



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 23 October 2012

DRILLING UPDATE – MABILO PROJECT

The Directors of Sierra Mining Limited (“Sierra”) are pleased to announce the results of initial reconnaissance drilling at the Mabilo Project in Camarines Norte Province of the Philippines.

Hole MDH-01, a vertical hole, was targeted on a magnetic high and aimed at testing for potential polymetallic magnetite skarn mineralisation similar to that exploited by artisanal miners elsewhere in the area. The hole intersected magnetite skarn mineralisation between 36-86 m depth with an overall average grade of:

50 m at 3.90% Cu, 2.31 g/t Au, 14.09 g/t Ag and 51.95% Fe

The 10 m interval of ferruginous clays immediately above the 50 m skarn zone graded 2.09 g/t Au making the combined interval from 26 to 86m - 60 m at 2.28 g/t Au. The Cu, Ag and Fe assays for the ferruginous clay interval have not been received from the laboratory.

The orientation of the mineralised body is unknown and the intersection therefore may not represent a true width.

Two subsequent holes, collared approximately 4-500m from hole MDH-01, do not appear to have intercepted the magnetite skarn targets.

Drilling is ongoing to test other magnetic anomalies within the Project.

Enquiries: Matt Syme, Managing Director +61 8 9322 6322 or +61 417 906 717

The information in this report relating to exploration results, mineral resources or ore reserves is based on information provided to Mr Robert McLean by Sierra Mining Limited. Mr McLean is an independent consultant geologist and is a corporate member of the Australian Institute of Mining and Metallurgy. Mr McLean 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 McLean 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.



Background

The Mabilo Project is located in the Paracale Mineral District of Camarines Norte Province, Eastern Luzon, Philippines. In addition to epithermal gold mineralisation, the Paracale mineral district hosts a magnetite [+Cu, Au, Ag, Mo, Co, U] skarn belt developed in the Palaeogene Universal Formation, a sequence of andesitic volcanics, volcanic derived sediments and black shales which are intruded by diorite and dacite porphyries. The Larap Mine in the Paracale district has a historical production of approximately 20 mt of iron ore.

