



# Lefroy Exploration

## LEFROY EXPLORATION LIMITED (FORMERLY U.S. MASTERS HOLDINGS LIMITED)

**ARBN 052 123 930**

Incorporated in the British Virgin Islands

### PROSPECTUS

For an offer of 20,000,000 Shares at an issue price of \$0.20 per Share to raise \$4.0 million  
(Public Offer).

The Public Offer is not underwritten.

This Prospectus also contains an offer of 7,600,000 Shares to the Hogans Resources Pty Ltd Shareholders (HRPL Shareholders Offer).

Refer to Section 3.2 of this Prospectus for more information about the HRPL Shareholders Offer.



**LEAD MANAGER: NEW HOLLAND CAPITAL**



**BRIDGE STREET**  
CAPITAL PARTNERS

**JOINT LEAD MANAGER: BRIDGE STREET CAPITAL PARTNERS**

**This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.**

#### IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered highly speculative.

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# **IMPORTANT NOTICES**

## **SATISFACTION OF ASX REQUIREMENTS FOR RE-QUOTATION**

ASX requires the Company to meet certain conditions for re-quotation on the ASX. This Prospectus is issued to assist the Company to meet these requirements.

The Company's securities will remain suspended from trading on ASX and will not be reinstated until satisfaction of the conditions of the Offers and satisfaction of the ASX's conditions for re-quotation of the Company's Shares.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation on the ASX. In the event the conditions to the Public Offer are not satisfied or the Company does not satisfy the conditions for re-quotation on ASX then the Company will not proceed with the Public Offer and will repay all application monies received. The Other Offer will not proceed in the event that the Public Offer does not proceed.

## **IMPORTANT NOTICE**

This Prospectus is dated 6 September 2016 and was lodged with the ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

## **WEB SITE – ELECTRONIC PROSPECTUS**

A copy of this Prospectus can be downloaded from the website of the Company at [www.usmasters.com](http://www.usmasters.com). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **WEBSITE**

Other than as otherwise stated in this Prospectus, no document or information included on our website is incorporated by reference into this Prospectus.

## **FOREIGN JURISDICTIONS**

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the securities or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. Risk factors are set out in Section 5 of this Prospectus.

## **CAUTIONARY NOTE REGARDING RESERVES AND RESOURCES**

You should be aware that as a British Virgin Islands (BVI) company with securities listed on the ASX, the Company is required to report reserves and resources in Australia in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition) (JORC Code). While LEX does not presently have any resources or reserves in the event that it does you should note that while the Company's reserve and resource estimates may comply with the JORC Code, they may not comply with the relevant guidelines in other countries and, in particular, may not comply with (i) National Instrument 43-101 (Standards of Disclosure for Mineral Projects) of the Canadian Securities Administrators and (ii) Industry Guide 7, which governs disclosures of mineral reserves in registration statements filed with the US Securities and Exchange Commission. The JORC Code differs in several significant respects from Industry Guide 7. In particular, Industry Guide 7 does not recognise classifications other than proven and probable reserves and, as a result, the US Securities and Exchange Commission generally does not permit mining companies to disclose their mineral resources in SEC filings. Information contained in this Prospectus describing the Company's mineral deposits may not be comparable to similar information made public by Canadian or US companies subject to the reporting and disclosure requirements of Canadian or US securities laws. You should not assume that quantities reported as "resources" will be converted to reserves under the JORC Code or any other reporting regime or that the Company will be able to legally and economically extract them.

## **GLOSSARY**

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary at the end of the Prospectus.

## **COMPETENT PERSON STATEMENT**

The information in this Prospectus (other than the Independent Geological Report in Section 8 of this Prospectus) that relates to exploration results is based on, and fairly represents, information and supporting documentation compiled by Wade Johnson and Geoff Pigott, both competent persons who are members of the Australasian Institute of Geoscientists. Wade Johnson is employed by Lefroy Exploration Limited. Wade has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Wade Johnson consents to the inclusion in this report of the matters based on his work in the form and context in which it appears. Geoff Pigott is a Non-Executive Director of Lefroy Exploration Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Geoff Pigott consents to the inclusion in this report of the matters based on his work in the form and context in which it appears.

The information in the Independent Geological Report in Section 8 of this Prospectus that relates to exploration results is based on, and fairly represents, information and supporting documentation compiled by Mr Neal Leggo, a competent person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Leggo is a Principal Geologist employed by Ravensgate International Pty Ltd. Mr Leggo has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Leggo consents to the inclusion in this report of the matters based on his work in the form and context in which it appears.

## **PHOTOGRAPHS AND DIAGRAMS**

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

## **ENQUIRIES**

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker, or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offers, please call the Company Secretary, James Beecher on +61 2 8314 5580.

## KEY DATES

Event	Date
Announce LIT Transaction	20 June 2016
Suspension of the Company's Securities from trading on the ASX	20 June 2016
Announce HRPL Transaction and MZM Transaction	26 July 2016
Dispatch Notice of General Meeting	2 September 2016
Hold General Meeting	12 September 2016
Lodge Prospectus with ASIC	6 September 2016
Lodge Prospectus with ASX	6 September 2016
Public Offer Opening Date	6 September 2016
Public Offer Closing Date	23 September 2016
Settlement Date	30 September 2016
Securities issued under Prospectus	30 September 2016
Expected re-quotation Date	5 October 2016

### Notes:

1. The above timetable is indicative only and may be varied by the Company in consultation with the ASX. Any changes will be released to the ASX. The Company reserves the right to extend the Closing Date or close the Public Offer early without notice.
2. Trading in securities will only be reinstated by ASX after the Company has completed the Proposed Transactions and the Public Offer, and the Company has complied with Chapters 1 and 2 of the Listing Rules.

# CORPORATE DIRECTORY

## Directors

Gordon Galt

Michael Davies

James Beecher

Geoffrey Pigott

## Proposed Director

Wade Johnson

## Company Secretary

James Beecher

## Lead Manager

New Holland Capital Pty Limited

30 Richardson Street

West Perth 6005

## Joint Lead Manager

Bridge Street Capital Partners Pty Limited

Level 14, 234 George Street

Sydney 2000

Corporate Authorised Representative of AFSL 456663

## Solicitors

Allion Partners

863 Hay Street

Perth WA 6000

Australia

## Independent Geologist

Ravensgate International Pty Ltd

Suite 12, Level 2 83 Mill Point Road

South Perth WA 6151

## Registered Office – British Virgin Islands

Palm Grove House, Tortola

British Virgin Islands

## Registered Office – Australia

Suite 4101, Level 41, Gateway

1 Macquarie Place

Sydney NSW 2000

Australia

Telephone: +612 8314 5580

Facsimile: +612 8314 5555

Email: [info@lestroyex.com](mailto:info@lestroyex.com)

Website: [www.usmasters.com](http://www.usmasters.com)

## Share Registry

Computershare Investor Services Pty Limited

452 Johnson Street

Abbotsford VIC 3067

Investor Queries (within Australia): 1300 850 505

Investor Queries (Overseas): +613 9415 5000

Facsimile: +613 9473 2500

## Auditor

Ernst & Young

200 George Street

Sydney NSW 2000

## Investigating Accountant

Ernst & Young

200 George Street

Sydney NSW 2000

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## 1. CHAIRMAN'S LETTER

Dear Investors

I have the pleasure in presenting the Public Offer contained in this Prospectus. Should you take up the Public Offer you will become an investor in Lefroy Exploration Limited (LEX or Company) which will use the funds raised from the Public Offer to conduct exploration for gold and nickel mineralisation on a prospective package of mineral tenements in the Western Australian Goldfields.

The Public Offer and your ability to participate in the Public Offer are conditional on the approval, at a General Meeting of LEX's shareholders being held at 10:00am on 12 September 2016, of several Transactions and the subsequent completion of these Transactions. The Transactions comprise:

- acquisition by LEX of all of the issued capital in Hogans Resources Pty Ltd (ACN 606 338 907) (**HRPL**) under the Share Sale Deed;
- acquisition by LEX of E15/1447 from Montezuma Mining Company Ltd (ABN 46 119 711 929) (**MZM**) under the Tenement Sale Agreement; and
- transfer of the Lithium Rights for LEX's exploration licences E63/1723 and E63/1722 to Lithium Australia NL (ACN 126 129 413) (**LIT**); and acquisition of the Gold and Nickel Rights to exploration licence E63/1777, upon granting, from LIT under the Rights Acquisition Agreement.

The Transactions have been recommended unanimously by LEX's Directors. Further details in respect of the Transactions are set out in Section 4.2.

Upon completion of the Transactions, a successful capital raising under this Public Offer and successful re-listing of LEX's shares, the Company will:

- acquire 100% of HRPL and transfer to the HRPL Shareholders 7,600,000 Shares;
- acquire 100% of E15/1447 from MZM and issue to MZM 4,200,000 Shares;
- acquire 100% of the gold and nickel rights to E63/1777, upon grant, from LIT and issue to LIT 3,000,000 Shares;
- transfer 100% of the lithium rights to E63/1723 and E63/1722 to LIT and receive 9,000,000 shares from LIT;
- raise \$4.0 million under the Public Offer;
- capitalise the Finance Facility provided by Michael Davies to LEX;
- appoint Wade Johnson as Managing Director; and
- amend the Directors and Executives Share Plan to vary the vesting conditions of the Shares issued under the Share Plan and increase the number of Shares available to be issued under the Share Plan.

The funds raised under the Public Offer are to be used to undertake detailed geological exploration over the tenement portfolio, and for general working capital purposes. LEX's initial focus will be on the exploration of existing priority targets identified within the Company's tenements, with drill programs targeting new discoveries of gold and nickel mineralisation. In conjunction the Company will continue to evaluate its tenement portfolio to identify additional priority targets for exploration. Subsequent work programs are likely to focus on mineral resource definition and extension drilling with the ultimate aim to provide the Company with a mineral resource base that is of a sufficient scale as to allow for the development of a mining operation.

Driving the Company's strategy will be a Board and Management team with proven corporate, exploration, project development and production track records, which will take a disciplined approach to maximising the value of the Company's project's, and the return to shareholders.



Key highlights of an investment in LEX include:

- LEX wholly owns a large and highly prospective gold and nickel tenement package located across three projects within the Yilgarn Craton in Western Australia which is endowed with a large number of world class gold and nickel deposits.
- The Company has identified and acquired under-explored tenements to which it can apply modern analysis techniques on previous drilling data to identify and prioritise a number of drill-ready targets at each project. This has generated a strong exploration pipeline of gold and nickel prospects which will be the subject of a focussed exploration program.
- The proximity of LEX's Lefroy Project to nearby gold processing facilities potentially allows for the commercialisation of smaller gold discoveries.
- Following successful completion of the Public Offer the Company will be well funded to undertake exploration with \$3.78 million in cash (post equity raising costs), 9 million LIT shares, and no debt.

Please read this Prospectus carefully before deciding whether or not to invest by taking up the Public Offer. An investment in LEX contains specific risks which you should consider before making that decision, which are outlined in this Prospectus. If you require further information in connection with this Prospectus, you should consult your stockbroker, accountant or other professional advisor before making any investment decision.

Yours sincerely

Gordon Galt  
Chairman

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## 2. INVESTMENT OVERVIEW

This Investment Overview contains a summary of what the Directors consider to be key information with respect to the Company and the Offers. It is not a summary of this Prospectus.

If you are considering an investment in the Company, it is important that you read this Prospectus carefully, in its entirety and seek professional advice where necessary before deciding to invest in the Company. In particular, in considering the prospects for the Company, you should consider the risk factors that could affect the performance of the Company. The Offers do not take into account your investment objectives, financial situation and particular needs. Accordingly, you should carefully consider the risk factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Shares that are offered under this Prospectus should be considered speculative.

### 2.1 Introduction

Lefroy Exploration Limited (LEX or the Company) is a British Virgin Islands company listed on the official list of the ASX (ASX code: LEX). The Company was first incorporated in the BVI in 1990 and listed on the ASX in 1991 as an investment entity. The focus of those investments in recent years has been on mineral exploration and mining companies aligning with the current Board's expertise in the area.

In recent years LEX also began to investigate greenfield investment opportunities in the mineral exploration area, with the aim of acquiring tenements for investment purposes and potentially acquiring tenements to undertake exploration activities.

The Company commenced applying for tenements considered prospective in Gold and Nickel in Western Australia over the past year. As at the date of this Prospectus, three tenements have been granted to LEX. The Company also has a number of exploration licence applications that have not yet been granted. The tenements are located within the Eastern Goldfields, Southern Cross, and Murchison Provinces of the Yilgarn Craton.

LEX has recently entered into three different agreements which, if approved by Shareholders, will considerably expand the area available to LEX for exploration and provide the company with liquid securities which can be converted over time to fund exploration activities. These transactions, together with the Company's acquisition of tenements, will transform LEX into a mineral exploration and mining entity.

Further details in respect of the Projects are set out in Sections 4.5 of this Prospectus and in the Independent Geological Report in Section 8.

### 2.2 Overview of the Proposed Transactions

#### HRPL Transaction

HRPL was established in June 2015 as a special purpose vehicle to secure exploration and prospecting licences considered prospective for gold mineralisation within the Kalgoorlie region of Western Australia. To this end, HRPL acquired a semi-contiguous tenement package in excess of 200km<sup>2</sup> located near Kalgoorlie and adjacent to LEX's Eastern Goldfields tenements.

As announced to the ASX on 26 July 2016, LEX and HRPL have entered into the binding Share Sale Deed under which LEX has agreed to acquire, subject to the satisfaction of certain conditions precedent, 100% of the issued share capital of HRPL in consideration for LEX transferring 7,600,000 Shares to the HRPL Shareholders.

Refer to Sections 4.2 and 11.2 for more detail.

#### MZM Transaction

MZM is an ASX listed company (ASX: MZM) which owns 100% of the MZM Tenement which adjoins the western boundary of the HRPL Tenements in the Eastern Goldfields.

As announced to the ASX on 26 July 2016, LEX and MZM have entered into the binding Tenement Sale Agreement under which LEX has agreed to acquire, subject to the satisfaction of certain conditions precedent, 100% of the MZM Tenement in consideration of LEX issuing 4,200,000 Shares to MZM.

Refer to Sections 4.2 and 11.3 for more detail.

### **LIT Transaction**

LIT is a lithium exploration company listed on the ASX (ASX: LIT) with a number of granted and pending tenements across Western Australia. This includes an application for a tenement (**LIT Tenement**) geographically located adjacent to LEX's tenements at Lake Johnston in the Southern Cross province.

As announced to the ASX on 20 June 2016, LEX and LIT entered into the Letter Agreement under which LEX and LIT agreed to two transactions:

- (a) the transfer to LIT, subject to the satisfaction of certain conditions precedent, 100% of the Lithium Rights for the LEX Tenements in consideration of LIT issuing to LEX the LEX Consideration Shares; and
- (b) LEX acquiring from LIT, subject to the satisfaction of certain conditions precedent (including the granting of the tenement), 100% of the Gold and Nickel Rights to the LIT Tenement, following its grant, in consideration for LEX issuing to LIT the LIT Consideration Shares.

On 17 August 2016, LIT and LEX executed the Rights Acquisition Agreement to supersede and replace the Letter Agreement.

Refer to Sections 4.2 and 11.4 for more detail.

## **2.3 Exploration Projects**

Combining the exploration areas to be acquired under the Proposed Transactions detailed above and LEX's tenements (granted and under application), the Company has defined three project areas in the Yilgarn Craton of Western Australia.

### **Lefroy Project**

The Lefroy Project in the Eastern Goldfields, is the foundation asset and will be the Company's core focus for Gold exploration. The project has been created through the amalgamation of the tenement holdings previously taken up by LEX, HRPL and MZM, forming a 542km<sup>2</sup> contiguous land package 50km to the south-east of Kalgoorlie.

The project area covers a geological sequence bracketed by two regional scale faults that are associated with major gold deposits, such as the St Ives gold camp. The Company has recognised five gold mineralised trends within the project area where drill-ready prospects have been defined.

The majority of the project area tenements have been granted including all those to be acquired under the Proposed Transactions.

### **Lake Johnston Project**

The Lake Johnston Project is located in the Southern Cross Province and consists of two adjoining granted tenements immediately north of the Emily Ann and Maggie Hayes Nickel sulphide mines. The tenements form a 292km<sup>2</sup> area, rising to 300km<sup>2</sup> incorporating the area accessible under the Rights Acquisition Agreement with LIT. Exploration of these tenements will focus on Gold and Nickel.

### **Murchison Project**

The Project area comprises a package of exploration and prospecting licence applications for a 134km<sup>2</sup> area located between Big Bell and Cue that will be explored for Gold mineralisation upon grant.

For more information on each of the projects refer to Section 4.

## **2.4 Effect of the Proposed Transactions**

The Company has applied for and been granted tenements in Western Australia, which, together with the Proposed Transactions, will result in a change to the nature and scale of the activities of the Company. LEX proposes to focus on carrying out its proposed business model and objectives described in Sections 2.5 and 2.6 following completion. The Proposed Transactions represent an event which requires the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules, including seeking Shareholder approval for the Proposed Transactions, issuing a prospectus, and obtaining Shareholder spread in accordance with those Rules.

On 2 September 2016, the Company issued a Notice of General Meeting to the Shareholders of the Company to be held on 12 September 2016 to obtain all required Shareholder approvals for the purposes of permitting the Company to proceed with the Proposed Transactions.

The effect of the Proposed Transactions is set out in the capital structure table in Section 2.13 below and in Section 6 of this Prospectus which sets out the pro-forma historical statement of financial position of the Company as at 30 June 2016.

On completion of the Proposed Transactions, it is proposed that Wade Johnson (currently a director and shareholder of HRPL and CEO of LEX) will be appointed as Managing Director of the Company.

## **2.5 Objectives**

The Company's main objective on completion of the Public Offer is to provide a return to Shareholders through the successful exploration for and development of high value gold and nickel resources.

## **2.6 Business Model**

Following completion of the Proposed Transactions LEX will become a mineral exploration and mining company with a primary focus on early-stage gold and nickel exploration. In seeking to achieve its objectives, the Company's business model will be to:

- (a) analyse and interrogate previous exploration data to determine high priority targets within the current tenement package for further exploration;
- (b) undertake drilling and geophysical work programmes on priority targets within the current tenement package with the aim of identifying and delineating mineral systems and establishing resources;
- (c) expand and upgrade discoveries through infill and extension drilling, and assess the economic viability of development;
- (d) develop economically viable and high value gold deposits into stand-alone mining operations;
- (e) commercialise smaller scale deposits via divestment or through the provision of satellite feed to nearby gold processing facilities; and
- (f) identify and investigate other value accretive mineral exploration and mining opportunities.

Given the Company's focus on early-stage mineral exploration it is unlikely we will generate income in the short-term.

If the Company's exploration program is ultimately successful, it is likely that we will require additional funding to advance exploration and development of our projects.

Section 4.3 contains further details on the Company's business model and objectives following completion of the Proposed Transactions.

## **2.7 Key Investment Highlights**

LEX wholly owns a large and highly prospective Gold and Nickel tenement package located across three projects within the Yilgarn Craton in Western Australia which is endowed with a large number of world class Gold and Nickel deposits.

The Company has identified and acquired under-explored tenements to which it can apply modern analysis techniques on previous drilling data to identify and prioritise a number of drill-ready targets at each project. This has generated a strong exploration pipeline of gold prospects which will be the subject of a focussed exploration program.

The proximity of LEX's Lefroy Project to nearby gold processing facilities potentially allows for the commercialisation of smaller gold discoveries.

Following successful completion of the Public Offer the Company will be well funded to undertake exploration with \$3.78 million in cash (post equity raising costs), 9 million LIT shares, and no debt.

The Board and Management team have a strong track record of successful discovery, development, and management of mining projects.

## **2.8 Directors and Key Personnel**

### **Existing Directors**

#### **Gordon Galt, Non-executive Chairman**

Gordon is a mining engineer with extensive experience in operations, project development, senior management and directorship across a range of commodities, especially gold, copper and coal. Gordon was General Manager at Ulan Coal in NSW's Hunter Valley then Managing Director at Cumnock Coal in 1996. He then was Managing Director with Newcrest Mining where he oversaw development of the Cadia and Ridgeway Copper/Gold mines in NSW, the Gosowong Gold Mine in Indonesia, and the redevelopment of the Telfer Copper/Gold mine in WA. Gordon entered investment banking in 1999 as Managing Director for Energy, Chemicals and Pharma at ABN AMRO and later was a founding Principal at Taurus Funds Management Pty Ltd. Gordon is currently Chairman of NuCoal Resources Ltd and is a Non-Executive Director of Finders Resources Ltd and Realm Resources Limited.

#### **Michael Davies, Non-executive Director**

Michael is a specialist in resource financing, with over 20 years' experience in investment banking (Barclays, BZW and ABN AMRO) originating, structuring and arranging debt and providing corporate advice to natural resources companies internationally. Michael also has had extensive commercial experience in the mining industry having been involved in the negotiation of joint venture agreements, participating on joint venture committees and negotiating the acquisition and sale of mining tenements. Michael is also a founding Principal and Director of Taurus Funds Management Pty Ltd and a Director of NuCoal Resources Ltd and Realm Resources Ltd.

#### **James Beecher, Non-executive Director and Company Secretary**

James has over 30 years' experience in senior finance, accounting and secretarial positions in resources, financial services and services companies. James has been Chief Financial Officer or Finance Director of NRMA Limited, Savage Resources Limited and Austen & Butta Limited. He held senior accounting positions with the Commonwealth Bank including Group Financial Controller and Group Chief Accountant. He is currently a Director of ASX listed companies NuCoal Resources Ltd and CBG Capital Limited and has been Company Secretary of Gloucester Coal Limited. He is Deputy Chair of the Australian Institute of Company Directors Reporting Committee.

#### **Geoffrey Pigott, Non-Executive Director**

Geoff has worked as a professional geologist in a career that encompasses mineral exploration, resource development and mining. His experience has been mainly in gold and base metals with major mining companies including Rio Tinto, Anglo-American, Freeport-McMoran and Newcrest. More recently as Head of Exploration with Aquila Resources, he played a lead role in assembling its extensive portfolio of iron ore, coal and manganese projects.

### **Proposed Directors**

#### **Wade Johnson, Proposed Managing Director**

Wade Johnson, a current shareholder in HRPL, is proposed to be appointed to the role of Managing Director of LEX upon completion of the Proposed Transactions and Public Offer.

Wade is a geologist with over 25 years' experience in mineral exploration with a focus on gold in Western Australia. He was most recently exploration manager for Kalnorth Gold Mines Limited where he oversaw exploration of the company's gold tenements near Kalgoorlie over a period of five years. Prior to this Wade was with Newmont for 10 years where he held senior roles as Exploration Manager for Australia and then as Exploration Manager for Asia Pacific. During this time he was responsible for the management of green-fields exploration programs and project generation across the Yilgarn, Tanami, North Queensland and the Lachlan Belt (NSW) with a significant amount of activity in Western Australia. He has also had extensive exploration project management and field experience throughout the Northern Goldfields and Murchison with Wiluna Mines Limited, ASARCO, and St Barbara Mines Ltd.

## 2.9 Key Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively be managed is limited.

Set out below are specific risks that the Company is exposed to. These risks are repeated and further risks associated with an investment in the Company are outlined in Section 5.

### **Risks relating to the Proposed Transactions**

#### **(a) Re-Quotation of Shares on ASX**

The Proposed Transactions constitute a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

#### **(b) Dilution Risk**

The Company currently has 24,388,920 Shares on issue including 4,600,000 unvested Shares issued as part of the Company's Share Plan. In addition, the Company has 12,194,460 Treasury Shares which are not counted as issued Shares for this purpose (see Section 12.5).

On completion of the Proposed Transactions, the Company proposes to transfer/issue the HRPL Consideration Shares, the LIT Consideration Shares, the MZM Consideration Shares, the MD Conversion Shares, the ESP Shares and the Advisory Options in connection with the Proposed Transactions and services provided to the Company in connection with the Proposed Transactions, as well as Shares to raise \$4.0 million, based on an issue price of \$0.20 per Share, as part of the Public Offer.

Based on an issue price of \$0.20 per Offer Share and a \$4.0 million raising under the Public Offer (and assuming no exercise of the Advisory Options), the existing Shareholders will retain approximately 37.83% of the issued capital of the Company, with the HRPL Shareholders holding a total of 11.79%, MZM holding a total of 6.52%, LIT holding a total of 4.65%, Michael Davies holding an incremental 6.79% from repayment of the Finance Facility and 0.78% from participation in the Public Offer, the Share Plan increasing its holding by 1.40%, Gordon Galt holding an additional 0.16% from participation in the Public Offer, James Beecher holding an additional 0.16% from participation in the Public Offer, Geoffrey Pigott holding an additional 0.39% from participation in the Public Offer, and the other investors under the Public Offer holding in aggregate 29.55% of the issued capital of the Company respectively.

There is also a risk that the interests of Shareholders will be further diluted as a result of future raisings required in order to fund the development of the business.

#### **(c) Liquidity Risk**

On completion of the Proposed Transactions, the Company proposes to issue and transfer 7,600,000 HRPL Consideration Shares to the HRPL Shareholders, 4,200,000 MZM Consideration Shares to MZM, 3,000,000 LIT Consideration Shares to LIT, 4,375,000 MD Conversion Shares to Michael Davies, 900,000 ESP Shares, 1,000,000 Advisory Options to NHC and 20,000,000 Shares under the Public Offer. Subject to determination by ASX, it is likely that a portion of these securities will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules.

Based on the post-offer capital structure (and assuming no further Shares are issued or the Advisory Options exercised and that all of the above Shares, save for the Shares issued under the Public Offer, are escrowed), the Shares which are considered likely to be escrowed will equate to approximately 31.14% of the post-Offer issued Share capital (assuming \$4.0 million is raised under the Public Offer).

This could be considered an increased liquidity risk as a portion of issued capital may not be able to be traded freely for a period of time.

(d) **Contractual Risk**

Under the Share Sale Deed (summarised in Section 11.2), the Company has agreed to acquire 100% of HRPL from the HRPL Shareholders, subject to the fulfilment of certain conditions precedent.

Under the Tenement Sale Agreement (summarised in Section 11.3), the Company has agreed to acquire 100% of E15/1447 from MZM, subject to the fulfilment of certain conditions precedent.

Under the Rights Acquisition Agreement (summarised in Section 11.4), the Company has agreed to transfer 100% of the Lithium Rights to LIT in consideration of LIT issuing to LEX the LEX Consideration Shares, and to acquire from LIT 100% of the Gold and Nickel Rights in consideration of LEX issuing to LIT the LIT Consideration Shares, subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the aforementioned agreements. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

**Risks relating to the Company's operations**

(a) **Exploration and Evaluation Risks**

The mineral tenements that LEX will own or have the rights to exploit at the conclusion of the Proposed Transactions are at various stages of exploration. Potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of LEX may be affected by a range of factors, many beyond the control of the Company. The success of LEX will also depend upon the Company having access to sufficient development capital, being able to maintain title to its tenements and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful, this could lead to a diminution in the value of the tenements, a reduction in the mineral reserves of the Company and possible relinquishment of the tenements.

The exploration costs of LEX are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions.

(b) **Ability to exploit successful discoveries**

It may not always be possible for LEX to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploration would involve obtaining the necessary licences or clearances from the relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploration may require participation of other companies whose interests and objectives may not be the same as the Company's.

(c) **Development risks and costs**

Possible future development of mining operations at any of LEX's projects is dependent on a number of factors and avoiding various risks, including, but not limited to, failure to acquire and/or delineate economically recoverable ore bodies, unfavourable geological conditions, failing to receive the necessary approvals from all relevant authorities and parties, unseasonal weather patterns, excessive seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, risk of access to the required level of funding and contracting risk from third parties providing essential services.

In addition, the construction of any proposed development may exceed the expected timeframe or cost for a variety of reasons out of the Company's control. Any delays to project development could adversely affect the Company's operations and financial results and may require the Company to raise further funds to complete the project development and commence operations.

(d) **Future capital requirements**

The Company's activities will require substantial expenditure. There can be no guarantees that the funds raised through the Public Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund development after the substantial exhaustion of the net proceeds of the Public Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing will be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(e) **Reliance on Key Personnel**

LEX's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

(f) **Government Regulation**

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

(g) **Government adverse legislation**

LEX has no control over the actions of State or Federal governments and the legislation they pass. Legislation may be passed that has an adverse effect on the ability of the Company to operate in all or part of its business or on the ability of the Company to continue to own its tenements or other assets, including legislation that may result in tenements being revoked and the Company being unable to recover the value of the tenements, including the expected profits from the exploitation of the tenements, or the costs expended by the Company in exploring and mining those tenements.



(h) **Fluctuations in Gold and Nickel Prices**

The prices of Gold and Nickel and other minerals fluctuate widely and are affected by numerous factors beyond the control of LEX, such as industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. Future serious price declines in the market values of Gold and Nickel could cause the continued development of, and eventually the commercial production from, the Company's projects and the Company's other properties to be rendered uneconomic. Depending on the prices of Gold and Nickel, the Company could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, some of its properties. There is no assurance that, even as commercial quantities of Gold and/or Nickel are produced, a profitable market will exist for it.

In addition to adversely affecting any reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

(i) **Commodity Price and Exchange Rate Risks**

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

In addition to adversely affecting the reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

(j) **Investment Risks**

LEX currently has exposure to investment risk arising from its shareholdings in other companies and will gain further exposure to this risk if the Resolutions are approved by Shareholders as a result of the acquisition of the LIT Shares by the Company under the Rights Acquisition Agreement. The Company may continue to hold, increase, decrease or eliminate its exposure to this risk in future. Investee companies likely are exposed to many of the same risks as the Company, however they may also be exposed to greater and more wide ranging risks than the Company is exposed to, and these risks may change in future. This indirectly provides the Company with exposure to these risks. The performance of investee companies will impact the Company in many ways. A loss of value of an investee company will reduce the assets of the Company and will result in a reduced cash inflow to the Company if a holding is sold. This may impact the Company's ability to fund its future work programme.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by our Company and you should refer to the additional risk factors in Section 5 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

## **2.10 The Public Offer**

The Company invites applications for 20,000,000 Shares at an issue price of \$0.20 per Share to raise \$4.0 million.

Completion of the Public Offer under this Prospectus is subject to:

- (a) the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules (including settlement of the Proposed Transactions); and
- (b) the Company receiving conditional approval for re-quotations of the Company's Shares on ASX.

If these conditions are not met, the Company will not proceed with the Public Offer and will repay all application monies received, without interest and in accordance with the Corporations Act.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

The key information relating to the Public Offer and references to further details are set out below.

## **2.11 Purpose of the Offers**

The purpose of the Offers is to provide additional funds to enable the Company to:

- (a) complete the Proposed Transactions;
- (b) meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules; and
- (c) conduct the activities described in Section 4.2.

On completion of the Offers, the Board believes the Company will have sufficient working capital to achieve these objectives.

## 2.12 Use of Funds

Following re-admission of the Company to the official list of the ASX, LEX will hold the funds raised from the Public Offer (assuming \$4.0 million is raised under the Public Offer), together with existing cash reserves of HRPL and the existing cash reserves of the Company.

LEX will also hold 9,000,000 LIT shares following completion of the LIT Transaction which it may liquidate to fund further exploration activities. 50% of the LIT shares issued to LEX will be subject to a voluntary 3 month escrow.

The Company intends to apply available funds to a substantive exploration programme as outlined below and in Section 4.5.

Description	\$4.0 million raised
<b>Source of funds</b> <sup>1</sup>	
Existing cash reserves (LEX and HRPL)	\$0
Net funds raised under the Equity Raising <sup>2</sup>	\$3,780,000
<b>TOTAL</b>	<b>\$3,780,000</b>
<b>Allocation of funds</b>	
Drilling of priority targets	\$1,200,000
Geophysical work	\$125,000
Geological interpretation	\$111,600
Other exploration costs	\$828,000
Corporate costs	\$852,000
Directors Fees	\$310,000
Stamp Duty	\$69,000
Re-listing Costs paid from proceeds of the Equity Raising	\$100,000
Financial Advisor Fee	\$184,400
<b>TOTAL</b>	<b>\$3,780,000</b>

### Notes:

<sup>1</sup> Excludes the value of the 9 million LIT Shares received by the Company pursuant to the Rights Acquisition Agreement. For further information on the intended use of proceeds from any sale of those LIT Shares see Section 4.5.

<sup>2</sup> Anticipated equity raising costs of \$220,000 associated with the \$4.0 million Public Offer

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

Further information on the allocation of funds is available in Section 4.5.

## 2.13 Capital Structure

The capital structure of the Company following completion of the Offers (assuming full subscription under the Public Offer) is summarised below:	\$4.0 million raised <sup>1</sup>	% interest (\$4.0 million raised)
<b>Shares</b>		
Shares currently on issue <sup>2</sup>	24,388,920	37.83%
HRPL Consideration Shares to be transferred to HRPL Shareholders	7,600,000	11.79%
MZM Consideration Shares to be issued to MZM	4,200,000	6.52%
MD Consideration Shares to be transferred to Michael Davies	4,375,000	6.79%
LIT Consideration Shares to be issued to LIT <sup>3</sup>	3,000,000	4.65%
Additional Share Plan Shares	900,000	1.40%
Shares to be issued under the Public Offer	20,000,000	31.03%
<b>Total</b>	<b>64,463,920</b>	<b>100.00%</b>
<b>Options <sup>4</sup></b>		
Options currently on issue	Nil	0.00%
Advisory Options to be issued to NHC	1,000,000	100.00%
<b>Total</b>	<b>1,000,000</b>	<b>100.00%</b>

### Notes:

- <sup>1</sup> The above figures assume that \$4.0 million will be raised under the Public Offer at an issue price of \$0.20 per Offer Share
- <sup>2</sup> Includes 4,600,000 ESP Shares currently issued under the Share Plan. Not contained in this number are 12,194,460 Treasury Shares held by LEX. See Section 12.5 for further details
- <sup>3</sup> The 3,000,000 LIT Consideration Shares may not be issued until after the LIT Tenement is granted. Refer to section 11.4 for further details.
- <sup>4</sup> The terms and conditions of the Options to be issued under this Prospectus are set out in Section 12.6.

Refer to Section 6 for further details.

## 2.14 Change in Nature and Scale of Activities

As outlined in more detail in Section 11.1 of this Prospectus, the Company has entered into formal agreements to undertake the Proposed Transactions.

The Proposed Transactions are an event which requires the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules, including seeking Shareholder approval for a change in the nature and scale of activities. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company's Shares were suspended from Official Quotation on the ASX on June 20, 2016, following the announcement of a Letter Agreement between LEX and LIT. The Shares will not be reinstated until ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. In the event the Company does not receive conditional approval for re-quotation on the ASX then the Company will not proceed with the Public Offer and will repay all application monies received.

## 2.15 Substantial Shareholders

Those Shareholders holding 5.0% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offers (assuming full subscription under the Public Offer and that no Options are exercised prior to completion of the Offers) are set out in the respective tables as follows.

As at the date of the Prospectus:

Shareholder	Shares	%
Michael Davies (Non-Executive Director) <sup>1</sup>	6,007,654	24.63%
Gordon Galt (Chairman) <sup>2</sup>	2,573,154	10.55%
James Beecher (Non-Executive Director) <sup>3</sup>	2,450,413	10.05%
Geoffrey Pigott (Non-Executive Director) <sup>4</sup>	2,406,666	9.87%

**Notes:**

- <sup>1</sup> Michael Davies currently holds a direct relevant interest of 5,007,654 Shares with a further 1,000,000 Shares granted (but not vested) under the Company's Share Plan.
- <sup>2</sup> Gordon Galt currently holds a direct relevant interest of 1,573,154 Shares with a further 1,000,000 Shares granted (but not vested) under the Company's Share Plan.
- <sup>3</sup> James Beecher currently holds a direct relevant interest of 1,450,413 Shares with a further 1,000,000 Shares granted (but not vested) under the Company's Share Plan.
- <sup>4</sup> Geoffrey Pigott currently holds a direct relevant interest of 1,406,666 Shares with a further 1,000,000 Shares granted (but not vested) under the Company's Share Plan.

On completion of the Offers (assuming \$4.0 million is raised under the Public Offer and that all resolutions pursuant to the General Meeting are passed) after the issue of Shares under the Proposed Transactions:

Shareholder	Shares	% (undiluted)	% (fully diluted) <sup>1</sup>
Michael Davies (Non-Executive Director) <sup>2</sup>	10,882,654	16.88%	16.62%
Montezuma Mining Company Limited <sup>3</sup>	4,200,000	6.52%	6.42%

**Notes:**

- <sup>1</sup> 1,000,000 options issued to NHC
- <sup>2</sup> Michael Davies currently holds (directly and indirectly) 6,007,654 Shares. He will receive 4,375,000 Shares as full and final repayment of the Finance Facility (drawn to \$700,000) provided to the Company. In addition, Michael Davies will subscribe for 500,000 Shares under the Public Offer.
- <sup>3</sup> Montezuma Mining Company Limited does not currently hold (directly and indirectly) any Shares. MZM is entitled to receive 4,200,000 MZM Consideration Shares under the Tenement Sale Agreement.

The Company will announce to the ASX details of its top 20 Shareholders (following completion of the Offers) prior to the Shares commencing trading on ASX.

## 2.16 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, certain securities transferred or issued by the Company will be classified by the ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement to Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the securities required to be held in escrow prior to the Shares commencing trading on ASX.

## 2.17 Financial Overview

As set out in Section 2.6 above, following the change in the nature of its activities, the Company will be focused on carrying out its proposed business model and objectives. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to future activities.

As a result, the Company is not in a position to disclose any key financial ratios other than its historical statement of financial position and historical pro forma statement of financial position which is included in the Financial Information in Section 6.

The initial funding for the Company's proposed business activities will be generated from the offer of Shares pursuant to this Prospectus and the existing cash reserves of the Company and HRPL. In

addition, the Company will have available liquid securities (being the shares in LIT issued to the Company) which can be converted to cash to assist in funding the exploration of LEX's tenements.

## 2.18 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

## 2.19 Dividend Policy

It is anticipated that significant expenditure will be incurred in the evaluation and development of the Company's proposed business model and objectives described in Sections 2.5 and 2.6. These activities, together with the possible acquisition of interests in other projects, are expected to dominate at least the 2 year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

## 2.20 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 10.2 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 10.2 of this Prospectus.

In addition, the Company's full Corporate Governance Plan is available from the Company's website [www.usmasters.com](http://www.usmasters.com).

## 2.21 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. Details of the Directors' and Proposed Directors' remuneration (including superannuation) and relevant interests in the securities of the Company as at the date of this Prospectus are set out in the tables below:

Director	Remuneration for year ended 30 June 2016	Proposed remuneration for year ended 30 June 2017	Proposed remuneration for year ended 30 June 2018
<b>Existing Directors</b>			
Gordon Galt	nil	\$50,000	\$50,000
Michael Davies	nil	\$35,000	\$35,000
James Beecher	nil	\$35,000	\$35,000
Geoffrey Pigott	nil	\$35,000	\$35,000
<b>Proposed Director</b>			
Wade Johnson	nil	\$210,000 <sup>1</sup>	\$240,000

**Notes:**

<sup>1</sup> Wade Johnson's contract is \$240,000 p.a. including superannuation. The contract's full value is paid monthly from LEX's readmission to the ASX with Wade Johnson receiving half of his monthly salary until readmission. Further details on Wade Johnson's employment contract are set out in Section 11.9.

Shareholder	Shares as at date of Prospectus	%	Shares following completion of the Offers <sup>1</sup>	%
<b>Existing Directors</b>				
Gordon Galt	2,573,154	10.55%	2,673,154	4.15%
Michael Davies	6,007,654	24.63%	10,882,654	16.88%
James Beecher	2,450,413	10.05%	2,550,413	3.96%
Geoffrey Pigott	2,406,666	9.87%	2,656,666	4.12%
<b>Proposed Director</b>				
Wade Johnson	-	-	3,211,712	4.98%

**Notes:**

- <sup>1</sup> Assuming \$4.0 million is raised under the Public Offer
- <sup>2</sup> Gordon Galt currently holds (directly and indirectly) 2,573,154 Shares including a grant of 1,000,000 ESP Shares (un-vested). In addition, Gordon Galt will to subscribe for 100,000 Shares under the Public Offer.
- <sup>3</sup> Michael Davies currently holds (directly and indirectly) 6,007,654 Shares including a grant of 1,000,000 ESP Shares (un-vested). He will receive 4,375,000 Shares as full and final repayment of the Finance Facility (drawn to \$700,000) provided to the Company. In addition, Michael Davies will subscribe for 500,000 Shares under the Public Offer.
- <sup>4</sup> James Beecher currently holds (directly and indirectly) 2,450,413 Shares including a grant of 1,000,000 ESP Shares (un-vested). In addition, James Beecher will subscribe for 100,000 Shares under the Public Offer.
- <sup>5</sup> Geoffrey Pigott currently holds (directly and indirectly) 2,406,666 Shares including a grant of 1,000,000 ESP Shares (un-vested). In addition, Geoffrey Pigott will subscribe for 250,000 Shares under the Public Offer.
- <sup>6</sup> Wade Johnson does not currently hold (directly and indirectly) any Shares. Wade Johnson is entitled to receive 1,711,712 HRPL Consideration Shares under the Share Sale Deed by virtue of his 22.52% interest in HRPL. In addition, upon his election as Managing Director, Wade Johnson will receive a grant of 1,500,000 ESP Shares (un-vested).

## 2.22 Agreements with Directors or Related Parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

### Service Agreements

The Company has negotiated a formal executive services agreement with Wade Johnson. The details of which are included in Section 11.9.

The Company has entered into non-executive director engagement agreements with each of the non-executive directors. Details of these agreements are included in Section 11.10.

### Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors and will enter such deeds with the Proposed Director. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers in certain circumstances.

### Share Sale Deed

The Company has entered into a Share Sale Deed with HRPL and each of the HRPL Shareholders, pursuant to which the HRPL Shareholders will sell, and the Company will acquire 100% of the HRPL Shares. In consideration, the Company will transfer 7.6 million Shares to the HRPL Shareholders.

Wade Johnson is a Proposed Director of LEX and an HRPL shareholder. Please refer to Section 11.2 below for further details about the Share Sale Deed.

### **Finance Facility**

On or around 21 August 2014, the Company entered into the Finance Facility (amended on 15 February 2016), whereby the Company can draw down up to \$800,000. The Finance Facility was provided by Mr Michael Davies, a Director of the Company, to provide LEX with working capital.

LEX can repay the drawn down amount in full on each anniversary of the date of the Finance Facility by, at its option, either:

- (a) repaying the total drawn down amount in addition to a 10% premium per annum from the draw down date to the repayment date on the amounts drawn down; or
- (b) issuing to Mr Michael Davies (or his nominee) the number of Shares that is calculated by dividing the total drawn down amount by the issue price of the last issue of Shares to non-related parties in LEX after the date of the agreement, with a 25% premium to the outstanding balance.

The Company wishes to repay the drawn down amount under Finance Facility by transferring Shares to allow proceeds from the Public Offer to be applied in accordance with Section 2.12. LEX anticipates that, at re-listing, the Finance Facility will be drawn down to an amount of \$700,000.

The Finance Facility Amount for the purposes of determining the number of Shares to be issued converts at a 25% premium to the outstanding balance. That is, the balance of the Finance Facility Amount for the purposes of the conversion increases from \$700,000 to \$875,000.

To satisfy the Finance Facility Amount, the Company will transfer 4,375,000 Shares out of Treasury Shares to Mr Michael Davies (or his nominee) in full and final satisfaction of repayment of the Finance Facility.

Further details on the Finance Facility are included in Section 11.5.

### **NHC Mandate**

On or around 27 July 2016, NHC entered into a mandate letter agreement with the Company (**Mandate Agreement**). Messrs Michael Davies and Gordon Galt are both Directors of NHC.

The material terms of the Mandate Agreement are as follows:

- (a) NHC was appointed as a corporate advisor with respect to the Proposed Transactions, as well as Lead Manager with respect to the Public Offer;
- (b) The Company has agreed to pay the following fees to NHC:
  - (i) **(Corporate Advisor Fee)**: a monthly corporate advisory fee of \$15,000 per month (plus GST) from April 2016 to September 2016 (6 months) for execution of the Mandate Agreement;
  - (ii) **(Fee Shares)**: \$94,400 (4.0% of the combined value of the HRPL Transaction and the MZM Transaction) payable in cash;
  - (iii) **(Public Offer Fee)**: a capital raising fee of 6.0% of the gross amount raised from investors introduced by NHC under the Public Offer, plus a 1% management fee on all other funds (excluding any broker-raised funds) raised under the Public Offer;
  - (iv) **(Advisory Options)**: 1,000,000 options in LEX. Refer to Section 12.6 for the terms of the Advisory Options; and
  - (v) **(Incidental Expenses)**: reimbursement of expenses incurred in connection with providing services pursuant to the Mandate Agreement.

Further details on the Mandate Agreement are set out in Section 11.6.

### **Rental and Administration Agreement**

LEX leases office space from, and contracts for administrative tasks to be performed by, Taurus SM Holdings Pty Ltd, a company of which Michael Davies and Gordon Galt are directors. Further information is included in section 11.11.



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### 3. DETAILS OF THE OFFERS

#### 3.1 The Public Offer

Pursuant to this Prospectus, the Company invites applications for 20,000,000 Shares at an issue price of \$0.20 per Share to raise \$4.0 million.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

The Directors may reject any Application made under the Public Offer or allocate fewer Shares than the Applicant has applied for.

#### 3.2 Other Offers

This Prospectus also includes an offer of 7,600,000 HRPL Consideration Shares to the HRPL Shareholders (**HRPL Shareholders Offer**). This Offer is required to facilitate the trading of the Shares issued to the HRPL Shareholders.

#### 3.3 Conditional Offers

The Offers are conditional upon satisfaction or waiver of the conditions precedent to the Share Sale Deed. A summary of the material terms and conditions of this agreement is contained in Sections 11.2 of this Prospectus.

If any of the conditions set out in the Share Sale Deed or Tenement Sale Agreement are not satisfied by 15 October 2016 or such later date as the Company and HRPL or MZM agree, none of the Shares offered pursuant to this Prospectus will be allotted or issued. In these circumstances, all applications will be refunded to investors as soon as practicable.

#### 3.4 Minimum subscription

If the minimum subscription to the Public Offer of \$4.0 million has not been raised within 3 months after the date of this Prospectus, the Company will not issue any securities under the Prospectus and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

#### 3.5 Applications

Applications for Shares under the Public Offer must be made using the Public Offer Application Form.

Applications for Securities must be for a minimum of 10,000 Shares (being minimum application monies of \$2,000) and thereafter in multiples of 1,000 Shares (\$200) with payment for the Shares to be made in full at the issue price of \$0.20 per Share.

Completed Application Forms including an accompanying cheque, made payable to "**Lefroy Exploration Limited**" and crossed "**Not Negotiable**" must be mailed to the address set out on the Application Form so that it is received by no later than the Closing Date.

Applications for Shares by HRPL Shareholders under the HRPL Shareholder's Offer must be made using the HRPL Shareholder Offer Application Form.

The Company reserves the right to extend the Closing Date or to close the Public Offer early.

#### 3.6 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

On 20 June 2016 (the date of the announcement of the LIT Transaction), the Company's Shares were suspended from quotation on the ASX. From that date, the Company's Securities have been suspended from trading and will not be reinstated to Official Quotation until the ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules which will not occur until completion of the Proposed Transactions and Public Offer.

In the event that the Company does not receive conditional approval for re-quotation on the ASX, it will not proceed with the Public Offer and will repay all application monies received, without interest.

#### 3.7 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

### **3.8 Transfer and Issue of Shares**

In accordance with the Articles of Association of the Company, LEX currently holds 12,194,460 Shares in treasury which it purchased back. The Company will satisfy its obligations to provide Shares under the HRPL Shareholders Offer by transferring Shares from its existing Treasury Shares.

Treasury Shares transferred will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares.

For more information on the Company's Treasury Shares, refer to Section 12.5.

### **3.9 Allotment**

Subject to completion of the Proposed Transactions and ASX granting conditional approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the Public Offer in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

### **3.10 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

### **3.11 Not underwritten**

The Offer is not underwritten.

### **3.12 Commissions payable**

#### **Brokerage and commission**

The Company reserves the right to pay a commission of up to 6.0% (exclusive of goods and services tax) of amounts successfully subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and

bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

#### **Lead Manager – NHC**

Under the terms of the Mandate Agreement (as described in Sections 2.22 and 11.6, the Company has agreed to pay the following fees to NHC:

- (a) **(Corporate Advisor Fee):** a monthly corporate advisory fee of \$15,000 per month (plus GST) from April 2016 to September 2016 (6 months) for execution of the Mandate Agreement;
- (b) **(Completion Fee):** \$94,400 (4.0% of the combined value of the HRPL Transaction and the MZM Transaction) (plus GST) payable in cash;
- (c) **(Public Offer Fee):** a capital raising fee of 6.0% of the gross amount raised from investors introduced by NHC under the Public Offer, plus a 1% management fee on all other funds (excluding any broker-raised funds) raised under the Public Offer;
- (d) **(Advisory Options):** 1,000,000 options in LEX. Refer to Section 12.6 for the terms of the Advisory Options; and
- (e) **(Incidental Expenses):** reimbursement of expenses incurred in connection with providing services pursuant to the Mandate Agreement.

