

ASX Release

28 January 2020

December 2019 Quarterly Activities Report

East Menzies - Aggressive Exploration Program Commences

Highlights

- East Menzies Gold Project (EMGP) in WA:
 - 26 RC holes for 3,788 metres completed across three zones
 - 106 bottom of hole geochemical samples submitted for analysis
 - 15,000m + Regional RAB programme planned Jan 2020; This will test several high-priority targets across three areas.
 - Studying third-party offers to campaign-mine existing deposits; This could generate cashflow for the Company to invest in wider exploration at EMGP
- Mount Mackenzie Gold Project
 - Scoping study release highlighting robust economics with scope for resource growth.
 - Mineral Development Licence (MDL) formally granted over the entire resource area.
 - Reserve conversion drill planning underway as part of internal feasibility study.

Resources & Energy Group Limited (ASX: **REZ** or the **Company**) is pleased to provide its December 2019 Quarter Activities and Cash Flow Reports.

East Menzies Gold Project (EMGP) – Western Australia

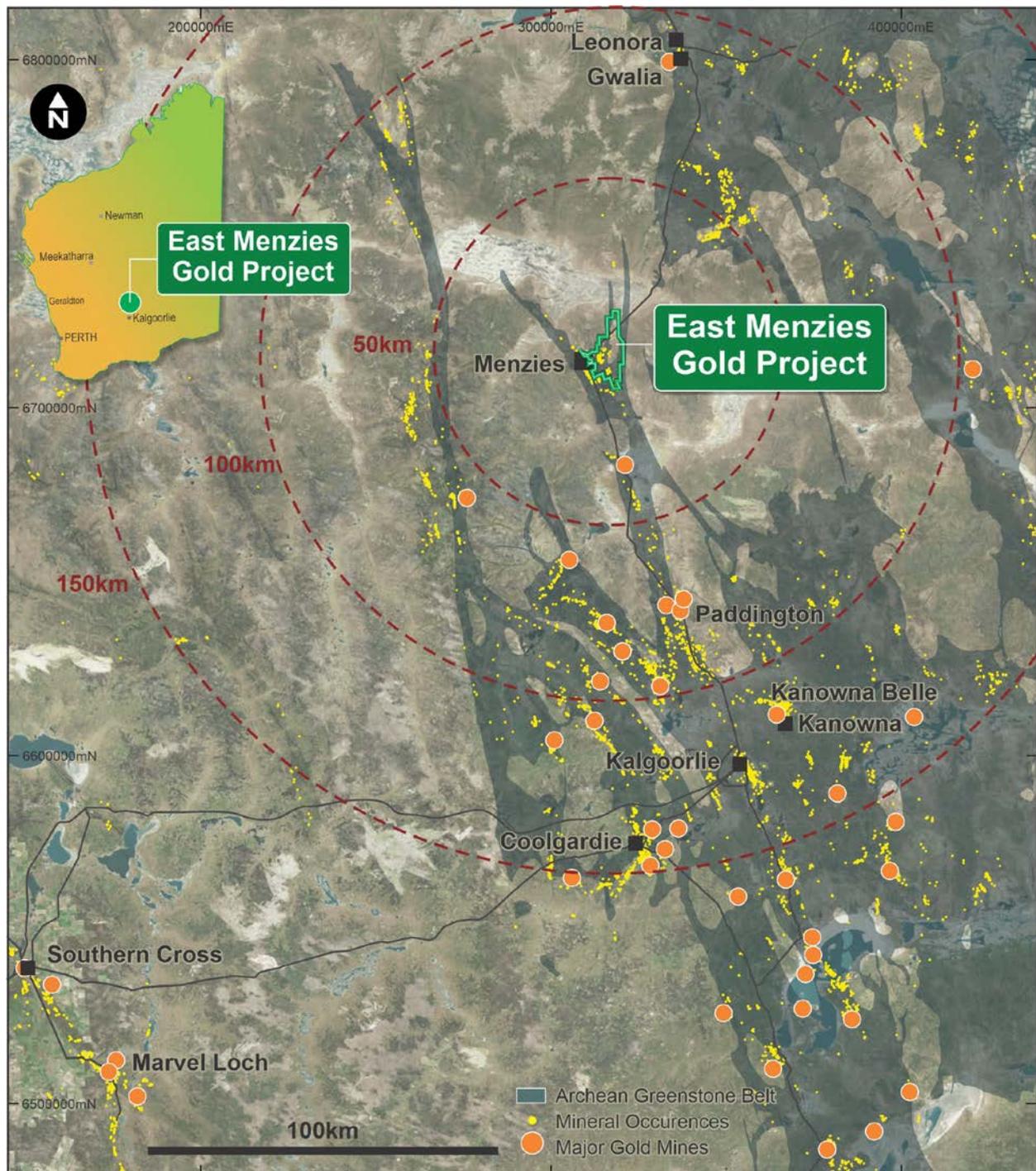


Figure 1 - Menzies Gold Project

Re-evaluation of the Company's detailed data set coupled with field validation has identified numerous targets for potential gold deposits. Much of the historical drilling is shallow and/or clustered near outcrop while significant areas of highly prospective tenure remain un-tested. In particular, areas under transported cover where soil sampling and shallow auger drilling is ineffective.

Walk up drill targets at the Southern (Spion Kopp and Lady Kathleen Prospects), Central (Springfield-Venn Corridor) and Eastern (Kore Prospect) Zone were selected for immediate drill testing, completing 26 RC holes for 3,788 metres⁽³²⁾.