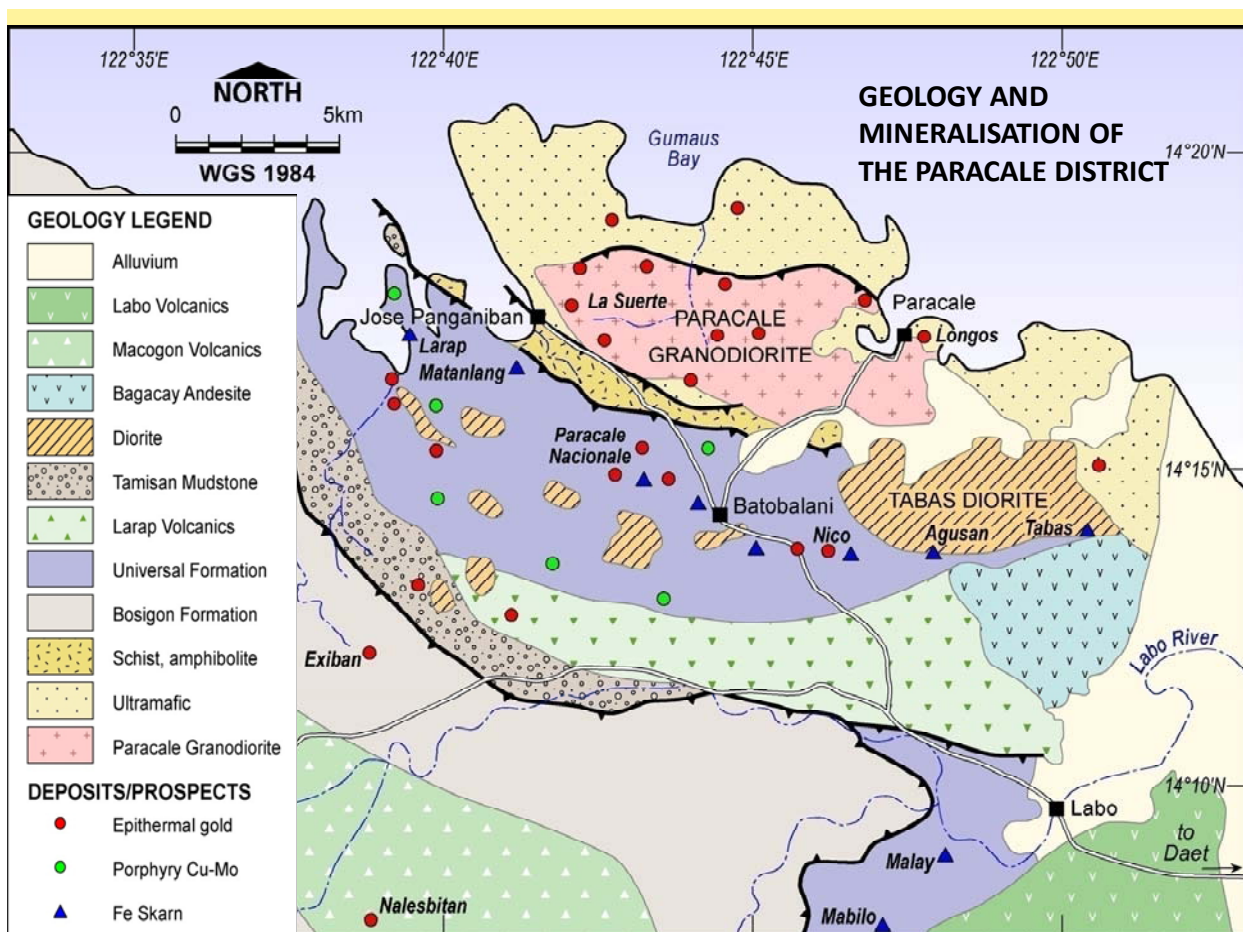


Figure 1 – Regional geology of the Paracale Mineral District. Sierra's Mabilo and Nalesbitan Projects are located to the south of the main areas of historical production.

The Mabilo Project comprises one permit application APSA-V-001 of approximately 498ha. It is centered on a window of outcropping garnet-magnetite skarn within the Universal Formation at the Venida deposit, which was originally worked as an iron mine producing approximately 3,000 tonnes of magnetite ore between 1963-65.

A previous tenement holder, Goldfields Asia Ltd, drilled 10 diamond core holes (totaling 892.75m) in 1989 in the garnet-magnetite skarn surrounding the magnetite zones



previously mined in the Venida pit. A number of shallow intersections of up to 30m width at grades up to 3.15 g/t Au, 65 g/t Ag and 1.38% Cu were reported. The Au-Ag-Cu mineralisation was reported to be strongly associated with magnetite in the skarn, which grades outwards from mineralised garnet-magnetite skarn to wollastonite-garnet skarn with low levels of magnetite and precious minerals.

The Venida pit is currently being worked by artisanal miners who exploit the oxidized garnet-magnetite skarn for supergene enriched gold, silver and copper. The area surrounding the Venida pit is covered by younger post mineralisation volcanics of the Quaternary Labo Volcanics which obscures the Universal Formation host sequence and any additional skarn mineralisation.

Ground Magnetic Survey

A previous owner of the Project subsequently conducted a ground magnetic survey in the area in 2007. The survey was initially conducted on 100 m spaced EW lines and then in-filled on 50 m spaced lines over the large southern anomaly. The data was processed and modeled by a geophysical consultant who noted that the magnetic susceptibilities were extremely high and the strong anomalous “lows” [indicating highly magnetic rocks] were definitely indicating magnetite skarn mineralisation.