#### **Joint Lead Manager – BSCP**

Under the terms of the BSCP Mandate (as set out in Section 11.7), the Company has agreed to pay the following fees to BSCP or its nominees:

- (a) **(Public Offer Fee):** a capital raising fee of 6.0% of the gross amount raised from investors introduced by BSCP (up to \$1.0 million) under the Public Offer; and
- (b) **(Incidental Expenses):** reimbursement of expenses incurred in connection with providing services pursuant to the BSCP Mandate.

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## 4. COMPANY AND PROJECT OVERVIEWS

### 4.1 Corporate Overview

LEX was established in 1990 and listed on the ASX in 1991.

LEX's business activities are as an investment entity primarily involved in the identification and evaluation of listed and unlisted mineral exploration and mining companies for investment. LEX currently holds interests in three ASX-listed companies with the securities holding an aggregate current market value of approximately A\$10,000.

The Company has been considering other investment opportunities and types of investments. Given the background and expertise of the current Directors of LEX and the availability of potential assets or businesses, LEX investigated greenfield investment opportunities in the mineral exploration area, with the aim of acquiring exploration tenements for investment purposes and potentially acquiring exploration tenements to undertake exploration activities.

As part of this strategy, over the past year the Company applied for a number of exploration tenements, prospective in Gold and/or Nickel, within the Yilgarn Craton in Western Australia. As at the date of this Prospectus, two exploration licences have been granted to LEX at its Lake Johnston project, with a third granted at Lake Randall near Kalgoorlie. The Company's remaining exploration licence applications are at Lake Randall and Murchison.

LEX believes, based on its initial data compilation and analysis, that the Lake Randall and Murchison tenements are prospective for Gold with the Lake Johnston tenements prospective for Gold and Nickel.

The opportunity to substantially advance the business strategy was presented in early 2016 when the Company entered into discussions with HRPL and MZM, two neighbouring tenement holders at Lake Randall, about the amalgamation of each party's land holdings to create a commanding gold project close to Kalgoorlie. This opportunity, together with LEX's Lake Randall tenement holdings, forms the basis of the Lefroy Project.

### 4.2 Proposed Transactions

#### HRPL Transaction

Hogans Resources Pty Ltd (**HRPL**) is a company incorporated in Australia. HRPL currently has a total of 11,100,000 ordinary shares on issue and 11 shareholders.

LEX and HRPL have entered into the binding Share Sale Deed under which LEX has agreed to acquire, subject to the satisfaction of certain conditions precedent, 100% of the issued share capital of HRPL in consideration for LEX transferring 7,600,000 Shares to the HRPL Shareholders. The terms and conditions of the Share Sale Deed are set out in Section 11.2.

#### HRPL Tenements

HRPL was established in 2015 as a special purpose vehicle to secure exploration and prospecting licences. On 23 July 2015, HRPL entered into an agreement with Mr. Frederick Saunders and Rocky Reef Mining Pty Ltd (ACN: 083 729 828) to acquire a semi-contiguous land package in excess of 200km<sup>2</sup>. This agreement was replaced by an agreement dated 4 April 2016 (as further amended on 12 July 2016).

The tenements held by HRPL are located 50 km South East of Kalgoorlie at Lake Lefroy adjacent to LEX's tenements at Lake Randall and covering the historical Hogans workings and partly covering the eastern part of Lake Lefroy.

LEX's compilation of results generated by previous exploration activity on the LEX held tenements led to the recognition of new targets for gold mineralisation that extend across the tenement boundaries onto the adjoining ground, held by HRPL. Amalgamation of the tenements held by LEX and HRPL into one project area will allow for the comprehensive drill evaluation of these targets.

The Independent Geologists Report in Section 8 contains further information on the HRPL Tenements.

## MZM Transaction

Montezuma Mining Company Limited (MZM) is a company incorporated in Australia and listed on the ASX. MZM holds a number of tenements across Australia and has exploration licence applications in progress in Australia and France.

As announced to the ASX on 26 July 2016, LEX and MZM have entered into the binding Tenement Sale Agreement under which LEX has agreed to acquire, subject to the satisfaction of certain conditions precedent, 100% of E15/1447 in consideration of LEX issuing 4,200,000 Shares to MZM. The terms and conditions of the Tenement Sale Agreement are set out in Section 11.3.

## MZM Tenement

MZM owns 100% of the recently granted MZM Tenement located at Lake Lefroy which is also contiguous with the western boundary of the HRPL Tenements, further complementing the Lefroy land package.

From research conducted by LEX, LEX recognised that the acquisition of the granted MZM Tenement would further enhance the prospectivity of the land package under the control of the Company (following the acquisition of HRPL) and bring the total of the Lefroy Project area to over 500km<sup>2</sup>.

For further information on the MZM Tenement, please refer to the Independent Geologists Report in Section 8.

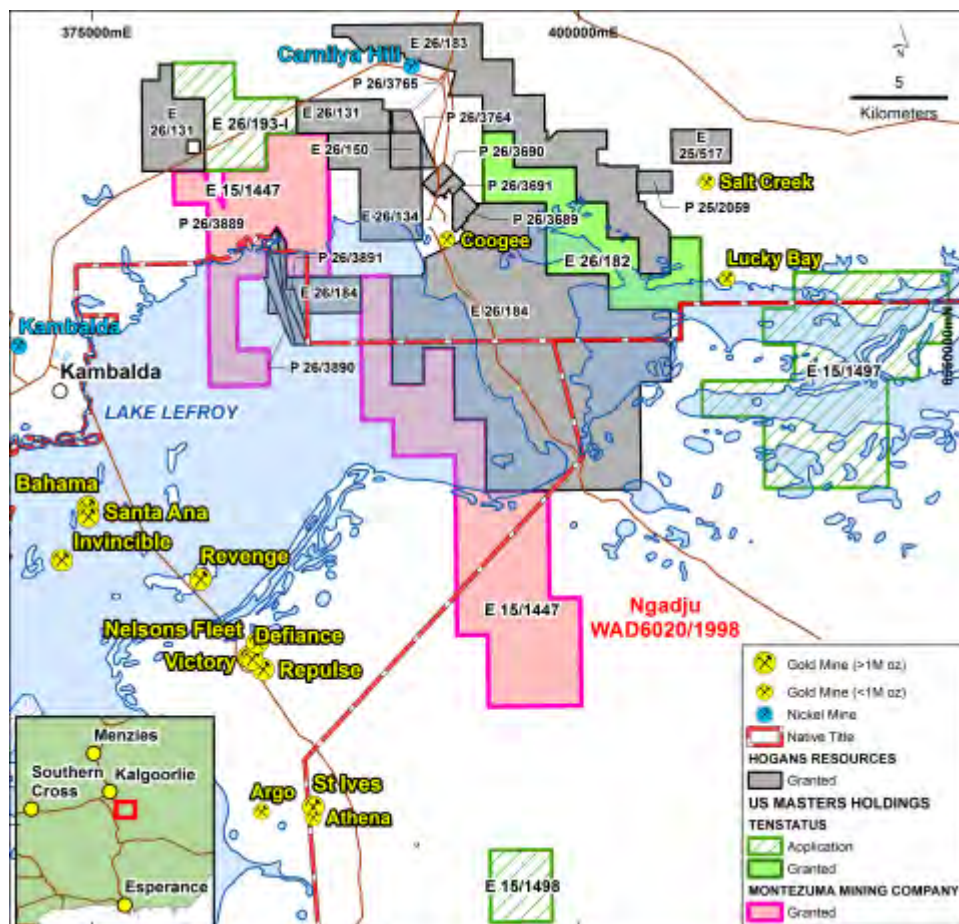


Figure 1: Lefroy Project Tenement Holders

## LIT Transaction

Lithium Australia NL (LIT) is a lithium exploration company incorporated in Australia and listed on the ASX. LIT holds a number of tenements across Western Australia and also owns a proprietary process for producing lithium carbonate from lithium bearing silicates.

As announced to the ASX on 20 June 2016, LEX and LIT entered into the Letter Agreement. On 17 August 2016, LIT and LEX executed the Rights Acquisition Agreement to supersede and replace the Letter Agreement, under which LEX and LIT agreed to two transactions:

- (a) the transfer to LIT, subject to the satisfaction of certain conditions precedent, of 100% of the Lithium Rights for the LEX Tenements in consideration of LIT issuing to LEX the LEX Consideration Shares. 50% of the LEX Consideration Shares will be subject to a three month voluntary escrow; and
- (b) LEX acquiring from LIT, subject to the satisfaction of certain conditions precedent (including the granting of the tenement), 100% of the Gold and Nickel Rights to the LIT Tenement, following its grant, in consideration for LEX issuing to LIT the LIT Consideration Shares.

The terms and conditions of the Rights Acquisition Agreement are set out in Section 11.4.

If the Lithium Rights Acquisition completes, LEX will hold the LEX Consideration Shares as liquid securities which can be converted into cash to fund the exploration of LEX's expanded tenement holdings.

### **LIT Tenement**

E63/1777 applied for by LIT is geographically located adjacent to tenements at Lake Johnston held by both LEX and Poseidon Nickel Limited (ABN 60 060 525 206) (**Poseidon**). Poseidon has undertaken work that indicates that its tenements are prospective for Lithium<sup>1</sup>.

LIT intends to undertake exploration on its Lake Johnston tenement E63/1777 (following its grant) for Lithium mineralisation. LIT identified an opportunity to expand the scope of its own Lithium exploration activities by securing the rights to explore for Lithium on E63/1723 and E63/1722 owned by LEX. Accordingly, LIT approached LEX on an unsolicited basis to seek to acquire the Lithium Rights to those tenements from LEX. LIT offered to acquire the Lithium Rights in consideration of LIT issuing to LEX the LEX Consideration Shares.

LEX has only ever intended to undertake exploration on E63/1723 and E63/1722 for gold and nickel prospectivity. LEX was previously not aware of the Lithium prospectivity in the LEX Tenements and had not attributed any value to the LEX Tenements.

LEX believes that E63/1777 will be prospective for gold and nickel. Accordingly, and consistent with LEX's strategy of focusing on gold and nickel exploration, LEX and LIT agreed that LIT would transfer the Gold and Nickel Rights to LEX when E63/1777 is granted.

For further information on the LIT Tenement, please refer to the Independent Geologists Report in Section 8.

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<sup>1</sup> Refer to Poseidon Nickel announcement "High Grade Lithium Bearing Pegmatites Located at Lake Johnston" dated 23 May, 2016, a copy of which is available at <http://www.poseidon-nickel.com.au/>

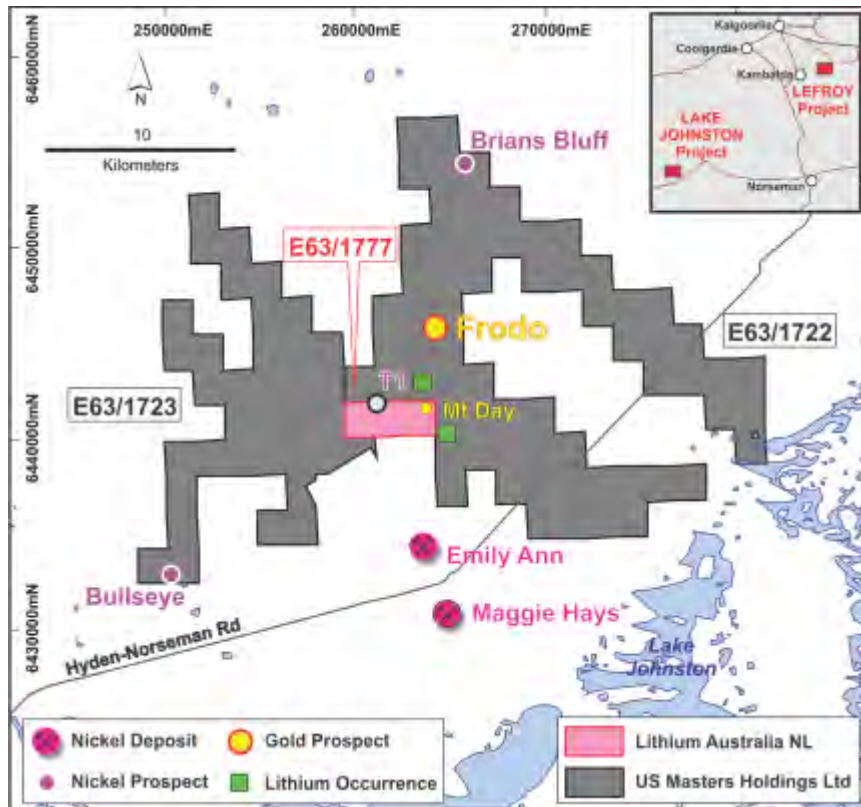


Figure 2: Lake Johnston Project Tenement Holders

#### 4.3 Company's intentions / Business Model

The Company's main objective on completion of the Public Offer is to provide a return to Shareholders through the successful exploration and development of high value gold and nickel resources.

Following completion of the Proposed Transactions LEX will become a mineral exploration and mining company with a primary focus on early-stage gold and nickel exploration. In seeking to achieve its objectives, the Company's business model will be to:

- (a) analyse previous exploration data to determine high priority targets within the current tenement package for further exploration;
- (b) undertake drilling and geophysical work programmes on priority targets within the current tenement package with the aim of identifying and delineating mineral systems and establishing resources;
- (c) expand and upgrade discoveries through infill and extension drilling, and assess the economic viability of development;
- (d) develop economically viable and high value gold deposits into stand-alone mining operations;
- (e) commercialise smaller scale deposits via divestment or through the provision of satellite feed to nearby gold processing facilities; and
- (f) identify and investigate other value accretive mineral exploration and mining opportunities.

Given the Company's focus on early-stage mineral exploration it is unlikely we will generate income in the short-term.

If the Company's exploration program is ultimately successful, it is likely that we will require additional funding to advance exploration and development of our projects.

#### 4.4 Project Overview and Objectives

The focus of LEX is to explore for new gold and nickel deposits in the premier terranes of the Yilgarn Craton of WA. The Yilgarn is one of the most well-endowed mineral provinces in the world, having

produced in excess of 300 Moz of gold, and continues to deliver significant new gold discoveries. LEX will have three core project areas in the Yilgarn being the Lefroy Project near Kalgoorlie, the Lake Johnston Project which is adjacent to the Emily Ann and Maggie Hayes Nickel deposits, and the Murchison Project being to the west of Cue. The projects will be 100% owned, easily accessible, and encumbrance free.

The Company's core focus for exploration is the Lefroy Project where the Company will hold a tenement package in excess of 500km<sup>2</sup> in the highly endowed Kalgoorlie Terrane following completion of the Proposed Transactions.

LEX will utilise its knowledge of the project areas together with the application of advanced investigative interrogation techniques to previous drilling data in the project areas to identify drill-ready targets. The Company sees the opportunity to generate new exploration initiatives by reinterpreting historical results and recognising gold anomalies that have been overlooked. This approach to exploration by other companies in the district has led to the recent discoveries of the Invincible and Millennium gold deposits near Kalgoorlie.



Figure 3: Yilgarn Craton and Project Locations



## Lefroy Project

The Lefroy Project will be LEX's core project where the Company has secured a commanding land package that comes within 50km of Kalgoorlie and is in close proximity to the multi-million ounce St Ives gold camp. The Project is located in the well-endowed Kalgoorlie Terrane and bracketed by the regional gold mineralised Boulder Lefroy and Mount Monger Faults. Other operating gold mines nearby include Daisy Milano, and importantly the Salt Creek gold plant operated by Silver Lake Resources (ASX: SLR) which could allow for the commercialisation of smaller discoveries at the Lefroy Project.

Much of the project area is covered by the Lefroy and Randall salt lake systems. Past challenges for the drilling of targets identified within salt lake systems have been significantly reduced through the development, availability, and affordability of drill rigs and access vehicles that can operate successfully all year round in salt lake environments.

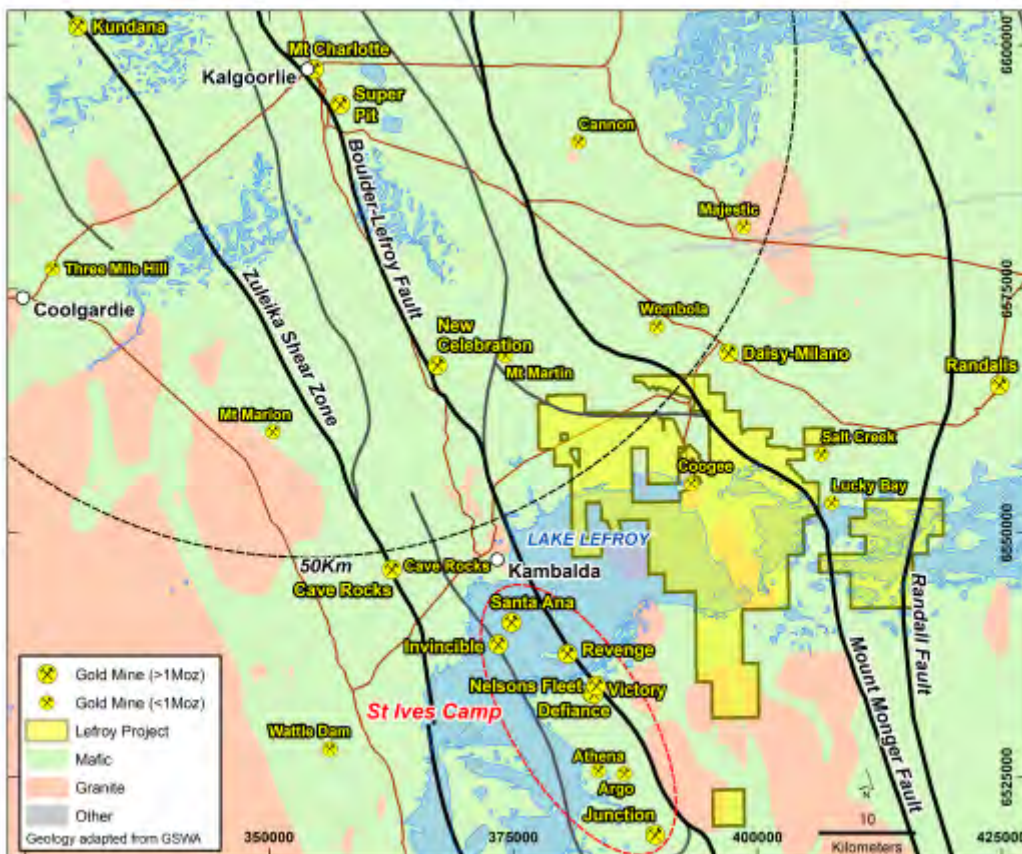


Figure 4: Lefroy Project Location and Nearby Gold Deposits

Importantly the LEX land holding is a 100% owned and contiguous tenement package, free of encumbrances such as third party royalties and interests, allowing exploration to commence immediately.

Until now the entire area has never come under one umbrella to be explored as one major land package, placing gold anomalies from previous drilling in the context of the major regional structures and a cohesive geological model.

To successfully explore in this area one of the major exploration tools required is the interpretation of geophysical data which allows the geologist to see through the cover to identify geological trends and define major structures. LEX has been able to acquire and merge detailed aeromagnetic and gravity datasets. This is the first time the various detailed ground gravity surveys in this area have been compiled and placed in one data set that can be used to assist in targeting in a regional sense. It is planned to extend the ground gravity survey over areas that are not yet covered and infill survey where the current spacing station is considered too broad.

LEX's initial compilation of historical exploration data (drilling, surface geochemistry, geology and geophysics) has already identified five subparallel gold bearing structural trends across the package including the definition of a prospect area for early drill testing for each trend. An important component of the work program is to continue to compile and appraise historical exploration data to continue to the process of advancing the prospect pipeline.

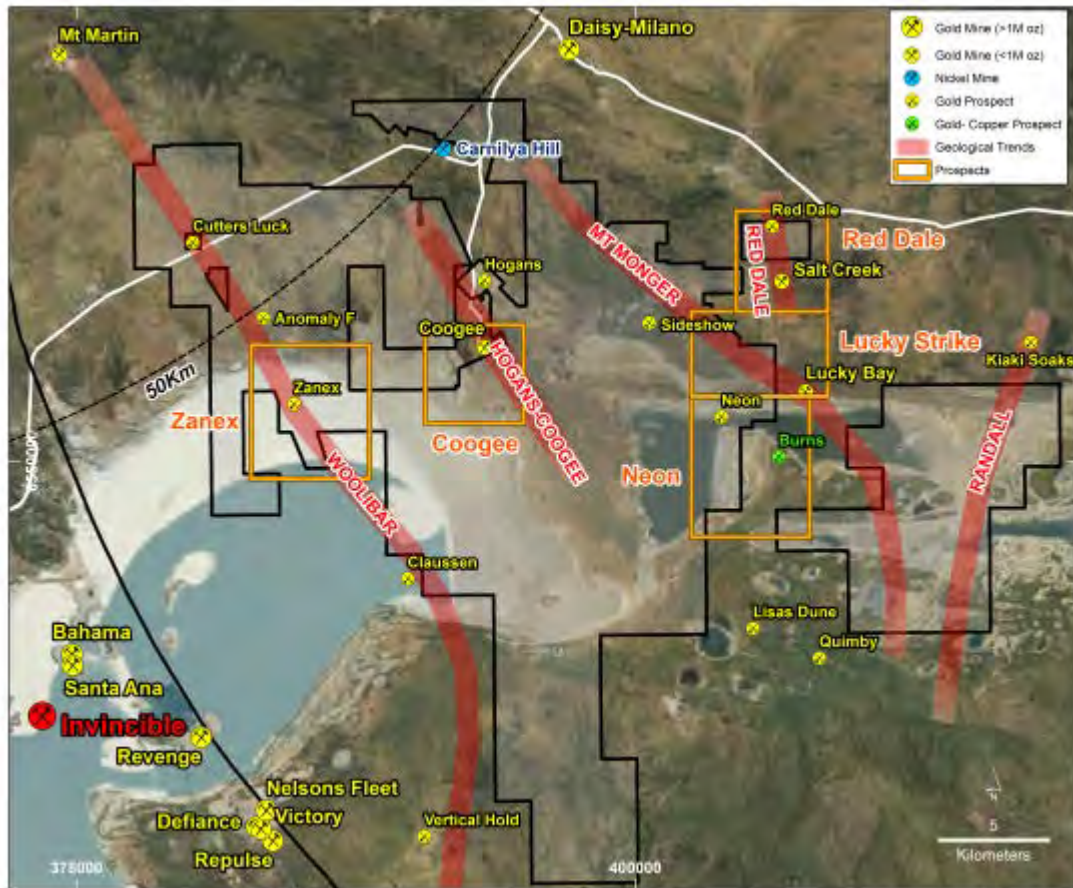


Figure 5: Lefroy Project Geological Trends and Targets

## LEFROY PROSPECTS

### Zanex

The Zanex prospect is the most westerly located of the 5 drill ready prospects identified in the project and lies entirely in Lake Lefroy. Over 20 years ago Cyprus Gold Australia Corporation intersected 6 metres at 2.87g/t Au whilst carrying out reconnaissance air core drilling. The intersection has never been followed up and is open along strike for some 800m to the north and south. Reinterpretation of the previous drill data defines a subtle gold (plus 100ppb) trend of at least 2km. This intersection should be considered in the context of the recent Baloo discovery by S2 Resources in Lake Cowan, 60km to the south, which highlights the limited geochemical footprint of the gold system in the regolith and demonstrates that single wide spaced drill hole intersections require follow up.

This anomaly, generated at Zanex some 20 years ago, is also significant when placed in context with the discovery of Invincible at St Ives located in Lake Lefroy, 18km to the west. Invincible was a subtle (100ppb) gold in air core anomaly that was generated in the mid-1990's but overlooked at the time.

Given the prospect is entirely within Lake Lefroy, the initial exploration plan is to conduct detailed ground geophysical surveys over the target area. The interpretation of this data along with assessment of the results of the previous exploration will be used to generate focussed targets for evaluation by air core drilling. This will require the services of a specialist drill rig that can operate in this environment. The immediate target to follow up is the key historical intersection of 6m at 2.87 g/t Au which requires a closer spaced drill pattern.

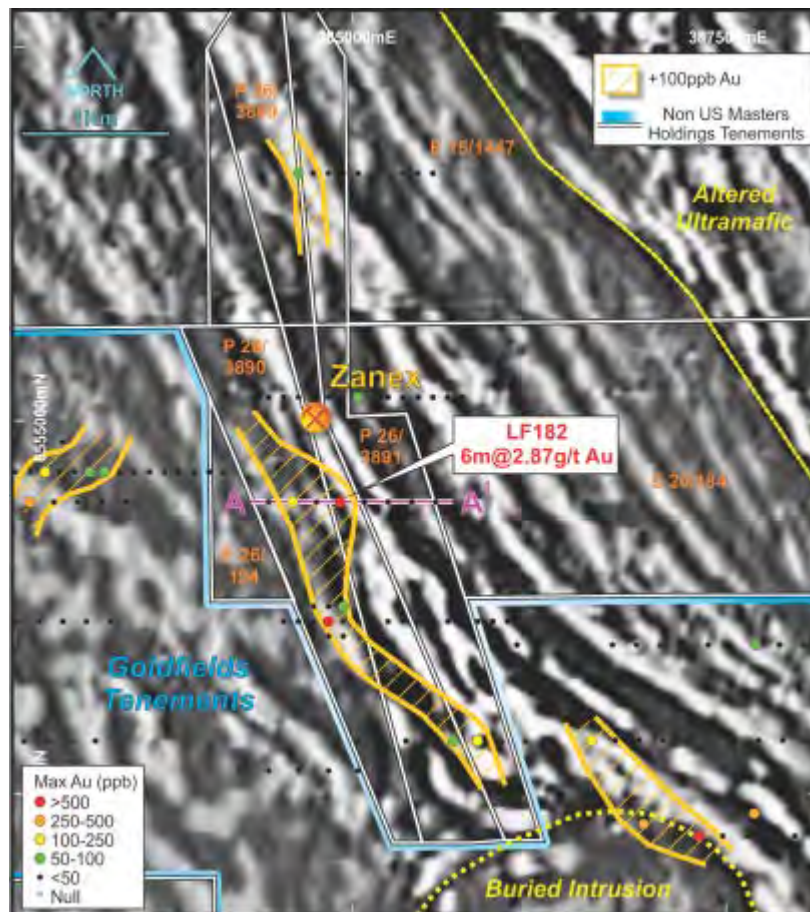


Figure 6: Zanex Prospect - Aeromagnetic Image and Drill Hole Location

## Coogee South

Coogee South is located immediately along strike to the south of the high grade Coogee open pit successfully mined by Ramelius Resources Limited (ASX: RMS) during 2014. Ramelius trucked the ore over 100km to the Burbanks mill at Coolgardie, demonstrating that small high grade deposits can be commercially successful.

The Company believes that the Coogee deposit is part of a much larger gold system that surrounds a buried intrusion. Further evidence of this is the recent discovery of a new occurrence of gold mineralisation by Ramelius Resources Limited (ASX: RMS) in recent air core drill holes just to the north of the tenement boundary. Programmes of air core and RC drilling are planned to explore the LEX ground where numerous leads have been generated by previous exploration.

The priority target at Coogee South is the area immediately along strike to the south of the Coogee Open pit where RC drilling in 2006 recorded a best intersection of 17m at 1.67g/t Au and remains open down dip and along strike. The RC drilling results are supported by a subtle gold anomaly defined by RAB drilling completed in the mid 1990's that extends for approximately 500m to the south of the RMS-LEX tenement boundary.

Given that the early RAB drilling was shallow and considered only partially effective, the first exploration program planned for Coogee South is to evaluate the mineralised trend with deeper penetrating air core hammer drilling. Bedrock targets generated from this phase of drilling will be tested by RC drill follow up. RC drilling is also planned to follow up and step out from the 2006 intersection of 17m at 1.67g/t Au.

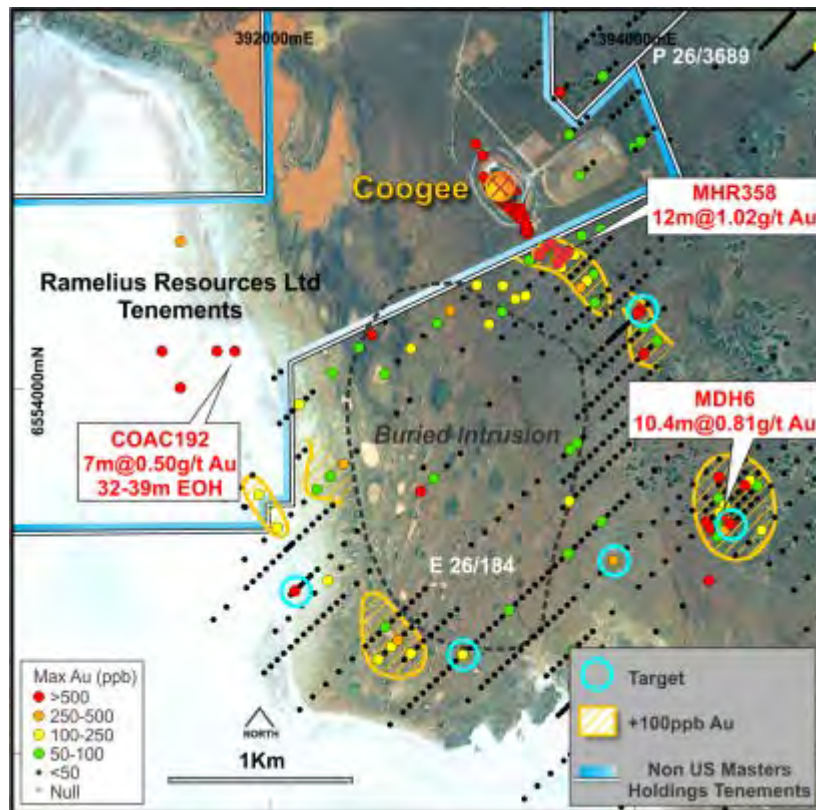


Figure 7: Coogee Prospect - Drill Hole Location

## Red Dale

The Red Dale Prospect is located immediately north of and adjoining Silver Lake Resources, Salt Creek deposit and the associated Randall Gold processing plant. Previous drilling by Integra Mines Limited during 2006-2010 defined a broad gold anomaly defined from both the overlying transported overburden and bedrock drill intersections. The dolerite host rocks at Red Dale are similar to that Salt Creek, the entire package of dolerite and basalt being folded about the Bulong anticline. The Prospect is a key target for LEX and work planned will consist of methodical and analytical review of the previous drilling. Integration with previous detailed gravity survey data will assist in defining areas for follow up RC and diamond drilling.

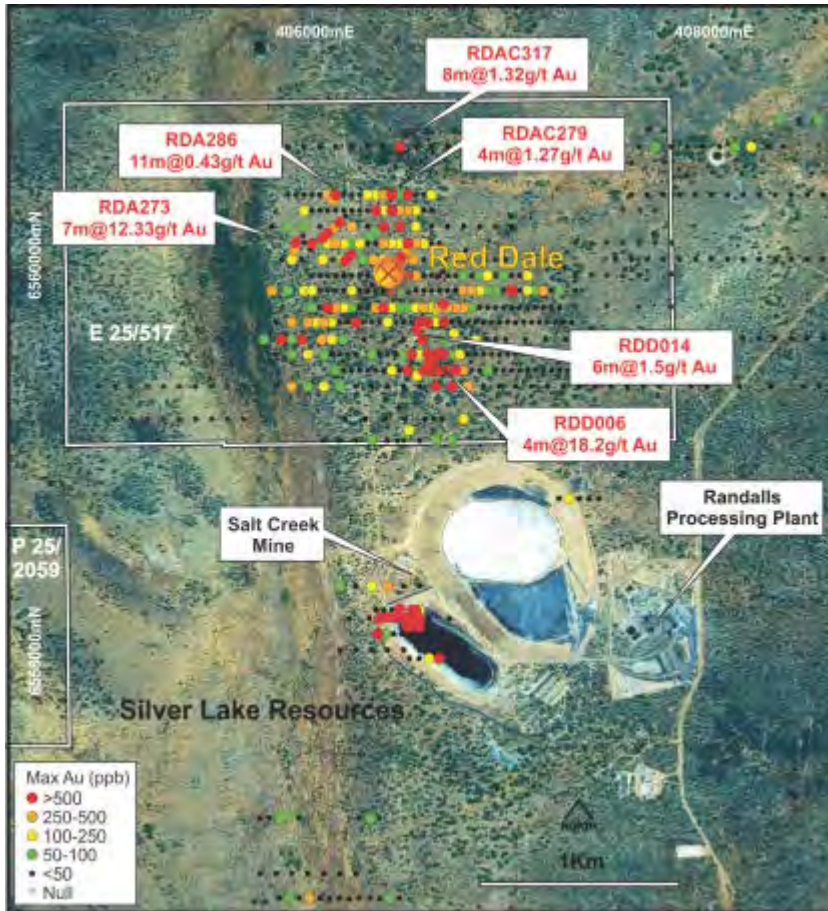


Figure 8: Red Dale Prospect - Drill Hole Location

## Lucky Strike

The Lucky Strike prospect is centred on anomalous aircore drill intercepts within the eastern area of the project. The setting is that of an aeromagnetic high that is associated with a northwest-southeast trending sequence of carbonaceous shale, quartz porphyries and dolerite overlain by palaeochannel sediments. No bedrock had been identified in the drilling that could account for the magnetic anomaly. The setting is not dissimilar to that which is host to the Lucky Bay deposit, some 2 km to the southeast. There, the gold mineralisation occurs within a sequence of iron formation and carbonaceous siltstones/shales, and dolerites, and is also associated with an aeromagnetic high. (Gold production commenced at Lucky Bay in August 2015 based on a resource of 125,600t @ 5.4 g/t Au, for 21,600 oz).

Furthermore, along strike to the northwest within E26/183, anomalous gold intercepts are recorded in aircore holes that intersected a structurally disrupted sequence of quartz veining, iron formation, argillite, and dolerite. The holes in question were not regarded as significant at the time, as they are at the northern end of drill traverses designed to test soil anomalies.

The first phase of exploration planned for the Lucky Strike prospect is to infill air core drill around the anomalous intersection of 22m at 2.97g/t to investigate the controls on the gold mineralisation and bedrock geology. A follow-up phase will involve drilling a series of air core traverses across the projected mineralised trend toward the north west.

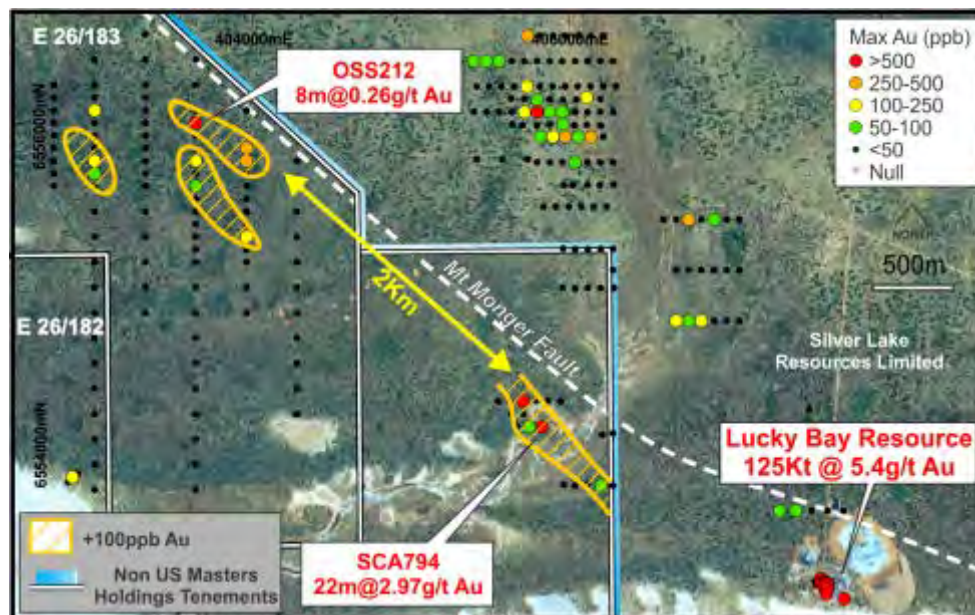


Figure 9: Lucky Strike Prospect - Drill Hole Location

## Neon

The Neon prospect is a 2,300m X 400m gold-in-bedrock anomaly (> 0.1 g/t Au) that was defined by shallow aircore (AC) drilling in the 1990's. Bedrock lithologies comprise strongly altered (haematite-epidote-silica) mafic volcanics and epiclastic sediments on the northern margin of the Burns granitoid intrusive. The intrusive is defined by a discrete gravity low and is surrounded by a halo of strong magnetic susceptibility. There is a north-northwest trend to the Neon anomaly, which suggests a structural control in that orientation. The north-south orientated aircore drill traverses virtually parallel to that trend. Given that the dispersion of gold in the partially stripped regolith is subdued and that the drill lines are 320m apart, there is a case for a series of east-west aircore traverses to be drilled across the trend to define the system. The anomaly is open to the south-southeast on E26/184 where there has been no drill testing of the structurally complex western margin of the Burns intrusive.

The bedrock gold anomaly that defines the Neon Prospect requires angled air core drilling on east west orientated traverses. Depending on results, drilling will be extended to the south along the structural trend for 3000m. Drilling in this area will require a specialised lake drill rig.

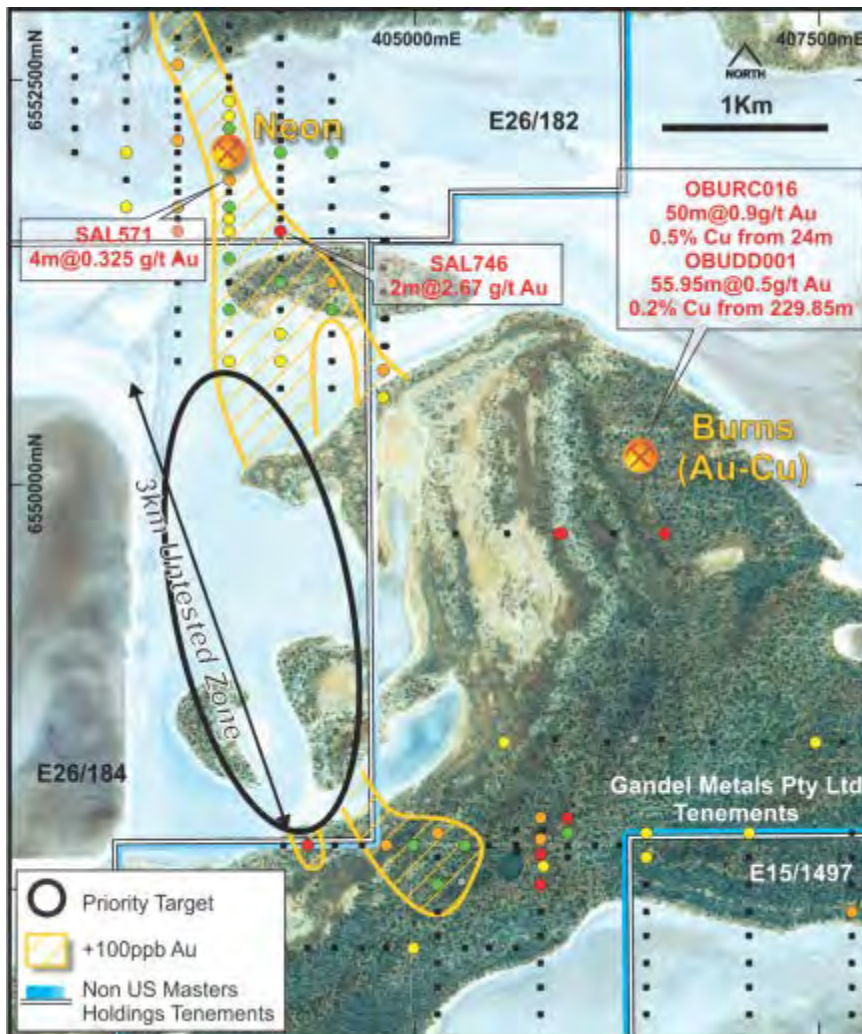


Figure 10: Neon Prospect - Drill Hole Location

## Lake Johnston Project

The Lake Johnston Project, comprising LEX's two 100% owned and granted tenements as well as the non-pegmatite rights to LIT's adjacent tenement application, forms a cohesive land holding package in excess of 300km<sup>2</sup> over the Lake Johnston Greenstone Belt of Western Australia. LEX believes the area is prospective for Gold and Nickel with the package located adjacent to the Emily Ann and Maggie Hays Nickel deposits. A preliminary review of previous exploration has highlighted a single drill ready Gold target at Frodo and three prospects with potential for nickel sulphide mineralisation. It is also evident that much of the ground is relatively underexplored and is still open to discovery.

The gold target at the Frodo prospect has been identified as a priority for immediate drill follow up from the re-interpretation of previous exploration results. A well-defined trend of gold anomalism can be traced through the Frodo grid for 1100m. RAB hammer drilling is planned to close up the drill spacing and test deeper below the existing shallow RAB intersections.

The T1 nickel target, where drilling of geophysical anomalies intersected sulphides in ultramafic rocks, lies along strike from the Emily Ann Nickel deposit. Prior to any further drill testing of the T1 target, it is intended to conduct a deep penetrating TEM survey in order to better define the conductors that may represent massive nickel sulphides.

The Bullseye (T2) and Briars Bluff targets are also regarded as being prospective for nickel sulphides based on re-interpretation of previous geophysical surveys and historical drill results.

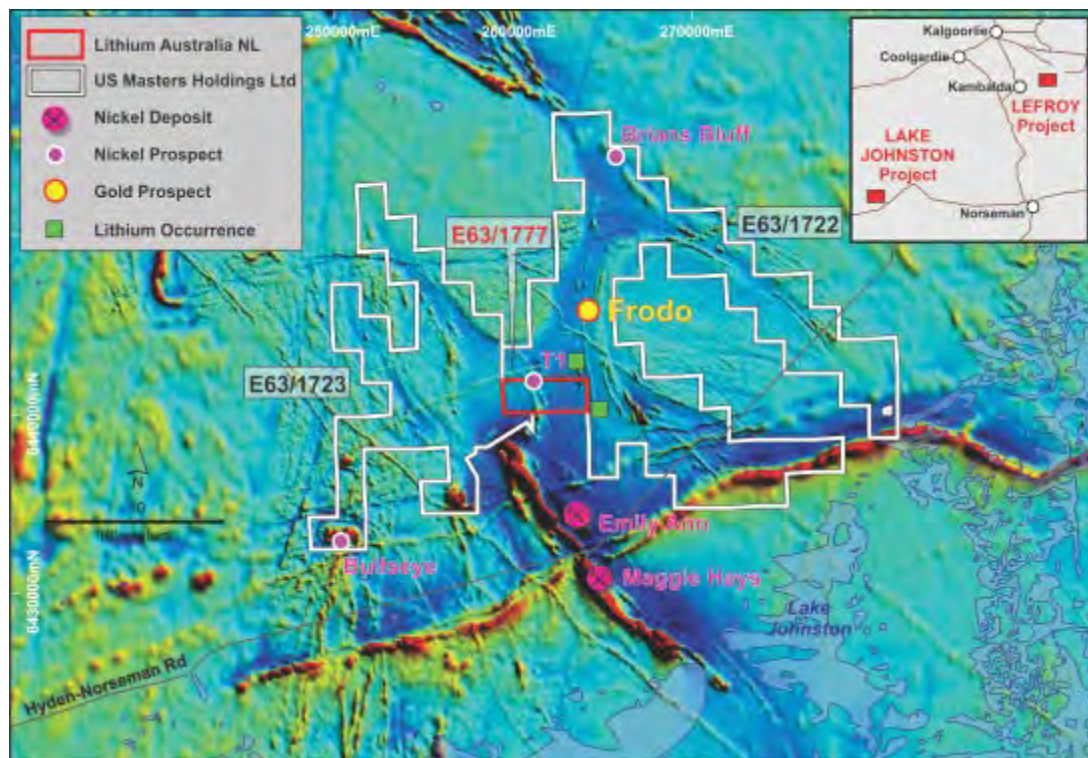


Figure 11: Lake Johnston Project - Tenement Location over Aeromagnetic Image



## Murchison Project

LEX has applied for two exploration licences and 18 prospecting licences in the Central Murchison region covering an area of 134km<sup>2</sup>. Three tenement areas considered prospective for gold have been defined, Big Bell South, Fleece Pool and Austin.

The Big Bell South tenement covers the projected extension of the Big Bell Shear south west from the Big Bell Gold deposit, where the greenstone belt narrows and continues under cover. Both the Fleece Pool and Austin tenement areas fall within the Cue Mineral District and are prospective for gold given their proximity to the Cuddingwarra Gold Mining Centre and similar sequence of host rocks.

Upon grant, the Company intends to conduct a programme of geological reconnaissance mapping and rock chip sampling in the first instance.

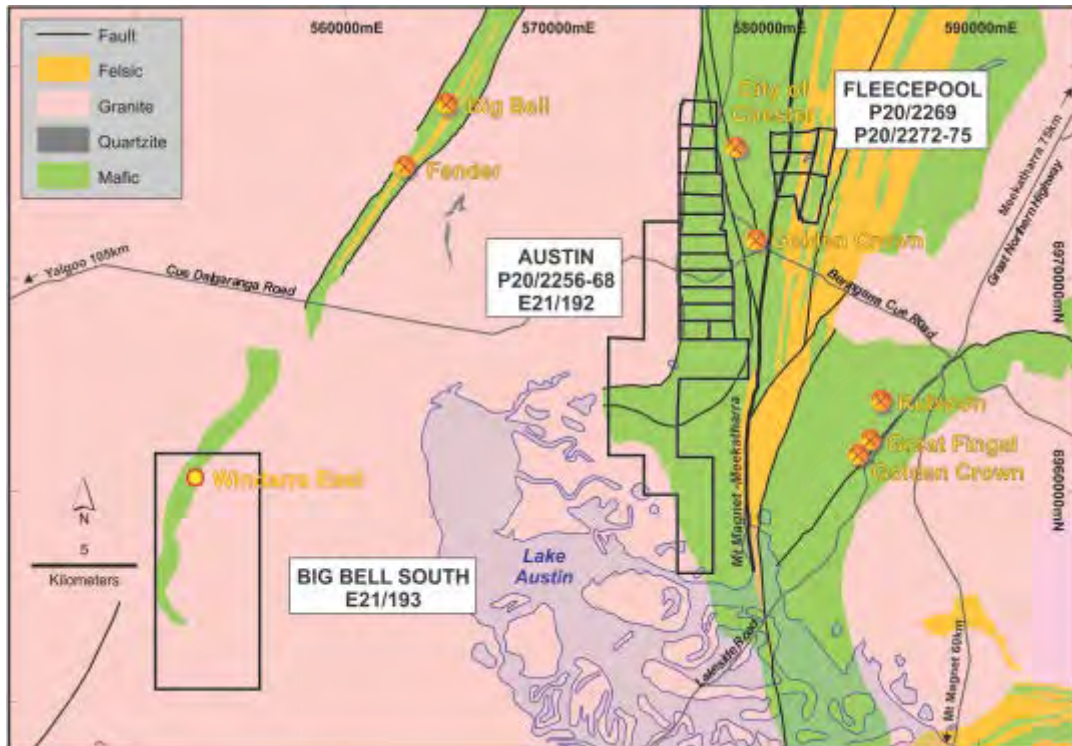


Figure 12: Murchison Project - Tenement Location and Regional Geology

For a more detailed geological description of the projects the reader is referred to the Independent Geologists Report in Section 8 of this prospectus.

## 4.5 Project Exploration budget and Tenement Information

Details in respect of the Company's tenements are set out in Independent Geological Report in Section 8 of this Prospectus.

The allocation of LEX's available funds will occur over a two year period and be predominantly directed at the evaluation of prospects that have been identified in the Lefroy Project area.

A substantial portion of the available funds will be directed to exploration and in particular drilling at the Company's prospects. A portion of each year's budget is also allocated to developing a pipeline of new prospects to continually improve the value of the prospect portfolio.

The Company presents two budgets below. The first utilises only the proceeds raised under the Public Offer while the second also incorporates potential proceeds from the disposal of the LIT shares acquired under the Rights Acquisition Agreement detailed in Section 4.2.

In the event that the proceeds from the disposal of the LIT Shares does not equal the amount set out in the budget below, the Company will adjust its exploration expenditure accordingly (but not in any event to a level below that in the first case).

There can be no guarantee to the quantum of proceeds received on the sale of the LIT Shares or when these proceeds will be received by the Company. This will be a function of a variety of factors including the demand for LIT shares and the price of those shares at the time of any disposal.