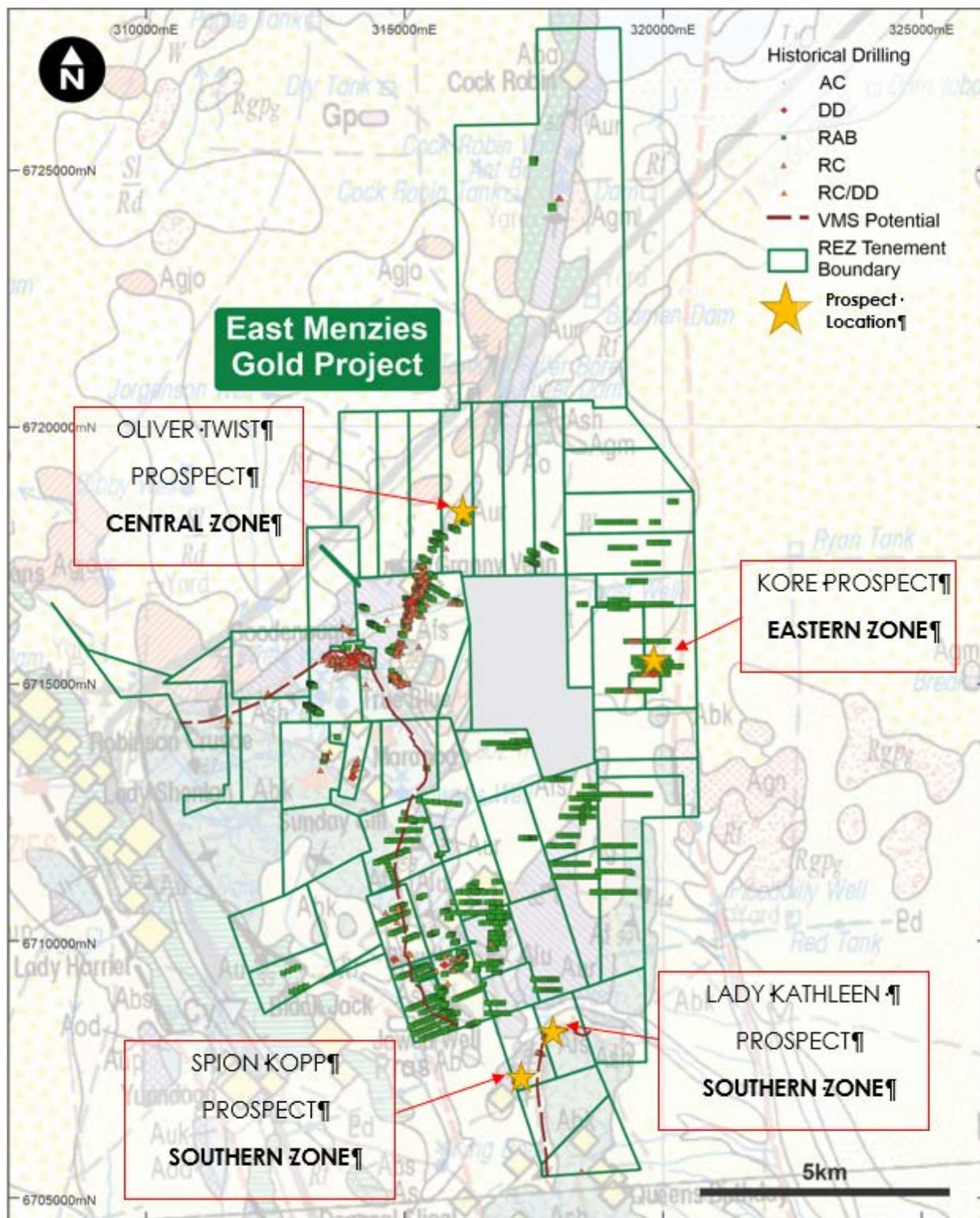


Figure 2 - Menzies Gold Project Map

Gold assay results of note include:

19SVRC005 **7m @ 1.33gpt from 39m** and **4m @ 1.07gpt from 53m** (Oliver Twist)

19SKRC007 **2m @ 2.59gpt from 49m** (Spion Kopp)

The first three RC drill holes, which are part of a larger RC and RAB programme, at Kore Prospect intercepted 2 to 7 metre zones of massive sulphides (pyrrhotite and minor pyrite) approximately where the VTEM plates were modelled.

Assays indicated the massive sulphides were not the primary source of gold in the area, multi-element assaying will ascertain whether base metals are present. Systematic RAB will be conducted early in the new year to gain further geological and geochemical information aimed at identifying the source of the significant levels of gold in the area.

The remainder of assays indicated no significant intercepts, however multi-element work is ongoing for zones of interest – including Lady Kathleen, which intercepted the prospective VHMS horizon.

Regional 'Bottom of hole' Geochemical Sampling Programme

To date 106 samples have been collected from historical RAB holes across the project, where the fresh rock interface has been identified in relic sample piles (Figure 2).

Samples have been submitted for full-digest 48 element and low-level gold analysis, with partial results received to date.

Analysis of data has commenced and used in conjunction with geophysical data sets for drill planning scheduled in the March Quarter.