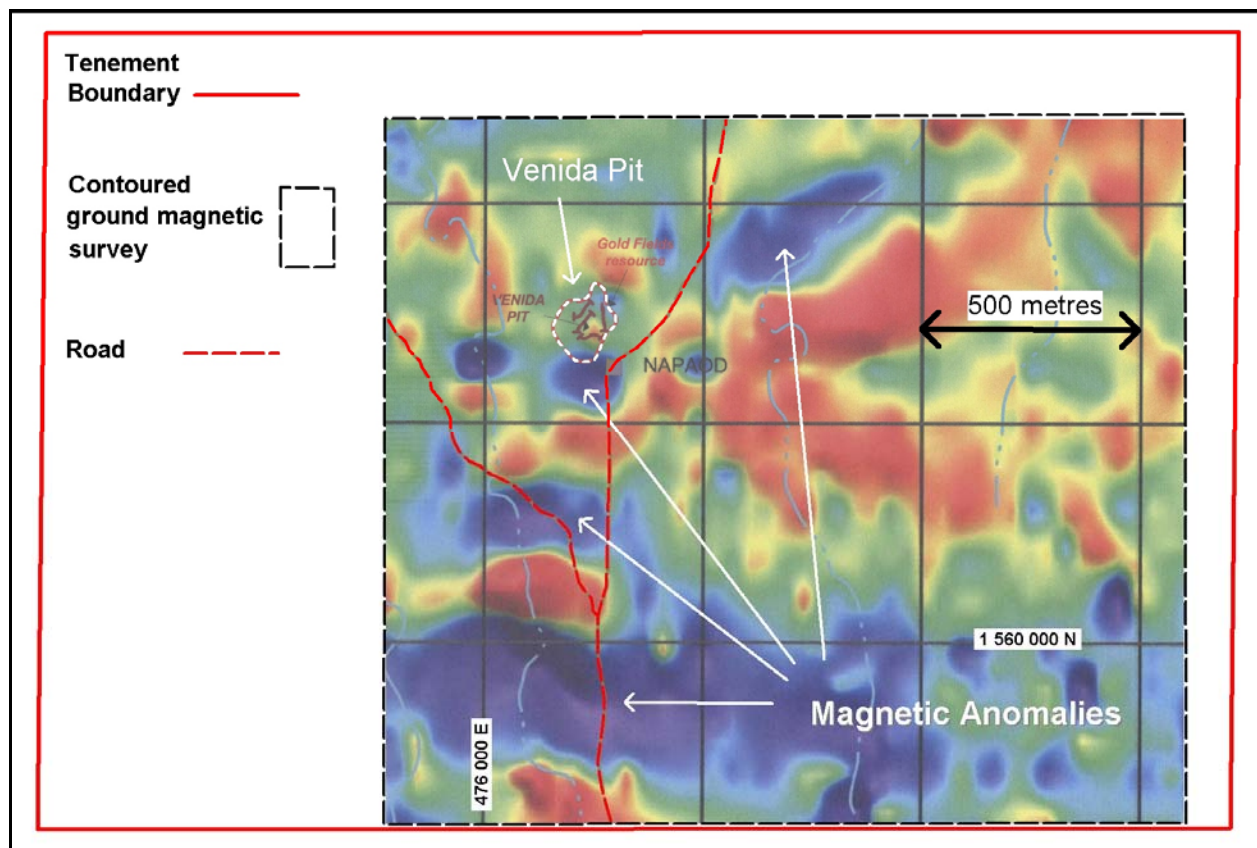


Figure 2 - Total Magnetic Intensity [TMI] map from the 2007 ground magnetic survey at Mabilo. Note that strongly magnetic zones are marked by blue “lows” and weak magnetic intensity zones by red “highs”.



Much of the magnetite at the Venida pit was mined out prior to the survey, hence the relatively poor magnetic response over the Venida pit. Drilling indicated the Venida mineralisation dips shallowly to the south under cover which is confirmed by the presence of a magnetic anomaly immediately to the south of the Venida pit.

Of greater interest are a number of much larger anomalies interpreted to represent magnetite and garnet magnetite skarn zones, and in particular the very large anomaly in the southern part of the tenements. The geophysical consultant modeled seven highly magnetic bodies as the main sources for the ground magnetic anomalies. Sierra has been unable to locate either the original magnetic survey data or the modeling of the magnetic data in order to verify the target zones generated from that work.