For the purposes of the use of funds table, the Company has assumed total proceeds from the sale of the LIT Shares (excluding costs) will equal \$1.7 million, being based on the 12 month VWAP for LIT Shares for the period to 23 August 2016.

The tables below are a statement of current intentions at the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

The Directors are satisfied that after completion of the Public Offer, the Company will have sufficient working capital to carry out its objectives as described in this Prospectus.

## Two Year Exploration Budget - \$4.0 million Public Offer (Base Case)

Project	Expense	Year 1	Year 2	Total
Coogee South	Drilling	\$190,000	\$110,000	\$300,000
Lucky Strike	Drilling	\$85,000	\$125,000	\$210,000
Zanex	Geophysics	\$60,000		\$60,000
	Drilling	\$120,000	\$150,000	\$270,000
Red Dale	Drilling	\$50,000	\$110,000	\$160,000
Neon	Drilling	\$70,000	\$60,000	\$130,000
Frodo	Drilling	\$40,000	\$20,000	\$60,000
Other Targets	Geological Interpretation	\$86,600	\$25,000	\$111,600
	Geophysics	\$45,000	\$20,000	\$65,000
	Drilling		\$70,000	\$70,000
Management	Land Management	\$100,000	\$120,000	\$220,000
	Salaries <sup>1</sup>	\$304,000	\$304,000	\$608,000
<b>Exploration Sub-total</b>		<b>\$1,150,600</b>	<b>\$1,114,000</b>	<b>\$2,264,600</b>
Corporate	Administration	\$300,000	\$300,000	\$600,000
	Salaries <sup>1</sup>	\$126,000	\$126,000	\$252,000
	Directors Fees	\$155,000	\$155,000	\$310,000
<b>Corporate Sub-total</b>		<b>\$581,000</b>	<b>\$581,000</b>	<b>\$1,162,000</b>
Relisting/Transaction	Financial Advisor Fee	\$184,400		\$184,400
	Relisting Costs	\$100,000		\$100,000
	Stamp Duty	\$69,000		\$69,000
<b>Relisting/Transaction Sub-total</b>		<b>\$353,400</b>	<b>\$0</b>	<b>\$353,400</b>
<b>Total</b>		<b>\$2,085,000</b>	<b>\$1,695,000</b>	<b>\$3,780,000</b>
<b>Exploration % <sup>1</sup></b>		<b>55.2%</b>	<b>65.7%</b>	<b>59.9%</b>

<sup>1</sup> Includes Managing Director salary split 60% exploration, 40% corporate

Note: \$220,000 equity raising fee results in net proceeds from the \$4.0 million Public Offer of \$3.78 million.

## Two Year Exploration Budget – \$4.0 million Public Offer plus Proceeds from Disposal of LIT Shares

Project	Expense	Year 1	Year 2	Total
Coogee South	Drilling	\$257,000	\$325,000	\$582,000
Lucky Strike	Drilling	\$150,000	\$200,000	\$350,000
Zanex	Geophysics	\$70,000		\$70,000
	Drilling	\$145,000	\$205,000	\$350,000
Red Dale	Drilling	\$125,000	\$155,000	\$280,000
Neon	Drilling	\$100,000	\$150,000	\$250,000
Frodo	Drilling	\$75,000	\$80,000	\$155,000
Other Targets	Geological Interpretation	\$135,600	\$150,000	\$285,600
	Geophysics	\$90,000	\$30,000	\$120,000
	Drilling		\$265,000	\$265,000
Management	Land Management	\$100,000	\$120,000	\$220,000
	Salaries <sup>1</sup>	\$469,000	\$469,000	\$938,000
<b>Exploration Sub-total</b>		<b>\$1,716,600</b>	<b>\$2,149,000</b>	<b>\$3,865,600</b>
Corporate	Administration	\$350,000	\$350,000	\$700,000
	Salaries <sup>1</sup>	\$126,000	\$126,000	\$252,000
	Directors Fees	\$155,000	\$155,000	\$310,000
<b>Corporate Sub-total</b>		<b>\$631,000</b>	<b>\$631,000</b>	<b>\$1,262,000</b>
Relisting/Transaction	Financial Advisor Fee	\$184,400		\$184,400
	Relisting Costs	\$100,000		\$100,000
	Stamp Duty	\$69,000		\$69,000
<b>Relisting/Transaction Sub-total</b>		<b>\$353,400</b>	<b>\$0</b>	<b>\$353,400</b>
<b>Total</b>		<b>\$2,701,000</b>	<b>\$2,780,000</b>	<b>\$5,481,000</b>
<b>Exploration % <sup>1</sup></b>		<b>63.6%</b>	<b>77.3%</b>	<b>70.5%</b>

<sup>1</sup> Includes Managing Director salary split 60% exploration, 40% corporate

Note: \$220,000 equity raising fee results in net proceeds from the \$4.0 million Public Offer of \$3.78 million.

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## 5. RISK FACTORS

### 5.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in our Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### 5.2 Company specific

The Company specific risks are set out below.

#### Risks relating to the Acquisition

##### **Re-Quotation of Shares on ASX**

The Proposed Transactions constitute a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

##### **Dilution Risk**

The Company currently has 24,388,920 Shares on issue including 4,600,000 unvested Shares issued as part of the Company's Share Plan. On completion of the Proposed Transactions, the Company proposes to transfer and issue:

- (a) the HRPL Consideration Shares (see Section 4.2);
- (b) the MZM Consideration Shares (see Section 4.2);
- (c) the LIT Consideration Shares (see Section 4.2);
- (d) the MD Conversion Shares (see Section 11.5);
- (e) the ESP Shares;
- (f) the Advisory Options in connection with the Proposed Transactions (see Section 2.22); and
- (g) 20,000,000 Shares to raise \$4.0 million pursuant to this Prospectus.

Based on an issue price of \$0.20 per Offer Share, if \$4.0 million is raised under the Public Offer (based on 20,000,000 Shares), assuming Shareholder approval is obtained to effect the Proposed Transactions as contemplated by Section 2.2 and assuming no exercise of Options, the existing Shareholders will retain approximately 37.83% of the issued capital of the Company, with the HRPL Shareholders holding a total of 11.79%, MZM holding a total of 6.52%, LIT holding a total of 4.65%, Michael Davies holding an additional 6.79% from repayment of the Finance Facility and 0.78% from participation in the Public Offer, the Share Plan increasing its holding by 1.40%, Gordon Galt holding an additional 0.16% from participation in the Public Offer, James Beecher holding an additional 0.16% from participation in the Public Offer, Geoffrey Pigott holding an additional 0.39% from participation in the Public Offer, and the other investors under the Public Offer holding in aggregate 29.55% of the issued capital of the Company respectively.

There is also a risk that the interests of Shareholders will be further diluted as a result of future raisings required in order to fund the development of the business.

### **Liquidity Risk**

On completion of the Proposed Transactions, the Company proposes to issue and transfer 7,600,000 HRPL Consideration Shares to the HRPL Shareholders, 4,200,000 MZM Consideration Shares to MZM, 3,000,000 LIT Consideration Shares to LIT, 4,375,000 MD Conversion Shares to Michael Davies, 900,000 ESP Shares, 1,000,000 Advisory Options to NHC and 20,000,000 Shares under the Public Offer. Although subject to determination by ASX, it is likely that a portion of these securities will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules.

Based on the post-offer capital structure (and assuming no further Shares are issued or the Advisory Options exercised and that all of the above Shares, save for the Shares issued under the Public Offer, are escrowed), these Shares will equate to approximately 31.14% of the post-Public Offer issued Share capital (assuming \$4.0 million is raised under the Public Offer).

This could be considered an increased liquidity risk as a portion of issued capital may not be able to be traded freely for a period of time.

### **Contractual Risk**

Under the Share Sale Deed (summarised in Section 11.2), the Company has agreed to acquire 100% of HRPL from the HRPL Shareholders, subject to the fulfilment of certain conditions precedent.

Under the Tenement Sale Agreement (summarised in Section 11.3), the Company has agreed to acquire 100% of E15/1447 from MZM, subject to the fulfilment of certain conditions precedent.

Under the Rights Acquisition Agreement (summarised in Sections 11.4), the Company has agreed to transfer 100% of the Lithium Rights to LIT in consideration of LIT issuing to LEX the LEX Consideration Shares, and to acquire from LIT 100% of the Gold and Nickel Rights in consideration of LEX issuing to LIT the LIT Consideration Shares, subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the aforementioned agreements. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

### **Risks relating to the Company's operations**

#### **Risk of adverse publicity**

Subject to completion of the Proposed Transactions, the Company's activities will involve mineral exploration and mining and regulatory approval of its activities may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, LEX's activities. The nature of LEX's business attracts a high level of public and media interest and, in the event of any resultant adverse publicity, LEX's reputation may be harmed.

#### **Exploration and Evaluation Risks**

The mineral tenements that LEX will own or have the rights to exploit at the conclusion of the Proposed Transactions are at various stages of exploration. Potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of LEX may be affected by a range of factors, including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of LEX will also depend upon the Company having access to sufficient development capital, being able to maintain title to its tenements and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful, this could lead to a diminution in the value of the tenements, a reduction in any mineral reserves of the Company and possible relinquishment of the tenements.

The exploration costs of LEX are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

#### **Ability to exploit successful discoveries**

It may not always be possible for the Company to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploration would involve obtaining the necessary licences or clearances from the relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploration may require participation of other companies whose interests and objectives may not be the same as the Company's.

#### **Development risks and costs**

Possible future development of mining operations at any of the Company's projects is dependent on a number of factors and avoiding various risks including, but not limited to, failure to acquire and/or delineate economically recoverable ore bodies, unfavourable geological conditions, failing to receive the necessary approvals from all relevant authorities and parties, unseasonal weather patterns, excessive seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, risk of access to the required level of funding and contracting risk from third parties providing essential services.

In addition, the construction of any proposed development may exceed the expected timeframe or cost for a variety of reasons out of the Company's control. Any delays to project development could adversely affect the Company's operations and financial results and may require the Company to raise further funds to complete the project development and commence operations.

#### **Operating risks**

The Company may be subject to the risks involved in the establishment of a new mining operation if the Company decides to develop its mineral assets. There is no assurance that can be given to the level of viability that the Company's operations may achieve. Lower than expected productivity and technical difficulties and late delivery of materials and equipment could have an adverse impact on any future construction and commissioning schedules. No assurance can be given that the intended production schedules will be met or that the estimated operating cash costs and development costs will be accurate.

Further, the operations of the Company, (if production commences), may have to be shut down or may otherwise be disrupted by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, technical failures, labour disputes, weather conditions, fire, explosions and other accidents at the mine, processing plant or related facilities beyond the control of the Company. The occurrence of any of the risks and hazards could also result in damage to, or destruction of, amongst other things, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently maintains insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all, or that any coverage it obtains will be adequate and available to cover any such claims).

#### **Gold and Nickel – Operating and Development Risks**

LEX's ability to achieve production, development, operating cost and capital expenditure estimates on a timely basis cannot be assured. The business of Gold and Nickel exploration and mining involves many risks and may be impacted by factors including ore tonnes, mining and process recovery, input prices (some of which are unpredictable and outside the control of the Company), overall availability of free cash to fund continuing development activities, labour force disruptions, cost overruns, changes in the regulatory environment and other unforeseen contingencies. Other risks also exist such as environmental hazards (including discharge of pollutants or hazardous chemicals), industrial

accidents and occupational and health hazards. Such occurrences could result in damage to, or destruction of, production facilities, personal injury or death, environmental damage, delays in mining, increased production costs and other monetary losses and possible legal liability to the owner or operator of the mine. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

In addition, the Company's profitability could be adversely affected if, for any reason, its production and processing of Gold and Nickel or mine development is unexpectedly interrupted or slowed. Examples of events which could have such an impact include unscheduled plant shutdowns or other processing problems, mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies, human error and adverse weather conditions.

The risks outlined above also mean that there can be no assurances as to the future development of a mining operation in relation to any of the Company's projects described in this Prospectus or which the Company may acquire in the future.

### **Environmental Risks and Regulations**

The operations and proposed activities of the Company are subject to Western Australian and Australian Federal environmental laws and regulations. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

### **Title Risks**

Pursuant to the terms of the granted mining tenements and other contractual agreements to which the Company is, or may in the future become, a party, the Company is, or may become, subject to payment and other obligations. In particular, the Company has an obligation to meet the prescribed expenditure conditions on the granted mining tenements. Failure to meet these expenditure commitments will render the relevant tenement liable to be forfeited unless a total or partial exemption is granted in accordance with the provisions of the Mining Act.

The Company is also subject to a risk that, where the Company itself is not required to meet expenditure conditions of a mining tenement in which it holds an interest, the relevant third party holder of the particular mining tenement may not comply with the minimum expenditure conditions. Should this occur, the Company may lose its rights in respect of the tenement in the event that the relevant tenement is forfeited. Further information is set out in the Solicitor's Report in Section 9 of this Prospectus.

In addition, the Company cannot guarantee that those mining tenements that are applications will ultimately be granted (in whole or in part).

### **Licences and Permits**

The Company's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Company being successful in obtaining the required statutory approvals for its proposed activities and that the licences, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

### **Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.



### **Future capital requirements**

The Company's activities will require substantial expenditure. There can be no guarantees that the funds raised through the Public Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund development after the substantial exhaustion of the net proceeds of the Public Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing will be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

### **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

### **Reliance on Key Personnel**

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

### **Insurance and Uninsured Risks**

The Company, where economically feasible, may insure its operations in accordance with industry practice. However, even if insurance is taken out, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered, or fully covered, by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks associated with mineral exploration and production is not always available and, where available, the costs can be prohibitive.

### **Government Regulation**

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

### **Government adverse legislation**

LEX has no control over the actions of State or Federal governments and the legislation they pass. Legislation may be passed that has an adverse effect on the ability of the Company to operate in all or part of its business or on the ability of the Company to continue to own its tenements or other assets, including legislation that may result in tenements being revoked and the Company being unable to recover the value of the tenements, including the expected profits from the exploitation of the tenements, or the costs expended by the Company in exploring and mining those tenements.

### **Fluctuations in Gold and Nickel Prices**

The prices of Gold and Nickel and other minerals fluctuate widely and are affected by numerous factors beyond the control of LEX, such as industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic

events. Future serious price declines in the market values of Gold and Nickel could cause the continued development of, and eventually the commercial production from, the Company's projects and the Company's other properties to be rendered uneconomic. Depending on the prices of Gold and Nickel, the Company could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, some of its properties. There is no assurance that, even as commercial quantities of Gold and/or Nickel are produced, a profitable market will exist for it.

In addition to adversely affecting any reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### **Inherent Mining Risks**

The Company's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including: environmental hazards; industrial accidents; metallurgical and other processing problems; unusual or unexpected rock formations; structure cave-in or slides; flooding; fires and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development.

### **Commodity Price and Exchange Rate Risks**

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

In addition to adversely affecting the reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### **The Company Does Not Have Any Production Revenues**

At present, the Company is not generating any revenues from its projects nor has the Company commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as additional consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's Projects are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which are beyond the Company's control.

The Company expects to continue to incur losses unless and until such time as its Projects enter into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's Projects will require the commitment of substantial resources to conduct the time-consuming exploration and development activities. There can be no assurance that the Company will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

### **Native Title Risks**

It is possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Indigenous Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected. Further information is set out in the Solicitor's Report in Section 9 of this Prospectus.

The Directors closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

### **Investment Risks**

LEX currently has exposure to investment risk arising from its shareholdings in other companies and will gain further exposure to this risk if the Resolutions are approved by Shareholders as a result of the acquisition of the LIT Shares by the Company under the Rights Acquisition Agreement. The Company may continue to hold, increase, decrease or eliminate its exposure to this risk in future. Investee companies likely are exposed to many of the same risks as the Company, however they may also be exposed to greater, differing, and changing risks than the Company is exposed to. This indirectly provides the Company with exposure to these risks. The performance of investee companies will impact the Company in many ways. A loss of value of an investee company will reduce the assets of the Company and will result in a reduced cash inflow to the Company if a holding is sold. This may impact the Company's ability to fund its future work programme.

## **5.3 General risks**

### **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest rates, inflation and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

### **Management of Risk**

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Acquisition and the Proposed Transactions. The capacity of the management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

### **Competition Risk**

The industry in which the Company will be involved is subject to global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

### **Market Risk**

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) commodity price fluctuations;
- (e) changes in investor sentiment toward particular market sectors;
- (f) the demand for, and supply of, capital; and
- (g) terrorism and other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

**Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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## 6. FINANCIAL INFORMATION

### 6.1 Introduction

This section contains the historical and pro forma historical financial information for Lefroy Exploration Limited (“LEX”), comprising:

- the historical statement of financial position as at 30 June 2016 as set out in Section 6.2 below (‘Historical Statement of Financial Position’ or ‘Historical Financial Information’); and
- the pro forma historical statement of financial position as at 30 June 2016 on the basis of a subscription of \$4.0 million as set out in Section 6.2 below (‘Pro Forma Historical Statements of Financial Position’ or ‘Pro Forma Historical Financial Information’),

collectively referred to as the ‘Financial Information’.

The Financial Information is expressed in Australian Dollars and has been rounded to the nearest thousand dollars unless otherwise stated.

The Financial Information set out in this Section should be read in conjunction with the LEX’s basis of preparation and presentation of Financial Information set out in Section 6.3 and with the accounting policies included within the historical financial statements for LEX for the year ended 30 June 2016, which have been included in Section 6.3. LEX’s historical financial statements for the years ended 30 June 2015 and 2014 are available on LEX’s website and have also been lodged with the ASX.

The Financial Information should also be considered in conjunction with the risk factors included in Section 5 and other information contained in this Prospectus.

The Financial Information as defined above has been reviewed by Ernst & Young in accordance with Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Independent Limited Assurance Report set out in Section 7. Investors should note the scope and limitations of that report.

## 6.2 Unaudited Historical and Pro Forma Historical Statements of Financial Position

<i>In thousands of Australian dollars</i>	Note	Historical as at 30 June 2016	Pro Forma Adjustments	Pro Forma Historical as at 30 June 2016
<b>CURRENT ASSETS</b>				
Cash at bank	6.2.1	52	3,274	3,326
Receivables	(a)	-	67	67
Prepayments		11	-	11
Investments	(b)	10	2,295	2,305
<b>Total Current Assets</b>		<b>73</b>	<b>5,636</b>	<b>5,709</b>
<b>NON-CURRENT ASSETS</b>				
Exploration asset	6.2.2	-	3,125	3,125
<b>Total Non-Current Assets</b>		<b>-</b>	<b>3,125</b>	<b>3,125</b>
<b>TOTAL ASSETS</b>		<b>73</b>	<b>8,761</b>	<b>8,834</b>
<b>CURRENT LIABILITIES</b>				
Accrued expenses	(a)	45	59	104
Employee accruals	(a)	11	2	13
Tax payable	(b)	-	307	307
<b>Total Current Liabilities</b>		<b>56</b>	<b>368</b>	<b>424</b>
<b>NON-CURRENT LIABILITIES</b>				
Other financial liabilities	(c)	656	(656)	-
<b>Total Non-Current Liabilities</b>		<b>656</b>	<b>(656)</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>712</b>	<b>(288)</b>	<b>424</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>(639)</b>	<b>9,049</b>	<b>8,410</b>
<b>EQUITY</b>				
Share capital	6.2.3	11,794	7,008	18,802
Share premium reserve		7,115	-	7,115
Share based payment reserve		39	-	39
Option reserve	(d)	-	85	85
Foreign currency translation reserve		(111)	-	(111)
Accumulated losses	6.2.4	(19,476)	1,956	(17,520)
<b>TOTAL EQUITY</b>		<b>(639)</b>	<b>9,049</b>	<b>8,410</b>

(a) - Refer to pro forma transactions (ii) and (vi) as described in Section 6.3.2

(b) - Refer to pro forma transaction (iv) as described in Section 6.3.2

(c) - Refer to pro forma transaction (viii) as described in Section 6.3.2

(d) - Refer to pro forma transaction (iii) as described in Section 6.3.2

### 6.2.1 Cash at bank

Note	Note	\$'000
Historical cash at bank as at 30 June 2016		52
Proceeds from shares issued to investors	6.3.2 (i)	4,000
Offer costs	6.3.2 (ii)	(636)
Stamp duty - acquisition of E63/1777 from Lithium Australia NL	6.3.2 (v)	(30)
Acquisition of cash included in Hogans Resources Pty Ltd	6.3.2 (vi)	72
Acquisition fee - Hogans Resources Pty Ltd	6.3.2 (vi)	(61)
Acquisition fee & stamp duty - EL15/1447 from Montezuma Mining Limited	6.3.2 (vii)	(71)
Pro forma historical cash at bank as at 30 June 2016		<u>3,326</u>

### 6.2.2 Exploration asset

Note	Note	\$'000
Historical exploration asset as at 30 June 2016		-
Acquisition of E63/1777 from Lithium Australia NL	6.3.2 (v)	630
Acquisition of exploration assets included in Hogans Resources Pty Ltd	6.3.2 (vi)	1,584
Acquisition of EL15/1447 from Montezuma Mining Limited	6.3.2 (vii)	840
Acquisition fee & stamp duty - EL15/1447 from Montezuma Mining Limited	6.3.2 (vii)	71
Pro forma historical exploration asset as at 30 June 2016		<u>3,125</u>

### 6.2.3 Share capital

Note	Note	\$'000
Historical share capital as at 30 June 2016		11,794
Shares issued to investors	6.3.2 (i)	4,000
Offering costs	6.3.2 (ii)	(554)
Issuance of options	6.3.2 (iii)	(85)
Acquisition of E63/1777 from Lithium Australia NL	6.3.2 (v)	600
Issuance of shares to acquire Hogans Resources Pty Ltd	6.3.2 (vi)	1,520
Issuance of shares to acquire EL15/1447 from Montezuma Mining Limited	6.3.2 (vii)	840
Conversion of finance facility to equity	6.3.2 (viii)	687
Pro forma historical share capital as at 30 June 2016		<u>18,802</u>

### 6.2.4 Accumulated losses

Note	Note	\$'000
Historical accumulated losses as at 30 June 2016		(19,476)
Sale of Lithium Rights within LEX's E63/1723	6.3.2 (iv)	1,988
Interest on finance facility	6.3.2 (viii)	(32)
Pro forma historical accumulated losses as at 30 June 2016		<u>(17,520)</u>

## 6.3 Basis of preparation of the Financial Information

### 6.3.1 Basis of Preparation

The Directors of LEX are responsible for the preparation and presentation of the Financial Information.

The Historical Financial Information has been extracted from the financial statements of LEX for the year ended 30 June 2016, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion, which contained an emphasis of matter with respect to going concern, on the financial statements.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS") as issued by the Australian Accounting Standards Board ("AASB"). Compliance with all of the principles of AAS is equivalent with the policies adopted by LEX in its historical financial statements for the year ended 30 June 2016.

The Pro Forma Historical Financial Information for LEX has been prepared solely for inclusion in this Prospectus for the purpose of illustrating the effects of completing the proposed acquisitions of Hogans Resources Pty Ltd, certain gold exploration tenements and certain gold and nickel exploration rights and the sale of certain lithium exploration rights, the conversion of a debt facility into equity and the proposed public offering of ordinary shares. The Pro Forma Historical Financial Information for LEX has been derived from the Historical Financial Information of LEX, and adjusted for the effects of pro forma transactions described in Section 6.3.2 of this Prospectus.

The historical financial information for Hogans Resources Pty Ltd ("Hogans") has been derived from the financial statements of Hogans for the year ended 30 June 2016, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion, which contained an emphasis of matter with respect to going concern, on the financial statements.

The stated basis of preparation used in the preparation of the Pro Forma Historical Financial Information is, in a manner consistent with the recognition and measurement principles contained in AAS, applied to the Historical Financial Information of LEX and the events or transactions to which the pro forma adjustments relate, as described in Section 6.3.2 of the Prospectus, as if those events or transactions had occurred as at 30 June 2016.

Due to its nature, the Pro Forma Historical Financial Information does not represent the LEX's actual or prospective financial position.

#### ***Going Concern***

The Financial Information has been prepared on a going concern basis, which assumes continuity of LEX's normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. LEX incurred a net loss after tax of \$417,000 for the year ended 30 June 2016 and had a net liability position of \$639,000 as at 30 June 2016.

The directors believe that the current cash resources will not be sufficient to fund planned transactions aimed to provide existing and new shareholders with a highly prospective tenement package, other principal activities and working capital requirements without raising additional capital. As noted throughout this prospectus, the directors are currently pursuing an aim to enter into several transactions requiring a capital raise of \$4.0 million. The directors expect that these funds will be sufficient to allow for exploration and evaluation of the LEX's tenements and to provide the necessary working capital for the next few years. LEX will also look to complete further equity offerings in the future in order to raise additional capital as the business progresses.

Should LEX be unable to raise sufficient capital under this Prospectus, there is a significant uncertainty whether LEX will be able to continue as a going concern and therefore, whether it will be able to pay its debts as and when they become due and payable and to realise its



assets and discharge its liabilities in the normal course of business and at the amounts stated in the Historical and Pro Forma Historical Statements of Financial Position. The Historical and Pro Forma Historical Statements of Financial Position do not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should LEX not continue as a going concern.

### **Accounting Policies**

The Financial Information set out in this Section should be read in conjunction with the accounting policies included within the historical financial statements for LEX for the year ended 30 June 2016, which have been included in Section 6.4. LEX has also adopted the following accounting policy in respect of exploration and evaluation assets for the purposes of accounting for the Pro Forma Historical Exploration Asset.

(a) Exploration and evaluation expenditure

Exploration and evaluation (“E&E”) expenditures in relation to each separate area of interest are recognised as an E&E Asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (A) the E&E expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (B) E&E activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

E&E assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. The recoverable amount of the E&E asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest and no larger than an operating segment) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

### **6.3.2 Pro Forma Transactions**

The pro forma transactions reflected in Section 6.2 comprise the following:

- (i) The issue of 20 million ordinary shares at \$0.20 per Share totalling \$4,000,000 to investors participating in the Offer. This transaction has been reflected as an increase in cash, with a corresponding increase in share capital.
- (ii) Share issue costs of \$616,000, in addition to costs accrued at 30 June 2016 of \$20,000, being settled and GST receivable of \$61,000, relating to the capital raising activity in (i) above. This transaction has been reflected as a decrease of cash of \$636,000, an increase in GST receivable of \$61,000, a decrease in

accrued expenses of \$20,000 and a reduction in the share capital raised of \$554,000.

- (iii) The issue of 1,000,000 options granted at the time of the offering for services provided by New Holland Capital in connection with preparing the offering. Each option entitles the holder to acquire one ordinary share of LEX at an exercise price of \$0.40. The options vest immediately and have a term of 5 years. The fair value of these options, estimated to be \$85,000, has been reflected as an increase in the options reserve, with a corresponding decrease to share capital because the issuance is considered a cost of issuing additional equity.
- (iv) Sale of Lithium Rights within LEX's E63/1723 and E63/1722 tenements in exchange for 9,000,000 ordinary shares in Lithium Australia NL. Based on the quoted price of Lithium Australia shares per the ASX on 30 June 2016 of \$0.255, this equates to \$2,295,000 in consideration. Receipt of the 9,000,000 shares in Lithium Australia has been reflected as an increase in investments, with a corresponding amount being realised as a gain in earnings on the basis that LEX had nil book value recorded in relation to the rights sold.

The gain is taxable for Australian income tax purposes. The tax liability arising on the sale of \$654,000 has been recognised as a current tax payable. The current tax liability has been reduced by the estimated available prior period and current year tax losses totalling \$347,000. This results in a net tax payable of \$307,000 being recognised, with an offsetting amount recorded through accumulated losses.

Net tax payable of \$307,000 has been recognised within the pro forma historical statement of financial position as if the sale completed on 30 June 2016. Provided approval for the sale is granted by LEX shareholders, the sale will actually complete during the year ended 30 June 2017 and as such will be included within LEX's determination of net taxable income for the year ended 30 June 2017. Depending upon LEX's net taxable position for the year ended 30 June 2017, LEX may not incur any cash outflows in respect of a tax liability on the sale of Lithium Rights.

- (v) Subject to the Western Australia Department of Mines and Petroleum granting of an exploration licence for exploration application E63/1777, LEX has agreed to acquire the gold and nickel rights within E63/1777 from Lithium Australia NL in exchange for 3,000,000 new ordinary shares in LEX. Based on the price assumed in the offering of \$0.20 per share, the consideration due equates to \$600,000. This transaction has been reflected as if EL63/1777 had been granted prior to 30 June 2016. The acquisition has been treated as an asset acquisition for accounting purposes and accordingly and has been reflected as an increase in the exploration and evaluation asset, with a corresponding increase in share capital. Stamp duty of \$30,000 is payable upon completion of the acquisition and has also been reflected as part of the cost of acquiring the exploration and evaluation asset.
- (vi) The acquisition of 100% of the issued and outstanding shares of Hogans in exchange for consideration of \$1,520,000, payable in shares of LEX. Based on the offering price of \$0.20 per share, the consideration due to the owners of Hogan's equates to 7,600,000 ordinary shares in LEX. In addition, LEX's mandate with New Holland Capital requires payment to New Holland Capital of a fee equal to 4% of the acquisition value. This equates to \$61,000 and has been included in the cost of acquiring Hogans.

The acquisition has been treated as an asset acquisition for accounting purposes as Hogans does not meet the definition of a business under AASB 3 Business Combinations. As a result, the cost of \$1,581,000 has been allocated to the identifiable assets acquired and liabilities assumed on the basis of their relative fair values. Consequently, \$1,581,000 has been allocated to cash at bank

(\$72,000), receivables (\$6,000), exploration asset (\$1,584,000), accrued expenses (\$79,000) and employee accruals (\$2,000).

- (vii) The Western Australia Department of Mines and Petroleum granted an exploration licence for exploration application E15/1447 on 2 August 2016. LEX has agreed to acquire EL15/1447 from Montezuma Mining Limited in exchange for consideration of \$840,000, payable in new ordinary shares in LEX. Based on the offering price of \$0.20 per share, the consideration due equates to 4,200,000 ordinary shares in LEX. This transaction has been reflected as if EL15/1447 had been granted prior to 30 June 2016. The acquisition has been treated as an asset acquisition for accounting purposes and accordingly has been reflected as an increase in the exploration and evaluation asset with a corresponding increase in share capital.

In addition to the above, LEX's mandate with New Holland Capital requires payment to New Holland Capital of a fee equal to 4% of the acquisition value. This equates to \$33,600 and has been reflected as part of the acquisition cost of the exploration and evaluation asset. Stamp duty of \$37,000 is also payable upon completion of the acquisition and has also been reflected as part of the cost of acquiring the exploration and evaluation asset.

- (viii) The finance facility from Michael Davies, a director and shareholder of LEX, can be repaid in cash or equity. If repaid in equity the finance facility is subject to a 25% uplift on the principal drawn at the time of conversion.

LEX had drawn \$550,000 of principal on the facility and had accrued interest of \$106,000 as at 30 June 2016. As the Directors have determined the facility will be repaid in equity, subject to being approved as part of this capital raising, the total liability upon conversion becomes \$687,500.

The additional interest and the conversion of the facility into 3,437,500 shares (based on the offering price of \$0.20 per share) as if conversion occurred as at 30 June 2016 has been reflected as follows:

- (A) Interest expense of \$31,500, representing the amount required to increase the liability from \$656,000 recorded as at 30 June 2016 to \$687,500;
- (B) Reduction of the facility liability to nil; and
- (C) An increase in share capital of \$687,500.

Note that LEX drew down a further \$150,000 of principal under the facility subsequent to 30 June 2016. This additional draw down has not been reflected within the pro forma transactions on the basis that it is a subsequent event. In respect of this additional amount drawn post 30 June 2016, when the facility is ultimately settled via conversion into shares, LEX will subsequently recognise further interest expense of \$37,500 and will issue an additional 937,500 new shares, thereby resulting in an increase of \$187,500 in share capital.

### 6.3.3 LEX Historical Financial Information for the Year ended 30 June 2016

#### U.S. MASTERS HOLDINGS LIMITED

##### Statement of Comprehensive Income for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

	Note	30 June 2016 \$000	30 June 2015 \$000
<b>Investment income</b>			
Net change in unrealised profit/(loss) on investments	3	7	1
Interest income (net of withholding taxes)		-	1
<b>Total investment income</b>		<u>7</u>	<u>2</u>
<b>Expenses</b>			
Employee benefits expense		11	-
Accommodation costs		21	21
Share based payments		-	13
Legal, professional and consulting fees		203	224
Travel costs		4	3
Tender fees		25	21
Interest expense		94	12
Sundry expenses		67	70
Foreign exchange (profit)/loss		(1)	(3)
<b>Total expenses</b>		<u>424</u>	<u>361</u>
<b>Loss for the year</b>		<u>(417)</u>	<u>(359)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<u>(417)</u>	<u>(359)</u>
Basic and diluted loss per share \$		(0.02)	(0.01)
Weighted average number of ordinary shares during the year used in the calculation of loss per share (basic and diluted)		24,388,920	24,388,920

The above statement of comprehensive income is to be read in conjunction with the accompanying notes.

**U.S. MASTERS HOLDINGS LIMITED**

**Statement of Financial Position**

**At 30 June 2016**

Expressed in thousands of Australian Dollars

	<b>Notes</b>	<b>30 June 2016 \$000</b>	<b>30 June 2015 \$000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank		52	53
Investments	4	10	3
Prepayments		12	21
<b>Total current assets</b>		<u>74</u>	<u>77</u>
<b>Total assets</b>		<u>74</u>	<u>77</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses		56	36
<b>Total current liabilities</b>		<u>56</u>	<u>36</u>
<b>Non-current liabilities</b>			
Other financial liabilities	6	656	262
<b>Total non-current liabilities</b>		<u>656</u>	<u>262</u>
<b>Total liabilities</b>		<u>712</u>	<u>298</u>
<b>Net assets</b>		<u><b>(638)</b></u>	<u><b>(221)</b></u>
<b>Total shareholders' interests</b>			
24,388,920 (30 June 2015: 24,388,920) ordinary shares with a par value of US\$0.50 per share	7	11,795	11,795
Share premium reserve	9	7,115	7,115
Foreign currency translation reserve		(111)	(111)
Share based payment reserve		39	39
Accumulated deficit		(19,476)	(19,059)
<b>Total shareholders' interests</b>		<u><b>(638)</b></u>	<u><b>(221)</b></u>
<b>Net asset value cents per share (excluding treasury stock)</b>		<b>(0.0)</b>	<b>(0.0)</b>

The above statement of financial position is to be read in conjunction with the accompanying notes.

**U.S. MASTERS HOLDINGS LIMITED**

**Statement of Changes in Equity  
for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

	<b>Share capital</b>	<b>Share premium reserve</b>	<b>Share based payment reserve</b>	<b>Foreign currency translation reserve</b>	<b>Retained losses</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance of equity at 1 July 2014	11,795	7,115	26	(111)	(18,700)	125
Total comprehensive loss for the period	-	-	-	-	(359)	(359)
Share based payments	-	-	13	-	-	13
<b>Balance of equity at 30 June 2015</b>	<b>11,795</b>	<b>7,115</b>	<b>39</b>	<b>(111)</b>	<b>(19,059)</b>	<b>(221)</b>
Balance of equity at 1 July 2015	11,795	7,115	39	(111)	(19,059)	(221)
Total comprehensive loss for the period	-	-	-	-	(417)	(417)
<b>Balance of equity at 30 June 2016</b>	<b>11,795</b>	<b>7,115</b>	<b>39</b>	<b>(111)</b>	<b>(19,476)</b>	<b>(638)</b>

The above statement of changes in equity is to be read in conjunction with the accompanying notes.

## U.S. MASTERS HOLDINGS LIMITED

### Statement of Cash Flows for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

	<b>2016</b>	<b>2015</b>
<b>Notes</b>	<b>\$000</b>	<b>\$000</b>
<b>Operating Activities</b>		
Interest received	-	1
Expenses paid	(301)	(317)
<b>Net cash used in operating activities</b>	<u>(301)</u>	<u>(316)</u>
<b>Investing Activities</b>		
<b>Net cash provided in investing activities</b>	<u>-</u>	<u>-</u>
<b>Financing Activities</b>		
Draw down of facility	300	250
<b>Net cash provided in financing activities</b>	<u>300</u>	<u>250</u>
Net increase/(decrease) in cash and cash equivalents	(1)	(66)
Cash and cash equivalents at beginning of year	53	119
<b>Cash and cash equivalents at end of year</b>	<u>52</u>	<u>53</u>
Cash at bank	52	53
<b>Cash and cash equivalents</b>	<u>52</u>	<u>53</u>

The above statement of cash flows is to be read in conjunction with the accompanying notes.

## **U.S. MASTERS HOLDINGS LIMITED**

### **Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

#### **1. GENERAL INFORMATION**

U.S. Masters Holdings Limited was incorporated under the laws of the British Virgin Islands on 14 May 1990 under the International Business Companies Act (Cap. 291). The liability of the members is limited by shares. The Company maintains its Registered Office in the British Virgin Islands.

The financial statements are presented in thousands of Australian Dollars (June 2015: Australian Dollars).

The Group has determined that its functional currency for each entity within the Group is Australian dollars (June 2015: Australian Dollars).

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the Group's financial statements are set out below:

##### **(a) Basis of preparation**

The financial statements of U.S. Masters Holdings Limited comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the historical cost accounting convention.

The accounting policies have been consistently applied by the Group and are consistent with those of the previous year. Standards issued and effective for the period ended 30 June 2016 have been adopted and do not have a significant effect on the Group's financial statements.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The company has incurred a net loss after tax of \$417,000 for the year ended 30 June 2016 and had a net asset deficiency position of \$638,000 as at 30 June 2016. Based on this and the reasons described below, conditions exist that indicate there is a material uncertainty as to the company's ability to continue as a going concern.

The directors are currently pursuing an equity offering on the ASX and expect to lodge the prospectus in August 2016. The directors aim to raise a minimum of \$2.5 million up to a maximum of \$4.0 million through the offering process and expect that the minimum funds will be sufficient to allow for exploration and evaluation of the company's tenements and those the company intends to acquire and to provide the necessary working capital for the next few years. The raising of the maximum funds will allow for the acceleration of the exploration program. The company will also look to complete future equity offerings in order to raise additional capital as the business progresses.



## **U.S. MASTERS HOLDINGS LIMITED**

### **Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

#### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(a) Basis of preparation (continued)**

Should the company be unable to raise capital, there is a material uncertainty whether the company will be able to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

The following standards and interpretations have been issued by the IASB but are not yet effective and have not been adopted by the Group for the period ending 30 June 2016:

IFRS 9 Financial instruments addresses classification, measurement and de-recognition of financial assets and liabilities. This standard will be effective from 1 July 2018.

The Company does not expect this or any other standards that have been issued but are not yet effective to have a significant effect on the Group's financial statements

##### **(b) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks and brokers with maturities of three months or less.

##### **(c) Investments**

Investments are carried at fair value. Any increases or decreases in carrying values are recognised in the financial statements as an unrealized gain or loss.

Investments in securities traded on a securities exchange are valued at the last reported bid price on the day of valuation or, if there has been no sale on such exchange on the date on which the valuation is being made, then the closing bid price on such exchange on such date.

Securities traded in the over-the-counter market are valued at the last bid price. Restricted securities and other securities for which quotations are not readily available are valued at fair value.

##### **(d) Investment transactions and income recognition**

Investments are measured at fair value through profit and loss. Investment transactions are accounted for on the trade date (the date on which the order to buy or sell is executed). Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

## **U.S. MASTERS HOLDINGS LIMITED**

### **Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

#### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(e) Foreign currency**

The Group has determined that its functional currency for each entity within the group is Australian dollars (June 2015: Australian Dollars).

Transactions in currencies other than an entity's functional currency are converted at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities are translated at the spot rate at the reporting date. Resulting exchange differences are recognised in the result for the period.

##### **(f) Facility**

Facility draw downs are treated as a financial liability for accounting purposes since they are repayable in cash or for a variable number of shares. They are recognised when notice is given and recorded at proceeds received, which represents fair value of the financial liability at that date. The liability is subsequently measured at amortised cost.

On 21 August 2014 a facility was put in place whereby the Company can draw down up to \$500,000. Subsequently the facility was amended, where the Company can now draw down up to \$800,000. \$550,000 was drawn by 30 June 2016. This facility was provided by Michael Davies a Director and related party to the Group. Under AAS this amount is classified as a liability until such time as the Group's option to convert the facility into equity is exercised and the number of shares to repay this facility can be determined.

The facility is repayable at the Group's option by repayment of the amount drawn with an uplift of 10% per annum from the draw down date to the repayment date on amounts drawn, or by issue of shares in the U.S. Masters Holding Limited. The number of ordinary shares to be issued if the Group elects to repay the facility through conversion into equity is calculated by dividing the total amount drawn down by the issue price of the last issue of fully paid ordinary shares to non-related parties in U.S. Masters Holdings Limited after the date of the agreement, uplifted by 25%. Settlement in such a manner would result in a decrease to the facility liability and a corresponding increase to share capital.

Refer to Note 6 for more details.

##### **(g) Trade payables and accrued expenses**

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- ▶ When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- ▶ When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## **U.S. MASTERS HOLDINGS LIMITED**

### **Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

#### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(h) Income tax (continued)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

##### **(i) Share-based payment transactions**

The Group provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

##### **(j) Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 3. NET CHANGE IN UNREALISED GAIN ON INVESTMENTS

	<b>30 June 2016 \$000</b>	<b>30 June 2015 \$000</b>
Fair value of investments	10	3
Investments at average cost	84	84
	<hr/>	<hr/>
Closing unrealised loss on investments	(74)	(81)
Opening unrealised loss on investments	(81)	(82)
	<hr/>	<hr/>
Net change in unrealised gain/(loss) on investments	<u>7</u>	<u>1</u>

#### 4. INVESTMENTS

	<b>30 June 2016 \$000</b>	<b>30 June 2015 \$000</b>
<b>Current assets</b>		
Listed investments	<hr/> <u>10</u>	<hr/> <u>3</u>

The Company invests in listed investments as part of the normal course of business.

Fair value

The Company has available to it various methods in estimating the fair value of listed investments. The methods comprise:

- Level 1 the fair value is calculated using quoted prices in active markets.
- Level 2 the fair value is estimated using inputs other than quotes prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the listed investments was calculated using the level 1 method.

The carrying values of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 2(c) to the annual financial statements.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 5. TAXATION

The Company is an Australian resident for taxation. The Company is exempt from all forms of taxation in the British Virgin Islands including income, capital gains and withholding taxes.

	2016 \$000	2015 \$000
<b>(a) The components of income tax expense are:</b>		
Current tax	-	-
Deferred tax	-	-
Total tax benefit	-	-
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable is as follows:</b>		
Loss from operations before income tax expense	417	359
Tax at statutory tax rate of 30% (2014: 30%)	125	108
Tax effect of equity raising costs debited to equity	-	-
Tax effect of tax losses and temporary differences not recognised	(125)	(108)
Income tax expense	-	-
<b>(c) Tax losses:</b>		
Net unused tax losses for the current year for which no tax loss has been booked as a deferred tax asset	125	108
Losses carried forward	889	781
Potential deferred tax benefit	1,014	889
Net deferred tax liability	-	-
Net deferred tax asset – not booked	1,014	889

The benefit of income tax losses will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount to enable the benefit from the deductions for the losses to be realised;
  - (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation;
- and
- (iii) no changes in tax legislation adversely affect the Group in realising benefit from the deductions from the losses.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 6. FACILITY

	30 June 2016	30 June 2015
	\$000	\$000
<b>Non-current</b>		
Facility	<u>656</u>	<u>262</u>

On 21 August 2014 a facility was put in place whereby the Company can draw down up to \$500,000. Subsequently the facility was amended, where the Company can now draw down up to \$800,000. \$550,000 was drawn by 30 June 2016. This facility was provided by Michael Davies a Director and related party to the Company. Under International Financial Reporting Standards this amount is classified as a liability until such time as the option to convert to repay the facility with equity is exercised and the number of shares to repay this facility can be determined.

The facility is repayable at the Company's option by either repayment of the amount drawn with an uplift of 10% per annum from the draw down date to the repayment date on amounts drawn, or by issue of shares in the Company. The number of ordinary shares to be issued is calculated by dividing the total amount drawn down by the issue price of the last issue of fully paid ordinary shares to non related parties in the Company after the date of the agreement, uplifted by 25%. If the facility was converted to shares on 30 June 2016, the uplift would be \$106,000.

It is likely that the facility will be converted to ordinary shares, or be repaid during the next financial year.

The facility has been drawn down by another \$100,000 subsequent to 30 June 2016, bringing the total drawn to \$650,000 at the time of signing the directors' declaration.

The carrying value of the drawn down facility approximates fair value.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 7. SHARE CAPITAL

	<b>30 June 2016 \$000</b>	<b>30 June 2015 \$000</b>
<b>Authorised</b>		
1,000,000,000 ordinary shares of US\$0.50 par value each	<u>USD 500,000</u>	<u>USD 500,000</u>
<b>Issued and fully paid</b>		
36,583,380 (30 June 2015: 36,583,380) ordinary shares of US\$0.50	40,511	40,511
<b>Treasury Stock:</b>		
Opening balance 12,194,460 shares (30 June 2015: 12,194,460)	28,716	28,716
Closing balance 12,194,460 shares (30 June 2015: 12,194,460)	<u>28,716</u>	<u>28,716</u>
Net share capital 24,388,920 shares (30 June 2015: 24,388,920 shares)	<u>11,795</u>	<u>11,795</u>

Each ordinary share carries the right to one vote at annual and general meetings and is entitled to participate in any dividends or other distributions of the Company.

#### 8. TREASURY STOCK

The Company holds treasury shares in itself which were purchased pursuant to an on-market buy-back scheme on the Australian Securities Exchange. During the year no shares were issued by reissuing Treasury Shares (2015: nil).

	<b>30 June 2016 \$000</b>	<b>30 June 2015 \$000</b>
12,194,460 (30 June 2015: 12,194,460) ordinary shares at cost net of premium on purchase of treasury stock	<u>28,716</u>	<u>28,716</u>



## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 9. SHARE PREMIUM RESERVE

	30 June 2016 \$000	30 June 2015 \$000
Opening balance	7,115	7,115
Issue Costs	-	-
Closing balance	<u>7,115</u>	<u>7,115</u>

#### 10. SHARE BASED PAYMENTS

As approved by shareholders in General Meeting on 19 December 2012 4,600,000 ordinary shares were issued to the U.S. Masters Executive Share Plan Trust on behalf of personnel to be held in conformity with the Share Plan Rules, satisfied by the issue of treasury shares held by the Company. Included in this issue was the issue of 1,000,000 ordinary shares to the U.S. Masters Executive Share Plan Trust on behalf of each director. The shares are subject to detailed Share Plan Rules which include:

Each tranche of Shares will not be able to be released from the Share Plan unless and until the following performance hurdles have been achieved:

- (i) tranche one = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$0.40 per share;
- (ii) tranche two = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$0.60 per share;
- (iii) tranche three = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$0.80 per share; and
- (iv) tranche four = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$1.00 per share.

The assessed fair value of shares at grant date was calculated using a binomial option pricing model. The model takes into account a number of factors including the exercise price, the term of the shares, the vesting and performance criteria, the non tradeable nature of the shares, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the shares.

The grant date for the shares was 3 January 2013. The shares have no set expiry date. The fair value of the shares has been calculated on an assumed term of 3 years and the fair value calculated is being expensed over 3 years. The risk free rate in calculating the fair value of the shares was assumed to be 2.5%. The estimated volatility in calculating the fair value of the shares was assumed to be 25%. The fair values calculated were:

- tranche 1: 3.01 cents per share;
- tranche 2: 0.34 cents per share;
- tranche 3: 0.005 cents per share;
- tranche 4: 0.001 cents per share.

An amount of \$nil was recorded as an expense of share based payments (2015: \$13,000).

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 11. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record historical exchange differences arising from the translation of the financial statements in the functional currency to the reporting currency for the periods when the functional and presentation currencies were different.

	<b>30 June 2016 \$000</b>	<b>30 June 2015 \$000</b>
Balance at the beginning of the financial year	(111)	(111)
Foreign exchange movement on translation	-	-
Balance at the end of the financial year	<u>(111)</u>	<u>(111)</u>

#### 12. SEGMENT REPORTING

The Group operates entirely as an investing Group and therefore has only one operating segment and all revenues and expenses are attributable to that segment.

#### 13. RELATED PARTY TRANSACTIONS

The Group had the following commercial dealings with its directors and their associates during the period:

(a) The Group paid rent of \$20,691 (2015: \$20,691) and administration fees of \$26,400 (2015: \$26,400) to Taurus SM Holdings Pty Ltd, a company of which Michael Davies and Gordon Galt are directors.