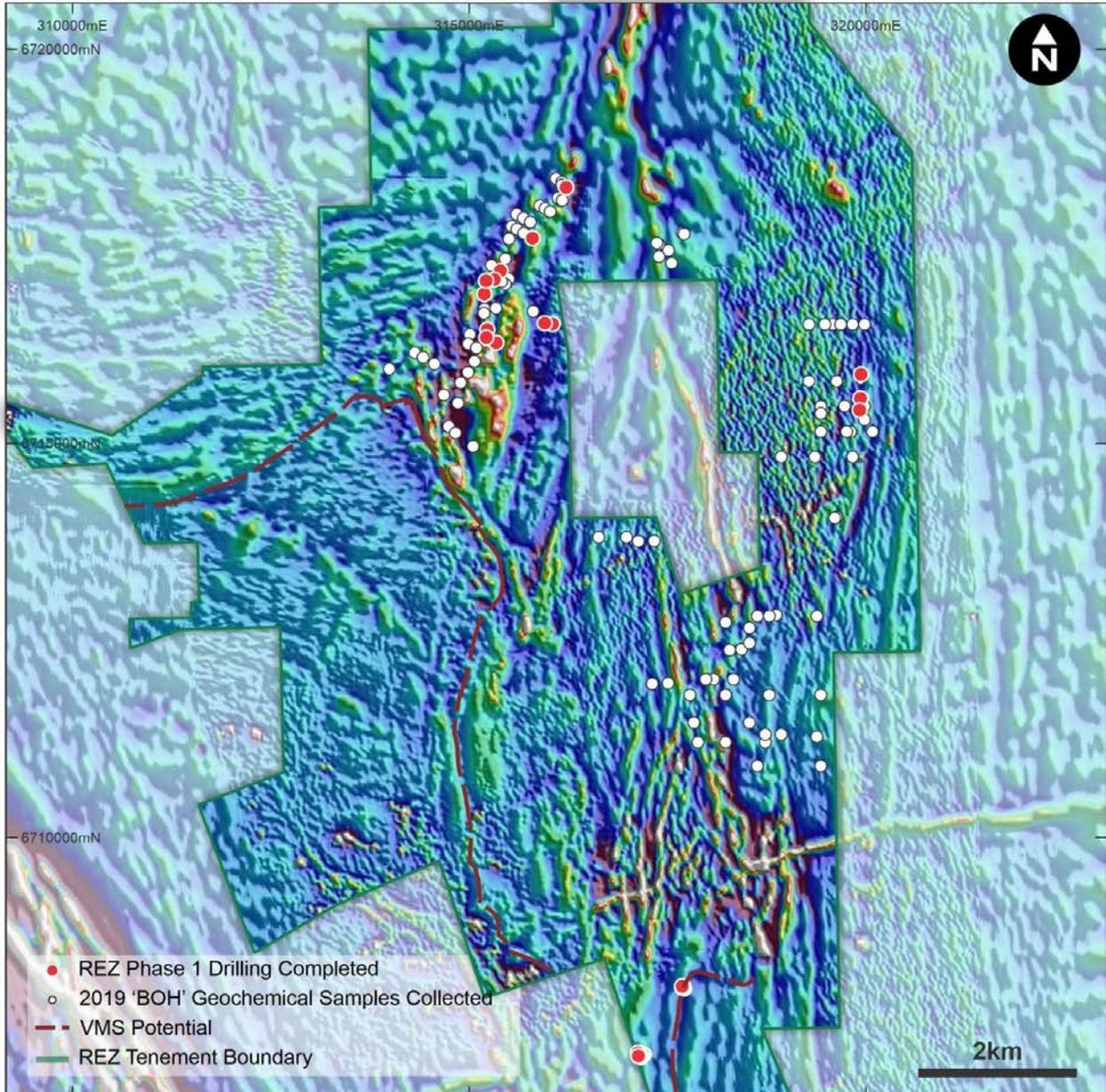


Figure 3: EMPG Phase 1 Drilling and Geochem Sample Location

Mount Mackenzie Gold Project (MMGP) – Bowen Basin, Queensland

The Company released the updated scoping study for the MMGP in the Bowen Basin, Queensland on 5th of December 2019⁽²⁸⁾, confirming a potential low-cost gold project, generating a possible \$30.5M EBITDA for a \$13M capital spend.

The scoping study investigated a range of production and processing options and identifies a 300,000tpa open cut development with an onsite gold plant as the most appropriate case for the progression of the project to Feasibility Study. The processing plant is proposed to be a low-cost modular crushing, grinding and CIL circuit.

An evaluation of the 300,000tpa option using a gold price of \$2000 indicates the project would be a technically low risk operation supported by strong economic performance. The scoping study has also identified opportunity for a staged increase in plant capacity to 500,000tpa, and introducing a flotation circuit for recovery of a gold concentrate from the treatment of primary ore. This option requires further investigation but has potential to recover a larger part of the primary resource than currently envisaged.

The Mineral Resources in the proposed Life-of-Mine (LOM) schedule are estimated to be approximately 1Mt at 1.86 g/t gold (Equivalent) with gold production of 45,500 oz over 43 months. In parallel with feasibility studies, further exploration work directed at upgrading and expanding the current JORC Resource of 2.37Mt at 1.31gpt gold and 8.2gpt silver will be implemented.

The Company also advised that a Mineral Development Licence (MDL) has been formally granted over the entire Mount Mackenzie Mineral Resource area, which encompasses the current project area and all land required for its development.

Further details of the study can be found in the ASX release dated 5th of December 2019.