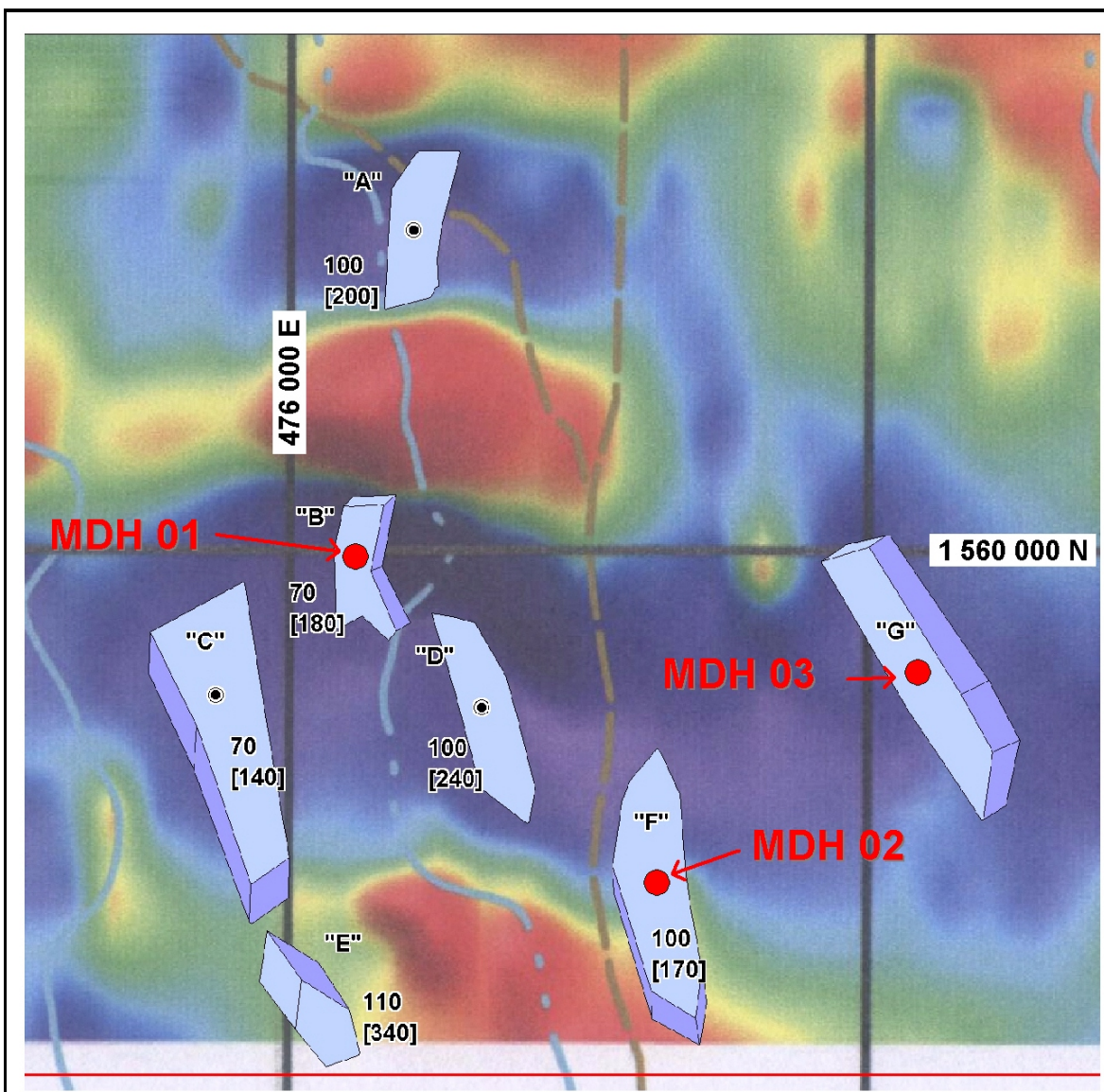


Figure 3 - Contoured TMI ground magnetic map with modeled highly magnetic targets shown in pale blue and Sierra's three completed drill hole locations in red.



Drilling Program

The project has not been drilled subsequent to the magnetic survey until Sierra instigated a short reconnaissance drilling program at the large southern magnetic anomaly in late September 2012. The location of the three vertical holes completed to date are shown in Figure 3.

Hole MDH-01 was completed at a depth of 145.4m and targeted on a modeled magnetic body between 70 and 180m depth. The hole intersected magnetite skarn with visible copper mineralisation between 36 and 86m in depth. The analytical results are discussed in detail further below.

Due to land access priorities the next 2 holes tested the more distant modeled targets.