(b) The Group made draw downs of \$300,000 (2015: \$250,000) on the facility held with Michael Davies a Director of the Company. Refer to note 6 for more details.

(c) The Group paid consulting fees of \$4,950 to Geoff Pigott, a Director of the Company.

#### 14. CONTINGENT LIABILITIES

The Company has entered into an agreement with New Holland Capital Pty Ltd, a company of which Michael Davies and Gordon Galt are directors, whereby New Holland is providing services to the Company in relation to the transactions referred to at page 6 of the Directors Report for fees payable and grant of options at the time the funds associated with the Capital raising there referred to are received by the Company. The fees comprise \$184,400, the option grant is 1,000,000 options and New Holland may also receive 6% of the gross proceeds the Company receives in the capital raising from investors introduced by New Holland and 1% of gross proceeds from other investors.

## **U.S. MASTERS HOLDINGS LIMITED**

### **Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

#### **15. FINANCIAL INSTRUMENTS**

Financial assets of the Group include cash and cash equivalents, investments and interest and dividends receivable. Financial liabilities comprise accrued expenses. Accounting policies for financial assets and liabilities are set out in note 2.

##### **(a) Fair values**

The carrying amounts of cash and cash equivalents, interest and dividends receivable and accrued expenses approximate their fair value due to the relatively short period to maturity of these instruments. Investments are carried at fair value.

The Group classifies fair value measurement using the hierarchy that reflects the significance of the inputs used in making the measurements. Investments held by the Group are fair valued using Level 1 measurements within the hierarchy. The fair value of the investments held by the Group is estimated by using quoted prices in active markets for identical assets or liabilities. The basis for determining fair values is disclosed in note 2.

There are no off-balance sheet financial assets or liabilities at year end.

##### **(b) Credit risk**

The Group purchases equities through the ASX or direct from the investee or its broker as part of a placement. The credit risk is through settlement risk with the ASX, the investee company or its broker.

At the year end there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Group believes that there has been no impairment required on any of the financial assets.

##### **(c) Liquidity risk**

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash plus a cash buffer to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements.

The Board receives information regarding cash balances. At the balance sheet date it is indicated that the Group expected to have sufficient liquid resources to meet its obligations under reasonably expected circumstances.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 15. FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Foreign exchange currency risk

The Group's year end statement of financial position exposure to foreign currency risk was as follows, based on notional amounts. The following are financial assets and liabilities in currencies other than the functional currencies of the entity in which they are recorded:

	30 June 2016 USD \$000	30 June 2015 USD \$000
Cash and cash equivalents	-	4
Prepayments and Debtors	-	11
Total statement of financial position exposure	-	15
Income statement gains/(losses) of 10% weakening of Australian dollar against USD, AUD*	-	2
Income statement gains/(losses) of 10% strengthening of Australian dollar against USD, AUD*	-	(2)

\*This analysis assumes that all other variables, in particular interest rates, remain constant.

##### (e) Interest risk

At balance date, the Group was not exposed to floating weighted average interest rates on short term deposits (2015: \$nil). Other than the facility described in note 6, all financial assets and liabilities are non-interest bearing.

At balance date, the Group has no significant exposure to changes in interest rates.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

#### 16. CASH FLOW RECONCILIATION

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Operating profit/(loss)	(417)	(359)
Less: share based remuneration	-	13
Less: Interest expense	94	12
Decrease/ (Increase) in investments balances	(7)	(1)
Decrease/(Increase) in prepayments/debtors	9	(1)
Increase/(decrease) in payables	20	20
	<u>(301)</u>	<u>(316)</u>

#### 17. PARENT GROUP

The Group financial statements represent the Parent Company's financial information in all significant respects as the fully owned subsidiaries of U.S. Masters Holdings Limited, USH Colombia S.A.S and Sociedad Minera U.S. Masters Chile Limitada have been dormant for the reporting period and the balances held within the subsidiaries are immaterial.

#### 18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company has applied for and (in part to date) been granted exploration tenements in the Lake Lefroy, Lake Johnston and Murchison areas in Western Australia.

During July 2016, subsequent to year end, the Company also entered into separate agreements to acquire 100% of the issued capital of Hogans Resources Pty Ltd ("Hogans") and an exploration licence from Montezuma Mining Company Ltd ("MZM") (the "Proposed Transactions"). Hogans has accumulated a number of tenements in the Kalgoorlie Goldfields which are contiguous to USH's and MZM's Lake Lefroy tenements. The combined Hogans, MZM and USH package of tenements represents a highly prospective area in excess of 500km<sup>2</sup> to be called the Lefroy Project. Together with the exploration tenements USH has applied for and been granted, the acquisitions provide USH with significant potential for future value creation through exploration and establishing resources on its highly prospective package of tenements.

During August 2016 USH changed its name to "Lefroy Exploration Limited".

## **U.S. MASTERS HOLDINGS LIMITED**

### **Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

#### **18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS (CONTINUED)**

USH was granted mining tenements E63/1723 and E63/1722 in Western Australia earlier in 2016 and has sought partners to explore the ground. Those discussions have resulted in the following agreement having been entered into with Lithium Australia Ltd ("LIT") in August 2016:

- LIT will acquire the lithium rights in relation to these Tenements;
- LIT will issue 9 million fully paid ordinary shares (the "Consideration Shares") to USH in consideration for acquiring the Lithium rights to the Tenements, subject to any regulatory approval;
- 50% of the Consideration Shares (i.e. 4.5 million) will be subject to a voluntary escrow of three months from the date of issue;
- USH will acquire the gold and nickel rights in relation to LIT's tenement ("E63/1777") upon grant, and subject to any required regulatory approval. In consideration for the granting of these rights over E63/1777 USH will issue LIT 3 million fully paid USH ordinary shares at the time of transfer of these rights to USH;
- LIT and USH grant a reciprocal first right of refusal in regard to the sale of the underlying tenure of the tenements.

Since these transactions will result in a significant change to the nature and scale of USH's activities, the transactions will require USH shareholders' approval and re-compliance with Chapters 1 and 2 of the ASX Listing Rules. A notice of meeting seeking shareholder approval for the resolutions required to give effect to these transactions, proposed change to the nature and scale of the Company's operations and other associated initiatives is being sent to USH shareholders.

USH plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise \$4.0 million ("Capital Raising").

Subject to these transactions receiving shareholder approval, USH will also issue 4,375,000 Shares in repayment of the existing facility provided by Michael Davies.

Also, the facility with Michael Davies has been drawn down by another \$100,000 subsequent to 30 June 2016, bringing the total drawn to \$650,000 at the time of signing the directors' declaration. Refer to note 6 for more details.

## **U.S. MASTERS HOLDINGS LIMITED**

### **Directors' Statement for the year ended 30 June 2016**

#### **DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of US Masters Holdings Limited, I state that:

In the opinion of the directors

a) the financial statements and notes of the Group are in accordance with the International Financial Reporting standards, including:

(i) giving a true and fair view of the financial position as at 30 June 2016 and its performance, for the year ended on that date of the Group; and

(ii) complying with IAS 1; and

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This statement has been made in accordance with a resolution of directors.



J Beecher  
Director  
31 August 2016

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7. INDEPENDENT LIMITED ASSURANCE REPORT



## **Independent Limited Assurance Report**

6 September 2016

The Directors  
Lefroy Exploration Limited  
Suite 2, Level 40  
88 Philip Street  
Sydney NSW 2000 Australia

Dear Directors

### **INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION**

#### **1. Introduction**

We have been engaged by Lefroy Exploration Limited ('LEX' or the 'Company') to report on the historical financial information and pro forma historical financial information for inclusion in the prospectus to be lodged in conjunction with the proposed public equity offering ("Prospectus") to be dated on or about 6 September 2016, and to be issued by LEX, in respect of LEX completing transactions comprising the acquisition by LEX of all of the issued capital in Hogans Resources Pty Ltd, acquisition by LEX of E15/1447 from Montezuma Mining Company Ltd and the transfer of the Lithium Rights for LEX's exploration licences E63/1723 and E63/1722 to Lithium Australia NL and acquisition of the Gold and Nickel Rights to exploration licence E63/1777 from Lithium Australia NL. ("the Proposed Transactions").

Expressions and terms defined in the Prospectus have the same meaning in this report.

#### **2. Scope**

##### ***Historical Financial Information***

You have requested Ernst & Young to review the following historical financial statements of LEX:

- ▶ the historical statement of financial position as at 30 June 2016 as set out in Section 6.2 of the Prospectus.

(Hereafter 'the Historical Financial Information')

The Historical Financial Information has been derived from the financial report of LEX for the year ended 30 June 2016, which was audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion, which contained an emphasis of matter with respect to going concern, on the financial statements.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS") as issued by the Australian Accounting Standards Board.

### ***Pro Forma Historical Financial Information***

You have requested Ernst & Young to review the following pro forma historical financial information of LEX:

- ▶ the pro forma historical statement of financial position as at 30 June 2016 as set out in Section 6.2 of the Prospectus.

(Hereafter the ‘Pro Forma Historical Financial Information’).

(Collectively the Historical Financial Information and the Pro Forma Historical Financial Information is referred to as the “Financial Information”).

The Pro Forma Historical Financial Information has been derived from the historical statement of financial position of LEX as at 30 June 2016, and adjusted for the effects of pro forma adjustments described in Section 6.3 of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Historical Financial Information is, in a manner consistent with the recognition and measurement principles contained in AAS, applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 6.3 of the Prospectus, as if those events or transactions had occurred as at 30 June 2016.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by International Financial Reporting Standards.

### **3. Directors’ Responsibility**

The directors of LEX are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

### **4. Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

## **5. Conclusions**

### ***Historical Financial Information***

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information comprising:

- the historical statement of financial position as at 30 June 2016 as set out in Section 6.2 of the Prospectus

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.3 of the Prospectus.

### ***Pro Forma Historical Financial Information***

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- the pro forma historical consolidated statement of financial position as at 30 June 2016 as set out in Section 6.2 of the Prospectus.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.3 of the Prospectus.

### **Inherent Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the limited assurance conclusion expressed above, attention is drawn to the following matter. As disclosed in Section 6.3.1 to the Prospectus, if the capital raising under the prospectus is unsuccessful, there is significant uncertainty whether the Company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the historical and pro forma historical statements of financial position. The historical and pro forma historical statements of financial position do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

## **6. Restriction on Use**

Without modifying our conclusions, we draw attention to Section 6.1 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

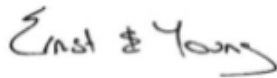
## **7. Consent**

Ernst & Young has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

## **8. Independence or Disclosure of Interest**

Ernst & Young does not have any interests in the outcome of the Proposed Transactions other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully



Ernst & Young

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8. INDEPENDENT GEOLOGIST'S REPORT

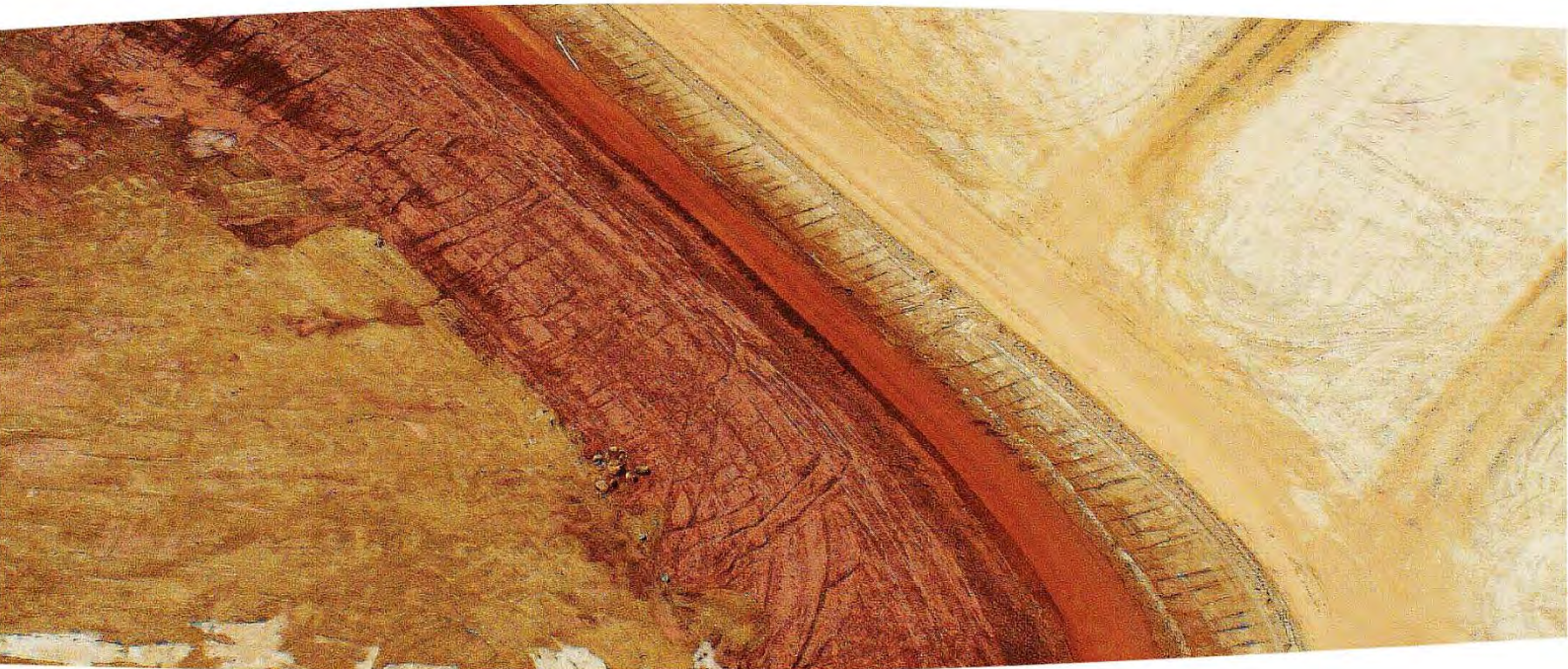


# INDEPENDENT GEOLOGIST'S REPORT

ON THE MINERAL ASSETS OF

LEFROY EXPLORATION LIMITED

22 AUGUST 2016



RESOURCEFUL



TECHNICAL



PARTNERS



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22 August 2016

The Directors  
Lefroy Exploration Limited  
Suite 2 Level 40  
88 Phillip Street  
Sydney NSW 2000  
Australia

Dear Sirs

### Independent Geologist's Report on the Mineral Assets of Lefroy Exploration Limited

Ravensgate International Pty Ltd ATF Ravensgate Unit Trust (Ravensgate) has been commissioned by Lefroy Exploration Limited (LEX) to provide an Independent Geologist's Report on their mineral assets. Lefroy Exploration Limited is a company incorporated in the British Virgin Islands with its registered office in Roadtown the capital of the BVI. The company listed on the Australian Securities Exchange on the 5th September 1991 as an investment fund and remained a recognised foreign Corporation (ARBN 052 123 930), with an ASX trading code of 'USH' until August 2016 when it changed its name to Lefroy Exploration Limited, with a trading code of 'LEX'. Ravensgate understands that LEX is seeking re-quotations on the ASX via a capital raising and shareholders or potential investors may rely upon this report. This report is to be included in a prospectus (Prospectus) to be lodged by LEX with the Australian Securities and Investments Commission (ASIC). The funds raised together with existing cash resources will be used for the purpose of acquisition, exploration, development and evaluation of LEX's mineral assets.

The Lefroy, Lake Johnston and Murchison projects in Western Australia comprise the mineral assets of LEX. A list of the tenements which comprise these mineral assets is detailed in Table 1 of this report.

Ravensgate has completed a desktop review of the projects which involved compiling and reviewing the project's technical aspects, including previous work, regional geological setting, local geology, mineralisation, exploration potential and planned exploration. The objectives of this report are to provide a geological overview of each exploration project covering pertinent aspects in detail appropriate to the strategic importance of the project assigned by LEX. The Lefroy project is the cornerstone asset and has received the most detailed review including description of nine specific gold prospects. The Murchison project is comprised of tenements that are under application and is currently rated as a lower priority by LEX, therefore only a succinct description has been provided.

This report is based on information provided by LEX, which includes technical reports by consultants, previous tenement holders and other relevant published and unpublished data for the project areas. A listing of the principal sources of information is included in this report. Ravensgate did not carry out a site visit to the project areas. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to the project areas given their location and stage of development. Ravensgate has endeavoured, by making reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. LEX have been given a final draft of this report and thereby given an opportunity to identify any material errors or omissions in it. Ravensgate has not verified the status of tenements or reviewed any issues regarding ownership, agreements or access pertaining to the tenements, which are being addressed elsewhere in the Prospectus.

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TECHNICAL

PARTNERS

ravensgate.com.au

PERTH

PO Box 1923, West Perth, 6872 Australia T +61 8 9226 3606 F +61 8 9226 3607  
Ravensgate International Pty Ltd ATF Ravensgate Unit Trust ABN 16 891 075 503



This report was prepared by Mr Neal Leggo (Principal Geologist) and was reviewed by Mr Alan Hawkins of Ravensgate in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition) and the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code 2015 Edition). The report has also been prepared in accordance with Australian Securities and Investments Commission (ASIC) Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts). Mr Leggo is a Member of The Australian Institute of Geoscientists, is a full-time employee of Ravensgate, has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition.

The information in this report that relates to Technical Assessment of Mineral Assets reflects information compiled and conclusions derived by Mr Leggo. Mr Leggo has sufficient experience relevant to the Technical Assessment of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Specialist as defined in the VALMIN Code 2015 Edition. Mr Leggo consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Consent has been sought from LEX's representatives to include technical information and opinions expressed by them. No other entities referred to in this report have consented to the inclusion of any information or opinions and have only been referred to in the context of reporting any relevant activities.

Ravensgate and its employees are not, nor intend to be, directors, officers or employees of LEX and have no material interest in any of the projects or LEX. The relationship with LEX is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

In consideration of the definition provided in the VALMIN Code, the mineral assets of LEX are classified as Exploration Area Mineral Assets, which are inherently speculative in nature. The mineral properties are considered prospective, although subject to varying degrees of risk, to warrant further exploration and development of their economic potential consistent with the programs proposed by LEX.

Yours faithfully



Neal Leggo

For and on behalf of:

**RAVENSGATE**



# INDEPENDENT GEOLOGIST'S REPORT ON THE MINERAL ASSETS OF LEFROY EXPLORATION LIMITED

Prepared by RAVENSGATE on behalf of:

**Lefroy Exploration Limited**

<b>Author(s):</b> Neal Leggo	Principal Geologist	BSc (Hons) Geology, MAIG, MSEG
<b>Reviewer:</b> Alan Hawkins	Principal Consultant	BSc (Hons) Geology, MSc (Ore Deposit Geology), MAIG RPGeo, FSEG
<b>Date:</b> 22 August 2016		
<b>Copies:</b> Lefroy Exploration Limited (2) Ravensgate (1)		
<b>Project No:</b> USM001		
<b>File Name:</b> USM001_IGR_2016_08_22_FINAL.DOCX		



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**Neal Leggo**  
For and on behalf of:  
**RAVENSGATE**

*This report has been commissioned from and prepared by Ravensgate for the exclusive use of Lefroy Exploration Limited. Each statement or opinion in this report is provided in response to a specific request by Lefroy Exploration Limited to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading. Each statement or opinion contained within this report is based on information and data supplied by Lefroy Exploration Limited to Ravensgate, or otherwise obtained from public searches conducted by Ravensgate for the purposes of this report.*



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## 1. EXECUTIVE SUMMARY

Ravensgate International ATF Ravensgate Unit Trust (Ravensgate) has been commissioned by Lefroy Exploration Limited (LEX) to provide an Independent Geologist's Report on the mineral assets of LEX. LEX is a company incorporated in the British Virgin Islands with its registered office in Roadtown the capital of the BVI. The company listed on the Australian Securities Exchange (ASX) on the 5th September 1991 as an investment fund and remained a recognised foreign Corporation (ARBN 052 123 930), with an ASX trading code of 'USH', until August 2016 when it changed its name to Lefroy Exploration Limited, with a trading code of 'LEX'. Ravensgate understands that this report is to be included in a prospectus (Prospectus) to be lodged by LEX with the Australian Securities and Investments Commission (ASIC) and may be relied upon by shareholders and potential investors.

The Lefroy, Lake Johnston and Murchison projects in Western Australia comprise the mineral assets of LEX. A map showing the location of the projects is presented in Figure 1, and a list of the tenements which comprise the mineral assets is detailed in Table 1 of this report. The three projects are all located in the Archaean age Yilgarn Craton - a highly mineralised granite-greenstone terrane with world class deposits of gold and nickel, and significant iron and volcanic hosted massive sulphide deposits.

### 1.1 Lefroy Project

The Lefroy project is centred 60km southeast of Kalgoorlie and consists of six granted exploration licences, nine granted prospecting licences and four exploration licence applications with a total area of 542.53km<sup>2</sup>. Access across significant areas of the tenements is restricted by two large salt lakes in which water levels vary seasonally from 0 to 1m deep. Access across these lakes is difficult when dry and when water covered specialised craft are required. This logistical difficulty provides an exploration opportunity now that drilling rigs capable of operating successfully in the lake environment are readily available, because historic exploration has been significantly hindered by access and drilling problems leaving many targets poorly tested.

Although the Lefroy project is a greenfields exploration project, a moderate amount of infrastructure exists in the area and the proximity to Kalgoorlie provides ready access for all exploration, development and mining supplies and services. Three gold processing plants are situated close to the project tenements. Any future gold deposit discoveries made at Lefroy would therefore have heightened prospects of eventual economic development with lower capital costs compared to remotely located deposits.

Geologically the Lefroy Project straddles the triple junction of three crustal units: the Parker and Boorara Domains of the Kalgoorlie Terrane and the Bulong Domain of the Kurnalpi Terrane, each of which is bounded by regionally persistent faults with long histories of reactivation. The underlying Archaean rocks are mostly covered by alluvial, colluvial and lacustrine material with very little outcrop. The regolith profile throughout the area is very thin due to extensive erosion prior to the Cainozoic era. This restricts the effectiveness of geochemical exploration, as it reduces the lateral geochemical dispersion of metals from concealed orebodies within the stripped regolith profile, requiring tighter sample spacing to detect anomalies.

The Lefroy project is situated in a highly fertile greenstone belt with numerous gold deposits and abundant gold occurrences nearby. The location of the major gold mines, deposits and prospects in their geological context and relation to the project tenements is provided. The Coogee, Salt Creek, Daisy-Milano and Lucky Bay gold deposits, plus the major St Ives gold camp are specifically relevant to exploration of the Lefroy project and have been described in this report.

The project area has seen a long and extensive exploration and mining history which is highly relevant to the current geological understanding and prospectivity of LEX's tenements and has therefore been described in some detail. Prospecting began soon after the discovery of gold at Kalgoorlie in 1893 with early production at Mt Monger and Hogans Find. During the nickel boom which followed the discovery of nickel sulphides at Kambalda in the 1960s, significant nickel exploration occurred through the region seeing the discovery and mining of the Carnilya and Carnilya Hill nickel deposits immediately north of the Lefroy tenement package. Ever since the 1980s, the area has seen continuous gold exploration activity with



intermittent nickel exploration resulting in the location of numerous prospects and the discovery and mining of the Coogee, Lucky Bay and Salt Creek gold deposits, which are all located within the Lefroy project area, but not part of LEX's tenure.

The Lefroy project is the cornerstone asset of LEX. It is positioned in a prospective location in terms of a regional geological and mineralisation setting, hosted within the Eastern Goldfields which is in the top 5% of established global gold provinces. The project is located 70km southeast of the 70Moz Au Kalgoorlie Super Pit and 30km east of the 12Moz Au St Ives gold camp at Kambalda. Ravensgate consider the areas prospective for structurally controlled orogenic lode gold deposits of which there are many examples in the surrounding greenstone belt. Section 3.4.1 describes five of the significant gold deposits in the immediate area.

The position of the Mount Monger Fault is now better defined from analysis of drill data. It lies some 1km further east than that is shown on previous interpretations and swings around to almost due east-west passing between the Lucky Bay and Salt Creek deposits on Silver Lake's ground. This interpretation has ramifications for the improved prospectivity of E15/1497 to the east.

LEX have identified nine specific gold prospects within its Lefroy tenements: Coogee South, Hogans Find, Zanex, Anomaly F, Neon/Sideshow, Lucky Strike, Red Dale, Homer's Inlet and Marloo Dam.

Much of the historic exploration has been undertaken in a piecemeal fashion in small tenement packages. LEX have assembled a large and coherent tenement package across a prospective and underexplored greenstone terrane, which LEX plans to undertake a systematic, staged exploration approach utilising a comprehensive database and a focused understanding of the regional geological setting, as evidenced by their recognition of five mineralised structural belts.

## 1.2 Lake Johnston Project

The Lake Johnston project is located 120km west of Norseman and consists of two granted exploration licences and one exploration licence applications with a total area of 300.3km<sup>2</sup>. The project can be accessed via the unpaved Hyden-Norseman road. Some infrastructure exists in the area and reasonable proximity to Kalgoorlie provides ready access for all exploration services. Poseidon Nickel owns a nickel ore processing facility immediately south of the project area.

The project tenements cover a portion of the Lake Johnston greenstone belt, a north-northwest trending sequence comprising the Maggie Hays Formation at the base, overlain by the Honman Formation and capped by the Glasse Formation. The central ultramafic unit of the Honman Formation hosts nickel sulphide deposits at Maggie Hays and Emily Ann which have been mined. E63/1722 covers an 800m wide section of the prospective Lake Johnston greenstone belt with an eastern mafic complex and a western ultramafic complex separated by a 75-150m band of psammitic sedimentary units. Most of E63/1723 is underlain by gneissic granite which is generally considered unprospective; however segments of a highly magnetic ultramafic-amphibolite-BIF sequence occur as isolated remnants of greenstone and present some prospectivity. The project area has been subject to a significant amount of historic nickel exploration but only modest gold exploration activity. The area is considered prospective for structurally controlled orogenic lode gold deposits of which there are many examples in the wider region. The Frodo prospect has been identified as a priority drill target by LEX based on re-interpreting results generated by previous exploration. A well-defined trend of gold anomalies in soil and RAB can be traced for 1,100m. The previous RAB drilling has been too shallow, incorrectly angled and too widely spaced to be fully effective. Follow-up drilling with angled aircore and RC is warranted.

A review of the historic exploration has revealed three targets for potential nickel mineralisation. While nickel is not currently the primary focus for LEX, these targets are certainly of exploration merit.

Potential exists to develop new gold and nickel targets within the Lake Johnston project through undertaking regional geophysical surveys over areas where coverage by previous explorers has been poor.



The tenements also hold potential for the discovery of lithium bearing pegmatites. Previous mapping and sampling have identified outcropping pegmatites in a number of localities throughout the tenements.

### 1.2.1 Murchison Project

The Murchison project is located 620km north-northeast of Perth near the town of Cue and consists of two exploration licence applications and 18 prospecting licence applications with a total area of 134.9km<sup>2</sup>. No tenements have been granted to date. The tenements are grouped in three separate clusters: Fleece Pool, Austin and Big Bell South. The Murchison project is located in the Murchison Domain of the Youanmi Terrane of the Archaean Yilgarn Craton and covers greenstone separated by granite and granitic gneiss. Big Bell South covers a narrow portion of the Big Bell greenstone belt on the Chunderloo-Big Bell Fault, 20km south of the Big Bell gold mine.

Preliminary review of historic exploration has revealed several areas where follow-up of modest anomalies has not been adequate. Potential exists to develop new gold targets within the Murchison project through undertaking mapping, geochemical surveys and scout drilling over areas where coverage by previous explorers has been poor.

### 1.3 Planned Expenditure

LEX have provided to Ravensgate their proposed exploration expenditure for the two year period following the capital raising with \$2,264,600 of direct exploration expenditure and \$1,162,000 for corporate costs, which is detailed in Table 2 of Section 6. LEX is intending to focus their expenditure on aircore and RC drilling.

Ravensgate considers that the proposed exploration budget is consistent with the mineral potential and status of the projects. The proposed expenditure is sufficient to meet the costs of the exploration programs proposed and to meet statutory tenement expenditure requirements.





## **2. INTRODUCTION**

### **2.1 Terms of Reference**

Ravensgate has been commissioned by LEX to provide an Independent Geologist's Report on LEX's mineral assets.

This report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition) and the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code 2015 Edition). The report has also been prepared in accordance with Australian Securities and Investments Commission (ASIC) Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts).

### **2.2 Tenement Status Verification**

The Client has commissioned independent legal advice regarding the status of the tenements that are referred to in this report (as set out in the Tenement Schedule) underlying the mineral assets. Ravensgate has not reviewed the material contracts relating to the mineral assets of LEX and is not qualified to make legal representations in this regard.

### **2.3 Disclaimer**

The authors of this report and Ravensgate are independent of LEX, its directors, senior management and advisors and have no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for review work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are listed elsewhere in the Prospectus.

The relationship with LEX is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of LEX or any group, holding or associated companies of LEX.

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guides 111 and 112 with respect to Ravensgate's independence as experts. Ravensgate regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests which would affect the expert's ability to present an unbiased opinion within this report.

This Independent Geologist's Report has been compiled based on information available up to and including the date of this report, any statements and opinions are based on this date and could alter over time depending on exploration results, commodity prices and other relevant market factors.

### **2.4 Specialist Declarations and Consent**

The information in this report that relates to Technical Assessment of Mineral Assets reflects information compiled and conclusions derived by Mr Neal Leggo, who is a Member of the Australian Institute of Geoscientists. Mr Leggo is not an employee of LEX. Mr Leggo has sufficient experience relevant to the Technical Assessment of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Specialist as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. Mr Leggo consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Consent has been sought from LEX's representatives to include technical information and opinions expressed by them. No other entities referred to in this report have consented to the inclusion of any information or opinions and have only been referred to in the context of reporting any relevant activities.



## 2.5 Qualifications, Experience and Independence

Ravensgate has been consulting to the mining industry since 1997 with its services that include valuations, independent technical reporting, exploration management and Resource estimation. Our capabilities include reporting for all the major securities exchanges and encompass a diverse variety of commodity types.

**Author: Neal Leggo, Principal Consultant BSc (Hons) Geology, MAIG, MSEG.**

**Neal Leggo** has over 30 years' experience in minerals geology including senior management, consulting, exploration, development, underground mining and open pit mining. He has extensive experience with a wide variety of commodities across numerous geological terrains within the Asia-Pacific region. Prior to joining Ravensgate, Neal worked for FMG leading a large field team undertaking fast-track exploration, delineation and feasibility study of a major new iron ore discovery in the Pilbara of WA. Previous to this Neal was Exploration Manager at Crescent Gold where he led a successful exploration team and also managed feasibility study and development work on seven gold deposits in preparation for mining. At Hatch he undertook numerous geological consulting assignments included scoping, prefeasibility and review studies, geological audit and due diligence. At BHP he modelled mineral resources including the Cannington, Mt Whaleback and Yandi world-class deposits. Previous to this, Neal worked 8 years in Mt Isa for MIM where roles included chief geologist for the Hilton underground lead zinc mine and exploration manager for Isa District. During the 1980s he worked as a field geologist across northern Australia on a wide variety of exploration projects and mines. Neal offers extensive knowledge of available geological, geophysical, geochemical and exploration techniques and methodologies, combined with strong experience in feasibility study, development and mining of mineral deposits. Neal holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code.

**Peer Reviewer: Alan Hawkins, Principal Consultant BSc (Hons) Geology, MSc (Ore Deposit Geology), MAIG RPGeo, FSEG.**

**Alan Hawkins** is a geologist with over 20 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia and Indonesia, primarily in gold and copper. Prior to joining Ravensgate, Alan worked for Newmont Mining Corporation as a Principal Geologist in their exploration, corporate and business development divisions, providing technical support, due diligence and rapid first-filter geological and economic analysis to M&A teams in the Asia Pacific region as well as US and African EBD teams. This role also included project and non-core asset divestments including commercial negotiations with junior exploration companies, stakeholders and land & legal teams. Previous to this, Alan held various principal and senior regional exploration management roles in WA and NT. In the 1990's Alan worked as a near mine exploration geologist for Eagle Mining Corporation NL, Great Central Mines Ltd and Normandy Mining Ltd at the Jundee-Nimary Gold Mine and was part of the team that discovered the +2Moz Au Westside deposit, where he also worked as a resource modelling geologist before joining Newmont's regional exploration team. Alan holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101 and is a Registered Professional Geoscientist in the field of Mineral Exploration with the Australian Institute of Geoscientists.

## 2.6 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by LEX and their partners or consultants, publically available information such as ASX releases, government reports and discussions with LEX technical and corporate management personnel. A listing of the principal sources of information is included in the references attached to this report.

Figures used in this report have been prepared by LEX with appropriate direction, input and review from Ravensgate.



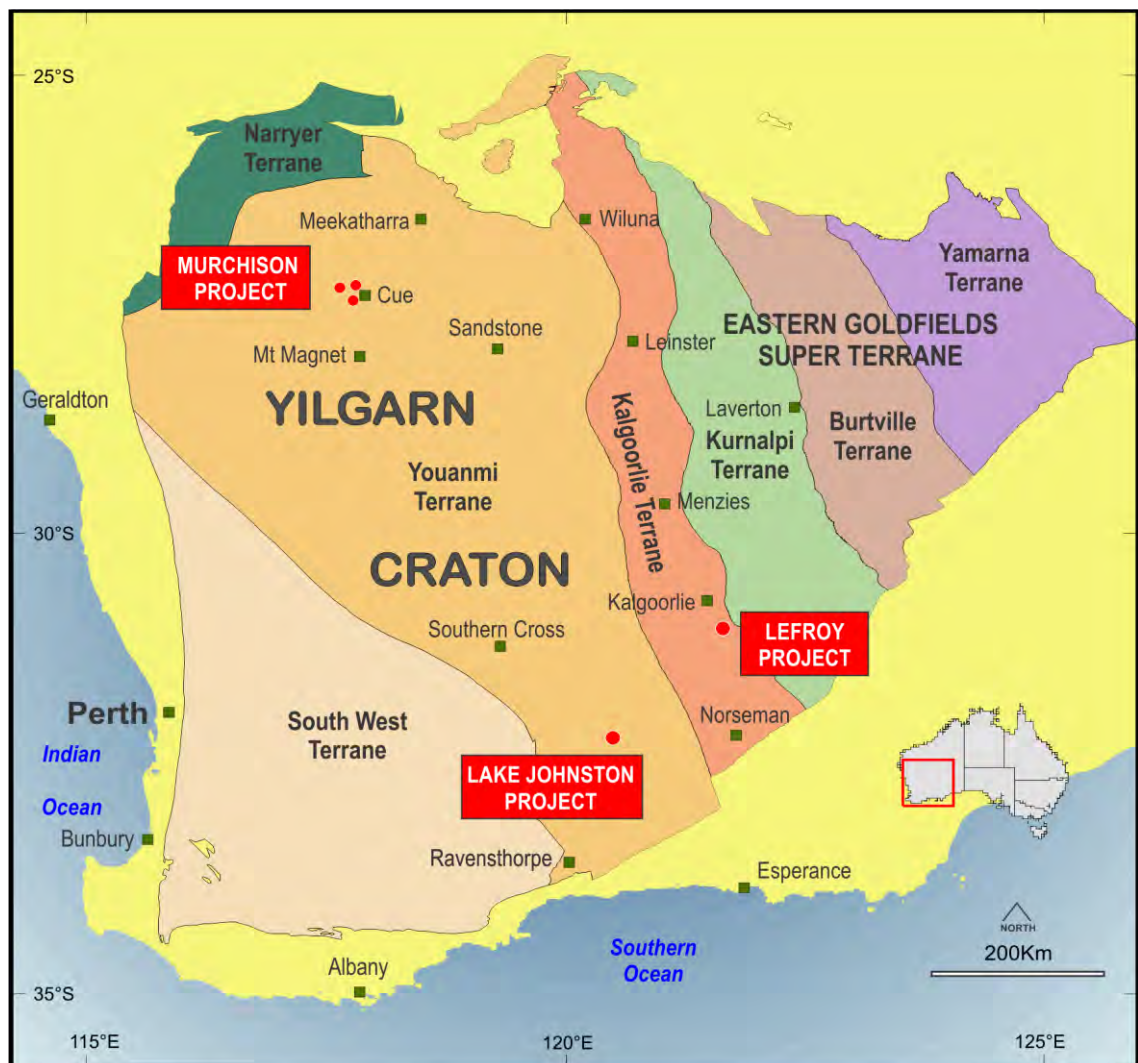
Ravensgate did not carry out a site visit to the project areas. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. The author, Mr Neal Leggo, has had extensive West Australian gold experience and has visited the Lefroy project area in 2012 and the Lake Johnston area in 2013. The Peer Reviewer, Mr Alan Hawkins, has also visited the Lefroy project area numerous times. Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to the project given their location and early stage of development.

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to LEX, prior to finalisation by Ravensgate, requesting that LEX identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

### 2.6.1 Background Information

The projects discussed in this report are located in Western Australia. A locality map of the projects is presented in Figure 1 below. A summary of the tenement details are listed in Table 1 below. References, a glossary of terms and a list of abbreviations are included at the end of this report.

**Figure 1** Locality Map of LEX Projects



**Table 1 Tenement Schedule**

Project	Tenement ID	Registered Holder	Area	Area Unit	Status	End Date
Lefroy	E 25/517 #	Saunders, Frederick Charles	2	BL	Granted	28/05/2020
Lefroy	E 26/131 #	Saunders, Frederick Charles	8	BL	Granted	09/08/2019
Lefroy	E 26/134 #	Saunders, Frederick Charles	6	BL	Granted	28/03/2020
Lefroy	E 26/150 #	Saunders, Frederick Charles	1	BL	Granted	14/03/2021
Lefroy	E 26/182	US Masters Holdings Limited	13	BL	Granted	10/11/2020
Lefroy	P 25/2059 #	Saunders, Frederick Charles	199.1	Ha	Granted	20/09/2017
Lefroy	P 26/3689 #	Saunders, Frederick Charles	170	Ha	Granted	12/11/2017
Lefroy	P 26/3690 #	Saunders, Frederick Charles	116.5	Ha	Granted	23/08/2017
Lefroy	P 26/3691 #	Saunders, Frederick Charles	116.3	Ha	Granted	23/08/2017
Lefroy	P 26/3764 #	Saunders, Frederick Charles	71.8	Ha	Granted	14/03/2019
Lefroy	P 26/3765 #	Saunders, Frederick Charles	133	Ha	Granted	14/03/2019
Lefroy	P 26/3889 #	Rocky Reef Mining Pty Ltd	199	Ha	Granted	10/06/2017
Lefroy	P 26/3890 #	Rocky Reef Mining Pty Ltd	200	Ha	Granted	10/06/2017
Lefroy	P 26/3891 #	Rocky Reef Mining Pty Ltd	195	Ha	Granted	10/06/2017
Lefroy	E 15/1447 @	Montezuma Mining Company Ltd	49	BL	Granted	01/08/2021
Lefroy	E 15/1497	US Masters Holdings Limited	29	BL	Application	-
Lefroy	E 15/1498	US Masters Holdings Limited	4	BL	Application	-
Lefroy	E 26/183 #	Saunders, Frederick Charles	18	BL	Granted	29/05/2021
Lefroy	E 26/184 #	Saunders, Frederick Charles	50	BL	Granted	29/05/2021
Lefroy	E 26/193	US Masters Holdings Limited	7	BL	Application	-
Lake Johnston	E 63/1722 ^	US Masters Holdings Limited	65	BL	Granted	31/03/2021
Lake Johnston	E 63/1723 ^	US Masters Holdings Limited	36	BL	Granted	27/07/2020
Lake Johnston	E 63/1777 *	Lithium Australia NL	3	BL	Application	-
Murchison	E 21/192	US Masters Holdings Limited	15	BL	Application	-
Murchison	E 21/193	US Masters Holdings Limited	18	BL	Application	-
Murchison	P 20/2256	US Masters Holdings Limited	200	Ha	Application	-
Murchison	P 20/2257	US Masters Holdings Limited	200	Ha	Application	-
Murchison	P 20/2258	US Masters Holdings Limited	199	Ha	Application	-
Murchison	P 20/2259	US Masters Holdings Limited	197	Ha	Application	-
Murchison	P 20/2260	US Masters Holdings Limited	196	Ha	Application	-
Murchison	P 20/2261	US Masters Holdings Limited	197	Ha	Application	-
Murchison	P 20/2262	US Masters Holdings Limited	197	Ha	Application	-
Murchison	P 20/2263	US Masters Holdings Limited	197	Ha	Application	-



Project	Tenement ID	Registered Holder	Area	Area Unit	Status	End Date
Murchison	P 20/2264	US Masters Holdings Limited	197	Ha	Application	-
Murchison	P 20/2265	US Masters Holdings Limited	197	Ha	Application	-
Murchison	P 20/2266	US Masters Holdings Limited	198	Ha	Application	-
Murchison	P 20/2267	US Masters Holdings Limited	123	Ha	Application	-
Murchison	P 20/2268	US Masters Holdings Limited	108	Ha	Application	-
Murchison	P 20/2269	US Masters Holdings Limited	180	Ha	Application	-
Murchison	P 20/2272	US Masters Holdings Limited	198	Ha	Application	-
Murchison	P 20/2273	US Masters Holdings Limited	200	Ha	Application	-
Murchison	P 20/2274	US Masters Holdings Limited	188	Ha	Application	-
Murchison	P 20/2275	US Masters Holdings Limited	198	Ha	Application	-

*Notes:*

*LEX was formerly named US Masters Holdings Limited. All tenements are currently in the process of having the name of the registered holder changed to Lefroy Exploration Limited.*

*# These tenements are held, either registered or beneficially, 100% by Hogans Resources Pty Ltd;*

*LEX is acquiring 100% of Hogans Resources Pty Ltd through a share sale agreement.*

*@ E15/1447 is subject to a tenement sale agreement to LEX.*

*^ E63/1722 & E63/1723 exclude lithium rights.*

*\* E63/1777 - gold and nickel rights only.*

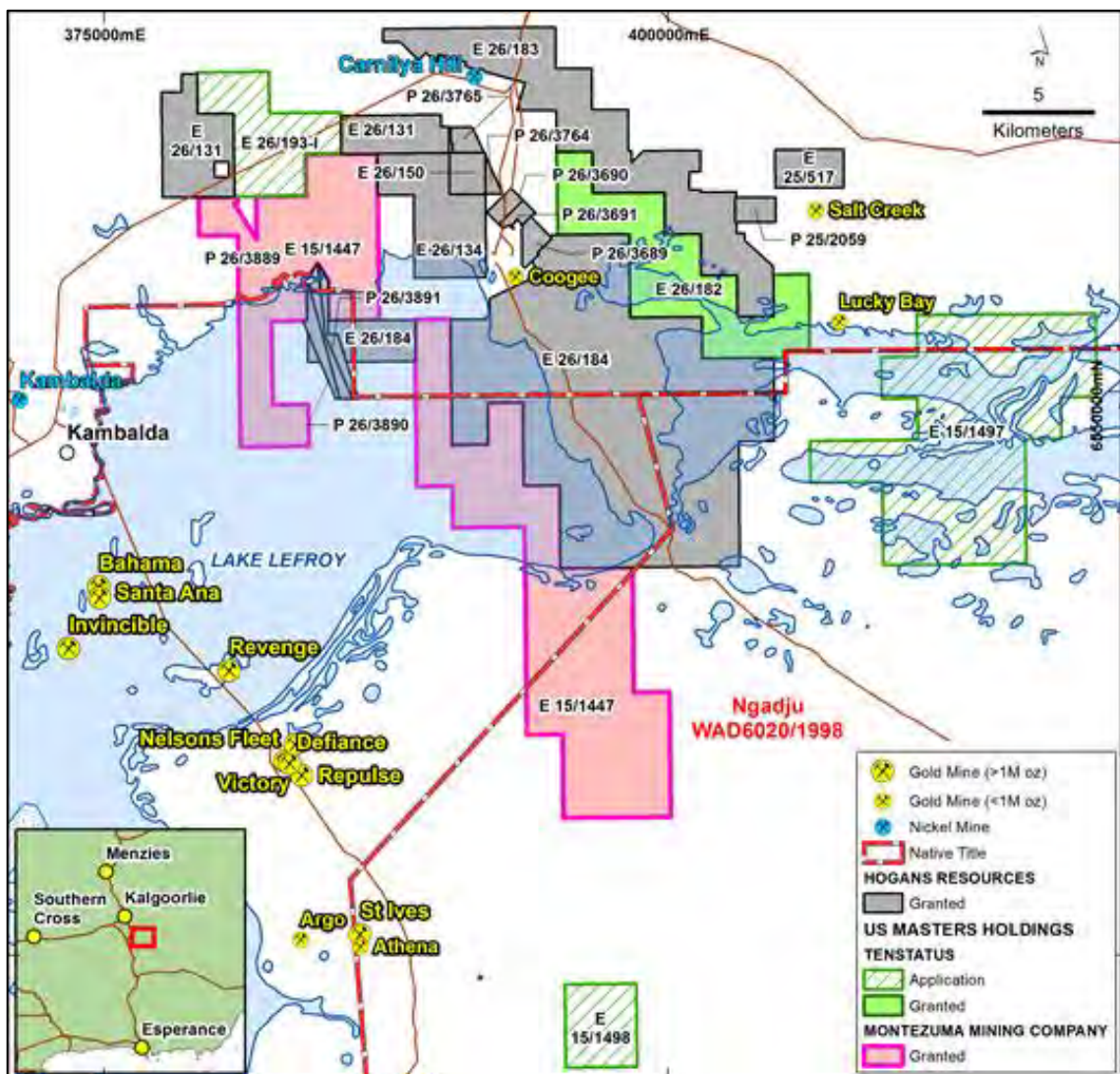


### 3. LEFROY PROJECT

#### 3.1 Location

The Lefroy project is centred 60km southeast of Kalgoorlie and 25km east of Kambalda (Figure 1). The northern parts of the project can be accessed from Kalgoorlie either via the Goldfields Highway then the Woolibar-Hogan Road or via the Mount Monger Road. The central and southern parts of the project can be reached by travelling approximately 22km east-northeast from the historic Victory gold mine along station tracks. The main land uses are cattle grazing and mining. Access within the northern portions of the project area is straightforward through relatively flat terrain and open vegetation using shire roads, numerous station tracks and exploration tracks. Access across significant areas of the tenements is restricted by two salt lakes, Lake Lefroy, an extensive salt playa with a surface area of 554km<sup>2</sup> (59km x 16km) and Lake Randall to the east (Figure 2). Water levels vary seasonally from 0 to 1m deep. Access across these lakes is difficult when dry and restricted when water covered.

Figure 2 Lefroy Project Tenements



Although the Lefroy project is a greenfields exploration project a moderate amount of infrastructure exists in the area and the proximity to Kalgoorlie provides ready access for all exploration, development and mining supplies and services. Telstra mobile phone coverage is available over most of the project area. Importantly, three gold processing plants are



situated close to the project tenements: St Ives Lefroy mill (4.7Mtpa - GoldFields), Randalls mill (1.2Mtpa - Silver Lake Resources) and the Jubilee mill (1.2Mtpa - Metals X). Any future gold deposit discoveries made at Lefroy would therefore have heightened prospects of eventual economic development with lower capital costs compared to remotely located deposits.

### 3.2 Tenure

The project consists of six granted exploration licences, nine granted prospecting licences and four exploration licence applications with a total area of 542.53km<sup>2</sup>. The licence details are listed in Table 1 and their location is shown in Figure 2.

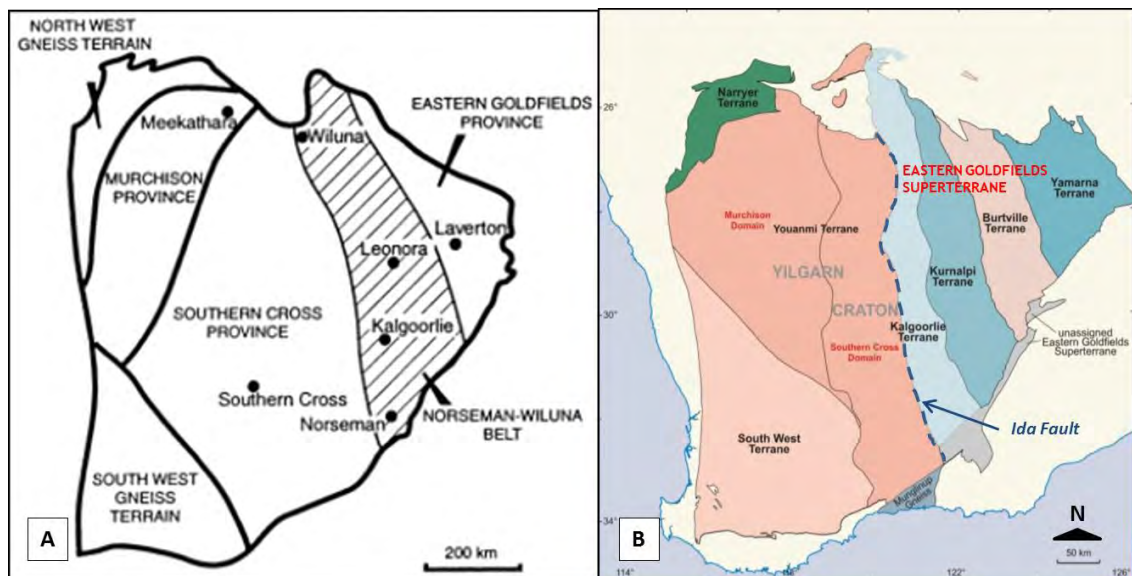
### 3.3 Regional Geology

#### 3.3.1 Yilgarn Craton

The project is located in the Paleo- to Neoproterozoic Yilgarn Craton (Block) of Western Australia Figure 3 - a highly mineralised granite-greenstone terrane with world-class deposits of gold and nickel, and significant iron and volcanic hosted massive sulphide (VHMS) base-metal deposits (Wyche *et al.*, 2012). The earliest widely used subdivision of the Yilgarn Craton (Gee *et al.*, 1981) contained four components - the Eastern Goldfields (containing the Norseman - Wiluna Belt), Southern Cross and Murchison Provinces; and the Western Gneiss Terrane (subdivided into Northwest and Southwest). According to Wyche (2007), the relationships between these regions were enigmatic, with the boundaries not strictly based on observed geological features (Figure 3 A).