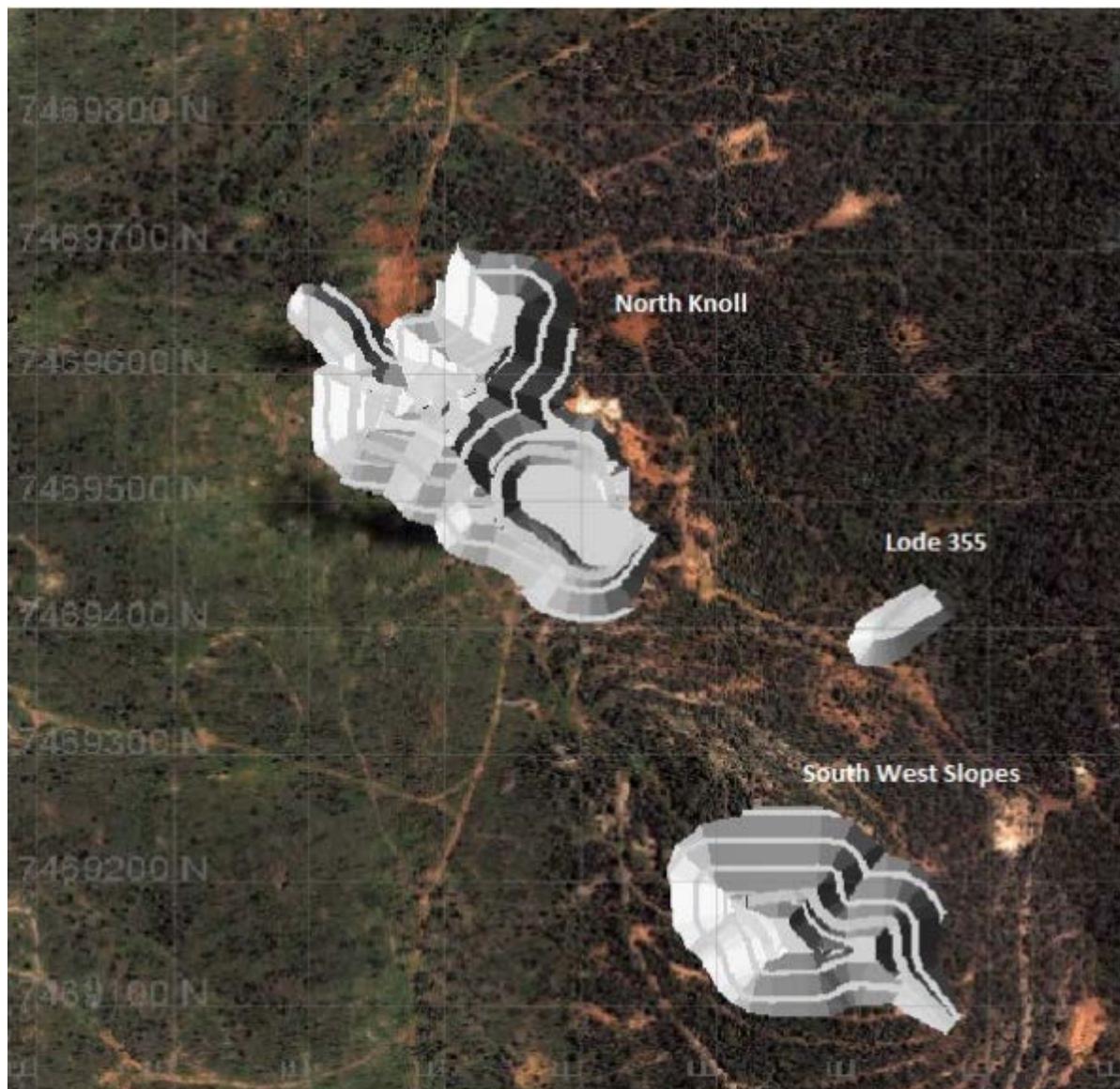


Figure 4: MMGP Preliminary Pit Layout

Radio Gold Mine – Western Australia

Radio Gold is located 400km east of Perth and 40km north of Southern Cross, within the **Southern Cross Greenstone Belt** in the Yilgarn Craton. The Southern Cross province is estimated to have produced +15m oz of gold. Underground samples of up to 0.5m @ 522gpt⁽⁴⁾. Radio Gold is 7km north of the +1Moz Au Copperhead Mine.

Radio Gold has a 28,000oz JORC 2012 Resource and has historically produced 72,000oz averaging 38.5gpt.

As previously announced the farm-in of the Radio Gold Project ⁽¹⁾ by Bullfinch One Pty Limited (**Bullfinch**) and the subsequent potential vend of this deal to Valor Resources ASX:VAL ⁽²⁾ was completed during the previous quarter. Settlement of the remaining \$300,000 of the total of \$500,000 for the sale of an initial 6.25% interest in the Radio Gold tenements was received in

the December quarter. Expenditure for further developing Radio Gold will now be borne by Bullfinch in accordance with the terms of the farm-in agreement.

REZ management continues to be in discussions with Bullfinch management on how to best progress development at Radio Gold for the benefit of all stakeholders.

Planned Activities for the March Quarter

- East Menzies Gold Project
 - Extensive +15,000m regional RAB drilling programme
 - Evaluation of results and further drill planning
 - Progress third party offers for campaign mining
- Mount Mackenzie Gold Project
 - Planning reserve conversion drill programme
- Project Evaluation
 - Review opportunities that fit the company's technical and commercial criteria

Cash Flow

REZ held cash of \$1,593,000 at the end of the December quarter. Operating outgoings of \$739,000 were recorded, along with a further \$746,000 invested in exploration.