Hole MDH-02 was completed at a depth of 161.1m. The hole was targeted on a modeled magnetic body between 100 and 170m depth but did not intersect significant magnetite skarn mineralisation. The hole intersected oxidized silicate skarn with ferruginous clays, minor magnetite and chalcopyrite only noted between 120 and 140m. The hole is considered to have been adjacent to but not to have intersected a magnetite skarn body.

Hole MDH-03 was completed to a depth of 124.6m targeting a modeled body in the Eastern arm of the magnetic anomaly. The hole intersected silicate skarn mineralisation and propylitic altered diorite but failed to intersect any prospective magnetite skarn mineralisation. At this stage it is unclear whether the diorite is related to the skarn mineralisation or is a later post mineralisation body intruded into skarn mineralisation in the area.

Results from MDH-01

The magnetite skarn zone intersected in MDH-01 between 36 and 86 metres averaged 50 m at 3.90% Cu, 2.31 g/t Au, 14.09 g/t Ag and 51.95 % Fe. This includes a high grade supergene Cu zone in the oxidised skarn and relatively lower Cu grades below the weathering zone as shown in the table below. Native copper is visible within the supergene zone with the highest single one metre interval grading 17.08% Cu within a zone from 41-52 m grading 10.13% Cu over 11 metres.

A ferruginous clay zone immediately above the oxidised magnetite skarn graded 2.09 g/t Au from 26 to 36 metres making a combined 60 m zone from 26 to 86 metres grading 2.28 g/t Au. The Cu and Ag assays have not been received for the ferruginous clay zone. All analytical results to date are summarized in the table below.

The orientation of the mineralisation intersected in hole MDH-01 is unknown and the intersection therefore may not represent a true width.



Table 1 - Summary of analytical results for MDH-01 received to date

Interval	Lithology	Geochemistry
0-23 m	Labo Fm. Volcanics	Post mineralisation lahars/volcanics, not assayed
23-36 m	Feruginous clays, possibly very weathered skarn	10m at 2.09 g/t Au. Cu, Ag and Fe assays not received as yet
36-52 m	Oxidised magnetite skarn	16m at 2.65 g/t Au, 7.10 % Cu, 11.41 g/t Ag, 44.99 % Fe
52-86 m	Magnetite skarn	34m at 2.15 g/t Au, 2.39 % Cu, 15.35 g/t Ag, 55.23 % Fe
86-144 m	Silicate skarn, some patches of magnetite skarn	107-120m - 13m at 0.29 g/t Au; 129-132m - 3m at 0.34 g/t Au. Cu, Ag and Fe assays not received, other intervals not sampled.

One metre, saw cut, half PQ cores were submitted to the MacPhar/Intertec laboratory in Manila for analysis. The samples were analysed for Au by a 50g Fire assay with an AAS finish. Copper, silver and iron were analysed by ICP with OES or MS finishes. As this was the first hole in a reconnaissance program, no duplicates, blanks or standards were submitted. These will be included in future batches of samples submitted for analysis. Check sampling conducted by the laboratory including second splits from the crushed coarse rejects were consistent and repeatable.

The copper results are consistent with the geology of the logged core. The oxidized magnetic skarn is characterized by the presence of widespread native copper [see Photograph 1 below] and chalcocite in places. The unweathered magnetite skarn is characterized by widespread chalcopyrite [see Photograph 2] throughout the interval. The Cu grades in the unweathered skarn are consistent, with all one metre intervals grading greater than 1% Cu, ranging from 1.09 to 4.11% Cu. The Au and Ag grades associated with the magnetite and copper are consistent with assays from the magnetite skarn being exploited by artisanal miners at the Venida pit.

The average iron content of the skarn is 51.95%, reflecting the large amount of magnetite in the core along with iron in sulphide and silicate minerals. Davis Tube recovery testwork will be conducted on the coarse reject samples to determine the recoverable magnetite grade.