Cassidy *et al.*, (2006) divided the Yilgarn Craton into terranes defined on the basis of distinct sedimentary and magmatic associations, geochemistry and ages of volcanism. The Narryer (formerly the Northwest Gneiss) and South West terranes in the west are dominated by granite and granitic gneiss with minor supracrustal greenstone inliers, whereas the Youanmi Terrane and the Eastern Goldfields Superterrane contain substantial greenstone belts separated by granite and granitic gneiss (Wyche *et al.*, 2012). Subsequent revision has further subdivided the Eastern Goldfields Superterrane into the Kalgoorlie, Kurnalpi, Burtville and Yamarna terranes (Figure 3 B; Pawley *et al.*, 2012).

**Figure 3 Evolving Understanding of the Yilgarn Craton**



(Modified from (A) Gee *et al.*, 1981 and (B) Pawley *et al.*, 2012)



The Ida Fault (Figure 3 B), which marks the boundary between the western Yilgarn Craton and the Eastern Goldfields Superterrane, is a major structure that extends to the base of the crust (Drummond *et al.*, 2000). Greenstone stratigraphies in the western Yilgarn differ from those in the Eastern Goldfields Superterrane in such things as the relative abundance of lithologies (especially komatiite and banded iron-formation) suggesting a substantially different depositional regime. According to Wyche (2007), the greenstones in much of the western Yilgarn are typically older than those in the Eastern Goldfields Superterrane. The major mafic dominated successions in the western Yilgarn, date back to 3.0 Ga (e.g. Pidgeon and Wilde, 1990; Geological Survey of Western Australia (GSWA), 2007), whereas the mafic and felsic successions of the Eastern Goldfields Superterrane were largely deposited after 2.8 Ga (e.g. Barley *et al.*, 2003; GSWA, 2007).

### 3.3.2 Regional Geology - Greater Lefroy Area

The Lefroy project is located near the northern edge of the Widgiemooltha (SG 51-14) 1:250,000 map sheet (Griffin and Hickman, 1988b) and cuts across the Lake Lefroy (3235) 1:100,000 map sheet (Griffin and Hickman, 1988a) and Mount Belches (3335) 1:100,000 map sheet (Painter, 2000). The geology of the Widgiemooltha 1:250,000 scale map sheet is described by Griffin (1989), whereas the geology of the Mount Belches 1:100,000 scale map sheet is described by Painter and Groenewald (2001).

The Lefroy project is located in the southern part of the Norseman - Wiluna Greenstone Belt and straddles the triple junction of three crustal units: the Parker and Boorara Domains of the Kalgoorlie Terrane and the Bulong Domain of the Kurnalpi Terrane, each of which is bounded by regionally persistent faults with long histories of reactivation.

To the west of the north-northeast trending Randalls Fault and the northwest trending Mount Monger Fault lies a sequence of greenstones belonging to the Parker Domain of the Kalgoorlie Terrane. This sequence is up to 7,000m thick and was deposited ~2,700Ma ago. It is largely composed of mafic and ultramafic komatiitic lavas overlain by high-magnesian and tholeiitic basalts. Thin shales and chert beds are common throughout the sequence. Overlying the dominantly mafic sequence are felsic volcanic rocks comprising lavas, tuffs and agglomerates with associated extrusive and intrusive felsic porphyries. Metasedimentary rocks of felsic composition overlie the dominantly volcanic sequence and are in turn capped by metamorphosed pebbly sandstones.

To the north and northeast of the Mount Monger Fault is a similar sequence to that of the Parker Domain although metamorphism has been less intense. These rocks belong to the Boorara Domain of the Kalgoorlie Terrane and occur on the northern edge of the project area.

East of the Randalls and Mt Monger faults is the Bulong Domain of the Kurnalpi Terrane. In the Lefroy area these rocks are overlain by younger (less than 2,666Ma) sedimentary units of the Mount Belches Basin. This growth fault-bounded extensional basin is filled with turbiditic sedimentary units that mainly comprise graded polymictic conglomerates and wackes with siltstones and mudstones. Near the top of the sequence several banded chert-magnetite iron formations occur, the uppermost of which is known as the Santa Claus Member.

Subsequently, the basin underwent a period of major compression accompanied by complex folding and dome development with associated granite intrusion to form the Randall Dome. Significant gold mineralisation occurs associated with the Santa Claus Member at the Randalls Mining Centre.

### 3.4 Local Geology and Mineralisation

The Lefroy project tenements are mostly covered by alluvial, colluvial and lacustrine material with very little outcrop. Outcrop is largely restricted to isolated areas in the northern portion, with intervening areas covered by transported alluvium of the drainage systems flowing into Lake Lefroy and Lake Randall. Large portions of the tenements are covered by these lakes, beneath which, accumulations of Cainozoic sedimentary units cover Archaean basement. Lake sediments generally vary from 5 to 30m thick but can be up to 80m thick in palaeochannels.

Archaean rocks immediately below the Cainozoic unconformity are weathered; however the thick regolith profile typical of the Goldfields has generally been eroded off, leaving a thin regolith profile. This restricts the effectiveness of geochemical exploration, as it reduces the

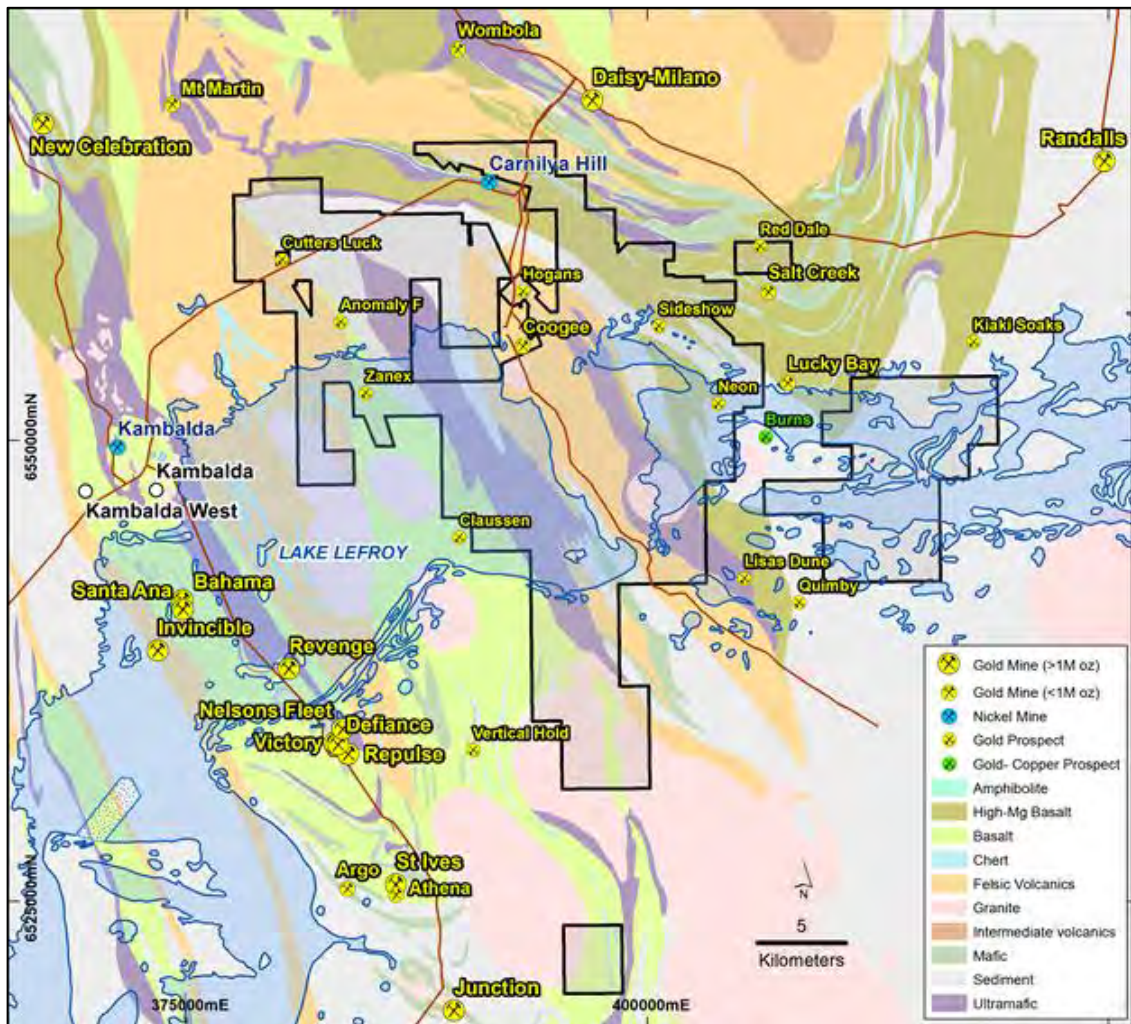




lateral geochemical dispersion of metals from concealed orebodies within the stripped regolith profile, requiring tighter sample spacing to detect anomalies.

An interpretive Archaean geology plan of the Lefroy Project is presented in Figure 4.

**Figure 4** Interpretive Geology Plan of the Lefroy Project



The northwestern part of the project is underlain by Archaean felsic volcanoclastic sedimentary units, felsic volcanics, mafic volcanics and ultramafic volcanics on the southern limb of the Carnilya Anticline. The core of the anticline is mostly comprised of mafic rocks, predominantly metabasalt. Ultramafics, including spinifex-textured peridotites similar to those at Kambalda, flank the mafic rocks.

The Carnilya Hill Block to the northwest is a succession of komatiite, high magnesium basalt, chert and shale, forming an east-west south dipping overturned anticline. It hosts the Carnilya Hill East nickel-copper deposit and lies within the Boorara Domain. Nickel sulphide mineralisation, hosted by komatiites, is present at Carnilya Hill at the eastern end of the Carnilya Anticline.

Access across the salt lakes is difficult when dry and restricted when water covered. This logistical difficulty provides an exploration opportunity now that drilling rigs capable of operating successfully in the lake environment are readily available. Historically exploration has been significantly hindered by access and drilling problems, leaving many targets poorly tested.



### 3.4.1 Nearby Gold Deposits

The Lefroy project is situated in a highly fertile greenstone belt with numerous gold deposits and abundant gold occurrences nearby. Figure 4 provides a map highlighting the location of the major gold mines, deposits and prospects in their geological context and relation to the project tenements. Five of the deposits and the major St Ives gold camp are specifically relevant to exploration of the Lefroy project and have been briefly described below.

#### Coogee Gold Mine

Ramelius Resources operated the Coogee open pit in 2013/2014. Coogee is a shear hosted orogenic lode gold deposit hosted by metasomatically altered calc-silicate sedimentary units within a sequence dominated by intermediate volcanics and subvolcanics. Hydrothermal fluids are interpreted to have travelled up fracture systems associated with a proximal granitoid pluton.

The deposit was discovered in 1995 by Sovereign Resources. No gold appears in the top 25m owing to depleted oxidised saprolite and transported cover. A reported Mineral Resource of 231,000 tonnes grading 4.3g/t Au, for 32,000oz Au, converted to a Probable Ore Reserve of 109,000t at 5.1g/t, for 18,000oz Au, for a 75m deep pit. A six month mining campaign was successfully completed in February 2014 mining 147,401 tonnes at a grade of 4.32g/t. Ore haulage to Ramelius' Burbanks mill was completed on 30 June 2014. By this date, Burbanks had milled 121,248t at 5.25 g/t for 20,469oz (19,789oz recovered), with a further 31,528t at 3.09 g/t for 2,971oz recovered in the following quarter (Ramelius 2014a & b).

#### Salt Creek Gold Mine

Integra discovered the Salt Creek deposit in 2005 through geochemical exploration and quickly delineated the deposit, bringing it into production which commenced through an on-site mill (which was purchased and re-located from New Celebration) in 2010. Feasibility was based on Indicated and Inferred Mineral Resources of 4.6Mt at 2.7g/t Au for 400,000oz (Integra, 2008). Open pit mining concluded in 2011 but ore processing continued for several years, after which the site was rehabilitated. Gold mineralisation at the Salt Creek deposit is hosted by the granophyric phase of a differentiated gabbro unit where it is transected by a north-south oriented structure in the hinge of the Bulong Anticline. Mineralisation is associated with multiple phases of quartz/ sulphide, and quartz carbonate veining with silica-sericite-carbonate alteration haloes. In 2009, Integra reported *numerous high grade intersections, including a result of 7.2m at 11.6g/t Au from a structure interpreted to be the feeder structure*, however no further reports were made public about the high-grade potential of Salt Creek and no underground mining was undertaken.

#### Daisy-Milano Gold Mine

The Daisy-Milano mine has been in operation since 1990 as an underground mine. Since 2007 it has been operated by Silver Lake Resources, with ore being processed through the Lakewood mill in Kalgoorlie. The mine is accessed from a decline to a depth of about 900m. The Daisy Complex includes five lode trends: Daisy, Milano, Rosemary, Haoma and Haoma West. The lodes are zones of brittle-ductile shearing in which quartz veins (3-5cm) are common. Veins are commonly conformable with shear zones and are variably deformed. Host rocks are intermediate to felsic volcanic rocks with mineralisation occurring as a swarm of thin quartz veins in lodes typically less than 2m in width. These veins dip ~80° to the east with a southerly (southwest) plunge (40° - 45°) beneath an overlying north-northwest trending ultramafic unit of ~250m thickness. The entire ore host sequence is intruded by quartz-feldspar porphyritic units. There are also several east-west trending Proterozoic age, mafic dolerite, intrusive dykes ranging from a few centimetres to several metres thick, distributed throughout the deposit area.

#### St Ives Gold Camp

To the west of the Lefroy project, the St Ives gold camp comprises a string of 25 separate orebodies distributed over a 30km long, north-northwest oriented trend parallel to the Boulder-Lefroy Shear Zone, to the south of Kambalda. The camp is currently producing 450,000oz of gold per annum and has seen more than 12Moz of gold produced through the life of the field from deposits including Revenge, Victory, Repulse, Defiance, Nelsons Fleet, Santa Anna and Bahama (Figure 4). The recent Invincible discovery (8.9Mt at 4.6g/t Au) provides evidence that focused, highly technical exploration programs continue to uncover new



deposits beneath Lake Lefroy (Woodcock, 2015). The geology and ore genesis of many of the St Ives deposits have been well described in a variety of scientific publications.

#### **Lucky Bay Gold Mine**

The Lucky Bay deposit is located on the north shore of Lake Randall approximately 5km south of the Randalls mill. Gold production commenced at Lucky Bay in August 2015 based on a Resource of 125,600t at 5.4 g/t Au, for 21,600oz and Ore Reserves of 123,000t at 4.85g/t Au, for 19,180oz Au (Silver Lake, 2012). The mineralisation is hosted dominantly within BIF - pervasively silica-albite altered and pyrite-pyrrhotite mineralised fine-grained sedimentary units with quartz carbonate sulphide veining. The highest grades are associated with siderite-ankerite alteration proximal to quartz-carbonate veins within the BIF and the adjacent siltstone or shales. There is also a high grade oxidised supergene zone. Several bands of carbonaceous shale are present in the hangingwall of the BIF (Silver Lake, 2014).

#### **Burns Prospect**

In close proximity to LEX tenements, Octagonal Resources (now Gandel Metals Pty Ltd) explored the Burns gold-copper prospect (Figure 4 and Figure 11). At Burns, significant gold and copper mineralisation has been intersected by diamond drilling in an interpreted massive magnetite-chalcopyrite potential feeder structure (0.9m at 4.5g/t Au and 2.6% Cu from 256.4m depth). This followed the discovery of shallower mineralisation defined by 33 RC holes drilled on four 40m spaced traverses. The geological setting is strongly fractured high-magnesian pillow basalt intruded by feldspar-porphyrific intermediate rocks. Other zones of mineralisation intersected by diamond drilling include 38.5m at 0.5g/t Au and 0.2% Cu from 184.5m depth and 55.95m at 0.5g/t Au and 0.2% Cu from 229.85m depth (Octagonal 2014). The mineralisation style is thought to be unique in the Eastern Goldfields of Western Australia as it is not associated with significant quartz veining or shearing, it is carbonate-poor, it is associated with magnetite-biotite alteration, and it is not associated with any typical pathfinder elements for Archaean greenstone hosted orogenic lode-gold deposits.

### **3.4.2 Nearby Nickel Deposits**

#### **Carnilya Hill Nickel Mine**

The Carnilya Hill nickel deposit was discovered in 1974 and mined between 1980 and 1999, initially as a Joint Venture (JV) between WMC and BHP. It was closed in 1999 on exhaustion of the then known ore reserves, having produced 1.4Mt at 3.37% Ni, for 47,290t of nickel metal. Limited remnant mining was carried out by View Resources (2003 - 2005), before entering into an exploration JV with Mincor Resources in late 2005. Mincor sole funded \$2.5M to earn a 70% interest in the project. Initial Ore Reserves of 483,500t at 2.9% Ni were proved by mid-2007 with underground production commencing in late 2008, mining 15,000t per month until closure in 2012. Current Mineral Resources are 73,000t at 2.8% Ni.

### **3.5 Mining History**

Following major gold discoveries at Kalgoorlie in 1893, prospectors found gold near Mount Monger in 1896. Hogans Find produced 304.6t of ore at a grade of 29.2g/t Au for a total of 8.89kg of gold during the period 1900 to 1904. The Mount Monger goldfield was mined intermittently on a small scale from 1916 till the 1960s with mine development and prospecting activities driven by the gold price. The field consisted of numerous prospectors and small companies each with their own piece of tenure exploited by either shallow open pit or small scale underground mining to depths of 50m. Larger historic mines included the Caledonian, Daisy, Big Bull, Leslie, Pauline, Milano, Haoma and Maranoa. During this period records show that the average production grade for the field was in excess of one ounce per tonne.

From 2013 to 2014, Ramelius mined 147,401t at 4.32g/t Au from the Coogee deposit, which is located centrally within the project area but not part of LEX tenure.

Prospecting and superficial mining operations conducted in the Hogans Find area has recovered significant gold over the past decade. Utilising a bulldozer for ripping the surface to a depth of approximately 1.0m and a metal detector, payable coarse gold has been recovered over a wide area. These areas are interpreted geologically as broad strong geochemical gold anomalies. The largest gold nugget found by these prospectors weighed 1,009 grams (~32 ounces).



### 3.6 Exploration History

Modern exploration began in 1966 by BHP during the nickel boom. BHP explored a broad area for nickel from 1966 to 1973 undertaking IP, aeromagnetic and ground magnetic surveys, mapping, rock chip sampling and soil sampling. The resulting exploration targets were followed up with auger, percussion and diamond drilling. Their program resulted in the discovery of the Carnilya and Carnilya Hill nickel deposits. A gold target associated with a structurally deformed BIF was tested by two RAB traverses. Five holes showed low level gold anomalies and there is no record of any re-sampling or follow up.

Between 1985 and 1989 CRA Exploration conducted exploration for gold on E26/6 northwest of Hogans Find. Their work comprised an airborne magnetic survey, geological mapping, soil sampling, auger and RAB drilling. The RAB drilling returned only a few moderately anomalous values with a peak value of 104ppb Au.

Croesus Mining explored for gold between 1987 and 1993 in the vicinity of Hogans Find. Their program included mapping with acquisition and interpretation of aeromagnetic data. Four targets were selected and tested with soil geochemistry. Croesus drilled ten aircore holes in a traverse testing for alluvial gold at Hogans Lagoon.

Geopeko/North explored EL26/40 over Mt Hogan between 1989 and 1993. Exploration was concentrated on gold and copper potential of the felsic volcanic dominated sequences.

Orion Resources explored for gold in the Cutters Luck area between 1992 and 1994. Orion carried out a regional soil sampling program on a 400m x 25m grid. Two target areas were followed up with a detailed infill soil sampling program on a 100m x 25m grid in selected areas. A gold anomaly with a peak value of 36ppb Au was delineated 2km southwest of Paddies Dam on the margin of a Proterozoic dolerite dyke. Orion never followed up the anomaly. The soil anomaly in the northwest of Orion's licence area was associated with siliceous cap rock over ultramafics and returned a peak value of 64ppb Au. The only follow-up was five barren rock chip samples.

Sovereign Resources (Sovereign) carried out extensive exploration for gold and nickel on their Hogans Project from 1991 to 2001. The project covered a raft of tenements including: E26/37 E26/49 GML26/7618 GML26/7619 M26/279 M26/397 M26/435 P26/1935 P26/1936 and P26/2303 across the northern shore of Lake Lefroy. Sovereign conducted numerous exploration programs from 1994 to 1999 after which they were renamed Hitech Energy and undertook little further effective exploration. An initial target generation exercise based on an aeromagnetic interpretation by David Isles generated 30 targets. Sovereign divided the project up into three domains: Coogee, Aztec and East Kambalda. Reconnaissance RAB drilling was undertaken on 31 of these targets which identified six main anomalies for detailed follow-up labelled Anomaly A through to Anomaly F. In subsequent years further anomalies were followed up and they were labelled Anomaly G through to Anomaly J. Anomaly A developed into the Coogee gold deposit and ultimately the Coogee mine. Anomalies B, C, D and E are located in the Mt Monger trend area while F, G, H and I are located in the Woolibar Trend area. Sovereign defined 30 RAB drilling targets of which two are within the current project area, anomaly D and Anomaly E. At anomaly D, 38 holes were drilled for 1,570m with only one result greater than 1g/t Au: (AD46) 2m from 58m to 60m (EOH) at 1.4g/t Au. At Anomaly E, ten holes were drilled for 539m with no anomalous results reported. A further 16 RAB holes for 446m were drilled at Anomaly D. Nineteen angled RAB holes were drilled to test beneath the old workings at Hogans Find.

Sovereign's Anomaly F, located north of the Zanex prospect on LEX tenure, continues to hold promise for both gold and nickel mineralisation. In 1994 a reconnaissance RAB traverse was immediately followed up with an infill RAB program of 30 holes for 1,066m and 64 holes for 2,400m yielding fifteen 3m composite intersections of anomalous gold grading over 0.1 g/t Au up to 0.9g/t. In 1995 a further 75 RAB holes were drilled for 2,226m. Anomaly G (located northeast of anomaly F) was a low amplitude magnetic feature which mapping revealed as a porphyry intrusive andesite into sedimentary units and tuff, with no anomalous gold in a single RAB line. Anomaly H (located northwest of Anomaly F) was a high amplitude magnetic feature which again mapped as a porphyry intrusive andesite with no anomalous gold in a single RAB line. Anomaly I (located north of anomaly F) was following up a favourable RAB intersection obtained by Aztec in 1991 of 12m at 0.5g/t Au. It was tested with nine RAB holes at 50m spacings with an intersection of 8m at 1.3g/t, from 36m in association with a contact



between a sedimentary unit and a quartz feldspar porphyry. Follow-up was recommended, but subsequent reports did not mention Anomaly I, which now warrants detailed follow-up by LEX.

In 1997 significant work was undertaken on Anomaly F as Sovereign's focus turned to nickel. Significant further RAB drilling was undertaken as a geochemical technique searching for komatiite lava flows and also gold. Six RC holes were drilled to check if the ultramafics were of komatiitic composition with detailed geochemical and petrographic work undertaken. No komatiite was identified, although six further samples submitted for petrography the following year reported possible ex-komatiite altered ultramafics. In 1998 Sovereign turned to geophysics to explore Anomaly F. A small TEM survey was undertaken which defined two conductors. Further geophysics was recommended but not undertaken. This is worthy of detailed follow-up by LEX. The Aztec nickel prospect was tested with a single diamond drill hole (ASD1) located near the shore of Lake Lefroy, 4km west of Hogans Lagoon.

Zanex Resources pegged E15/211 in 1990 over the northern part of Lake Lefroy and explored with aeromagnetics, ground magnetics and aircore drilling. In 1994 LAC 002 intersected 1m at 969ppb Au with elevated gold in nearby holes (LAC015, 018, 021, 023). Cyprus Gold explored for gold in JV with Zanex from 1995 to 1998 undertaking ground magnetics, 17 aircore holes and six petrology samples. LFA182 produced a good intersection on cross-section 6555180N AMG, with other holes intersecting anomalous gold in both lake sediments and in Archaean basement. LEX have targeted this area labelling it the Zanex anomaly (refer Section 3.9.3).

Cyprus explored three prospecting licences for gold in 1997. The area covers ground south of the Zanex prospect which is not currently held by LEX. Sixteen aircore holes (LFA099 - 114) were drilled on 400m traverses at 320m spacings but experienced difficulty penetrating lake sediments on the eastern side where eight holes failed to reach basement. Interpreted basement lithologies included mafics, ultramafics and intermediate porphyries. No gold was intersected in the basement, but seven intervals greater than 25ppb Au were returned in lake sediments.

Cyprus explored E15/65, E15/326, E15/365 and three prospecting licences from 1997 to 1998 south of the Zanex prospect. Thirty six aircore holes (LFA095 - 193) were drilled for 1,683m on 800m and 400m traverses with 320m hole spacing. Interpreted basement lithologies included mafics, ultramafics and intermediate porphyries. No gold was intersected in the basement, but 24 intervals of anomalous gold were returned in the lake sediments greater than 25ppb Au.

Genesis Resources explored for gold between 1997 and 1998. Genesis carried out rock chip and soil sampling south of Top Dam over a magnetic feature. Ten samples contained +10ppb Au with the maximum gold result being 15ppb Au. Follow-up drilling was recommended but not carried out.

The Saint Alvano JV (SAJV) between WMC and Kanowna Consolidated Gold Mines was formed in 1996 to explore a significant tenement package over the Lake Lefroy area for gold and nickel. The SAJV at times comprised tenements covering an area of more than 800km<sup>2</sup> as tenements were added to the project area. Most of the tenements were to the southeast of LEX's current tenure. WMC identified eleven gold and nickel targets mainly through an insightful new basement geology interpretation by consultants Etheridge-Henley-Williams. They recognised a number of major regional structures as having prolonged histories of reactivation and playing key roles in controlling the channelling and concentrating gold mineralisation, these include the Randall and Mt Monger Faults.

In 2001 WMC sold the St. Ives Gold Mining Company to Goldfields who continued operating the SAJV until the final surrender in 2013. During that period they continued the exploration of nine of the gold targets previously investigated by WMC: SA7, SA10, SA11, SA13, SA20, SA22, Flanders, Homers Inlet and Neon. In 1997 M26/756 was explored by auger sampling with 72 holes at 400 x 100m spacings producing some gold and weaker base metal anomalies. Exploration over all the tenements included gravity surveying on a 1 x 1km grid and detailed aeromagnetics. Investigation of prospect areas was thorough and included mapping, soil sampling RAB drilling, TEM and SIROTEM surveys, aircore drilling and RC drilling. At the Neon prospect 15 aircore holes drilled to test a magnetic anomaly found weak gold anomalies in mafic saprock below 10 to 20m of lake sediment and a regolith profile stripped to the saprock. Follow-up work included 94 aircore holes drilled in north-south traverses which



returned only four narrow intersections of anomalous gold. East-west orientated aircore traverses were planned but never executed.

WMC and subsequently Goldfields explored tenement E15/369 (Claypan project) for gold from the 1990s to 2002 covering the southern part of LEX's Woolibar trend area. Only the partial surrender report (A65747) is available in WAMEX for this tenement. During 1995 a detailed aeromagnetic survey was flown by WMC across Lake Lefroy which encompassed this tenement. WMC drilled nine diamond drill holes for 1,625m into nickel targets (LD9053 - LD9061) focusing on the contact between ultramafics and the Claypan Dome as an analogy to the Kambalda Dome. Ultramafic lithologies were intersected but the facing was not defined, no contacts were identified and no anomalous nickel results were returned. WMC were reported to have drilled 38 aircore holes for 2,180m searching for gold (LD9001 - LD9037A). No anomalies were identified. Goldfields drilled 66 aircore holes for 2,640m searching for gold (LD9062 - LD9127). There were a few anomalous gold intersections in the aircore.

Hampton Hill Mining explored around the Red Dale prospect during the period 1995 to 2003 conducting regional geochemical RAB drilling on lines 400m apart and with 100m sample spacing. Seven anomalous intersections over 100ppb Au were encountered with a best intersection of 5m at 1,960ppb from 45m.

Voyager Gold explored for gold and base metals from 1997 to 2001. Their exploration program was comprised of geological and regolith mapping, hydrogeochemical sampling, partial digest soil sampling (659 samples) vacuum drilling (633 samples), RAB drilling programs (HFB90-212, 123 holes for 2,683m and HB01-44, 44 holes for 808m) and limited RC drilling. The Grass Dam prospect was defined by a soil anomaly of approximately 1km<sup>2</sup>. A total of 301 samples were collected on a grid of 80 x 40m, the minimum result returned was 2.9ppb Au from 213 samples with gold results ranging from 10ppb to 191ppb. Follow up RAB drilling (40 holes for 641m) was undertaken which was reported to have intersected two low level anomalous zones of gold. Spivey (1999) concluded that the anomalous zone was associated with mafic-ultramafic contacts, sedimentary interbedding and porphyry dykes. Voyager also defined the North East and Eastern Shear prospects with gold-in-soil.

Mt Monger Gold / Integra Mining / Silver Lake have continuously explored E25/162 since 1998. A portion of the tenement package was surrendered in 2014 which is now LEX tenure. Exploration on this portion has included pedogenic carbonate sampling, detailed gravity surveying, aircore drilling. The best aircore intersection reported as 22m at 1.78g/t Au from 112-134m (SCAC794) is logged as basal transported sediment overlying carbonaceous shale bedrock.

Goldfields explored E15/1010 on Lake Lefroy for gold from 2008 to 2014. Partial surrender report for 2014 (a103965) provided basic data for extensive aircore drilling completed across the surrendered portion of the tenement. Goldfields drilled 110 holes for 5,927m.

Delta Gold explored a small exploration licence (E26/88) situated on Lake Lefroy in 2000. Delta drilled 52 aircore holes (LLA001 - 052) for 2,987m over six lines on a 100 x 100m pattern. Gold and arsenic were assayed on 5m composites of 1m samples. Delta reported truncated regolith profiles beneath thick lake sediments. Delta surrendered the tenement soon after receiving the analytical results. There were, however, some anomalous values which are of interest. The highest intersection was 5m at 250ppb Au from 20m in LLA027 located at 6552000N, 382800E just to the east of LEX tenure.

Gladiator Resources explored for gold between 2005 and 2007 on E26/107, E26/108, E15/774 and E15/803. Their exploration focused on targets which are not on current LEX tenure. Gladiator undertook extensive soil sampling including mobile metal ion soil sampling targeting linear aeromagnetic features. Earthscan Pty Ltd was contracted to produce a structural and mineral alteration report over the project area using multi-client data from Fugro Airborne Services.

Newmont, in alliance with Sipa Resources, entered into a JV with Gladiator and three other companies (Velvet Strike, West River and Gold Attire) to put together the package of land covering the potential southern extension of the Mt Monger Fault, specifically the Salt Creek / Lucky Bay trend. Independence Group had the nickel rights to the tenements owned by Gladiator, with all parties operating under a Deed of Cooperation. In 2009 Newmont completed a ground gravity survey which successfully mapped a major fault trending south from the Salt Creek and Lucky Bay deposits across Lake Randall, which was tested with



aircore drilling (5,290m) focused on this Salt Creek - Lucky Bay corridor. A divestment process for Newmont's earn-in equity of the Hogan's Project was carried out by Newmont in mid-2010 with Octagonal being the successful purchasers in 2010, including the project in their IPO to list on the ASX in 2011.

Octagonal Resources (Octagonal) continued to explore these tenements (E15/774, 803, 1044, E26/108) through to 2015. These tenements are now held by Gandel Metals Pty Ltd, a private company which took control of Octagonal after the company delisted from the ASX. Octagonal undertook gravity surveys over the entire area on an 800 x 400m grid, Octagonal incorporated WMC's SA13, SA20 and SA22 prospects, as the Sideshow Prospect, focusing on the sulphidation of BIF model for gold mineralisation. They amalgamated the results from previous exploration drilling and reinterpreted the gold anomalies as saprolite, following a west-northwest structural trend, while interpreting gold concentrated at the base of the Cainozoic cover as having an east-west trend. 120 aircore holes were drilled on an initial spacing of 640 x 160m closing up to 320 x 80m selected areas. Bedrock in most drill holes was identified as metasedimentary units with rare mafics identified from a Hychip study. Three drill holes showed gold anomalies in the saprolite/saprock, while three drill holes recorded gold anomalies at the base of the Cainozoic. No coherent pattern of gold anomalies was recognised and none of the anomalous aircore intercepts were followed up.

Aragon Resources explored E26/157 for gold and nickel between 2005 and 2007. Their program included the purchase and processing of an aeromagnetic survey, field inspection to determine surface sampling applicability, regional geological assessment and target definition. The results defined a priority target area. Aragon Resources explored for nickel on two tenements which covered Lake Lefroy from 2009-2013 undertaking electromagnetic geophysical surveys and diamond drilling. Westgold Resources Limited and subsequently Metals X acquired the tenements through company takeovers. Diamond drill holes LFDD 001 and 002 were drilled to test several conductors detected by electromagnetic (Crone PEM and Squid Moving Loop) surveys. No positive results were reported from the drilling except for ultramafics being intersected at depth. Best intersection was 0.318 g/t Au at 144m depth.

Independence Group explored for nickel and PGEs between 2006 and 2008. Exploration of E26/149 included a 35.7 line/km SQUID MLTEM survey over interpreted ultramafic stratigraphy resulting in the delineation of a conductor at the south-eastern corner of the tenement, named Nessie. Two RC holes with diamond tails were drilled at Nessie for a total of 651.3m. There were no significant assays for gold or nickel, which was their focus, from the two holes drilled.

Terrain Minerals explored for gold and nickel between 2005 and 2014 across the northern shore of Lake Lefroy - which had been explored by Sovereign during the previous decades. The tenement package was purchased from View Resources in 2005 and comprised E26/97, M26/477, M26/478 and M26/485. Terrain reported that View Resources' exploration work consisted of approximately 1,000 auger holes on a 200 x 50m grid to 2m depth assayed for gold and base metals located around the Coogee mine area. Terrain floated in 2006 with significant drilling on the Coogee mining leases occurring in 2007, comprising nine RC holes for 748 (ADRC001-006, HFRC018-020) which returned a limited number of assays greater than 1.0g/t Au. In 2006, Terrain undertook TEM over Sovereign's Anomaly F target. Three anomalies were identified and only one of these, the weakest, correlated with those identified by Sovereign's TEM survey. RC drill testing of the stronger Terrain anomalies, A & B, was carried out later in 2006. Drill hole LFRC001 tested Anomaly A intersecting several graphitic sulphidic black shales and no anomalous nickel results. Two RC holes did not reach target depth due to drilling conditions. Drill hole LFRC004 tested Anomaly B intersecting a sequence of intermediate tuffs and sedimentary units, serpentinised peridotite and high magnesium basalts but failed to reach target depth because of drilling conditions.

In 2008, a partial surrender of E26/97 saw Terrain release blocks to the west, south and east of the Aztec dome which included Anomaly F. Aztec undertook significant exploration on the Aztec dome, conducting detailed geological mapping at 1:5,000 scale, gravity, EM and IP surveys. In 2009 Terrain drilled nine RC holes into IP anomaly A (ASD001 - 009) which reported hitting sheared ultramafics with anomalous nickel-chromium geochemistry in magnesium basalts and komatiitic pyroxenite with strong carbonate alteration. A comprehensive deep drilling program was conducted by Terrain during 2012. Nine holes were drilled including two holes drilled to nearly 1,000m. This drilling was co-funded by the DMP, therefore core is



available for inspection in the Joe Lord core library in Kalgoorlie. The associated RC drill holes were water bores and pre-collars, some of which were not used for diamond tails. AZRCDD001 and 012 were designed as stratigraphic holes - deep diamond drill holes through the entire volcanic sequence, while AZRCDD013 and 015 tested electromagnetic conductive targets and were ~300m deep. Downhole EM geophysical surveys were conducted for all of the diamond holes. Results were disappointing with no nickel mineralisation discovered and no suitable host rocks for nickel mineralisation encountered however, the holes cast significant doubt on the previous structural interpretation of the area as a dome. Major faults dipping to the west were intersected and the structure is possibly a syncline rather than an anticline.

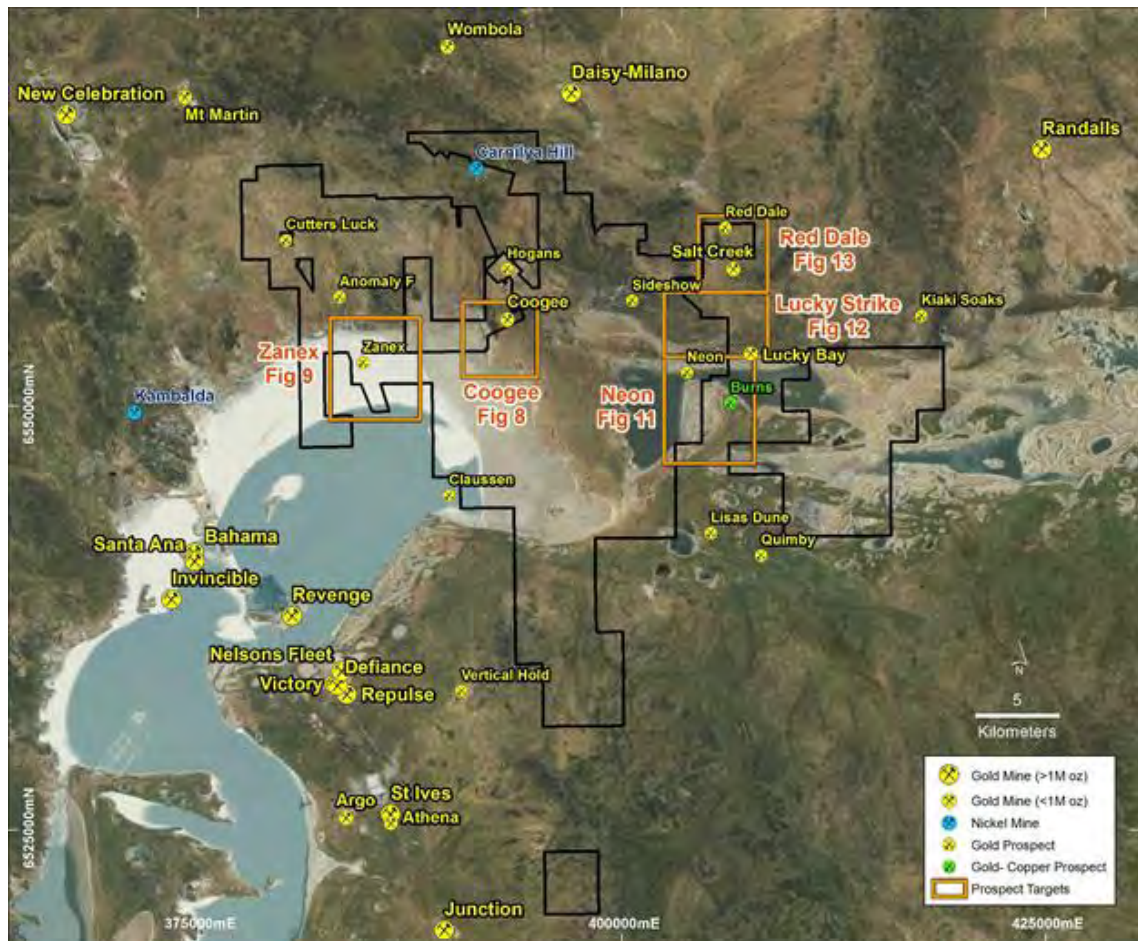
Integra Mining (Silver Lake Resources) explored the Red Dale project (E25/280) from 2008 to 2014 following purchase from Red Dale Exploration. The project is located approximately 70km southeast of Kalgoorlie, 9km east-southeast of Mt Monger and 2.5km along strike from the Salt Creek gold prospect which Integra had recently discovered. Integra focused on seven anomalous RAB intersections from Hampton Hill's 1995 program which had not been followed up. Exploration conducted on E25/280 included a geophysical review, data compilation, aircore, RC, diamond drilling, project review, gravity survey, mapping, spectral analysis, multi-element sampling and interpretation, soil sampling, 3D modelling, geophysical reprocessing and geophysical summary. Between 2007 and 2010 Integra drilled 487 aircore holes for 24,618m in four programs, initially on 160m x 80m, subsequently on 80m x 40m drill hole spacings. The aircore identified a significant gold anomaly with assay results of up to 5m at 1.96g/t Au from 48m in drill hole RDAC162. The gold anomaly displays dimensions of approximately 1.2km in length and up to 1km in width. Between 2007 and 2010 Integra drilled a RC program of 36 drill holes for 5,525m, 14 diamond core drill holes for 3,009m in three programs. They undertook significant spectral analysis of drill samples with 4,237 spectrometer analyses plus 202 multi-element geochemical analyses in an effort to map alteration trends at Red Dale. Between 2011 and 2014 drilling was limited to 24 RAB holes for 742m as exploration focused on conceptual modelling and regional targeting activities. The ground was surrendered in 2014.

A number of other exploration companies have held exploration tenements over the area of LEX's Lefroy tenements through the last 30 years without undertaking any effective work; these include Kilkenny Gold, Mincor, North Ltd and South Boulder Mines.





Figure 5 Lefroy Project: Prospect Locations



### 3.7 Current Exploration

During 2016, LEX have undertaken compilation of past exploration data, construction of a database of historic drill data, GIS development, geophysical data aggregation and desktop studies, primarily over the Lefroy project and to a lesser extent, the Lake Johnston project.

Rocky Reef have explored the Hogans area for coarse surficial gold since 2006 and have undertaken extensive prospecting, metal detecting and data research. Recent discoveries have included Mums Patch in 2014 on E26/124 (location 6560169N 388594E) and Hogans Patch in 2015 in Patch P26/3690 (location 6557893N 392322E).

The Mums Patch gold occurrence covers an area of 400 x 200m of alluvium to a depth of 1 m. The nuggets were won via metal detecting and using a loader to move the alluvium. The nuggets were lying at or near the top of the bedrock or base of alluvium in a gravel rich horizon and represent a major geochemical anomaly. Figure 6 shows a selection of the largest gold nuggets won from Mums Patch. Many have a flat habit, some with striations-lineations which indicate originating from a shear hosted lode. They are interpreted to be primary in origin. The nuggets have few rounded/smooth edges indicating they have not travelled far and pointing to a local source area. Two angled RC holes were drilled at the patch in early 2015 in an area thought to be the source, however no primary mineralisation was intersected.



**Figure 6** Photograph of Gold Nuggets Prospected from Mums Patch on E26/124



*Note: Photograph courtesy of Fred Saunders*

The Hogans Patch gold occurrence covers an area of 250 x 250m of alluvium to a depth of 5m; the area that had previously been worked over by other prospectors. The discovery was made by using a large loader to excavate below a 2-3m thick silcrete horizon, beneath which an alluvial channel was found bearing gold. The channel base was up to 5m from surface and was followed some 250m along its length. The gold won was reported to be free and specimen which suggests a local origin. The residue from the detecting was subsequently put through a dryblower in 2016 with additional fine gold recovered.

### **3.8 Mineral Resources**

No Mineral Resources have been defined within the project tenements.

### **3.9 Exploration Potential and Targets**

The Lefroy project is positioned in a prospective location in terms of a regional geological and mineralisation setting, occurring within the Eastern Goldfields which is in the top 5% of established global gold provinces. The project is located 70km southeast of the 70Moz Au Kalgoorlie Super Pit and ~30km east (at the project centre) from the 12Moz Au St Ives gold camp at Kambalda. Ravensgate consider the areas prospective for structurally controlled orogenic lode gold deposits of which there are many examples in the surrounding greenstone belt. Section 3.4.1 described five of the significant gold deposits in the immediate area.

The position of the Mount Monger Fault is now better defined from analysis of drill data. It lies some 1km further east than that is shown on previous interpretations and swings around to almost due east-west, passing between the Lucky Bay and Salt Creek deposits on Silver Lake's ground. This interpretation has ramifications for the improved prospectivity of E15/1497 to the east.

The most effective geochemical exploration in this environment has been aircore drilling, which can penetrate the alluvium and sample the saprolite, reaching refusal in saprock. Surface geochemical sampling has generally proved ineffective.

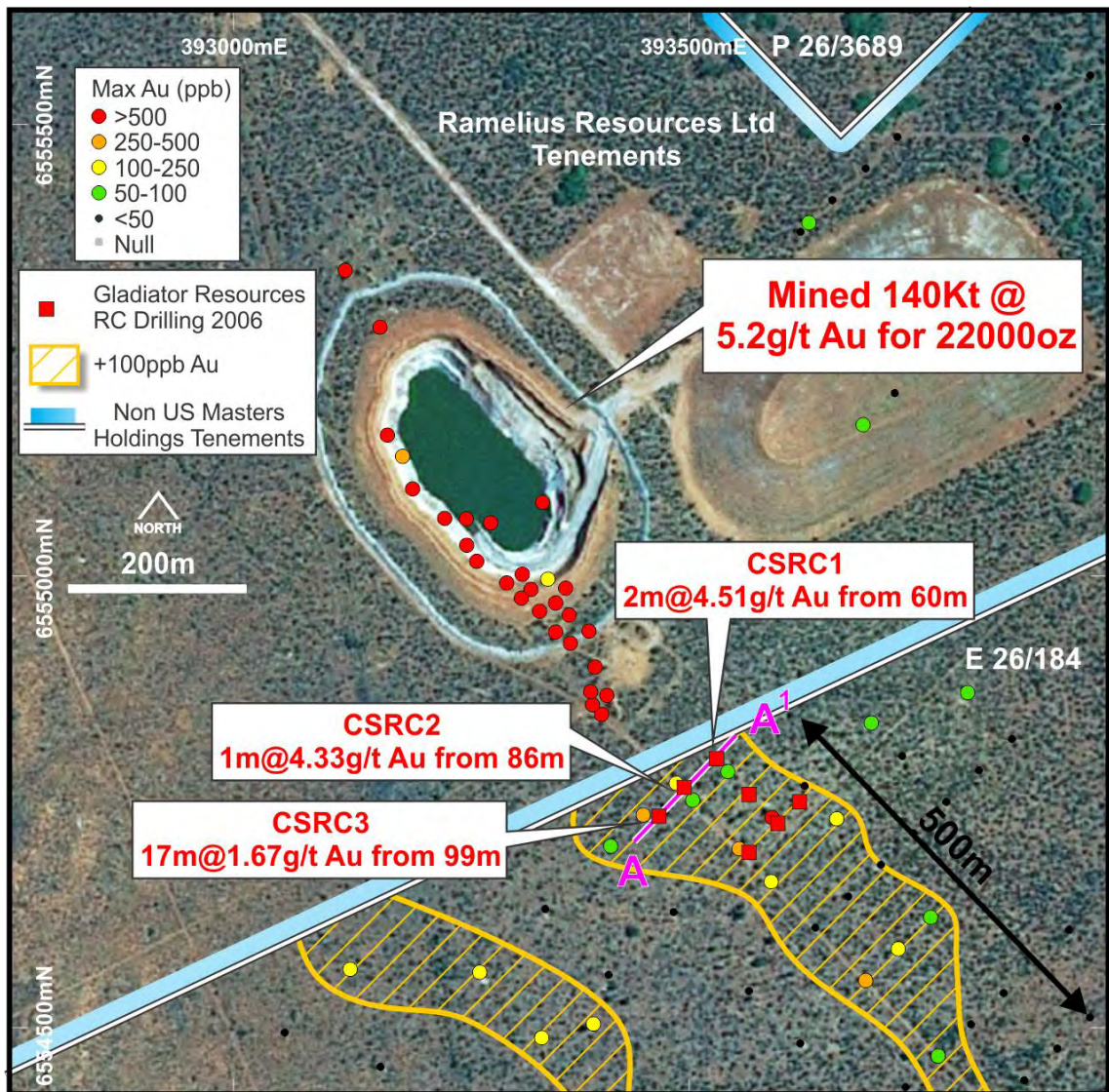
LEX have identified nine specific gold prospects within its Lefroy tenements. Each of these is described in some detail in the following nine sub-sections.