Cash inflows for the quarter consisted of \$300,000 from the finalisation of the sale of 6.25% to Bullfinch (as noted above). REZ also finalised a recapitalisation commenced in the 2019 financial year, with the receipt of \$1.9 million from the issue of ordinary shares following shareholder approval.

The Company has \$348,000 remaining of the prepayment to its drilling partner, National Geotech. The prepayment was put in place to via an issue of the Company's ordinary shares. This amount will be progressively offset against drilling costs at the East Menzies tenements.

As discussed above, REZ will be focused on its exploration activities in the period to 30 June 2020 and as a result we expect that the Company will continue to incur operating and investing cash out flows. Operational cash flow from the Radio Gold farm-in arrangements are not expected to occur during the balance of the financial year, although \$250,000 is expected to be received from the sale of a further 3.125% of the Radio Gold tenements to Bullfinch.

The Board considers that the cash held, and the prepayment, represent enough financial resources to meet its current business objectives. Further capital raisings will be considered as the exploration program progresses.

Announcements

- (1) 17th July 2019 – (ASX:REZ)- East Menzies - Outstanding Bedrock Gold Anomaly Identified
- (2) 25th July 2019 (ASX:REZ) - East Menzies Update - Drilling at Goodenough
- (3) 1st of August 2019 – (ASX:REZ) - Radio Gold \$4m Farm-in Partnership
- (4) 21st August 2019 – (ASX:REZ) - \$3 million Raised - Placement Oversubscribed
- (5) 4th September 2019– (ASX:VAL) - Acquisition of Radio Gold Project Farm-In
- (6) 4th September 2019 – (ASX:REZ) - Acquisition of Radio Gold Project Farm-in
- (7) 19th September 2019 – (ASX:REZ) - Highly Promising Drill Targets at Menzies Gold Project
- (8) 26th of September 2019 – (ASX:REZ) Hits of up to 9gpt to Underpin Resource Update at Goodenough
- (9) 30th of September 2019 - (ASX:REZ) Annual Report to shareholders
- (10) 30th of September 2019 - (ASX:REZ) Appendix 4G and Governance Statement 2019
- (11) 3rd of October 2019 - (ASX:REZ) New Drilling Program Underway at Menzies
- (12) 4th of October 2019 - (ASX:REZ) Results of Meeting
- (13) 8th of October 2019 - (ASX:REZ) Additional 20sqkm of Ground at Menzies
- (14) 14th of October 2019 - (ASX:REZ) Appendix 3B
- (15) 17th of October 2019 - (ASX:REZ) Radio Gold Farm-in
- (16) 18th of October 2019 – (ASX:REZ) Change in substantial holding
- (17) 18th of October 2019 – (ASX:REZ) Change in substantial holding
- (18) 22nd of October 2019 - (ASX:REZ) Appointment of New Management Team
- (19) 23rd of October 2019 – (ASX:REZ) Appendix 3Y
- (20) 30th of October 2019 - (ASX:REZ) Quarterly Cash Flow Report September 2019
- (21) 30th of October 2019 - (ASX:REZ) Quarterly Activities Report September 2019
- (22) 31st of October 2019 – (ASX:REZ) Notice of Annual General Meeting/Proxy Form
- (23) 2nd of November 2019 – (ASX:REZ) Results of Annual General meeting
- (24) 11th of November 2019 - (ASX:REZ) Drilling Program at East Menzies
- (25) 3rd of December 2019 - (ASX:REZ) Resources Rising Stars Investor Presentation
- (26) 3rd of December 2019 - (ASX:REZ) ASIC Form 484 - Cancellation and Buy-Back of Shares
- (27) 3rd of December 2019 – (ASX:REZ) Change of Auditor
- (28) 5th of December 2019 – (ASX:REZ) Mount Mackenzie Scoping Study
- (29) 18th of December 2019 – (ASX:REZ) Appendix 3B
- (30) 18th of December 2019 – (ASX:REZ) Change of Director's Interest Notice
- (31) 18th of December 2019 – (ASX:REZ) Change of Director's Interest Notice
- (32) 27th of December 2019 – (ASX:REZ) East Menzies Exploration Results Update
- (33) 27th of December 2019 – (ASX:REZ) Appendix 3B
- (34) 14th of January 2020 – (ASX:REZ) East Menzies – Extensive Drilling Program Underway