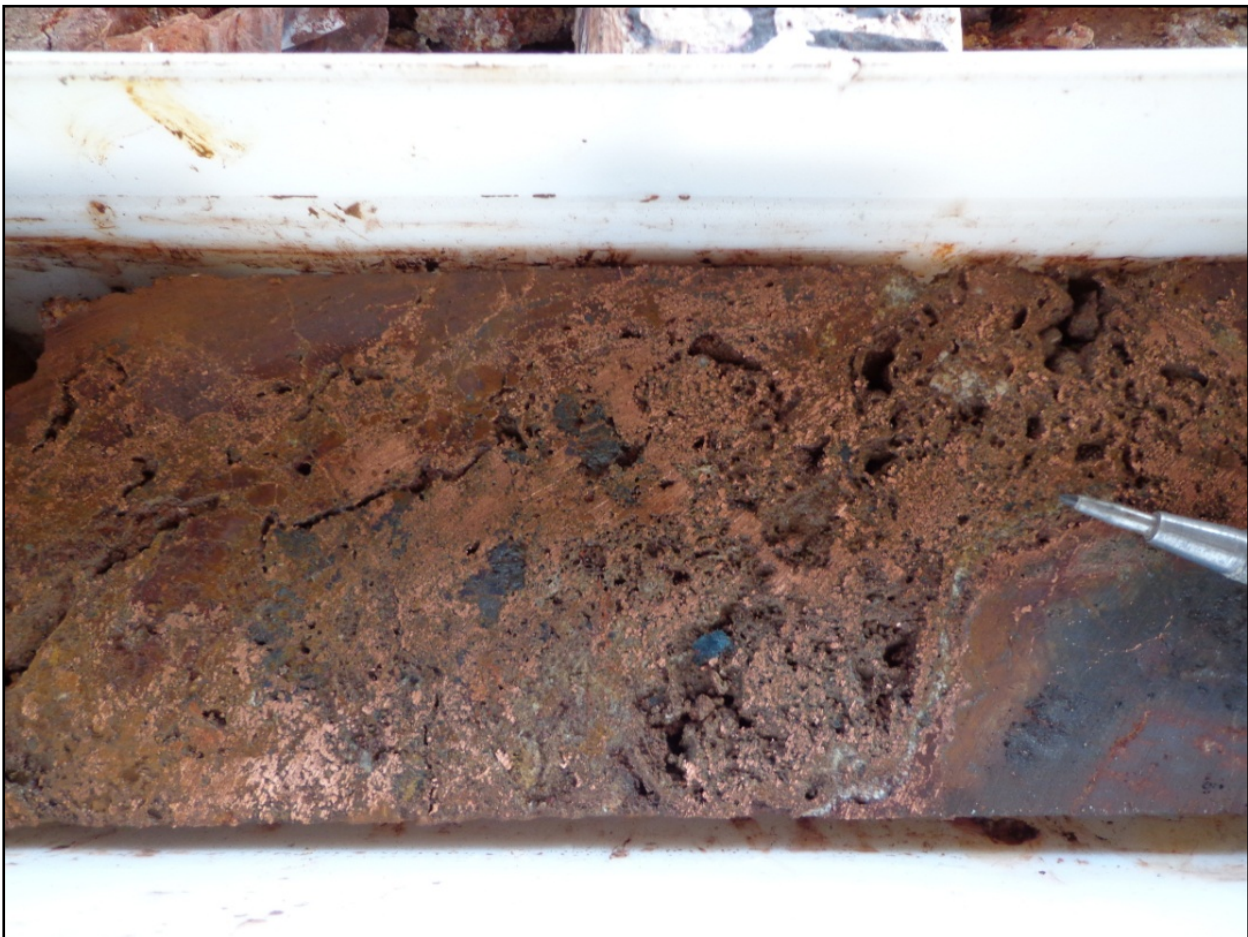


Ongoing Work

Drilling is continuing with hole MDH-04 being collared on target body "A" in a discrete magnetic anomaly to the north of the main magnetic anomaly [Figure 3]. Subsequent holes will be targeted to test the extent of the mineralisation in Hole MDH-01.

Magnetic susceptibility readings are being taken from all core recovered. These will be used in conjunction with the original ground magnetic data to develop a more refined model to aid on-going drilling programs.

Note also that Sierra is in discussion with potential local partners for the Project, which may result in the partner acquiring a substantial interest in the Project. However, discussions in this regard are not adequately advanced to provide further details at this stage.



Photograph 1 - *Native Cu mineralisation in oxidized skarn zone.*



Photograph 2 - *Chalcopyrite and magnetite skarn mineralisation.*