### 3.9.1 Coogee South Prospect

The Coogee South prospect lies along strike of the Coogee gold mine (Figure 7) and has been the subject of historic gold and base metal exploration work including field mapping, stream sediment sampling, whole rock analysis, petrology, regional and local gravity, air/ground magnetics, EM surveys, RAB, aircore, RC and diamond drilling (refer Section 3.4.1). The prospect lies adjacent to Lake Lefroy and Cainozoic cover ranges from 1 to 64m deep. Sandy soil and colluvium is generally underlain by brown lacustrine clay. The clay regolith horizon is underlain by relatively fresh to slightly weathered Archaean basement. Spivey (1996) concluded the area is structurally complex and occupied by a series of upright folds with north-northwest trending axes. The folds are partially dismembered by strike parallel and northeast trending faults. Granitoid stocks and dykes occupy favourable areas within the axial plane zones of folds.

**Figure 7 Map Illustrating the Proximity of Coogee Gold Deposit to Coogee South Drill Hole Intersections**

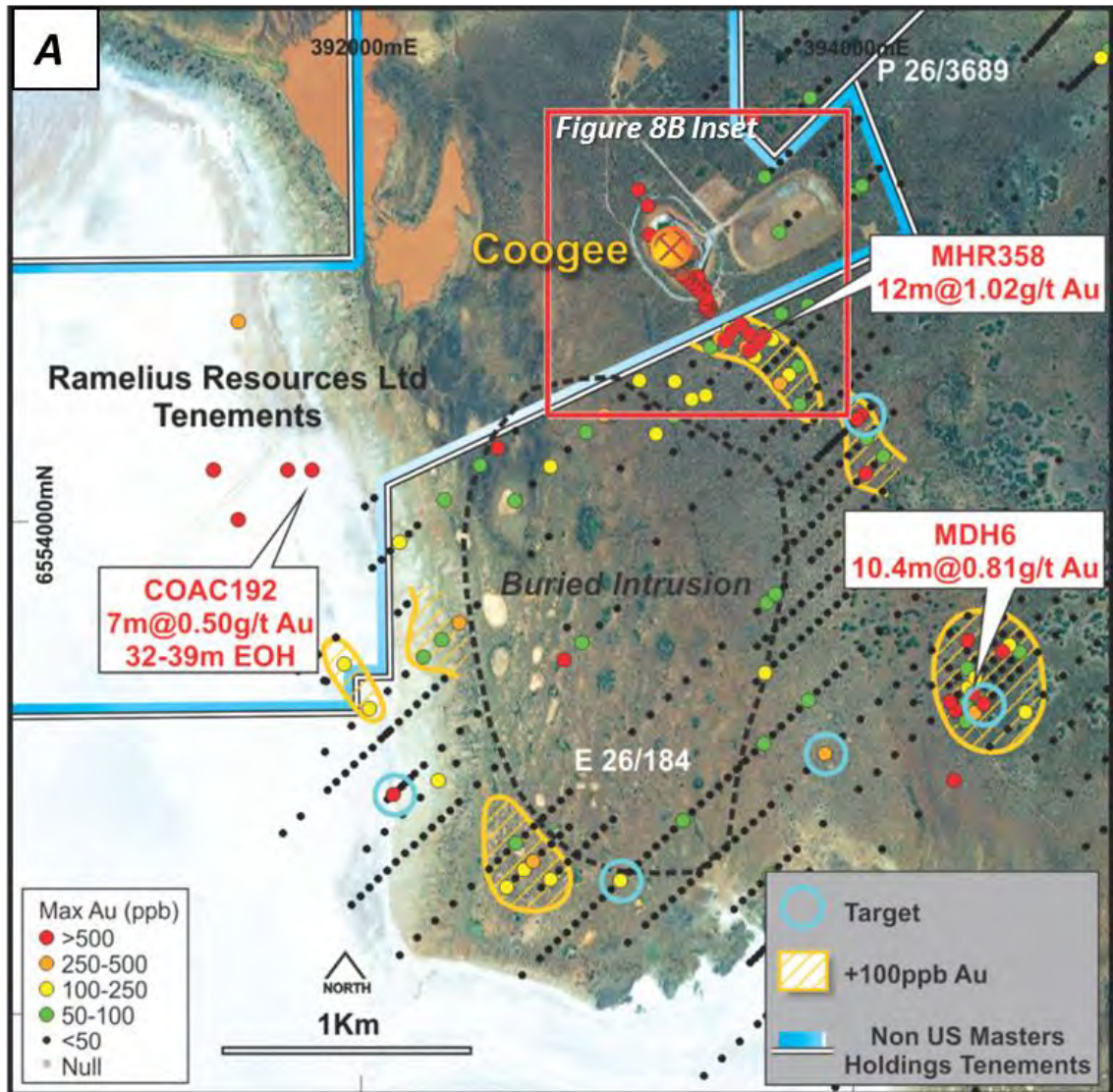


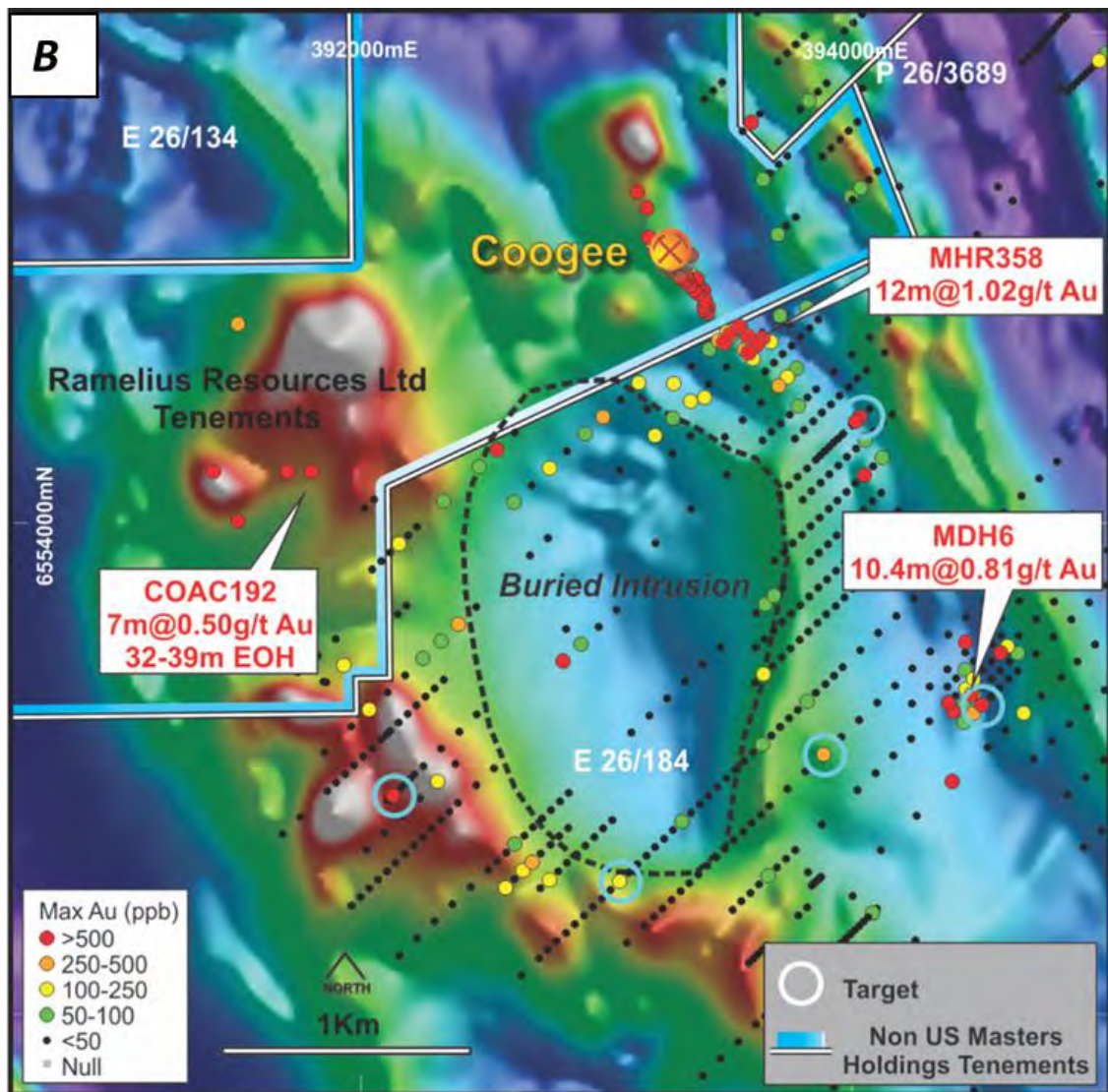
The target is a repetition of structurally controlled, porphyry intrusion related mineralisation at the Coogee deposit which is comprised of a moderately westerly-dipping lode system of between 2-8m in thickness lying under about 10-15m of overburden and up to 30m of an apparently very low grade weathered zone. High grade shoots often contain bonanza gold grades including 1m at 235g/t Au, from 45m; 1m at 145g/t Au from 50m and 1m at 87g/t Au, from 53m (Stocklmayer, 2005).



Work completed by Gladiator Resources at Coogee South identified a moderate west-dipping structure that was interpreted to correlate with the main mineralised structure at the Coogee gold mine. Gladiator completed eight vertical RC drill-holes at 50m spacings along three lines to a maximum depth of 150m. This drilling produced some significant gold intersections, especially from holes CSRC1, 2 and 3 which were the closest to the Coogee gold mine. LEX propose to pursue this boundary area with further RC drilling. Figure 8 illustrates the location of historic drill holes in the Coogee South area coloured by maximum gold intercept in each hole, with a total magnetic intensity (TMI) image clearly illustrating the location of the concealed igneous intrusive. Eleven geochemical targets have been identified from a review of historic drilling data (Siggs, 2016), which LEX propose to investigate.

**Figure 8 Coogee South Prospect Plans showing: A) Drilling and Satellite Image; B) Drilling and TMI Magnetic Image**





### 3.9.2 Hogans Find Prospect

The Hogans Find prospect is defined by historic workings, RAB collars and modern prospecting activity. The dominant lithology is altered metavolcanics and quartz eye porphyry, cut by two sets of quartz veins: a shallow northeast dipping buck quartz vein cut by a set of vertical narrow quartz veins with a sugary quartz texture. There is some outcrop of quartz veined metabasalt and float of veined and altered volcanics in the mullock around historic shafts and trenching. The Hogans Find area has been extensively worked by prospectors over the last decade yielding significant amounts of nugget gold.

Witt (1993) reported that the Hogans Find mineralisation is located on the Hogan Shear, which he correlated as the south continuation of the Boorara-Menzies shear zone. The mineralisation is hosted in shear zones trending  $145^\circ$ , sub-parallel to the regional strike of the host felsic and mafic units. Gold was deposited on the mafic/felsic contacts within 1-2m wide shear zones. Mineralisation occurs over a strike length of 200-400m (Dare, 1998a). Croesus drilled ten aircore holes in a traverse testing for alluvial gold at Hogans Lagoon.

### 3.9.3 Zanex Prospect

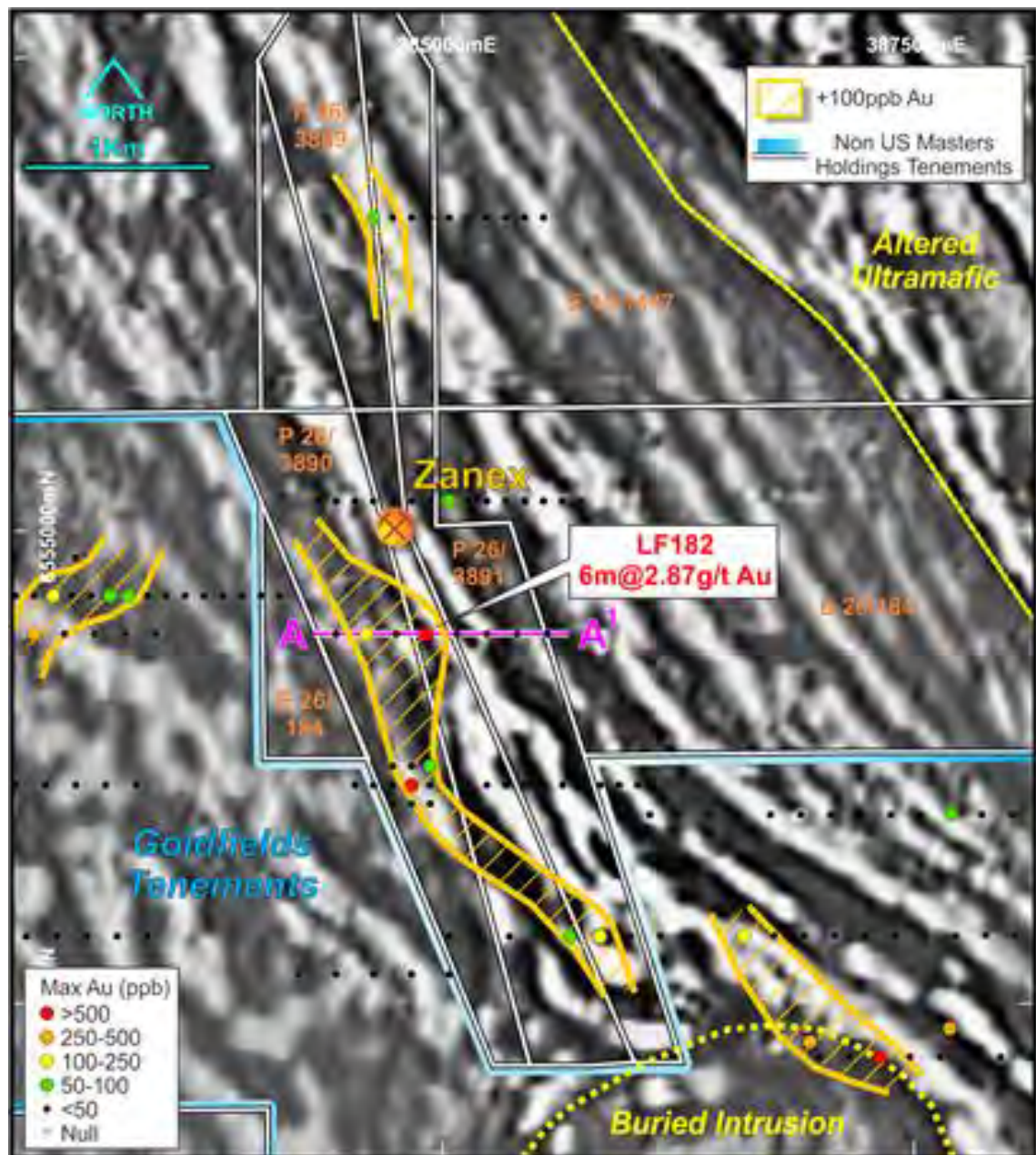
The Zanex prospect is located in the northern part of Lake Lefroy on P26/3889 (Figure 9). It was identified by an aircore hole drilled by Zanex in 1994 which penetrated 50m of Cainozoic sedimentary units before intersecting gold in Archaean regolith (refer Section 3.6). Follow-up aircore drilling intersected a wide zone of gold mineralisation over a 12m interval in LFA182 in basal gravels, saprolite and bedrock, which was logged as a biotite-chlorite altered



porphyritic intermediate volcanic with disseminated chalcopyrite and pyrite. Figure 10 provides a cross-section illustrating this anomalous intersection. Basement lithologies intersected in other holes in the traverse include basalt, ultramafic, intermediate volcanic and high magnesium basalt. Widespread arsenic anomalies have been identified in lake sediments in this area (red dashed line) which may be indicative of geochemical dispersal from a large mineralising system in the basement.

Due to the thick cover, the geology of the area can only be interpreted from aeromagnetic data, gravity data and very sparse drill intercepts. A porphyry intrusion has been interpreted immediately south of the tenement from magnetic data, with a set of north-northeasterly trending magnetic features traversing through the prospect. Given the regional geological setting, the interesting structural situation and encouraging geochemistry in a stripped regolith profile, LEX intend to further explore the Zanex prospect.

**Figure 9 Zanex Prospect Map showing Aircore Drilling over 1VD Magnetic Image**



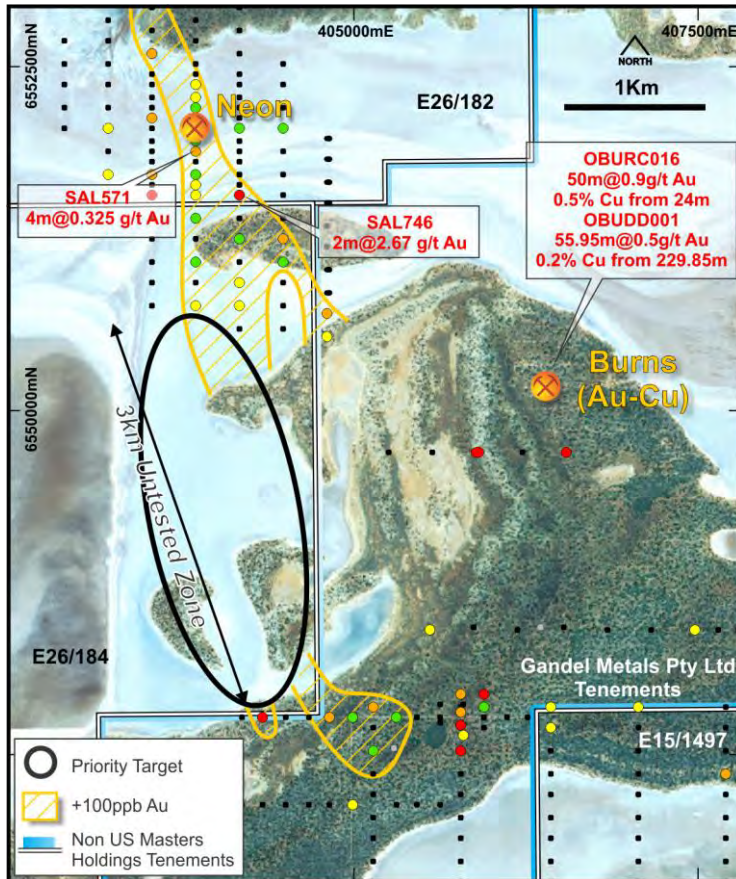


sedimentary units. The intrusive body in the south is of hornblende diorite composition and forms the north-western apex of the Burns Intrusive. Throughout Neon, the intrusives form dyke-like bodies, variably silica and haematite altered, intruding a package of mafic and epiclastic sedimentary units. Bedrock gold anomalies occurs in all lithologies, with the strongest anomalies occurring in the original WMC drilling, with weaker indications to the northwest. Aircore samples of palaeochannel sediments from southeast of Neon show a broad dispersion pattern of weak gold anomalies ( $>0.1\text{g/t Au}$ ) that corresponds with the bedrock gold anomalies of Neon. There is therefore a north-northwest trend to the anomalies that suggests a structural control in that orientation. The follow up aircore lines are parallel to that trend, therefore given the stripped regolith profile with the wide spacing and strike parallel orientation of the drill lines, further testing with a series of east-west aircore traverses is warranted.

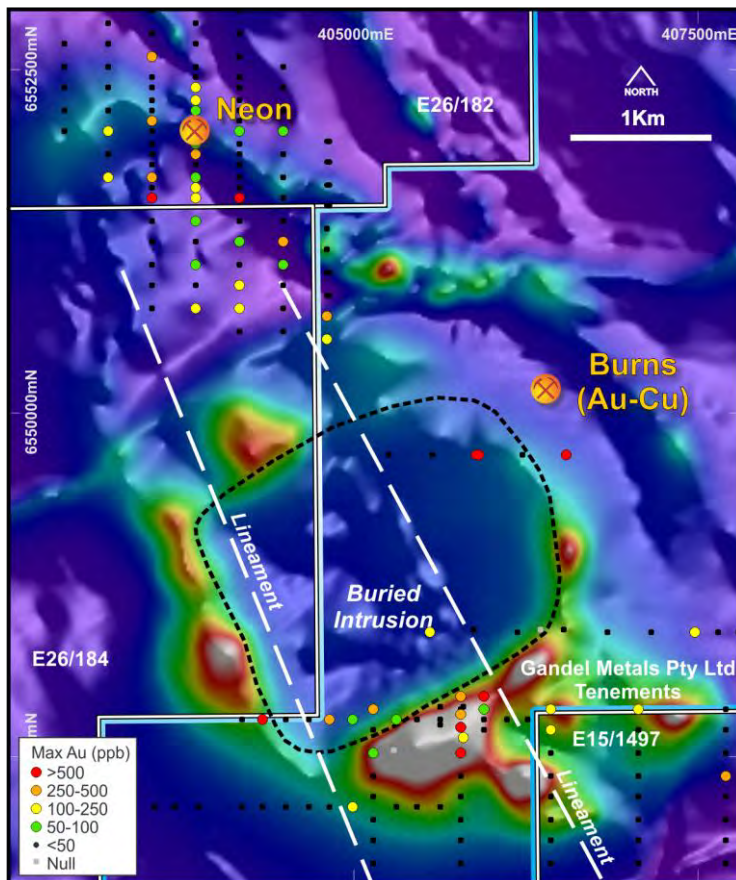




Figure 11 Neon Prospect showing Drill Hole Locations and; A) Satellite Image and Zone Untested with Drilling B) TMI Image and Interpreted Lineaments



A



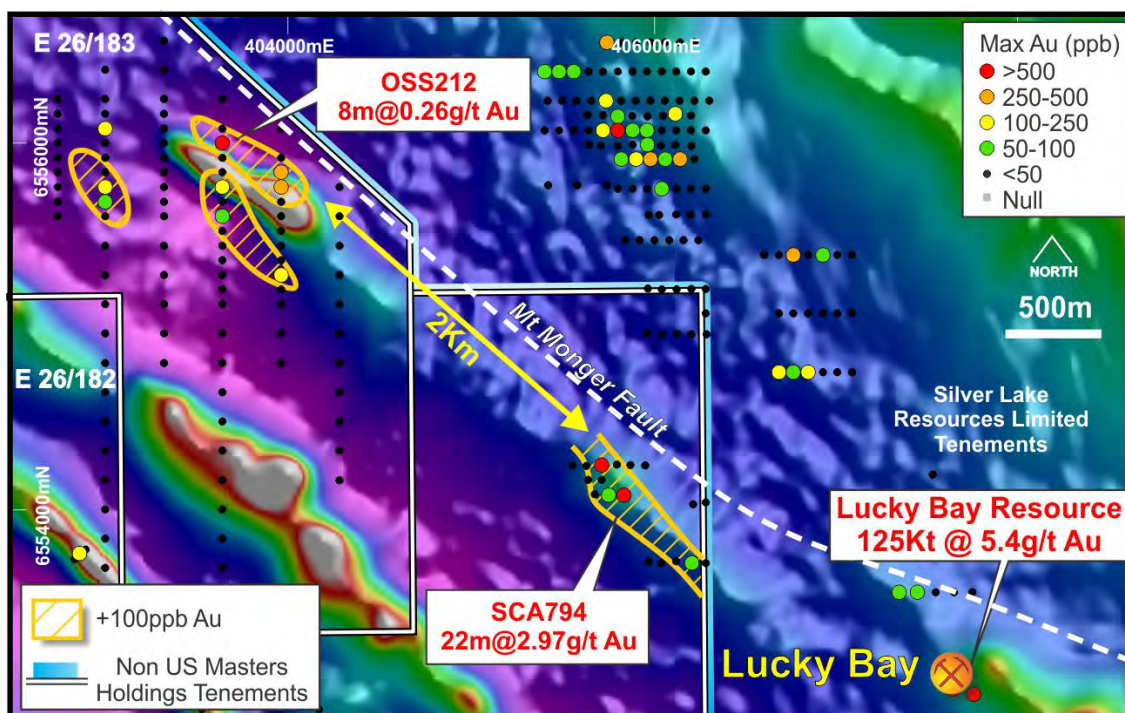
B



### 3.9.6 Lucky Strike and Sideshow Prospects

The Lucky Strike prospect is located in E26/182 some 2km northwest of the Lucky Bay gold deposit. The geological setting appears to be that of a palaeochannel cutting across a northwest trending sequence of carbonaceous shale and quartz porphyries bracketed by dolerite. No bedrock has been identified in historic drilling that can account for the magnetic anomaly. The setting is not dissimilar to that which is host to the Lucky Bay deposit, where mineralisation occurs within a sequence of BIF and carbonaceous shales, sandwiched by dolerites. There is a potential 2km strike trend of favourable structure and lithologies traversing E26/182 that presents a well-defined target for drill testing. That trend appears to continue along the northern edge of E26/183 for at least a further 2km to the northwest of Lucky Strike where anomalous gold intercepts are recorded in historic aircore holes hosted by BIF, argillite and dolerite (Pigott, 2016a).

**Figure 12 Lucky Strike Prospect Showing Drill Hole Locations over TMI Image**



*Note: The interpreted position of the Mt Monger Fault is shown as a white dash line*

The Sideshow Prospect is located ~5km to the northwest of Neon and ~7km west-southwest from the Salt Creek mine. It was initially delineated by WMC with more recent work undertaken by Octagonal Resources (refer Section 3.6). LEX draw similarities between Sideshow and Lucky Strike and plan to follow up gold anomalies in the aircore drilling with further drill testing.

### 3.9.7 Red Dale Prospect

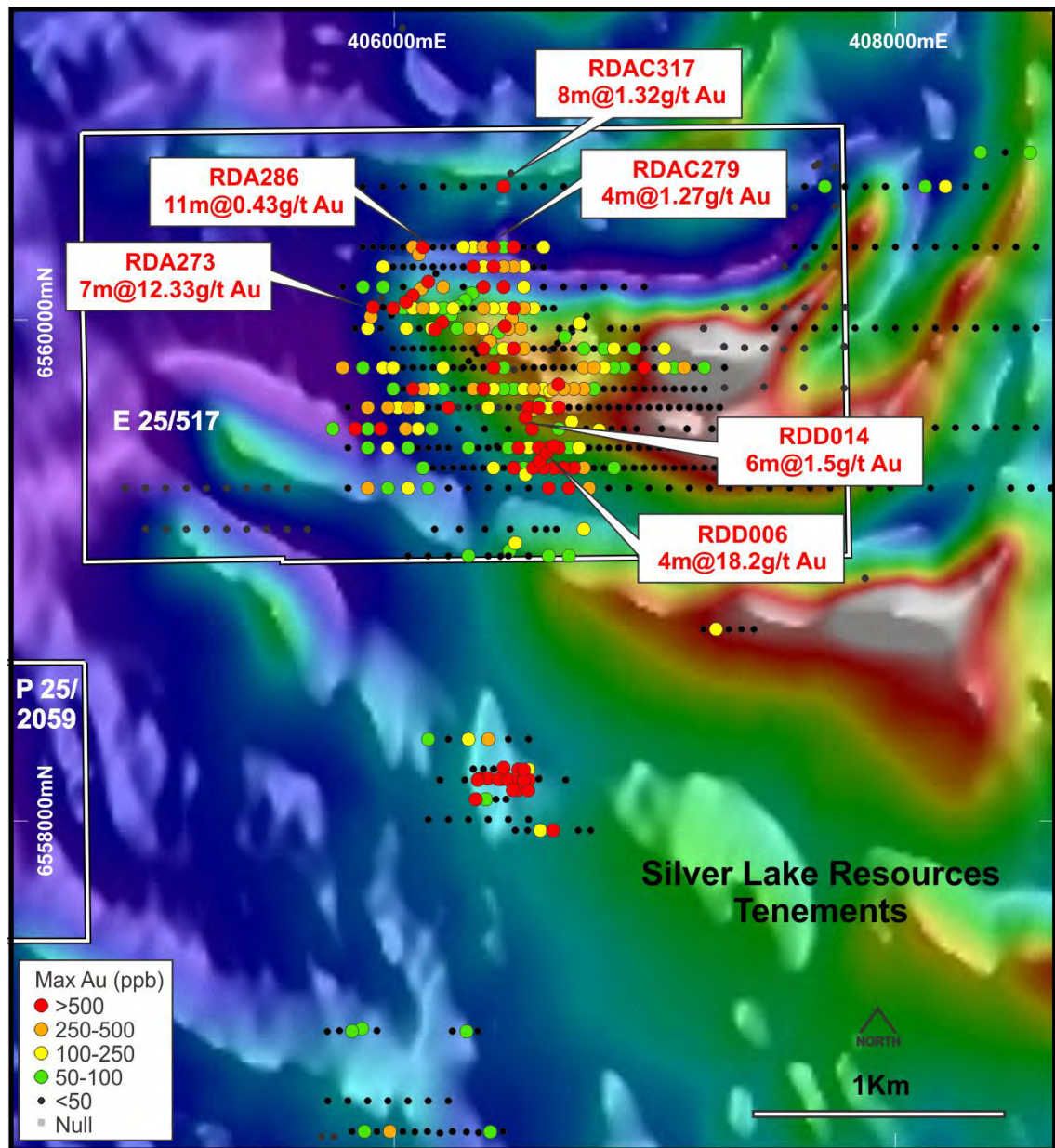
The Red Dale prospect is located 70km southeast of Kalgoorlie and lies in tenement E25/517, ~2.5km north of the Salt Creek gold mine, described in Section 3.6. Gold mineralisation was identified in 2007 by Integra following their discovery of Salt Creek.

Red Dale is located over the hinge of the Bulong Anticline, within the Gindalbie Domain of the Kurnalpi Terrane. Geological mapping (1:2500 scale) by Jigsaw Geoscience identified variably outcropping units of gabbro, dolerite and basalt with interflow sedimentary units cut by various tonalitic to granitic dykes. Structural information is limited due to the poorly exposed outcrop. The dominant structural trend of the various lithologies and structures in the area was found to be to the northeast. Overprinting this trend is a series of northwest trending faults, joints and tonalitic dykes. For much of the project area the land form is erosional with little or no residual regolith profile. The fluvial and lake sediments are recent deposits.



Aeromagnetics (Figure 13) show a magnetic high is centralised on the area, which forms part of a larger north-south trending magnetic high with probable northwest trending faults and lineations.

**Figure 13 Red Dale Prospect Showing Drill Hole Locations over TMI Image**



Integra's aircore drill program at the Red Dale prospect has identified a gold anomaly of approximately 1.2km in length by up to 1km in width with best intersections including 5m at 1.96g/t Au, from 48m (RDAC162) and 7m at 12.34 g/t Au, from 44m (RDAC273). The anomaly was interpreted to be associated with a redox boundary within the weathered profile reflecting chemical dispersion from a primary gold mineralised source in the area (Murphy, 2008).

RC drilling at Red Dale encountered some difficulties associated with a quartz gravel layer at the base of transported cover. This layer is very porous and contains abundant water. Significant drill hole intersections from the RC drilling included 1m at 1.22ppm, from 165m in hole IRDCO23 and 1m at 1.21ppm, from 107m in hole IRDCO25.

Two diamond drill holes (RDD001 – RDD002) for 301m were drilled at the Red Dale prospect in January 2008. The diamond drilling program was completed to gain a better geological and



structural understanding of the mineralisation system as well as to confirm assay results received from the RC drilling. Peak intercepts from the two diamond drill holes were 1m at 0.33ppm Au, from 121m in drill hole RDD001 and 1m at 0.32ppm Au, from 55m in drill hole RDD002.

RC drilling at the Red Dale prospect failed to identify gold mineralisation in bedrock below the spatially very large reconnaissance aircore gold anomalies. It was considered that these anomalies are reflecting gold anomalous transported basal gravels derived from a nearby bedrock source.

A gravity survey was conducted over the entire area of tenement E25/280 by Haines Surveys in early 2008. Jigsaw Geoscience was contracted by Integra Mining to undertake 1:2,500 scale geological mapping.

Six diamond drill holes (RDD003-RDD008) were drilled by Ausdrill for a total of 1,267.5m on tenement E25/280. The first drill hole was targeted at 225° magnetic to potentially intercept NE dipping structures, however the majority of structures were orientated parallel to the drill core. Subsequently, the remaining five drill holes were drilled at an azimuth of 045° magnetic. Results were promising and included intercepts of 4m at 18.29g/t Au from 54m in basal gravels, 3m at 8.62 g/t, from 46m in a perched layer in transported clayey sands and 0.5m at 9.22g/t Au, from 53m in basal gravels.

It is now thought that these anomalies are reflecting gold anomalous transported basal gravels derived from a nearby bedrock source. It is considered that the material is unlikely to have been transported a significant distance, possibly in the order of a few hundred metres. Current activities are focused on mapping out the palaeo-drainage and palaeo-topographic surfaces to prospect into the source region for gold anomalies.

### 3.9.8 Homer's Inlet - Lake Randall

The Lake Randall tenement application (ELA15/1497) is targeting three significant structural trends interpreted to be prospective corridors for orogenic lode gold mineralisation concealed under Cainozoic sedimentary units and a salt lake. These structural trends: the Bare Hills Shear Zone, the axial zone of the Bulong Anticline and the Mt Monger Fault, are primarily interpreted from regional geophysical data and regional mapping.

Review of previous exploration results reveals that a number of gold anomalous responses in historic aircore drilling have not been followed up by closer spaced drilling and none have been tested by RC or diamond drilling.

Most prominent among the Lake Randall targets is the Homer's Inlet prospect identified by the St Alvano JV in 1996. WMC commissioned a conceptual target generation study by Etheridge-Henley-Williams with the emphasis of the study to establish a structural frame work to guide gold exploration and to identify prospective fault structures. They recognised the Randall and Mt Monger Faults as having prolonged histories of reactivation and playing key roles in controlling, channelling and concentrating gold mineralisation. They identified an area at the nose of the southeast plunging Bulong anticline where there is a major flexure of the Mt Monger fault system. The target was named Homer's Inlet.

The area consists of extensive Cainozoic cover beneath the salt lake. WMC conducted a programme of aircore drilling at a hole spacing of 640 x 320m identifying a broad area of weak gold anomalies, but lake conditions meant that critical portions of the target could not be tested. Depth of cover was shown to vary between 4 and 5m with up to 70m in palaeochannels. Lithologies were dominated by epiclastic sedimentary units with minor mafic units. A stripped regolith profile of 2 to 10m of saprolite/saprock was preserved below the Cainozoic cover. WMC considered that a large deposit would have a stronger signature than that which had been detected. No results were reported above 0.2g/t Au. The best intercept was 6m at 0.18g/t Au in SAL360. Goldfields followed up with 26 infill aircore holes, but 43 planned holes were not drilled, thus missing the integral part of the target area. There were no significant results in the drilling.

Goldfields identified a new target named S11 based on interpreted magnetite enrichment at the southeast apex of a granitoid intrusive defined by a gravity survey. Aircore drilling produced a best intersection of 2.0m at 0.48 g/t Au in SAL1120. Newmont also investigated the S11 target area with aircore and diamond drilling.



The Bare Hill Shear Zone is a component of the Randall Fault interpreted to pass through the eastern part of ELA15/1497 for 11km. There is no evidence that it has been drill tested for gold mineralisation. The Bare Hill Shear Zone has been intensely explored on tenements to the north and is noted as being gold anomalous for at least 8km. The 2km section bordering ELA 15/1497 has been RAB drilled on 100m spaced sections and is continually gold anomalous over a 1.7km strike.

The southeastern quadrant of the Burns magnetic halo extends into the Lake Randall tenement. This play has been previously described in Section 3.9.5 above. Several bottom of hole aircore anomalies have been recorded in the most western section of the tenement and will be a target for follow-up exploration.

### **3.9.9 Marloo Dam ELA15/1498**

ELA15/1498 is located within 8km east of the Junction gold mine. The ground was relinquished by St Ives gold mine in 2014. Previous explorers of the area include Aztec, Goldearth Enterprises, Consolidated Gold, Acacia Resources, Heron Resources and Goldfields. Statutory exploration reports describe considerable exploration programs in the area but most were not on the area of ELA15/1498. Significant gold anomalies have been identified on or near the tenement, initially by Aztec in the late 1980s with subsequent exploration only partially testing the area's potential for gold mineralisation. A northerly striking structural trend was delineated over 4.5km by shearing, quartz veining and porphyry intrusion. Detailed exploration has concentrated on those parts of the trend where gold anomalies were indicated by soil sampling. This area is targeted for deeper drill testing by LEX.

### **3.10 Exploration Strategy**

Significant previous exploration has been undertaken across the project area and LEX have undertaken thorough research in compiling and analysing the available data, developing an exploration database. This work has yielded nine advanced exploration targets which have been described in Section 3.9. Further investigation of the database may lead to potential anomalous results where historic follow-up has been incomplete.

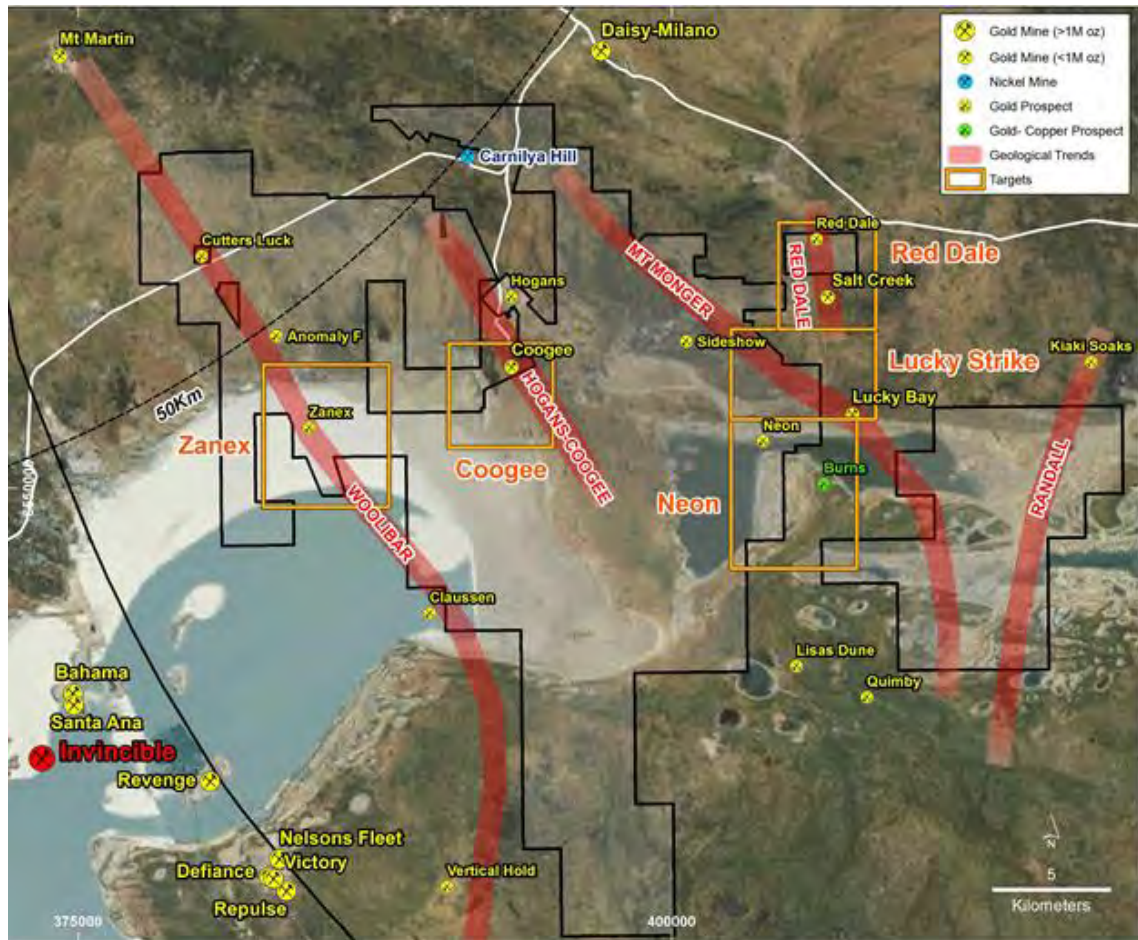
Much historic exploration has been undertaken in a piecemeal fashion in modest sized tenement packages. Having assembled a large and coherent tenement package across a prospective and underexplored greenstone terrane, LEX plan to undertake a systematic, staged exploration approach utilising a comprehensive database and a focused understanding of the regional geological setting as evidenced by their recognition of five major gold mineralised trends (Figure 14) which will be a core focus for target evaluation and generation: Woolibar, Hogans-Coogee, Mt Monger, Red Dale and Randall.

Five of the nine advanced gold targets have been recognised for immediate drill testing and LEX propose to focus their initial exploration on these targets.

In the past, exploration has been significantly hindered by extensive and deep cover masking the Archaean basement and particularly by the logistical difficulties of drilling on Lake Lefroy. Many previous explorers have cited the problems of exploring through playa lake sediments in surrender reports for tenements being relinquished. LEX plan to utilise the current availability of drilling rigs capable of routinely operating on the difficult lake environment including undertaking RC drilling.



Figure 14 Five Gold Mineralised Trends Recognised at the Lefroy Project



Low level gold anomalies yielded by previous explorers drilling programs have often not been appreciated for their significance resulting in restricted follow-up exploration.

Gold mineralisation is known to occur in all rock types in the Lefroy district with dolerite, basalt and interflow sedimentary units being the more favourable host rocks. Some previous explorers have been overly focused on a particular host lithology, while the LEX exploration strategy is to regard all Archaean lithologies as potential host rocks.

Since the 1980s, interpretation of aeromagnetic data has consistently yielded exploration targets which have been associated with anomalous gold and more than occasionally gold deposits. With the recent availability of very high resolution aeromagnetic data and gravity data across the tenement package, there exists opportunities to define structural gold targets by interpreting subtle magnetic features.

The project area is characterised by stripped regolith profiles (Section 3.4) which restrict the effectiveness of geochemical exploration, as it reduces the lateral geochemical dispersion of metals from concealed orebodies, requiring tighter sample spacing to detect anomalous areas. LEX consider the drill hole density of many previous aircore drilling programs through cover to be too sparse given this restricted geochemical dispersion. Adding to the opportunity is the high number of historic aircore holes that failed to penetrate lake sediments due to difficult drilling conditions (Section 3.6).

Ravensgate considers that the exploration strategy proposed by LEX is consistent with the mineral potential and status of the Lefroy project.



## 4. LAKE JOHNSTON PROJECT

### 4.1 Location

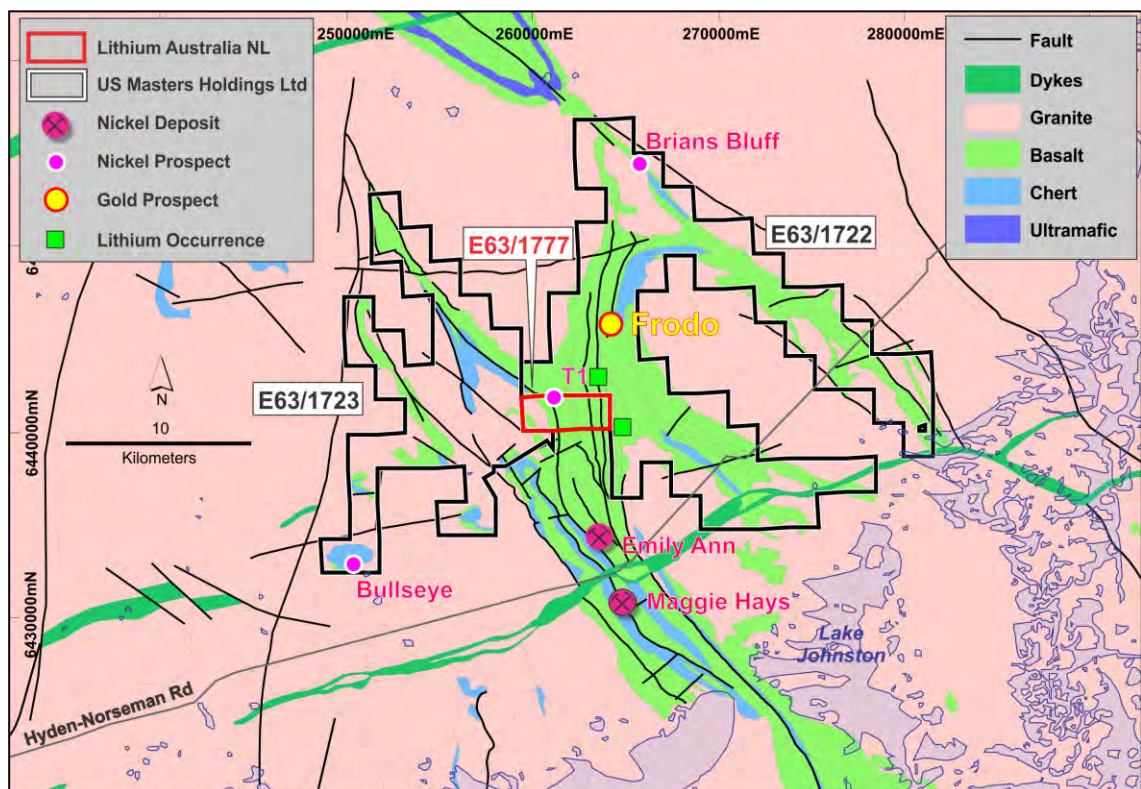
The Lake Johnston project is located approximately 450km east of Perth and 120km west of Norseman. It covers an area of vacant Crown land situated within the Dundas Mineral Field on the Lake Johnston 1:250,000 and the Johnston 1:100,000 map sheets. The project can be accessed from the nearest towns along the unpaved Hyden-Norseman road. Access within the tenements is straightforward through relatively flat terrain using mining and exploration tracks.

Although the Lefroy project is a greenfields exploration project some infrastructure exists in the area and reasonable proximity to Kalgoorlie provides ready access for all exploration, development and mining supplies and services. Poseidon Nickel owns a nickel ore processing facility immediately south of the project area, although it is currently on care and maintenance.

### 4.2 Tenure

The Lake Johnston project consists of two granted exploration licences and one application. The license details are listed in Table 1 and shown in Figure 15.

**Figure 15 Lake Johnston Project Regional Geology and Tenements**



### 4.3 Regional Geology

Geologically, the Lake Johnston project is located in the Archaean Lake Johnston greenstone belt, a tectonic unit of the Southern Cross Domain of the Youanmi Terrane within the Yilgarn Craton, which is described in Section 3.3.1 of this report. The Lake Johnston greenstone belt is a north-northwest trending belt approximately 110km long and 30km wide. The Koolyanobbing shear zone defines the eastern limit of the belt while it is bound by granite and gneiss to the west. The Geological Survey of Western Australia established a stratigraphic succession for the belt, with the Maggie Hays Formation at the base overlain by the Honman Formation, and capped by the Glasse Formation. The Maggie Hays Formation comprises a



thick package of submarine mafic volcanic rocks with thin interflow sedimentary units increasing up the succession. Sill-like ultramafic intrusions occur in the upper levels of the unit. The Honman Formation comprises felsic volcanic, clastic volcanoclastic and BIF intruded by komatiitic ultramafic rocks, with extrusive komatiite at the top of the unit. The central ultramafic unit in the sequence hosts nickel sulphide deposits at Maggie Hays and Emily Ann. The Glasse Formation consists of submarine mafic volcanic succession with minor ultramafic sills. The volcanics and sedimentary units are flanked and intruded by granitic rocks, which disrupt continuity of the greenstone belt. Pegmatite and dolerite dykes are common. The sequence is extensively faulted inclined and north- and south-plunging folds are recognised. The significance of early thrust faulting has complicated the relationships between rock units.

#### 4.4 Local Geology and Mineralisation

Bedrock geology in the project area is heavily masked by lateritic duricrust, deep oxidation and transported material. Exploration within the belt is hindered by lack of outcrop, dense vegetation, deep weathering and widespread transported cover which can be up to 80m thick.

E63/1722 covers an 800m wide section of the prospective Lake Johnston greenstone belt with an eastern mafic complex and a western ultramafic complex separated by a 75-150m band of psammitic sedimentary units. The ultramafic complex was originally described as a layered magmatic feature with two weathered variants including a chrome-rich talc rock (98% talc) and a tremolite-anthophyllite-actinolite rock. Selected lithologies are characterised geochemically as serpentine-rich peridotite (average 2,000ppm Ni), chlorite-rich meta-pyroxenite (average 500-1,000ppm Ni), foliated chlorite-feldspar-phlogopite porphyry (low Ni). The mafic complex comprises metabasalt, gabbro, dolerite and several narrow ultramafic horizons with nickel between 200-300ppm. Granite found in the footwall of the ultramafic is dated at 2,612Ma. At Brian's Bluff the contact between the ultramafic and granite is variously interrupted by an irregular zoned pegmatite, where a raft of talc rock is preserved. The nickel prospect Brian's Bluff located in the north of E63/1722 is marked by a subtle magnetic signature trending northwest towards to the Boorabbin and Lake Percy nickel prospects.

