	\$800,000	16%
Exploratory drilling and evaluation of REZ's mining leases located at Radio Gold in Western Australia.	\$600,000	12%
Cash consideration for the acquisition	\$480,000	9.6%
Exploration and development activities at East Menzies Gold, Mount Mackenzie and Radio Gold, subject to initial results.	\$1,920,000	38.4%
General working capital and creditors.	\$1,200,000	24%
Total	\$5,000,000	100%

* The allocation of funds between East Menzies Gold, Mount Mackenzie and Radio Gold for further exploration work will be determined following the findings from the initial exploration activities and results of the Acquisition due diligence.

Further details regarding use of funds are set out in the investor presentation.

The above tables include statements of present intentions as at the date of this announcement. As with any budget, intervening events and new circumstances (including results of exploration activities) have the potential to affect the manner in which the funds are ultimately applied.

Further Strengthening of the Balance Sheet

The Company currently owes \$4.8 million (excluding accrued interest) to Project Development Note (**PDN**) holders. The Company also has various creditors and other debts accrued in the course of doing business.

The Company intends to offer PDN holders and certain debt holders the opportunity to convert their receivable to Shares at the Placement Price. The Company expects to convert a minimum of \$4.5 million to a maximum of \$5.5 million of debt at the Placement Price to 90 million to 110 million Shares respectively.

With respect to any PDN's converted pursuant to the above arrangements:

- any outstanding interest on those PDN's will be repayable by the Company no later than 24 months after the conversion of the debt to Shares. No further interest will accrue; and
- any options which were issued together with those PDN's will be terminated.

As at the date of this announcement, holders of PDN's and debt amounting to \$4.6 million have agreed to participate in the conversion subject to final documentation. Entities associated with Mr Poole have agreed to participate in the conversion of debt to equity.

The Company notes its appreciation for the tremendous confidence and support shown by its PDN/debt holders who are also major shareholders in agreeing to convert PDN's and debt to Shares.

The above conversion of the PDN's and debt to Shares will be subject to:

- Shareholder approvals in accordance with ASX Listing Rules 7.1 and 10.11 and Item 7 section 611 of the Corporations Act (if necessary);
- Completion of the Menzies Acquisition (unless waived by the respective PDN/debt holders); and

- The placement of \$5 million (unless waived by the respective PDN/debt holders).

Appointment of New CEO

In anticipation of transitioning to a larger and more diverse business, the Company is seeking to appoint a new Chief Executive Officer (**CEO**). A search process is currently underway to locate a suitably qualified executive.

Until a new CEO is appointed, Mr Christian Price (currently Chief Operating Officer) will be appointed acting CEO.

Mr Richard Poole, the previous CEO and a significant shareholder remains fully committed to the growth of REZ. Mr Poole will remain a Board member of REZ as the Operations Director.

Pro-forma Capital Structure

Following the approval and issue of the above changes the Company will have the following securities on issue.

Holder	Shares	Performance Shares	Options
Existing Securities			
Existing security holders	90,643,845	7,500,000	48,709,524
Securities after Menzies Acquisition, capital raising and debt restructure			
Existing security holders	90,643,845	7,500,000	48,709,524
Menzies Acquisition	32,400,000		
Placement	100,000,000		20,000,000
Debt and payable conversion and options cancellation	110,360,000 ¹		(36,709,524)
Total	333,403,845¹	7,500,000	32,000,000

Note:

¹ This assumes that \$5,518,000 of debt is converted. If less than this amount is converted, then the number of shares to be issued will be reduced. The minimum amount that is to be converted is

\$4,544,000 which will result in a total of 90,880,000 shares being issued. This will in turn reduce the total number of shares on issue to 313,923,845.

Indicative Timetable

*The below dates are an indication only and is subject to change

Event	Date
Dispatch of Notice of Extraordinary General Meeting for Placement	9 November 2018
Dispatch of Notice of Extraordinary General Meeting for East Menzies Acquisition and Debt to Shares Conversion	20 November 2018
Date of Extraordinary General Meeting for Placement	12 December 2018
Date of Extraordinary General Meeting for East Menzies Acquisition and Debt to Shares Conversion	20 December 2018
Completion of Menzies Acquisition	21 December 2018

REZ anticipates that it will recommence trading on the ASX upon completion and release of its audited financial statements for the year ended 30 June 2018 and its quarterly activities and cash flow reports which are expected to be finalised in early/mid December. As the Company will not be able to cleanse any shares issued from on-sale restrictions by way of a cleansing notice the Company confirms its intention to issue a cleansing prospectus before reinstatement of trading.

Statement from Chairman, Gavin Rezos

“The acquisition of East Menzies will allow REZ to expand its existing asset base and accelerate the company’s goal of becoming a significant gold producer.

REZ remains committed to developing a pipe line of projects across its asset base at Mt Mackenzie, Radio Gold and (if approved by shareholders) East Menzies whilst continuing to assess opportunities that add to this portfolio.

REZ would like to thank it’s major shareholders who are also debt holders for showing tremendous confidence in the company by agreeing to convert their debt to equity”.

Investor Presentation

An investor presentation will be released further detailing the matters set out in this announcement.

For further information please contact:

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About Resources and Energy

Resources and Energy Group Limited (ASX:REZ) is an independent, ASX-listed mineral resources explorer, developer and producer, holding mining and exploration tenements in Western Australia and Queensland. REZ aims to develop a portfolio of mining tenements through to production.