Most of E63/1723 is underlain by gneissic granite which is generally not considered prospective however segments of a highly magnetic ultramafic-amphibolite-BIF sequence occur as isolated remnants of greenstone in the southern part of the tenement. A narrow strip of greenstone in the northeast may represent a sliver of the Lake Johnston belt along a northwest trending structure.

##### 4.4.1 Nearby Nickel Deposits

The Maggie Hays disseminated nickel deposit took 20 years from initial indications of mineralisation to discovery. Early exploration comprised geochemical sampling, magnetic surveys, shallow RAB and RC drilling. With the top of the deposit 200m below the surface, discovery only occurred when later explorers used deeper diamond drilling to investigate below the anomalies of earlier explorers. The Emily Ann massive nickel sulphide deposit was a blind discovery made beneath 60m of transported overburden. It was found by diamond drill testing of an EM geophysical target. Folding and thrusting created multiple ore lenses with remobilised massive sulphide in an ultramafic host intercalated with felsic volcanic rocks and BIF. Of the two, Emily Ann is the higher grade deposit (4% nickel) and it was developed first which allowed for the subsequent development of Maggie Hays which although larger, was of lower grade. These mines are now in care and maintenance but do have remaining Mineral Resources of 3.5Mt at 1.49% Ni (Poseidon Nickel, 2016).

#### 4.5 Exploration History

Prior to the nickel boom that followed the discovery of massive nickel sulphides at Kambalda in 1966, there had been little interest shown in exploring the Lake Johnston greenstone belt. Gold prospecting had occurred in the 1880-1900's and again in the 1930's but no production was ever reported.

Laporte Titanium took up tenure over the belt in 1966 and in JV with Union Minere systematically explored during the early 1970s by geological mapping, soil sampling, airborne and ground magnetics. Three ultramafic units were recognised and anomalies were delineated in the central ultramafic body. Diamond drilling to the south of the LEX project





area, tested these anomalies recording two significant intersections of 6.1m at 0.98% Ni and 2.4m at 1.0% Ni, indicating massive nickel sulphide mineralisation at the basal contact of the unit. Follow-up exploration included 17 diamond and 55 percussion holes, but results were regarded as disappointing.

Central Pacific Minerals were one of the initial explorers of the current project area from 1969 to 1974. The exploration located ultramafic sequences and found anomalous nickel-copper-chromium intersections in a RAB drill program east of Round Top Hill.

Hawkestone Minerals explored around Brian's Bluff for base metals in 1974 undertaking gossan search, trenching, vacuum and auger geochemistry, ground magnetic surveying and drilling four percussion holes.

In 1974, Amoco took up the ground formally held by Union Minere and Central Pacific Minerals covering the northern 30km strike of the Lake Johnston greenstone belt. No work was undertaken until 1978 when drilling intersected anomalous nickel and copper in the weathered zone along the basal contact of the ultramafic units. Diamond drilling in 1981 intersected 4.15m at 5.8% Ni, which was an up-dip segment of the Maggie Hays deposit. Budget restrictions curtailed further work and their tenure expired in 1987.

Samantha Exploration prospected granite-migmatite for gold and base metals in 1987, locating more extensive ultramafic stratigraphy than previously thought.

Cyprus Gold explored the area just to the south of the project area for gold from 1987 with Arimco involved from 1989. Arimco took over from Cyprus as manager and relinquished the two northerly tenements.

In 1990, Capricorn Resources defined a soil anomaly and undertook RAB drilling on four traverses yielding anomalous nickel-copper-chrome but depleted platinum-palladium values, which discouraged further work. Forrestania Gold entered in JV in 1991 but quickly focused on Maggie Hays to the south of the current project area.

Both Australasian Gold in 1991 and Bullion Gold in 1993 took up the area for gold exploration with Renison Goldfields exploring in JV. They reported strong nickel values over ultramafic rocks but low values over amphibolite in the northeast. Follow up RAB drilling returned 6m at 1.01% Ni at Area 1 and 27m at 0.42% Ni at Area 2 in an area just south of the Bullseye anomaly.

In 1995, Maggie Hays Nickel undertook ground magnetics, regolith mapping, gossan, trench and rock chip sampling in the Brian's Bluff area.

The Lake Johnston JV explored a similar area from 1997 to 1998 for base metals flying an aeromagnetic survey (50m line spacing 40m flying height), undertaking line clearing, geological mapping at 1:5,000 and drilling five RC drill holes for 528m.

In 1988, Billiton Australia explored for gold taking 5kg BLEG soil samples on 1km x 400m grid.

In 1991, Battle Mountain explored the Chatterleys gold prospect with BLEG on 40m centres and RAB drilling.

Australasian Gold Mines explored for gold from 1990 to 1995 with BLEG, auger and soil geochemistry, followed up with a 14 hole RC drilling program.

Bullion Gold / Renison JV explored for gold from 1994 to 1997 work included an aeromagnetic survey, pedogenic soil survey, RAB drilling numerous prospects including Bilbo and Frodo.

Bullion Minerals continued exploring but switched to nickel undertaking TEM surveys and drill testing the T1 anomaly.

Monarch Resources explored for gold and nickel from 2002 to 2007. They contracted exploration to SRK who recommended ground EM surveys over both Area 1 and Area 2 (renamed T2 and T3). No conductors were delineated and 200m and 100m infill loops were conducted on five 500m traverses at T2 and four 500m traverses at T3. BLEG geochemistry was used at gold prospects.

LionOre explored around Brian's Bluff for nickel from 1999 to 2001 undertaking gridding, a 1.5km TEM survey, regolith mapping at 1:10,000 scale, 29km MLEM geophysical survey (Tesla 10) and 433 soil samples over 38 traverses 100-200m apart 40m spaced samples.

A Newmont/LionOre JV explored around Brian's Bluff in 2002 with an orientation soil and auger program.



LionOre explored an area further west for nickel from 2005, with Norilsk subsequently acquiring the project. Exploration work included a MLEM survey using 200m spaced lines over Cats Eye (Round Top West) prospect with no conductors found. This survey was followed by two aircore drill traverses to infill to 400 x 50m. High magnesium cumulate ultramafic rocks were intersected but contacts were not well defined due to intruding granite. The highest value was in LJPA694 with 11m at 1.67% Ni with 235ppm Cu between 18-29m. In 2013, a fixed loop EM survey followed up on the Bullseye target identified by a regional scale aeromagnetic interpretation. Norilsk undertook aircore drilling (800m spaced lines 158 holes for 3,817m), Niton soil survey of 979 samples, multi-element soil survey of 501 samples.

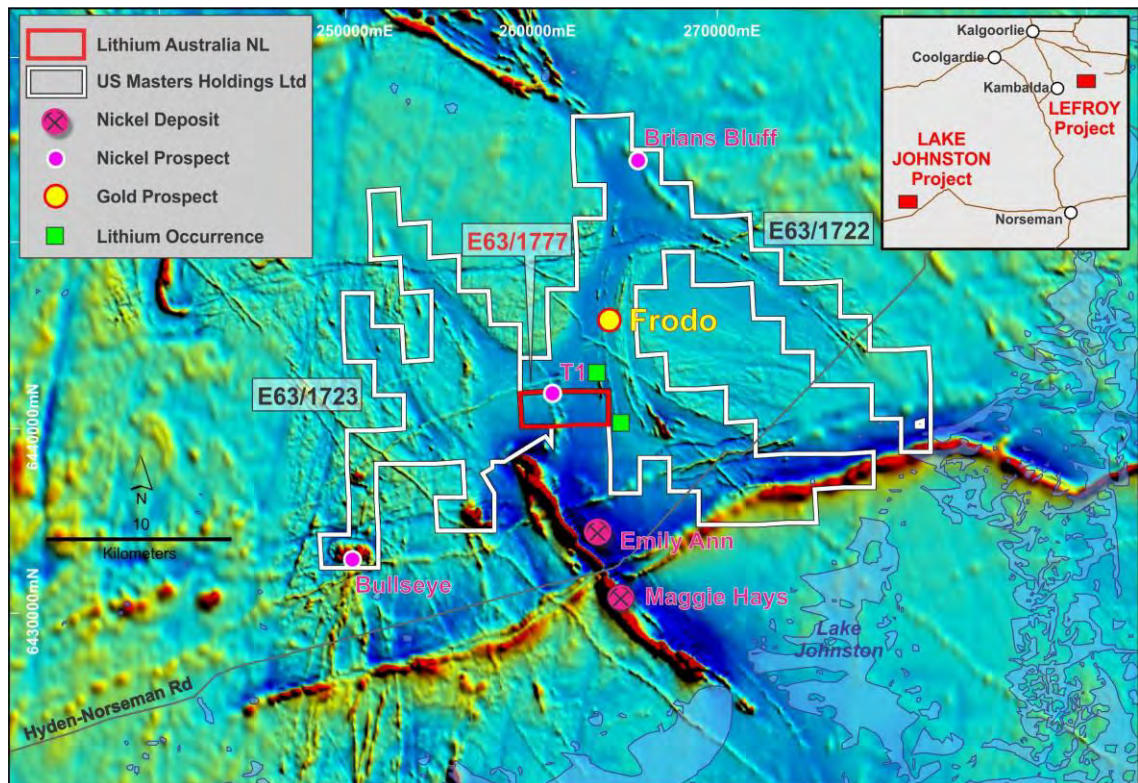
Yilgarn Mining held ground in 2006 but no exploration was carried out.

#### 4.5.1 Regional Geophysical Surveys

The only gravity data available for the tenements are from government surveys. The 12mgal gravity high within E63/1722 and E63/1777 indicates there is a substantial volume of mafic\ultramafic rocks present within these tenements. The lack of a strong gravity signature within E63/1723 may indicate this area is dominated by granite and gneiss with smaller isolated remnants of mafic rocks (Webb, 2016).

The tenements have extensive high quality aeromagnetic coverage accessible through the GSWA open file system via a survey flown for Monarch Resources in 2003. This survey had 50m flight line spacing and was flown with a 20m terrain clearance. Poorer quality surveys (mostly 400m spaced government survey data) cover the remaining portions of the tenements. Figure 16 provides a total magnetic intensity (TMI) image of the Lake Johnston region which combines the Monarch data with the government data, also showing the tenement boundaries, main prospects and the nearby nickel deposits.

**Figure 16 TMI Image of the Lake Johnston Project**



#### **4.6 Current Exploration**

LEX's exploration licences have only recently been granted (E63/1723 on 27 July 2015 and E63/1722 on 1 April 2016) and exploration has been limited to desktop studies. LEX commissioned Newexco to conduct a geophysical data compilation, review of previous geophysical exploration of the project area and recommend further exploration work. Data reviewed and processed included airborne magnetics, government gravity data, ground electromagnetic survey data, down hole EM survey data and IP surveys (Webb, 2016). Drill hole locations and depth data were also reviewed. Recommendations of the review are discussed in Section 4.8 below.

#### **4.7 Mineral Resources**

No Mineral Resources have been reported for the Lake Johnston project.

#### **4.8 Exploration Potential and Targets**

##### **4.8.1 Lithium Potential**

The tenements hold potential for the discovery of lithium bearing pegmatites. Previous mapping and sampling have identified outcropping pegmatites in a number of localities throughout the tenements. LEX have elected to pursue the lithium potential of its Lake Johnston project by divesting the lithium rights for E63/1722 and E63/1723 to Lithium Australia NL and in exchange will be granted rights to gold and nickel for exploration licence application E63/1777 (Lithium Australia, 2016). Details of the arrangement are discussed elsewhere in the Independent Expert's Report.

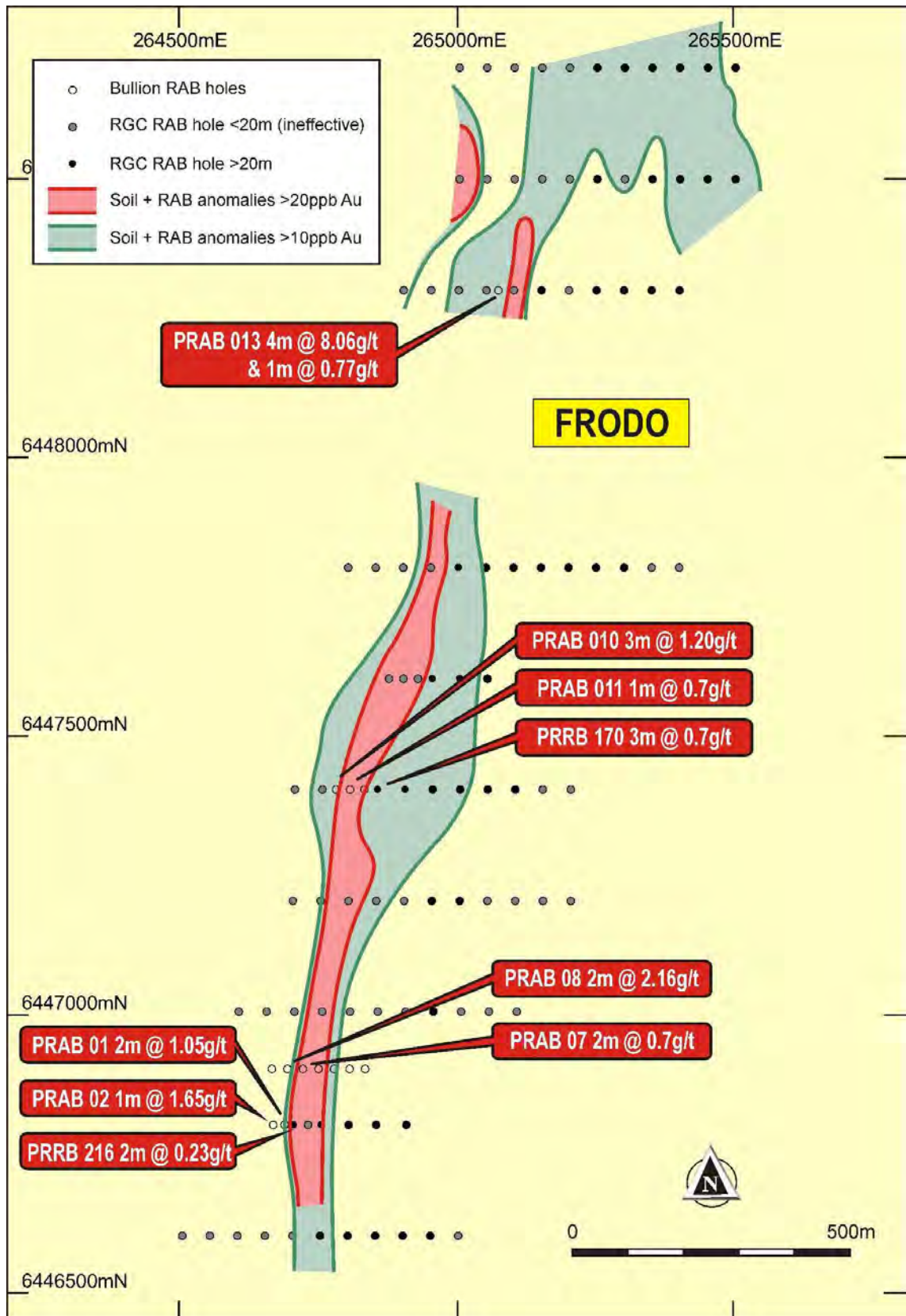
##### **4.8.2 Gold Potential**

The Lake Johnston project lies in the Yilgarn Craton, one of the most well-endowed gold and nickel provinces in the world. It covers part of a greenstone belt which hosts two economic nickel deposits to the immediate south of the tenements. Additionally, the area is considered prospective for structurally controlled orogenic lode gold deposits of which there are many examples in the region.

The Frodo prospect has been identified as a priority drill target by LEX based on re-interpreting results generated by previous exploration. A well-defined trend of gold anomalies in soil and RAB can be traced on a 020° orientation for 1,100m (Figure 17). Some 500m along this orientation to the north, there is a RAB intersection of 4m at 8.06g/t Au, from 8-12m logged as vein quartz within altered amphibolites, which has not been followed up with further drilling. There is a 500m gap between this intercept and the next RAB line to the south (Figure 17). Quartz veins observed in costeans have a similar orientation to the geochemical anomaly. These gold anomalies coincide with a magnetic high that may indicate an alteration zone or a structure with a concentration of mineralised veins. The previous RAB drilling has been too shallow, incorrectly angled and too widely spaced to be fully effective. Follow-up drilling with angled aircore and RC is warranted to further investigate this gold anomaly.



Figure 17 Frodo Gold Prospect Plan showing Geochemistry and Drilling



Geophysical interpretation of aeromagnetic data (Webb, 2016) has highlighted a new structural gold target located in E63/1722 4km south-southwest of the Frodo prospect (Figure 16). This area is mapped as felsic schist which appears to have had limited previous exploration and a potential association with a probable BIF and shearing interpreted from the magnetics, warranting geochemical testing for gold.

#### 4.8.3 Nickel Potential

Review of historic exploration has revealed three targets for potential nickel mineralisation. While nickel is not currently the primary focus for LEX, these targets are certainly of exploration merit.

The Brian's Bluff target is located in the north of E63/1722 in a prospective high magnesium ultramafic sequence. Deep weathering, surficial silica zones and aeolian sand cover have reduced the effectiveness of historic geochemical exploration. More recent aircore drilling on 800m traverses has provided useful multi-element geochemistry with down hole geology over several kilometres of strike. A narrow zone over 5km long has been defined for detailed investigation.

The Bulls Eye nickel target (named T2 by previous explorers) located in the southeast corner of E63/1723 is defined by a high amplitude magnetic anomaly (Figure 16). A single traverse of shallow RAB drilling south of the anomaly intersected ultramafic rocks in most holes with several anomalous nickel intercepts including 18m at 0.46% Ni, 27m at 0.42% Ni & 6m at 1.01% Ni. No deeper drilling has been completed to test for primary mineralisation. Newexco (Webb, 2016) have concluded that historic TEM surveys did not definitively test the prospect for conductors and recommended resurvey with high quality TEM on tighter spacings.

The T1 nickel target was initially tested with a TEM survey by Bullion Minerals in 2001. Monarch Resources subsequently infilled and extended this survey. The drilling aimed at the T1-North anomaly intersected sulphides in what has been interpreted as channel facies ultramafic rocks. The intersected sulphides probably explain the EM anomaly however there has been no definitive confirmation of this using downhole EM. Furthermore the surface EM anomaly was defined using outdated coil sensor technology. Newexco recommended that the T1-North anomaly area be resurveyed with high quality TEM using a B field sensor, which would determine whether the existing drilling is likely to have tested the best of the anomalous area (Webb, 2016).

The Cats Eye area, located between the Bulls Eye and T1 area, has a prominent bullseye magnetic anomaly which RAB and aircore drilling showed to be sourced from komatiite and BIF with anomalous nickel values. An intercept of 11m at 1.67% Ni and 235ppm Cu (LJPA0694) is interpreted as lateritic, being from 18m depth. The primary source of mineralisation was not determined by previous explorers. Newexco concluded, however, that previous EM surveys have effectively tested the prospect for conductors to 200m depth (Webb, 2016).

Potential exists to develop new gold and nickel targets within the Lake Johnston project through undertaking regional geophysical surveys over areas where coverage by previous explorers has been poor. Newexco recommended acquiring good quality airborne magnetic data over the southern portions of the project and also commissioning modern helicopter airborne EM over specific areas of the project to detect bedrock conductors beneath thin cover. Remote surveys have the advantage of not needing expensive and time consuming environmental permitting required due to the protected flora common in this area.

In Ravensgate's opinion, further exploration of the Lake Johnston area is warranted. Viable exploration targets include orogenic lode gold mineralisation at Frodo and nickel sulphide targets at Brian's Bluff, Bullseye and T1.

#### 4.9 Exploration Strategy

LEX has indicated to Ravensgate that they will undertake a systematic, staged approach with respect to their exploration program focusing primarily on gold. Currently planned gold exploration programs for the Lake Johnston project include RAB and RC drilling. Newexco have recommended a number of geophysical exploration activities predominantly focused on nickel exploration (Webb, 2016). These have been outlined in Section 4.8.3

Ravensgate considers that the exploration strategy proposed by LEX is consistent with the mineral potential and status of the Lake Johnston project.



## 5. MURCHISON PROJECT

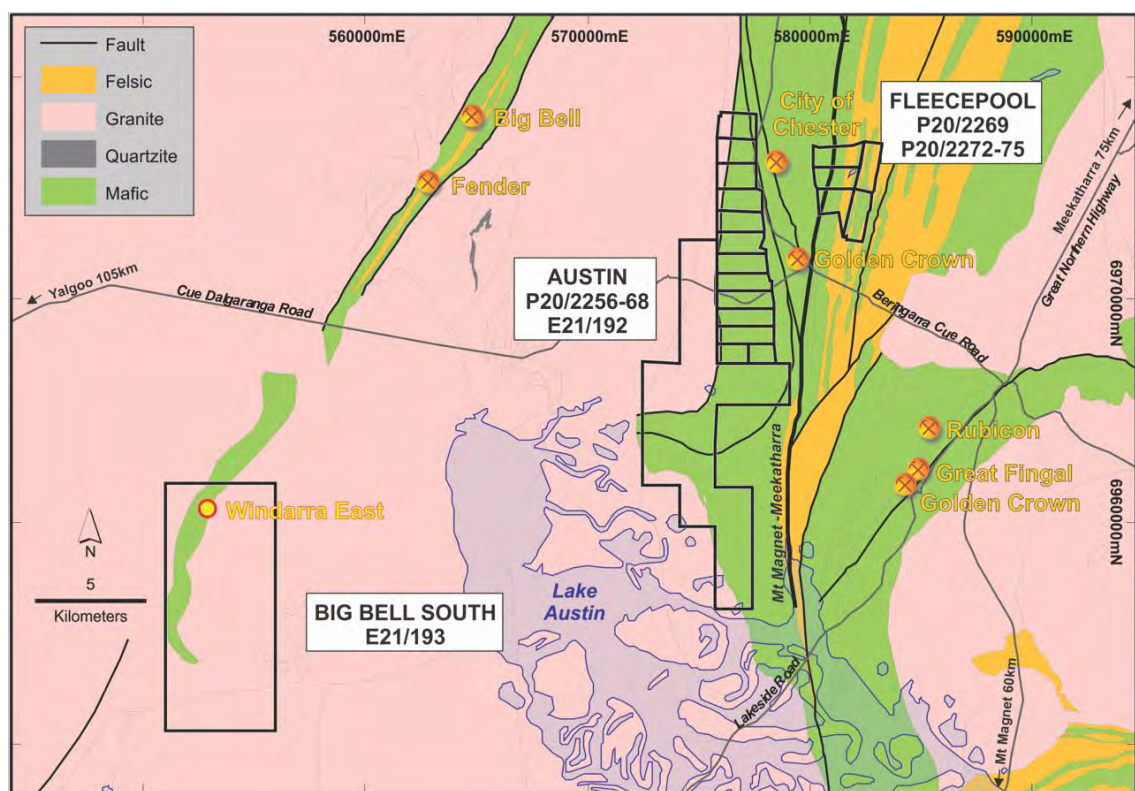
The Murchison project comprises only tenement applications and is rated as a lower category exploration priority by LEX has therefore a succinct description has been provided.

### 5.1 Location and Tenure

The Murchison project is located 620km north-northeast of Perth near the town of Cue in Western Australia. The project can be accessed from the Great Northern Highway via shire roads, station tracks and exploration tracks.

The Murchison project consists of two exploration licence applications and 18 prospecting licence applications with a total area of 134km<sup>2</sup>. The license details are listed in Table 1 and Figure 18. The tenements are grouped in three separate clusters which are treated as sub-projects by LEX: Fleece Pool (P20/2269, P20/2272-5) is located about 12km northwest of Cue, Austin (P20/2256-68 and E21/192) is located 12km west of Cue and Big Bell South (E21/193) is located 37km west-southwest of Cue. Fleece Pool and Austin are located within the Cue Mineral District.

**Figure 18 Murchison Project Tenement Plan and Geology**



### 5.2 Geology and Exploration History

The Murchison project is located in the Murchison domain of the Youanmi Terrane of the Archaean Yilgarn Craton (Wyche *et al.*, 2012) the classification of which is further described in Section 3.3.1 and illustrated in Figure 3. The Murchison Domain contains substantial greenstone belts separated by granite and granitic gneiss.

All three of the Murchison sub-projects cover structures close and marginal to dextral shear zones associated with the Meekatharra-Mt Magnet Fault and the Chunderloo-Big Bell Fault, both of which are significant crustal scale structures regionally associated with gold mineralisation.



### 5.2.1 Big Bell South

Big Bell South has an area of 54.7km<sup>2</sup> and is located 20km south of the Big Bell gold mine. It covers the Big Bell greenstone belt as it narrows to the south including the continuation of the Chunderloo-Big Bell Fault, a major structure extending 80km from Meekatharra to the Dalgaranga Fault.

ACM, Getty Oil, Little River, CRA, Normandy and Poseidon conducted previous work on the area including wide spaced soil surveys, RAB drill traverses, rock chip sampling, ground and airborne magnetics and aircore. Reconnaissance drilling indicated anomalous gold in drill holes close to Windarra East and Cavanagh Bore, which were never followed up. Most drill holes intersected granitic lithologies and it seems greenstone rocks are confined to thin slivers and segments.

Detailed geological mapping is lacking from previous exploration campaigns and may represent an effective targeting method.

### 5.2.2 Fleece Pool

Fleece Pool covers an area of 9.6km<sup>2</sup> dominated by drainage cover with localised outcrop of differentiated dolerite. Geologically, the area lies between the prominent Cuddingwarra gold lodes to the west and the Emily Well copper-zinc-gold lode to the west. With outcrop comprising approximately 20% of the area, the remainder is covered by alluvium and calcrete deposits associated with the Nallan Creek system and Cainozoic deposits. Three formations occur; the rhyolitic breccia and sandstone of the Greensleeves Formation; komatiite, high magnesium mafics and sedimentary units of the Wattagee Formation; and komatiite of the Meekatharra Formation. The Meekatharra-Mt Magnet Fault, a major terrain boundary, passes through the project area where it divides into two splays, with the Cuddingwarra Shear splaying west and the Chieftain Shear splaying to the north-northeast (Leeming, 2016).

The area has been heavily prospected by metal detectors for nuggets with occasional small prospecting pits, but no significant historic mining.

A review of previous exploration over the area by LEX was compiled into an exploration index and reviewed on a regional scale together with geology and aeromagnetic data. Previous explorers included Peregrine, Central Bore, Hillcrest, Harmony and Metals X. Soil sampling, RAB drilling and one line of RC drilling with some isolated follow up holes were the main activities carried out – soil sampling was duplicated and produced ambiguous results.

Gold anomalies have been traced from south to north through reconnaissance wide-spaced drilling along this structure while some higher grades and substantial widths of gold have been intercepted in aircore drilling immediately south of LEX ground. This area was drilled twice by Harmony in 2002 but never followed up.

Prospects which offer targets for drilling include the Chieftain Shear and Lillian's anomalies to the north and west. Geological mapping, compilation of drill sections with geology and interpretation are recommended, followed by a preliminary aircore program with a drill spacing of 400m and hole spacing of 40m.

The Fleece Pool-Chieftain structure provides potential gold target areas which remain untested through cover.

### 5.2.3 Austin

The Austin sub-project covers an area of 69.7km<sup>2</sup> providing 20km of prospective greenstone belt stratigraphy due west and parallel to the Cuddingwarra Shear, centred on ultramafic-mafic stratigraphy intruded by local porphyries. The tenements are adjacent (2km) to abandoned open pit gold mines at Cuddingwarra, including Black Swan, Rheingold, Golden Gate, City of Chester and an old underground mine at Victory United. Big Bell Operations (Metals X) hold tenure over these historic mines.

Thrust repeat stratigraphy west of Cuddingwarra was tested by soil geochemistry by Harmony over residual terrain. Soils returned gold, copper, lead and tellurium anomalies. Strongly anomalous rock chip geochemistry associated with quartz veining also resulted and were recommended for drilling, however no testing of these anomalies is recorded. Tenements were relinquished in 2015 by Metals X without any recent work undertaken.



Low detection multi-element soil geochemistry and limited rock chip sampling in outcropping areas by Harmony, in 2008, detected gold-in-soil anomalies which are detailed in Section 5.3.3. RAB drilling by Harmony focussed on magnetic and sub-audio magnetic (SAM) anomalies outside the LEX tenement block returned no gold values.

Very little exploration has been focussed west of Cuddingwarra on the thrust fault repeated mafic and ultramafic stratigraphy and reactivated shear zones.

### **5.3 Exploration Potential and Strategy**

Currently there are no granted tenements in the Murchison project, thus no exploration has been undertaken. Doubt will remain associated with the project until tenements are granted. Ravensgate consider the areas have a limited degree of prospectivity for structurally controlled orogenic lode gold deposits. LEX have undertaken some reviews of previous exploration which has led to certain conclusions and recommendations being made and these have been summarised for each of the three sub-project areas.

In Ravensgate's opinion exploration of the area is warranted once the tenements are granted. Viable exploration targets include orogenic lode gold mineralisation within greenstone lithologies. Geochemical gold anomalies at Austin and Fleece Pool require further exploration and drill testing to assess their potential.

LEX has indicated to Ravensgate that they will undertake a systematic, staged approach with respect to their exploration program, and will be carefully monitoring, assessing and refocussing their exploration programs as necessary. Ravensgate considers that the proposed exploration program is consistent with the mineral potential and status of the project. Ravensgate considers that the exploration strategy proposed by LEX is consistent with the mineral potential and status of the Murchison project.

#### **5.3.1 Big Bell South**

Most previous explorers have reported a dramatic thinning of the greenstone belt and a commensurate diminishing prospectivity for gold; however detailed geological mapping is lacking from previous exploration campaigns and may represent an effective targeting method.

#### **5.3.2 Fleece Pool**

The area has been heavily prospected by metal detectors for nuggets with occasional small prospecting pits, but no significant historic mining.

Prospects which offer targets for drilling include the Chieftain Shear and Lillian's anomalies to the north and west. Geological mapping, compilation of drill sections with geology and interpretation are recommended, followed by a preliminary aircore program with a drill spacing of 400m and hole spacing of 40m.

The Fleece Pool-Chieftain structure provides potential gold target areas which remain untested through cover.

#### **5.3.3 Austin**

The Austin area covers 20km of prospective greenstone belt stratigraphy due west and parallel to the Cuddingwarra Shear centred on ultramafic-mafic stratigraphy intruded by local porphyries.

Exploration potential identified from literature research undertaken by LEX to date includes gold-in-soil anomalies, mapped zones of quartz veining and shearing. Low detection multi-element soil geochemistry and limited rock chip sampling in outcropping areas by Harmony, in 2008, detected gold-in-soil anomalies (>20ppb) extending up to 3km with associated arsenic and copper anomalies. It appears there was no follow-up undertaken. Prominent en-echelon quartz veining over 100m in strike and up to 5m wide returned 0.12g/t Au and 0.28g/t Au with highly anomalous silver, tellurium, bismuth, arsenic and lead, which although recommended for drill testing, never proceeded.

Systematic prospecting along inferred shear zones under cover does not appear to have been undertaken and represents an exploration opportunity.





#### 5.4 Exploration Strategy

LEX has indicated to Ravensgate that they will undertake a systematic, staged approach with respect to their exploration program on the Murchison project, with prudent monitoring, assessing and refocussing of the exploration programs as necessary. Ravensgate considers that the exploration strategy proposed by LEX is consistent with the mineral potential and status of the Murchison project.



## 6. PLANNED EXPLORATION EXPENDITURE

LEX have provided to Ravensgate their proposed exploration expenditure for the two year period following the capital raising, which is summarised in Table 2.

LEX is intending to focus their expenditure on drilling. During the first year exploration is expected to primarily involve aircore drilling of targets defined through interpretation of existing data from previous explorers. In the second year, aircore and RC drilling will be focused on areas where year one drilling produced positive results, plus any new target areas stemming from continued analysis of historic exploration data and regional synthesis activities.

Currently there are no granted tenements in the Murchison project, thus no exploration budget has been allocated.

**Table 2** *Exploration Budget for Lefroy and Lake Johnston Projects*

Activity	Project/Prospect	Year 1 \$	Year 2 \$	Total Budget \$
Drilling	Lefroy - Coogee South	190,000	110,000	300,000
Drilling	Lefroy - Lucky Strike	85,000	125,000	210,000
Geophysics	Lefroy - Zanex	60,000	0	60,000
Drilling	Lefroy - Zanex	120,000	150,000	270,000
Drilling	Lefroy - Red Dale	50,000	110,000	160,000
Drilling	Lefroy - Neon	70,000	60,000	130,000
Drilling	Lake Johnston - Frodo	40,000	20,000	60,000
Geological interpretation	Lefroy & Lake Johnston	86,600	25,000	111,600
Geophysics	Lefroy & Lake Johnston	45,000	20,000	65,000
Drilling	Lefroy & Lake Johnston	0	70,000	70,000
Land Management	Lefroy & Lake Johnston	100,000	120,000	220,000
Exploration Salaries	Lefroy & Lake Johnston	304,000	304,000	608,000
<b>Total Exploration</b>		<b>1,150,600</b>	<b>1,114,000</b>	<b>2,264,600</b>
Corporate		581,000	581,000	1,162,000
<b>Total Budget</b>		<b>1,731,600</b>	<b>1,695,000</b>	<b>3,426,600</b>

Ravensgate considers that the proposed exploration budget is consistent with the mineral potential and status of the projects. The proposed expenditure is sufficient to meet the costs of the exploration programs proposed and to meet statutory tenement expenditure requirements.



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## 8. LIST OF ABBREVIATIONS

<i>AC</i>	Aircore (drill hole)
<i>Ag</i>	Silver
<i>ASX</i>	Australian Securities Exchange
<i>Au</i>	Gold
<i>BIF</i>	Banded iron formation
<i>Cu</i>	Copper
<i>DMP</i>	Department of Mines and Petroleum (Western Australia)
<i>EM</i>	Electromagnetic geophysical survey
<i>EOH</i>	End of hole
<i>Ga</i>	Gigaannum - 1 billion years ago
<i>g/t</i>	Grams per tonne
<i>ICP-OES</i>	Inductively coupled plasma - optical emission spectrometry
<i>IP</i>	Induced polarisation
<i>JORC</i>	Joint Ore Reserves Committee
<i>JORC Code</i>	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
<i>JV</i>	Joint Venture
<i>K</i>	Thousand(s)
<i>km</i>	Kilometre(s)
<i>km<sup>2</sup></i>	Square kilometre(s)
<i>LEX</i>	Lefroy Exploration Limited
<i>m</i>	Metre(s)
<i>M</i>	Million(s)
<i>MAIG</i>	Member of the Australian Institute of Geoscientists
<i>MAusIMM</i>	Member of the Australasian Institute of Mining and Metallurgy
<i>MLEM</i>	Moving loop electromagnetic geophysical survey
<i>Mt</i>	Million Tonnes
<i>Ni</i>	Nickel
<i>oz</i>	Ounce (Troy ounce - measure of weight)
<i>PGE</i>	Platinum Group Element
<i>ppb</i>	Parts per billion; a measure of concentration
<i>ppm</i>	Parts per million; a measure of concentration
<i>RAB</i>	Rotary air blast (drill hole)
<i>RC</i>	Reverse circulation (drill hole)
<i>SEM</i>	Scanning electron microscopy
<i>t</i>	Tonne(s)
<i>TEM</i>	Transient electromagnetic geophysical survey
<i>TMI</i>	Total magnetic intensity
<i>USMHL</i>	US Masters Holdings Limited (former name of LEX)
<i>VALMIN</i>	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
<i>WAMEX</i>	Western Australian Mineral Exploration Reports database
<i>1VD</i>	First vertical derivative



## 9. GLOSSARY

aeromagnetic	A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the Earth's magnetic field.
aircore drilling	A relatively inexpensive drilling technique similar to RC drilling, in which the drill cuttings are returned to surface inside the rods.
amphibolite	A mafic metamorphic rock consisting mainly of amphibole minerals, especially hornblende and actinolite.
anomaly	An area where exploration has revealed results higher than the local background level.
Archaean	The oldest geologic time period, pertaining to rocks older than about 2,500 million years.
assay	The testing and quantification metals of interest within a sample.
auger	Geochemical sampling technique involving the use of either a hand auger or a small drilling rig with an auger bit.
carbonate	Rock or mineral dominated by the carbonate ion ( $\text{CO}_3^{2-}$ ), of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and carbon and oxygen. Essential component of limestones and marbles.
chlorite	A green coloured hydrated aluminium-iron-magnesium silicate mineral common in metamorphic rocks.
complex	An intricate assemblage of geological units, typically in metamorphic or igneous terranes.
Craton	An old and stable part of the continental lithosphere.
diamond drilling	Drilling method employing a (industrial) diamond encrusted drill bit for retrieving a cylindrical core of rock.
diorite	A coarse-grained intrusive igneous rock that contains a mixture of feldspar pyroxene hornblende and sometimes quartz.
Domain	Geological zone of rock with similar geostatistical properties; typically a zone of mineralisation
dykes	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
fault	A wide zone of structural dislocation and faulting.
felsic	Igneous rocks with a large percentage of light-colored minerals such as quartz, feldspar, and muscovite. It is contrasted with mafic rocks, which are relatively richer in magnesium and iron.
gabbro	A black coarse-grained intrusive igneous rock that is the compositional equivalent of basalt.
geochemical	Pertains to the concentration of an element.
geochronology	The science of determining the absolute age of rocks. Dating methods involve measuring the amount of radioactive decay of a radioactive isotope with a known half-life.
geophysical	Pertains to the physical properties of a rock mass.
gneiss	A common metamorphic rock formed at high temperatures and pressures from igneous or sedimentary rocks, having characteristic foliations (gneissic banding) of alternating dark/light colored bands.
granite	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
granitoid	A broad category of coarse-grained acid igneous rock including granite, quartz monzonite, quartz diorite, syenite and granodiorite.
gravity survey	Measurements of gravitational acceleration and gravitational potential at the Earth's surface searching for mineral deposits.
greenstone	A metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite.





greenstone belt	A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies.
ground magnetic	Geophysical survey method using a hand-held magnetometer to record the strength of the earth's magnetic field usually along a grid.
induced polarisation	Geophysical survey technique used to identify the electrical chargeability of subsurface materials.
intrusive	Any igneous rock formed by intrusion and cooling of hot liquid rock below the earth's surface.
lithology	The description of a rock unit's physical characteristics visible in hand or core samples, such as colour texture grain-size and composition.
lode	A deposit of metalliferous ore formed in a fissure or vein.
mafic	Igneous rock composed dominantly of dark coloured minerals such as amphibole pyroxene and olivine, generally rich in magnesium and iron.
magmatic	Derived from or associated with magma. Magma is a complex high-temperature fluid substance present within the earth, which on cooling forms igneous rocks.
magnetite	A mineral comprising iron and oxygen which commonly exhibits magnetic properties.
metamorphic	A rock that has been altered by metamorphism from a pre-existing igneous or sedimentary rock type.
metamorphism	Alteration of the minerals, textures and composition of a rock caused by exposure to severe heat, pressure and chemical actions.
metavolcanic	Volcanic rock which has been altered by metamorphism.
Mineral Resource	Concentration of mineralisation in the earth for which there are reasonable prospects for eventual economic extraction.
mobile metal ion	MMI is a geochemical exploration method whereby mobile metal ions, adsorbed onto the surface of screened soil particles, are dissolved using patented chemical extractants and analysed at ppb levels. This method is more sensitive than conventional geochemical methods.
Ore Reserve	The economically mineable part of a Mineral Resource.
outcrop	A visible exposure of bedrock or ancient superficial deposits on the surface of the Earth.
overprinting	The superposition of a new set of structural geological features on an older set.
pegmatite	An exceptionally coarse-grained igneous rock with interlocking crystals, usually found as irregular dykes lenses or veins around the margins of batholiths.
petrography	Detailed descriptions of rocks typically using a microscope to study thin sections of rock specimens.
plunge	The vertical angle between a horizontal plane and the line of maximum elongation (of an orebody for example).
pluton	Body of intrusive igneous rock, typically several kilometres in dimension
porphyritic	Textural term for igneous rocks in which large crystals (phenocrysts) are set in finer groundmass, which may be crystalline or glass.
pyroxenite	Ultramafic igneous rock consisting essentially of minerals of the pyroxene group.
quartz	Common mineral composed of crystalline silica, with chemical formula SiO <sub>2</sub> .
RAB drilling	Rotary Air Blast. A relatively inexpensive but less accurate percussion drilling technique involving the collection of sample returned by compressed air from outside the drill rods.
RC drilling	Reverse Circulation. A percussion drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination.



resource	In situ mineral occurrence from which valuable or useful minerals may be recovered.
saprock	Weakly weathered rock with weathering restricted to fracture margins
saprolite	Soft clayey porous rock formed by in-place chemical weathering of rocks
Schist	A metamorphic rock dominated by fibrous or platy minerals, with a strongly foliated fabric (schistose cleavage).
sedimentary	A term describing a rock formed from sediment.
shear	A deformation resulting from stresses that cause rock bodies to slide relatively to each other in a direction parallel to their plane of contact.
shoot	Part of an orebody of elongated shape where higher grades are concentrated.
sill	A concordant sheet of igneous rock lying nearly horizontal.
soil sampling	The collection of soil specimens for mineral analysis.
strata	Sedimentary rock layers.
stratigraphic	Pertaining to the composition, sequence and correlation of stratified rocks.
strike	Horizontal direction or trend of a geological strata or structure.
structural	Pertaining to rock deformation or to features that result from it.
succession	Group of rock strata that succeed one another in chronological order.
superterrane	Composite terranes that comprise groups of individual terranes and other assemblages that share a distinctive tectonic history.
terrane	Any rock formation or series of formations or the area in which a particular formation or group of rocks is predominant.
ultramafic	Igneous and meta-igneous rocks composed of greater than 90% mafic minerals with very high magnesium and iron content, very low silica and potassium content.
volcanics	Rocks formed or derived from volcanic activity.



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9. SOLICITOR'S REPORT

Our Ref: PAL:LL:160656

6 September 2016

The Directors  
Lefroy Exploration Limited  
Suite 4101, Level 41  
1 Macquarie Place  
SYDNEY NSW 2000

Dear Sirs

## **SOLICITOR'S REPORT ON MINING TENEMENTS**

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### **1. INTRODUCTION**

This report is prepared for inclusion in a prospectus to be issued by Lefroy Exploration Limited (formerly U.S. Masters Holdings Limited) (ABN 71 052 123 930) (**LEX** or the **Company**) to be dated on or about 6 September 2016 (**Prospectus**).

Pursuant to the Prospectus the Company is proposing to issue up to:

- (a) 20,000,000 fully paid ordinary shares in the capital of the Company for a deemed issue price of \$0.20 to raise \$4 million (**Public Offer**); and
- (b) 7,600,000 shares to the shareholders of Hogans Resources Pty Ltd (**HRPL**) in consideration for the acquisition by the Company of 100% of the issued capital in HRPL,

(together, the **Offers**).

The Offers form part of the proposed transactions for the restructure and recapitalisation of the Company (**Proposed Transactions**) (please refer to the Investment Overview section of the Prospectus for further details regarding the Proposed Transactions).

This report relates to Western Australian mining tenements in which the Company either:

- (a) currently holds an interest in; or
  - (b) will hold an interest in following completion of the Proposed Transactions,
- as described in Schedule 1 (together, the **Tenements**).

An overview of the status of the Tenements is contained in Schedule 1, which is attached to and forms part of this report. The mining tenement register maintained by the Western Australian Department of Mines and Petroleum (**DMP**) on its Mineral Titles Online (**MTO**) system should be referred to for a full list of the endorsements and conditions affecting each of the Tenements.

Schedule 2 contains a summary of the terms of agreements material to the Tenements which have been provided to us for review, including agreements by which the Company has the right to acquire an interest in the Tenements following completion of the Proposed Transactions.

Schedule 3 contains a summary of the third party access and native title agreements provided to us for review which affect the Tenements.

This report also reviews the relevant law affecting the status of the Tenements.

Unless otherwise defined, all capitalised terms used in this report, are defined in accordance with the Prospectus.

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## 2. SEARCHES

For the purpose of this report, we have obtained and reviewed the following public searches:

- (a) searches of the Tenements (except for E26/193) in the Mineral Titles Online system maintained by the DMP (**MTO Searches**) conducted on 25 July 2016;
- (b) 'Quick Appraisal' reports of the Tenements (except for E26/193) from the DMP summarising information available in the online 'TENGRAPH' system maintained by the DMP (**Quick Appraisals**) obtained on 25 and 26 July 2016;
- (a) additional searches of DMP's MTO system conducted on:
  - (i) 3 August 2016 in respect of;
    - (A) HRPL's tenements (as listed in Schedule 1) post registration of the transfer of those tenements to HRPL;
    - (B) MZM's tenement E15/1447 following its grant; and
    - (C) application by LEX for E26/193 lodged on 29 July 2016; and
  - (ii) 17 August 2016 in respect of E63/1723;
  - (iii) 30 August 2016 in respect of E26/183 and E26/184 post registration of the transfer of those tenements to HRPL;
  - (iv) 6 September 2016 in respect of E26/131, P26/3690 and P26/3691; and
- (b) Quick Appraisals obtained on 3 August 2016 in respect of E15/1447 and application for E26/193.

We have not conducted historical searches to determine which native title claims, if any, were registered at the date of grant of each of the Tenements.

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## 3. OPINION

As a result of the searches and enquiries, but subject to the assumptions and qualifications set out in this report, we are satisfied that this report provides an accurate statement as to the status of the Tenements as at the dates of the searches set out above and of the interests in those Tenements. We have set out at Section 7 of this report, summaries of the relevant material agreements relating to the rights, interests and obligations of the Company in relation to the Tenements. Further details of the agreements are set out in Schedule 2 to this report.

#### 4. ASSUMPTIONS AND QUALIFICATIONS

In this report:

- (a) we have assumed the accuracy and completeness of the results of the searches of the registers maintained by DMP and other information obtained from DMP;
- (b) we have assumed that all contracts, agreements or arrangements we reviewed were within the capacity and powers of and were validly authorised, executed and delivered by and binding on each party to them and, where applicable, duly stamped;
- (c) we note that the status of the Tenements from the date of the searches as set out above (including the good standing of the Tenements as applicable) is subject to compliance with the terms and conditions of the relevant legislation by the holder of the Tenements and any applicable agreements;
- (d) we have assumed the accuracy and completeness of any instructions, documents and information given to us by the Company or any of its officers, employees, advisers, agents or representatives;
- (e) we have assumed that the responses to any questions which we have put to the directors, officers, employees, advisers and agents of the Company have been true and accurate in all respects and have not contained any material omissions;
- (f) we have assumed that there were no documents other than those which were disclosed to us which related to the issues we examined;
- (g) we have assumed that all material matters (including contracts and other documents) have been advised or provided to us by the directors, officers, employees, advisers, agents and representatives of the Company in response to our inquiries;
- (h) we have assumed that no terms of any of the contracts, agreements or arrangements we reviewed have been or are currently in breach;
- (i) where compliance with the requirements necessary to maintain a Tenement in good standing is not disclosed on the searches obtained, we express no opinion on such compliance;
- (j) where complaints or objections have been lodged against the Tenements (including the applications for any Tenements) we make no comment on the likelihood of success of such complaints or objections;
- (k) where a Tenement has been granted we have assumed that the future act provisions of the *Native Title Act 1993* (Cth) (**NTA**) have been complied with;
- (l) native title may exist over the areas covered by the Tenements, however, we have not done any anthropological, historical or ethnographic research to establish the likelihood of current and future native title claims leading to a positive determination of native title;
- (m) the tenement holder has complied with the *Aboriginal Heritage Act 1972* (WA) (**Heritage Act**) or the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth);
- (n) references in Schedule 1 to any area of land are taken from details in the MTO Searches and Quick Appraisals obtained. It is not possible to verify the accuracy of the land area without conducting a survey; and

- (o) where Ministerial consent to any agreement or dealing in relation to a Tenement is being or will be sought, we express no opinion as to whether such consent will be granted or the consequences of it being refused.

This report is limited to the matters expressly contained within it.

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## 5. MINING TENEMENTS GENERALLY

Where not otherwise indicated, the Company is the registered holder of the Tenements listed in Schedule 1.

The Tenements comprise of granted exploration licences, applications for exploration licences, granted prospecting licences and applications for prospecting licences under the *Mining Act 1978 (WA)* (**Mining Act**). The holder of a mining tenement under the Mining Act (including exploration licences and prospecting licences) is permitted to explore for all minerals including oil shale, but excluding oil, petroleum or a geothermal energy resource (which are all governed by the *Petroleum and Geothermal Energy Resources Act 1987 (WA)*), and sand or clay which occurs on private land. The Mining Act also excludes the holder of a mining tenement from exploring for or mining iron, unless the Minister specifically authorises the holder of the mining tenement to do so and endorses the mining tenement title, accordingly.

Applications for mining tenements are not capable of being transferred prior to grant. While there is no restriction on selling an application for a mining tenement (including an agreement to transfer it while it remains an application), in such a case, no transfer may be lodged with the DMP until the mining tenement is granted.

Amendments to the Mining Act were passed by Parliament on 26 October 2004 and came into effect from 10 February 2006. Tenements applied for prior to 10 February 2006 are subject to different terms and conditions to mining tenements applied for and granted after 10 February 2006. We note that all of the Tenements the subject of this report were applied for after 10 February 2006.

For the purposes of this report, we have reviewed the relevant sections of the Mining Act affecting the status of Tenements and as such, this report only considers the Mining Act as it applies to exploration licences and prospecting licences (and not any other tenure, including mining leases).

### 5.1 Prospecting Licences

A prospecting licence authorises the holder to enter upon land for the purpose of prospecting for minerals with vehicles, machinery and equipment as may be necessary or expedient for the purpose of prospecting for minerals in, on or under the land. It also permits the undertaking of operations and works necessary for that purpose, including digging pits, trenches and holes, sinking bores and tunnelling. A prospecting licence holder may excavate, extract or remove earth, soil, rocks, stone, fluid or mineral-bearing substances not exceeding 500 tonnes over the term of the licence.

A prospecting licence remains in force for a period of four years from the date on which it was granted. A majority of the prospecting licences listed in Schedule 1 can be extended for one further four year period if the Minister is satisfied that a prescribed ground exists. A number of other prospecting licences included in the Tenements list will expire in 2017, and will only be able to be continued by way of conversion applications for mining leases or by obtaining 'retention status' under the Mining Act.

Prescribed grounds include where the Minister is satisfied that insufficient work has been carried out due to difficulties or delays arising from governmental, legal, climatic or heritage reasons, or where the Minister considers that the land has been

unworkable for the whole or a considerable part of any year of the term or where the Minister considers that work carried out justifies further prospecting.

The registered holder of a prospecting licence may, as of right while the prospecting licence continues in force, apply for and, subject to the Mining Act, have granted one or more mining leases over any part of the land the subject of the prospecting licence. Where an application for a mining lease is made and the term of the prospecting licence expires prior to the grant of the mining lease, the prospecting licence will continue in force with respect to the land the subject of the application for a mining lease until the application for a mining lease is determined.

Annual rental for the first year of a prospecting licence is payable at the time of application, and following grant of the tenement will be payable in respect of each year of the term at the rate of \$2.50 per hectare with a minimum annual rental of \$25.00 (based on rental rates set out in the *Mining Regulations 1981 (WA)* (**Mining Regulations**) as at 1 July 2016).

Prospecting licences are subject to minimum annual expenditure requirements, which are calculated at the rate of \$40 per hectare, subject to a minimum of \$2,000 per annum (based on expenditure requirements set out in the Mining Regulations as at 1 July 2016). The holder may apply for exemption from compliance with minimum expenditure requirements on certain grounds set out in the Mining Act or at the discretion of the Minister. A failure to comply with expenditure requirements, unless exempted, renders the prospecting licence liable to forfeiture.

## 5.2 Exploration Licences

An exploration licence permits the holder to explore over a much larger area of land than under a prospecting licence. Exploration licences are described by graticular blocks, with individual graticular blocks ranging in area from approximately 2.8km<sup>2</sup> to 3.3km<sup>2</sup> depending on where a block is located within the State. One exploration licence may include up to a maximum of 70 graticular blocks, or in certain circumstances, 200 graticular blocks. There is no limit on the number of exploration licences which may be held by any one person.

An exploration licence authorises the holder to enter the land the subject of the exploration licence to explore for minerals with vehicles, machinery and equipment as may be necessary or expedient for the purpose of exploring for minerals in, on or under the land.

An exploration licence applied for on or after 10 February 2006 remains in force for a period of five years from the date of grant. The whole or any part of the land the subject of the granted exploration licence may be extended by one period of five years and then by a further period, or periods, of two years if the Minister is satisfied that a prescribed ground for extension exists. Prescribed grounds include where the Minister is satisfied that insufficient work has been carried out due to difficulties or delays arising from governmental, legal, climactic or heritage reasons, or where the Minister considers that the land has been unworkable for the whole or a considerable part of any year of the term, or where the Minister considers that work carried out justifies further exploration.

On or before the day that is 6 years after the day on which the exploration licence was granted, the registered holder of an exploration licence applied for on or after 10 February 2006 must surrender 40% of the area of the exploration licence. The Minister may defer the requirement to surrender if satisfied that a prescribed ground for deferral exists (similar to those outlined above in relation to the grant of an extension).

During the first year of the term of an exploration licence, a legal or equitable interest in or affecting the exploration licence cannot be transferred or otherwise dealt with,



whether directly or indirectly, without the prior written consent of the Minister. Any agreement made in contemplation of a dealing or other transaction of an exploration licence is valid provided the agreement expressly provides that Ministerial consent is to be obtained as a condition of the dealing or other transaction.

The registered holder of an exploration licence may, as of right, while the exploration licence continues in force, apply for and, subject to the Mining Act and any conditions on which the exploration licence is held, have granted one or more mining leases over any part or parts of the land the subject of the exploration licence. Where an application for a mining lease is made and the term of the exploration licence expires prior to the grant of the mining lease, the exploration licence will continue in force in respect to the land the subject of the application for a mining lease until the application for a mining lease is determined.

Annual rent for an exploration licence applied for on or after 10 February 2006 is \$129.50 per block for years one to three of the term of the licence, \$201.45 per block for years four and five of the term of the licence, \$273.35 per block for years six and seven of the term of the licence and \$517.60 per block for year eight and each subsequent year of the term of the licence (based on rental rates set out in the Mining Regulations as at 1 July 2016). Where there is only one block, annual rent for an exploration licence applied for on or after 10 February 2006 is \$311.60.

Exploration licences applied for on or after 10 February 2006 are subject to minimum annual expenditure requirements which are calculated at:

- (a) not less than \$1,000 per block for years one to three of the term of the licence (subject to minimums of \$10,000 for licences of one block only, \$15,000 for licences of two to five blocks and \$20,000 for licences of six to 20 blocks);
- (b) not less than \$1,500 per block for years four and five of the term of the licence (subject to minimums of \$10,000 for licences of one block only, \$20,000 for licences of two to five blocks and \$30,000 for licences of six to 20 blocks);
- (c) not less than \$2,000 per block for years six and seven of the term of the licence (subject to minimums of \$15,000 for licences of one block only, \$30,000 for licences of two to five blocks and \$50,000 for licences of six to 25 blocks); and
- (d) not less than \$3,000 per block for years eight and each subsequent year of the term of the licence (subject to minimums of \$20,000 for licences of one block only, \$50,000 for licences of two to five blocks and \$70,000 for licences of six to 23 blocks),

(based on expenditure requirements set out in the Mining Regulations as at 1 July 2016).

The holder of an exploration licence may apply for exemption from compliance with minimum expenditure requirements on certain grounds set out in the Mining Act or at the discretion of the Minister. A failure to comply with expenditure requirements, unless exempted, renders the exploration licence liable to forfeiture. Forfeiture is discussed further in section 5.3 below.

### **5.3 Tenement Conditions and Forfeiture**

Mining tenements granted in Western Australia are subject to various conditions prescribed by the Mining Act. Depending on the type of tenement, the primary conditions generally relate to the payment of rent, minimum expenditure and reporting requirements. In addition, standard conditions are imposed addressing environmental and heritage issues. The Minister (or the Warden or mining registrar in the case of a

prospecting licence) may also impose specific conditions on a mining tenement such as restrictions on mining or access. The Mining Regulations prescribe minimum expenditure conditions in relation to prospecting licences, exploration licences and mining leases. Minimum expenditure requirements for exploration licences and prospecting licences are discussed above.

If a registered mining tenement holder fails to comply with the annual minimum expenditure requirement, that person may apply to the DMP for an exemption from expenditure for that year. If an exemption from expenditure is refused, or a registered holder of a mining tenement fails to comply with any other condition imposed on the mining tenement, then the mining tenement will be liable to forfeiture under the Mining Act.

(a) Forfeiture of Prospecting Licences

If an exemption from expenditure is refused or a registered holder of a prospecting licence fails to comply with a condition imposed on a granted prospecting licence, fails to pay rent or a statutory royalty, fails to file a report required by the Mining Act, fails to satisfy a request of the Minister, or is convicted of an offence under the Mining Act, then the Warden may, on the application of the Minister, mining registrar, any authorised officer of the DMP, or any person make an order for the forfeiture of that prospecting licence.

An application for forfeiture in respect of expenditure conditions must be made during the expenditure year in relation to which the requirement is not complied with or within eight months thereafter.

A Warden may only make an order for forfeiture if the Warden is satisfied that non-compliance is of sufficient gravity to justify the forfeiture of the mining tenement.

A Warden may, as he or she thinks fit in the circumstances, impose a penalty as an alternative to making an order for forfeiture of a prospecting licence or miscellaneous licence. The penalty must not exceed \$10,000 in a case where expenditure conditions have not been complied with, and not exceed \$75,000, if the holder is an individual, or \$150,000, if the holder is a body corporate, in any other case.

(b) Forfeiture of Exploration Licences

Similar to a prospecting licence, if an exemption from expenditure is refused or a registered holder of an exploration licence fails to comply with a condition imposed on a granted exploration licence, fails to pay rent or a statutory royalty, fails to comply with certain provisions of the Mining Act, or is convicted of an offence under the Mining Act, then the Minister may cause the exploration licence to be forfeited, or impose a penalty. The penalty must not exceed \$10,000 in a case where expenditure conditions have not been complied with, and not exceed \$75,000, if the holder is an individual, or \$150,000, if the holder is a body corporate, in any other case.

Also, in addition to Ministerial forfeiture, any person may make an application to the Warden for the forfeiture of an exploration licence for failure to comply with the requirements of the Mining Act in respect of the expenditure conditions applicable to that licence. An application for forfeiture must be made during the expenditure year in relation to which the requirement is not complied with, or within eight months thereafter. Applications for forfeiture by a third party, if successful, can result in either an order for forfeiture or the imposition of a fine. A Warden may only make a recommendation of forfeiture to the Minister if the Warden is satisfied that

the non-compliance is of sufficient gravity to justify the forfeiture of the mining tenement.

(c) Securities

An applicant for a prospecting or exploration licence is required to lodge a security for compliance with the conditions to which the tenement, if granted, will from time to time be subject and with the provisions of the Mining Act and the Mining Regulations. This mandatory security must be lodged with the mining registrar within 28 days after lodging the relevant application. As at 1 July 2016, the amount of the security required is \$5,000.

In addition, the Minister may require the holder of a prospecting or exploration licence to lodge at the office of the mining registrar or the DMP at Perth an additional security for compliance with conditions imposed in relation to the licence or lease (as applicable) for prevention or reduction of injury to land. The amount of this additional security is determined by the Minister on a case by case basis, and may be varied by the Minister by instrument in writing.

Where a mining tenement is granted in respect of reserved land (e.g. national parks, state forests, marine and timber reserves), a condition is commonly imposed requiring any person carrying out mining operations on the land to make good injury to the surface of the land (or injury to anything on the surface thereof). If default is made in making good any such injury, the person having the control and management of such land may carry out the work necessary to do so, and may recover the cost of doing so from the person in default. In such circumstances, the person carrying out mining operations will be required to lodge a security to cover the probable cost of the work of making good the injury. As above, the amount of this additional security is determined by the Minister on a case by case basis, and may be varied by the Minister in writing.

#### 5.4 Mining Rehabilitation Fund

Prior to 5 November 2012, a regime of unconditional performance bonds (also known as environmental bonds or mining security bonds) existed. These bonds were used to secure tenement holders' environmental obligations to rehabilitate mine sites. This system was reformed by the *Mining Rehabilitation Fund Act 2012 (WA)* (**MRF Act**) which was passed on 5 November 2012. The changes established a new Mining Rehabilitation Fund (**MRF**) which commenced on 1 July 2013.

Under the MRF Act and the *Mining Rehabilitation Fund Regulations 2013 (WA)* (**MRF Regulations**), holders of tenements under the Mining Act are required to pay an annual, non-refundable amount into the MRF based upon the nature of the activity being undertaken and the area of disturbance. There is a threshold for participation and tenement holders with an annual rehabilitation liability estimate of \$50,000 or less will not be required to contribute to the MRF.

Provided certain preconditions are met and upon payment of the initial annual MRF contribution, tenement holders are generally be entitled to the return of any unconditional performance bonds lodged in respect of the relevant tenements.

Under the State Government's revised bond policy, an unconditional performance bond may still be required by Mining Act to tenement holders deemed a high risk of not completing their rehabilitation obligations.

DMP guidelines specify that if a tenement holder does not meet the criteria as set out in the guidelines, they will still be required to pay the levy but may not be eligible to have their bonds retired.

A number of the Tenements were subject to the previous regime of unconditional performance bonds. However, the MTO Searches indicate that the DMP is no longer holding any unconditional performance bonds in respect of those Tenements.

## 5.5 Royalties under the Mining Act

Royalties are payable to the Western Australian State Government in respect of minerals (including material containing minerals) obtained from land that is the subject of a mining lease or other mining tenement granted under the Mining Act, or that is the subject of an application for the grant of a mining lease or other mining tenement under the Mining Act. The holder of or applicant for a mining tenement (as the case may be) must provide a quarterly production report to the Director General of Mines commencing at the expiration of the first quarter during which any mineral is produced or obtained from that mining tenement or from land the subject of that application for a mining tenement. Royalties are payable quarterly to the DMP at Perth and must be accompanied by a royalty return in an approved form setting out all relevant details for calculation of the royalties. Generally, the quantity of minerals in respect of which a royalty is payable is extracted from mining lease, and not an exploration licence or prospecting licence.

Royalty rates and methods of calculation differ depending on the type of mineral produced or obtained from a mining tenement. The rates of royalties are set out in Part V Division 5 of the Mining Regulations. No royalty is payable in respect of the first 2,500 ounces of gold metal produced during a financial year from gold bearing material produced or obtained from the same gold royalty project. Thereafter, the rate of royalty payable is 2.5% of the 'royalty value' (being the total gold metal produced during the relevant month multiplied by the average of the gold spot prices for that month) of the gold metal produced, as determined in accordance with the Mining Regulations (based on royalty rates as at 1 July 2016).

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## 6. WARDEN'S COURT MATTERS

### 6.1 Objections to tenement applications

Under the Mining Act, various matters concerning tenements (such as objections or applications for forfeiture) may be subject to determination within the jurisdiction of the Wardens Court established pursuant to the Mining Act. As at the date of this report, the following matters are currently before the Wardens Court in relation to the Tenements:

- (a) application for E15/1497 is subject to an objection lodged by Silver Lake (Integra) Pty Ltd (**Silver Lake**) on the basis that the application for E15/1497 encroaches on miscellaneous licence L25/31 held by Silver Lake. We have been advised that the Company is anticipating that this objection will be resolved by way of an access agreement, which will govern the obligations of the parties with respect to the areas of overlap. As at the date of this report, the Company is currently negotiating an access agreement with Silver Lake for this purpose;
- (b) the following tenements are subject to objections lodged against them by Big Bell Operations Pty Ltd (**Big Bell**):
  - (i) E21/192;
  - (ii) P20/2258;
  - (iii) P20/2264;
  - (iv) P20/2265;

(v) P20/2266; and

(vi) P20/2267,

on the basis that the applications for those tenements encroach on miscellaneous licences L20/40, L20/41 and L20/21 held by Big Bell.

We have been advised that the Company is also anticipating that the above objections will be resolved by way of an access agreement with Big Bell. As at the date of this report, the Company is currently negotiating an access agreement with Big Bell for this purpose.

## 7. MATERIAL AGREEMENTS AFFECTING THE TENEMENTS

There are a number of material agreements relating to the obligations/rights and interests of the Company in relation to the Tenements. These agreements can broadly be separated into three categories being:

- (a) mineral rights agreements;
- (b) tenement sale agreements; and
- (c) third party access and aboriginal heritage agreements.

It is our understanding that there are currently no compensation or private royalty agreements affecting the Tenements.

Set out below is summary of the details of these agreements. Further details relating to the agreements are contained in Schedule 2 to this report.

### 7.1 Saunders and Rocky Reef Tenement Sale Agreement

The following table summarises the details of the 'Sale of Mining Tenements' between Frederick Charles Saunders (**Saunders**), Rocky Reef Mining Pty Ltd (**Rocky Reef**) and HRPL dated 4 April 2016.

Nature of Agreement	Tenements affected	Summary of Key Terms	Status
Tenement sale agreement and mineral rights retention agreement	E25/517 E26/131 E26/134 E26/150 E26/183 E26/184  P26/3689 P26/3690 P26/3691 P26/3764 P26/3765 P26/3889 P26/3890 P26/3891 P25/2059	Saunders and Rocky Reef sold their rights and interests in the affected tenements to HRPL, except for prospecting rights for alluvial gold which those parties retained. The rules for carrying out that prospecting activity are contained within this agreement.	Except for E26/183 and E26/184, which are both in their first year of grant, HRPL's 100% legal interest in the tenements was registered on 20 July 2016.  HRPL's 100% legal interest in E26/183 and E26/184 was registered on 26 August 2016 following receipt of ministerial approval to transfer. <sup>1</sup>

We note that under the terms of the 'Share Sale Agreement' between HRPL and LEX dated 26 July 2016, LEX is to acquire 100% of the issued capital in HRPL from the shareholders of HRPL, following which HRPL will become a wholly owned subsidiary

<sup>1</sup> As noted in Section 5.2 above, during the first year of the term of an exploration licence, a legal or equitable interest in or affecting the exploration licence cannot be transferred or otherwise dealt with, whether directly or indirectly, without the prior written consent of the Minister. As E26/183 and E26/184 were each granted on 30 May 2016 and are within their first year, Ministerial consent was required in order to transfer these exploration licences to HRPL.

of LEX (the **HRPL Transaction**). Please refer to section 11.2 of the Prospectus for further details on the HRPL Transaction.

## 7.2 LIT Rights Acquisition Agreement

The following table summarises the details of the 'Rights Acquisition Agreement' between LEX and LIT dated 17 August 2016:

Nature of Agreement	Tenements affected	Summary of Key Terms	Status
Mineral rights agreement	E63/1722 E63/1723 E63/1777	Subject to the satisfaction of a number of conditions precedent: (a) LIT will acquire 100% of the lithium rights on LEX's exploration licences E63/1722 and E63/1723 and will issue 9,000,000 shares in LIT to LEX as consideration; and (b) LEX will acquire 100% of gold and nickel rights on LIT's exploration licence E63/1777 (upon grant) and will issue 3,000,000 shares in LEX to LIT as consideration.	As at the date of this report, a number of conditions precedent remain under the LIT Rights Acquisition Agreement, including the grant of E63/1777. Please refer to Item 2 of Schedule 2 for further details.

## 7.3 MZM Tenement Sale Agreement

The following table summarises the details of the 'Tenement Sale Agreement' between MZM and LEX dated 26 July 2016:

Nature of Agreement	Tenements affected	Summary of Key Terms	Status
Tenement sale agreement	E15/1447	Subject to the satisfaction of a number of conditions precedent, the Company has entered into the Tenement Sale Agreement, pursuant to which MZM will sell, and the Company will acquire 100% of E15/1447.	E15/1447 was granted on 2 August 2015. However, as at the date of this report, a number of conditions precedent remain under the MZM Tenement Sale Agreement.  Pursuant to a deed of variation between LEX and MZM dated on or around 6 September 2016, the end date for satisfaction of the conditions precedent was extended to 15 October 2016.  Please refer to item 3 of Schedule 2 for further details.

## 7.4 Access and Aboriginal Heritage Agreements

A number of the Tenements are subject to third party access agreements and aboriginal heritage agreements. Please refer to Schedule 3 of this report for further details.

## 8. NATIVE TITLE

### 8.1 Background - Native Title Claim Process

In 1992 the High Court handed down its decision in *Mabo v Queensland (No. 2)* (1992) 175 CLR 1. The Court held that the common law of Australia recognised a form of native title. In response, the Commonwealth Government passed the NTA which commenced on 1 January 1994, after which date the grant of tenements had to comply with the requirements of the NTA.

Under the NTA, people claiming to hold native title may file an application in the Federal Court. The Federal Court then refers the application to the Native Title Registrar (**Registrar**) at the National Native Title Tribunal (**NNTT**). The Registrar considers the application against various legislative criteria and, if the application meets these criteria, the Registrar accepts the application for registration. If the application is accepted for registration, it is placed on the Register of Native Title Claims and the claimants acquire certain procedural rights, including the right to negotiate over certain 'Future Acts' under the NTA.

### 8.2 Future Act Procedures

A 'Future Act' is an activity which affects native title, and includes the grant of exploration and mining tenements. Certain Future Acts attract what is known as the 'right to negotiate'. Generally if a Future Act, such as the grant of a tenement, is proposed, the Western Australian State Government issues a notice saying that it intends to do the act. Claimants who are registered at the time of the notice, or within four months of the notice having been issued, obtain the right to negotiate over the proposed Future Act.

#### (a) Right to Negotiate Procedure

Under the right to negotiate process, the Government, the grantee and the native title party must negotiate in good faith with a view to obtaining agreement on the particular Future Act. The parties can reach agreement at any stage, but in the event that agreement cannot be reached, parties must continue to negotiate for a minimum of six months before being able to refer the matter to the NNTT for arbitration. Subject to Commonwealth Ministerial intervention, either agreement between the parties or the arbitral decision of the NNTT determines whether the tenement is granted and what conditions will apply.

#### (b) Expedited Procedure

If a proposed future act is not likely to:

- (i) interfere directly with the carrying on of the communal or social activities of the registered native title party;
- (ii) interfere with areas or sites of significance to the registered native title party; or
- (iii) involve major disturbance to land or waters within the area of a registered claim,

the Future Act may qualify for what is known as the 'Expedited Procedure'. This is a form of fast tracking. It is the policy of the Western Australian State Government that the Expedited Procedure will apply to the grant of exploration and prospecting licences located within Western Australia, provided that the applicant has executed a Regional Standard Heritage Agreement or has an existing Alternative Heritage Agreement in place. In

the absence of such an agreement the applications will be processed under the right to negotiate regime (discussed above in Section 8.2(a)).

If a tenement is advertised under the Expedited Procedure, a registered native title party may lodge an objection with the NNTT. The objection is not to the grant of the tenement, but rather to the assertion that the Expedited Procedure applies. If such an objection is lodged the parties can negotiate with a view to reaching agreement or apply to the NNTT for an arbitral determination as to whether the Expedited Procedure applies. If the Expedited Procedure, does apply no further native title process need be followed. If it does not apply, the matter proceeds within the right to negotiate process.

### 8.3 Compliance with the NTA

With respect to the granted Tenements, we have assumed that prior to grant the DMP was satisfied of compliance with the future act provisions of the NTA. As discussed above, generally this will involve the tenement applicant entering into a regional standard heritage agreement with any registered native title claimants in relation to the grant of the tenements.

We have been provided with a number of aboriginal heritage agreements which have either been signed or are currently being negotiated to ensure the expeditious grant and validity of the Tenements without objection by the relevant registered native title party claimants in return for compliance by the Company with various obligations aimed at preserving and protecting significant Aboriginal sites and objects (**Aboriginal Heritage Agreements**). Please refer to Schedule 3 of this report for details of each Aboriginal Heritage Agreement.

### 8.4 Aboriginal Heritage Acts

#### (a) Legislation

Tenements in Western Australia are granted subject to a condition on title reminding the tenement holder of its obligation to comply with the requirements of the Heritage Act. This is in addition to, and not in lieu of, any contractual obligations under heritage agreements as discussed above.

The Heritage Act operates within Western Australia to protect sites, places and objects of significance to Aboriginal people. The Heritage Act establishes a register of sites, although there is no requirement for a site to be registered nor is there any requirement that the site be publicly acknowledged, in order for it to attract the protection of the Heritage Act. It is an offence to damage or destroy a site, whether or not the offender knew of its existence. However, it is possible to apply for consent to disturb or damage a site and, if such consent is obtained from the Minister for Indigenous Affairs (on recommendation from the Aboriginal Cultural Materials Committee), the relevant damage or destruction will not be an offence.

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) also provides some protection to Aboriginal sites.

The Heritage Act applies to all of the Tenements and is aimed at the preservation and protection from destruction of significant Aboriginal areas and significant Aboriginal objects. An area or object is found to be interfered with if it is used or treated in a manner inconsistent with Aboriginal tradition. We have not conducted a search of the register of sites for the purposes of this report.



Generally companies will consult with the relevant Aboriginal group and, if both parties think that it is necessary, the company and a group of Aboriginal informants will conduct a heritage survey of the relevant area to identify any sites. A number of the Native Title Agreements also deal with heritage protection and provide a process for identification, documentation and management of Aboriginal heritage.

(b) Heritage protection provisions in the Aboriginal Heritage Agreements

The Aboriginal Heritage Agreements provided include a number of heritage protection provisions. An important issue is the Company's right to seek consent to disturb a site under section 18 of the Heritage Act. As noted in Section 8.4(a) above, this consent allows disturbance or destruction of a site, which would otherwise be an offence under the Heritage Act.

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**9. CONSENTS**

This report is provided solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document without our prior written consent.

Allion Partners consents to being named in the Prospectus as the authors of this report.

Allion Partners has given, and has not before the lodgement of this Prospectus withdrawn, its consent to the inclusion of this report in the Prospectus.

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**10. DISCLOSURE OF INTEREST**

Allion Partners will be paid normal and usual professional fees for the preparation of this report and related matters, as set out elsewhere in the Prospectus.

Yours faithfully

*Allion Partners*

**Allion Partners**

## SCHEDULE 1

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure Exp. Commitment	Exp. Lodged	Exemption Lodged	Rent (due/paid)	Rates 2015/2016 year <sup>2</sup> (due/paid)	Notes
E 25/517	HRPL	19/11/2014	29/05/2015	28/05/2020	No	2 BL	None	None	\$15,000	\$18,597.50 (exp. in full for year end 28/05/216)	N/A	\$250.50 (paid in full to 28/05/2017)	paid in full	In good standing. <sup>3</sup>
E 26/131	HRPL	02/05/2008	10/08/2009	09/08/2019	Yes	8 BL	None	None	\$50,000	Due between 11/08/2016 & 11/10/2016. We have been advised that exp. is anticipated to be met in full.	N/A	\$4,140.80 (due before 09/09/2016) We have been advised that the rent for year end 9/08/2017 will be paid on or prior to 09/09/2016.	paid in full	In good standing.
E 26/134	HRPL	25/06/2008	29/03/2010	28/03/2020	Yes	6 BL	None	None	\$50,000	\$57,904.29 (exp. in full for year end 28/03/2016)	N/A	\$1586.10 (paid in full to 28/3/2017)	paid in full	In good standing.

<sup>2</sup> We have been advised that rate notices for the 2016/2017 year are expected to be received in late August 2016 and first payment (by instalment) is anticipated to be due by 30 September 2016.

<sup>3</sup> "Good standing" means, with respect to a Tenement:

- (a) all rent payments are up to date;
- (b) all rate payments are up to date;
- (c) there are no pending Wardens Court or forfeiture proceedings; and
- (d) the minimum expenditure commitment has:
  - (i) been met in full;
  - (ii) an expenditure exemption application has been granted; or
  - (iii) if the Form 5 expenditure report is due after the date of this report and prior to the expected date for the Company's re-quotations on ASX (being 26 September 2016);
    - A. we have been advised that expenditure for the current year is likely to be met; or
    - B. an exemption application is likely to be applied for and the Company has reasonable grounds to expect that it will be granted.

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rates 2015/2016 year <sup>2</sup> (due/paid)	Notes	
									Exp. Commitment	Exp. Lodged	Exemption Lodged			
E 26/150	HRPL	12/02/2010	15/03/2011	14/03/2021	Yes	1 BL	None	None	\$10,000	\$12,580.70 (exp. in full for year end 14/03/2016)	N/A	\$301.35 (paid in full to 14/3/2017)	paid in full	In good standing.
E26/183	HRPL	23/01/2015	30/05/2016	29/05/2021	No	18 BL	None	None	\$20,000	N/A (not due until after year ends 29/05/2017)	N/A	\$2197.80 (paid in full to 29/5/2017)	N/A	In good standing.
E26/184	HRPL	23/01/2015	30/05/2016	29/05/2021	No	50 BL	None	None	\$50,000	N/A (not due until after year ends 29/05/2017)	N/A	\$6105.00 (paid in full to 29/5/2017)	paid in full	In good standing.
P 25/2059	HRPL	25/11/2008	21/09/2009	20/09/2017	Yes	199.14 33 HA	None	None	\$8,000	Due between 22/09/2016 & 22/11/2016. We have been advised that exp. is anticipated to be met in full.	N/A	\$480.00 (paid in full to 20/9/2016)	paid in full	In good standing. We note that P25/2059 cannot be further renewed as a prospecting licence upon its expiry on 20/09/2017.
P 26/3689	HRPL	30/09/2008	13/11/2009	12/11/2017	Yes	170 HA	None	None	\$6,800	\$13,606.04 (exp. in full for year end 12/11/2015)	N/A	\$408.00 (paid in full to 12/11/2016)	paid in full	In good standing. We note that P26/3689 cannot be further renewed as a prospecting licence upon its expiry on 12/11/2017.
P 26/3690	HRPL	30/09/2008	24/08/2009	23/08/2017	Yes	116.55 31 HA	None	None	\$4,680	Due between 25/08/2016 & 25/10/2016. We have been advised that exp. is anticipated to be met in full.	N/A	\$292.50 (due before 23/09/2016) We have been advised that the rent for year end 23/08/2017 will be paid on or prior to 23/09/2016.	paid in full	In good standing. We note that P26/3690 cannot be further renewed as a prospecting licence upon its expiry on 23/08/2017. Subject to the Ramelius Access Agreement (refer to item 7 of Schedule 3 of this report for further details).
P 26/3691	HRPL	30/09/2008	24/08/2009	23/08/2017	Yes	116.32 48 HA	None	None	\$4,680	Due between 25/08/2016 &	N/A	\$292.50 (due before	paid in full	In good standing. We note that P26/3691

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rents 2015/2016 year <sup>2</sup> (due/paid)	Notes	
									Exp. Commitment	Exp. Lodged	Exemption Lodged			
P 26/3764	HRPL	12/02/2010	15/03/2011	14/03/2019	Yes	71.8 HA	None	None	\$2,880	\$4,119.80 (exp. in full for year end 14/03/2016)	N/A	\$172.80 (paid in full to 14/03/2017)	paid in full	cannot be further renewed as a prospecting licence upon its expiry on 23/08/2017. Subject to the Ramelius Access Agreement (refer to item 7 of Schedule 3 of this report for further details).
P 26/3765	HRPL	12/02/2010	15/03/2011	14/03/2019	Yes	133 HA	None	None	\$5,320	\$6,260.20 (exp. in full for year end 14/03/2016)	N/A	\$319.20 (paid in full to 14/03/2017)	paid in full	In good standing. We note that P26/3764 cannot be further renewed as a prospecting licence upon its expiry on 14/03/2019. Subject to the Ramelius Access Agreement (refer to item 7 of Schedule 3 of this report for further details).
P26/3889	HRPL	19/03/2012	11/06/2013	10/06/2017	No	199 HA	None	None	\$7,960	\$9,578.37 (exp. in full for year end 10/06/2016)	N/A	\$477.60 (paid in full to 10/06/2017)	paid in full	In good standing.
P26/3890	HRPL	19/03/2012	11/06/2013	10/06/2017	No	200 HA	None	None	\$8,000	\$9,382.78 (exp. in full for year end 10/06/2016)	N/A	\$480.00 (paid in full to 10/06/2017)	paid in full	In good standing.
P26/3891	HRPL	19/03/2012	11/06/2013	10/06/2017	No	195 HA	None	None	\$7,800	\$8,971.21 (exp. in full for year end 10/06/2016)	N/A	\$468.00 (paid in full to 10/06/2017)	paid in full	In good standing.

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rents 2015/2016 year <sup>2</sup> (due/paid)	Notes
									Exp. Commitment	Exp. Lodged	Exemption Lodged		

### MZM Tenement

E15/1447	MZM	15/10/2014	02/08/2016	01/08/2021	No	49 BL	None	None	\$49,000	N/A (not due until after year ends 01/08/2017)	N/A	\$6,349.20 (paid in full to 01/08/2017)	N/A	In good standing. We note that E15/1447 will be transferred to LEX once the conditions precedent under the MZM Tenement Sale Agreement have been satisfied or waived (see Item 3 of Schedule 2 of this Report for further details), transfer duty is assessed and paid and Ministerial approval to the transfer of the tenement during the first year of its term is obtained.
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### LIT Tenement

E63/1777	LIT	22/03/2016	pending	N/A	N/A	3 BL	None	None	N/A	N/A	N/A	\$375.75 (paid in full)	N/A	Native title expedited procedure in progress. Native title objection period closes on 01/10/2016.
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### LEX Tenements<sup>4</sup>

#### LEX Granted Tenements

E 26/182	LEX	18/12/2014	11/11/2015	10/11/2020	No	13 BL	None	None	\$20,000	N/A (not due until after year ends 10/11/2016)	N/A	\$1587.30 (paid in full to 10/11/2016)	No rates notice issued for 2015/2016 year	In good standing. MRF levy determined as not due for 2015/2016.
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<sup>4</sup> All LEX granted tenements and tenement applications are currently registered in the name of "U.S Masters Holdings" however we are instructed that the Company intends to lodge an application with the DMP to amend its name to "Lefroy Exploration Limited".

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rents 2015/2016 year <sup>2</sup> (due/paid)	Notes	
									Exp. Commitment	Exp. Lodged	Exemption Lodged			
E 63/1722	LEX	29/12/2014	01/04/2016	31/03/2021	No	65 BL	None	None	\$65,000	N/A (not due until after year ends 31/03/2017)	N/A	\$7936.50 (paid in full to 31/03/2017)	No rates notice issued for 2015/2016 year 2016/2017 rates due on 12/09/2016	In good standing. Subject to the Aboriginal Heritage Agreement between LEX and Ngadju dated 23 June 2016 (please refer to Item 2 of Schedule 3 of this report for further details). MRF levy determined as not due for 2015/2016.
E 63/1723	LEX	29/12/2014	28/07/2015	27/07/2020	No	36 BL	None	None	\$36,000	\$45,014.60 (exp. in full for year end 27/07/2016)	N/A	\$4662 (paid in full to 27/07/2017)	Paid in full . 2016/2017 rates due on 12/09/2016	In good standing. MRF levy determined as not due for FY2015/2016.
<i>LEX Tenement Applications</i>														
E 15/1497	LEX	26/11/2015	pending	N/A	N/A	29 BL	None	Objection 478532 by Silver Lake (Integra) Pty Limited lodged on 7/12/2015	N/A	N/A	N/A	\$3632.25 (paid in full)	N/A	An access agreement with Silver Lake to resolve Objection 478532 is currently being negotiated (please refer to item 5 of Schedule 3 of this report for further details). Native Title expedited procedure not yet commenced.
E 15/1498	LEX	26/11/2015	pending	N/A	N/A	4 BL	None	None	N/A	N/A	N/A	\$501.00 (paid in full)	N/A	Subject to Access Agreement between LEX and St Ives Gold Mining Company Pty Ltd dated on or around April 2016 with respect encroachment on L15/263 (please refer to item 4 of Schedule 3 of this report for further details). Native title expedited procedure in progress. Native title objection period closes on 22/11/2016.
E 21/192	LEX	13/11/2015	pending	N/A	N/A	15 BL	None	Objection 478293 by Big Bell Gold Operations	N/A	N/A	N/A	\$1878.75 (paid in full)	N/A	Subject to the Big Bell Access Agreement which is currently being negotiated (please refer to item 6 of Schedule 3 of this

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rents 2015/2016 year <sup>2</sup> (due/paid)	Notes	
									Exp. Commitment	Exp. Lodged	Exemption Lodged			
								Pty Ltd ( <b>Big Bell</b> ) lodged on 02/12/2015					report for further details).	
E 21/193	LEX	13/11/2015	pending	N/A	N/A	18 BL	None	None	N/A	N/A	N/A	\$2254.50 (paid in full)	N/A	Native Title expedited procedure not yet commenced.
E26/193-I	LEX	29/07/2016	pending	N/A	N/A	7 BL	None	None	N/A	N/A	N/A	\$906.50 (paid in full)	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 18/05/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated
P 20/2256	LEX	13/11/2015	pending	N/A	N/A	200 HA	None	None	N/A	N/A	N/A	\$480 (paid in full)	N/A	Mining Act objection period closes on 02/09/2016. Native Title expedited procedure not yet commenced.
P 20/2257	LEX	13/11/2015	pending	N/A	N/A	200 HA	None	None	N/A	N/A	N/A	\$480 (paid in full)	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 05/07/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).
P 20/2258	LEX	13/11/2015	pending	N/A	N/A	199 HA	None	Objection 478287 by Big	N/A	N/A	N/A	\$477.60 (paid in	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 05/07/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rents 2015/2016 year <sup>2</sup> (due/paid)	Notes	
									Exp. Commitment	Exp. Lodged	Exemption Lodged			
								Bell lodged on 2/12/2015				full)	being negotiated.	
P 20/2259	LEX	13/11/2015	pending	N/A	N/A	197 HA	None	None	N/A	N/A	N/A	\$472.80 (paid in full)	N/A	Native title expedited procedure not yet commenced. Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 18/05/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).
P 20/2260	LEX	13/11/2015	pending	N/A	N/A	196 HA	None	None	N/A	N/A	N/A	\$470.40 (paid in full)	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 18/05/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).
P 20/2261	LEX	13/11/2015	pending	N/A	N/A	197 HA	None	None	N/A	N/A	N/A	\$472.80 (paid in full)	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 05/07/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).
P 20/2262	LEX	13/11/2015	pending	N/A	N/A	197 HA	None	None	N/A	N/A	N/A	\$472.80 (paid in full)	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 05/07/2016. Subject to the Wajarri Heritage Agreement which is currently



Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rents 2015/2016 year <sup>2</sup> (due/paid)	Notes	
									Exp. Commitment	Exp. Lodged	Exemption Lodged			
													being negotiated (please refer to item 1 of Schedule 3 of this report for further details).	
P 20/2263	LEX	13/11/2015	pending	N/A	N/A	197 HA	None	None	N/A	N/A	N/A	\$472.80 (paid in full)	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on 18/05/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).
P 20/2264	LEX	13/11/2015	pending	N/A	N/A	197 HA	None	Objection 478290 by Big Bell lodged on 2/12/2015	N/A	N/A	N/A	\$472.80 (paid in full)	N/A	Subject to the Big Bell Access Agreement which is currently being negotiated. Native Title expedited procedure not yet commenced.
P 20/2265	LEX	13/11/2015	pending	N/A	N/A	197 HA	None	Objection 478289 by Big Bell lodged on 2/12/2015	N/A	N/A	N/A	\$472.80 (paid in full)	N/A	Subject to the Big Bell Access Agreement which is currently being negotiated. Native Title expedited procedure not yet commenced.
P 20/2266	LEX	13/11/2015	pending	N/A	N/A	198 HA	None	Objection 478291 by Big Bell lodged on 2/12/2015	N/A	N/A	N/A	\$475.20 (paid in full)	N/A	Subject to the Big Bell Access Agreement which is currently being negotiated. Native Title expedited procedure not yet commenced.
P 20/2267	LEX	13/11/2015	pending	N/A	N/A	123 HA	None	Objection 478292 by Big Bell Operations Pty Ltd lodged on 2/12/2015	N/A	N/A	N/A	\$295.20 (paid in full)	N/A	Subject to the Big Bell Access Agreement which is currently being negotiated. Native Title expedited procedure not yet commenced.
P 20/2268	LEX	13/11/2015	pending	N/A	N/A	108 HA	None	None	N/A	N/A	N/A	\$259.20 (paid in full)	N/A	Native title expedited procedure in progress. Objection received from Wajarri Yamatji claimants on

Tenement	Holder	Application Date	Grant Date	Expiry Date	Term Renewed	Area	Registered Caveats / Mortgages	Pending Objections/ Forfeiture Action	Expenditure			Rents 2015/2016 year <sup>2</sup> (due/paid)	Notes	
									Exp. Commitment	Exp. Lodged	Exemption Lodged			
													18/05/2016. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).	
P 20/2269	LEX	13/11/2015	pending	N/A	N/A	180 HA	None	None	N/A	N/A	N/A	\$432.00 (paid in full)	N/A	Native title expedited procedure in progress. Subject to the Wajarri Heritage Agreement which is currently being negotiated (please refer to item 1 of Schedule 3 of this report for further details).
P 20/2272	LEX	7/12/2015	pending	N/A	N/A	198 HA	None	None	N/A	N/A	N/A	\$475.20 (paid in full)	N/A	Native title expedited procedure in progress. Subject to the Wajarri Heritage Agreement which is currently being negotiated.
P 20/2273	LEX	7/12/2015	pending	N/A	N/A	200 HA	None	None	N/A	N/A	N/A	\$480 (paid in full)	N/A	Native title expedited procedure in progress. Subject to the Wajarri Heritage Agreement which is currently being negotiated.
P 20/2274	LEX	7/12/2015	pending	N/A	N/A	188 HA	None	None	N/A	N/A	N/A	\$451.20 (paid in full)	N/A	Native title expedited procedure in progress. Subject to the Wajarri Heritage Agreement which is currently being negotiated.
P 20/2275	LEX	7/12/2015	pending	N/A	N/A	198 HA	None	None	N/A	N/A	N/A	\$475.20 (paid in full)	N/A	Native title expedited procedure in progress. Subject to the Wajarri Heritage Agreement which is currently being negotiated.

## SCHEDULE 2

### CONTRACT SUMMARIES

#### 1. SAUNDERS AND ROCKY REEF TENEMENT SALE AGREEMENT

Agreement	Tenement(s) affected	Parties to Agreement	Structure	Status
Tenement sale agreement and mineral rights retention agreement	E25/517 E26/131 E26/134 E26/150 E26/183 E26/184 P26/3689 P26/3690 P26/3691 P26/3764 P26/3765 P26/3889 P26/3890 P26/3891 P25/2059	Fredrick Charles Saunders Rocky Reef Mining Pty Ltd HRPL	Saunders and Rocky Reef sold their rights and interests in the tenements listed in the preceding column to HRPL except for prospecting rights for alluvial gold.  The rules for carrying out that prospecting activity are contained within this agreement.	The Saunders and Rocky Reef Tenement Sale Agreement was fully executed on 4 April 2016.  Except for E26/183 and E26/184, which are both in their first year of grant, HRPL's 100% interest in the tenements was registered on 20 July 2016.  HRPL's 100% interest in E26/183 and E26/184 was transferred to HRPL following receipt of Ministerial approval to transfer.

On 4 April 2016, Frederick Saunders, Rocky Reef Mining Pty Ltd and HRPL entered into an agreement for the sale and purchase of the above tenements (**Saunders and Rocky Reef Tenement Sale Agreement**).

The material terms of the Saunders and Rocky Reef Tenement Sale Agreement are:

- (a) (**Retention of Prospecting Rights**): Frederick Saunders and Rocky Reef Mining retain the right to prospect for alluvial gold and retain any gold discovered within surface alluvium on the tenements being transferred to HRPL.

- (b) **(Caveats)**: All parties are entitled to lodge caveats pursuant to section 121 of the Mining Act 1978 (WA) to protect their interests in the tenements.
- (c) **(Prospecting Rules)**: Frederick Saunders and Rocky Reef agree to be bound by the prospecting rules set out in schedule 5 of the agreement in regards to the Retention of Prospecting Rights.
- (d) **(Assignment/Transfer)**: Frederick Saunders and Rocky Reef cannot assign or transfer to a third party their Prospecting Rights. HRPL must not sell, assign or dispose of its interest in the tenements to a third party unless HRPL first obtains a deed of covenant in favour of Frederick Saunders and Rocky Reef to retain Prospecting Rights.
- (e) **(First Right on Surrender)**: Frederick Saunders and Rocky Reef have the first right to obtain any of the tenements if they are to be surrendered, relinquished or not renewed.
- (f) **(After acquired tenements)**: Any mineral interests acquired during the currency of this agreement agreed to by HRPL and applied for by Frederick Charles Saunders and Rocky Reef Mining Pty Ltd will become a part of the Tenements for the purposes of this agreement.

The Saunders and Rocky Reef Tenement Sale Agreement contains clauses typical for agreements of this nature.

We note that under the terms of the 'Share Sale Agreement' between HRPL and LEX dated 26 July 2016, LEX is to acquire 100% of the issued capital in HRPL from the shareholders of HRPL, following which HRPL will become a wholly owned subsidiary of LEX (the **HRPL Transaction**). Please refer to section 11.2 of the Prospectus for further details on the HRPL Transaction.

## 2. LIT RIGHTS ACQUISITION AGREEMENT

Nature of Agreement	Tenements affected	Parties	Structure	Status
Mineral rights agreement	E63/1722 E63/1723 E63/1777	LEX and LIT	Subject to the satisfaction of a number of conditions precedent: (c) LIT will acquire 100% of the lithium rights on LEX's exploration licences E63/1722 and E63/1723 and will issue 9,000,000 shares in LIT to LEX as consideration; and (d) LEX will acquire 100% of gold and nickel rights on LIT's exploration licence E63/1777 (upon grant) and will issue 3,000,000 shares in LEX to LIT as	The 'Rights Acquisition Agreement' between LEX and LIT was fully executed on 17 August 2016  As at the date of this report, a number of conditions precedent remain under the LIT Rights Acquisition Agreement, including the granting of E63/1777.

Nature of Agreement	Tenements affected	Parties	Structure	Status
			consideration.	

## 2.1 Binding Letter Agreement

As announced to the ASX on 20 June 2016, LEX and LIT entered into a binding letter agreement under which LEX and LIT agreed to two these transactions, that is:

- (a) the transfer to LEX, subject to the satisfaction of certain conditions precedent, of 100% of the Lithium Rights for E63/1723 and E63/1722 in consideration for LIT issuing shares to LEX, 50% of which will be subject to a three month voluntary escrow; and
- (b) LEX acquiring from LIT, subject to the satisfaction of certain conditions precedent (including the granting of the tenement), 100% of the gold and nickel rights to E63/1777, following its grant, in consideration for LEX issuing shares to LIT,

**(Binding Letter Agreement).**

On 17 August 2016, LIT and LEX executed the Rights Acquisition Agreement to supersede and replace the Binding Letter Agreement.

## 2.2 Material Terms

The material terms of the Rights Acquisition Agreement are:

- (a) **(Lithium Rights):** LIT will acquire the right to explore for and exploit lithium and other mineralisation associated with pegmatites on E63/1722 and E63/1723.
- (b) **(Lithium Rights Conditions Precedent):** Completion of the acquisition by LIT of the Lithium Rights is subject to and conditional upon the following conditions precedent having been satisfied or waived by 30 November 2016:
  - (i) LEX holding a meeting of LEX shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the Proposed Transactions; and
  - (ii) LEX receiving conditional approval by ASX to reinstate its securities on the official list of the ASX and those conditions being satisfied to the reasonable satisfaction of LEX and LIT.
- (c) **(Gold and Nickel Rights):** LEX will acquire the right to explore for and exploit gold, nickel and all other precious and base metals not associated with lithium pegmatites on E63/1777 following its grant.
- (d) **(Gold and Nickel Rights Conditions Precedent):** The acquisition by LEX of the Gold and Nickel Rights is subject to and conditional upon the following conditions precedent having been satisfied or waived by 31 March 2017:

- (iii) each of the Lithium Rights conditions precedent having been fully satisfied or waived; and
- (iv) E63/1777 having been granted as an exploration licence under the Mining Act.
- (e) (**Consideration**): LIT will acquire 100% of Lithium Rights in consideration of issuing 9,000,000 shares to LEX. In a separate transaction, LEX will acquire 100% of Gold and Nickel Rights in consideration of issuing 3,000,000 shares to Lithium Australia.
- (f) (**Access and Mineral Rights Agreement**): The parties will determine appropriate access arrangements for access to the tenements, to exercise the Lithium Rights and Gold and Nickel Rights and when commercially appropriate, will use best endeavours to negotiate the terms and conditions of a mineral rights agreement for the Lithium Rights and Gold and Nickel Rights.

The Mineral Rights Acquisition Agreement otherwise contains clauses typical for agreements of this nature.

### 2.3 Status

As at the date of this report, the following conditions precedent under the Rights Acquisition Agreement are yet to be completed:

- (a) LEX holding a meeting of LEX shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the Proposed Transactions;
- (b) LEX receiving conditional approval by ASX to reinstate its securities on the official list of the ASX and those conditions being satisfied to the reasonable satisfaction of LEX and LIT;
- (c) each of the Lithium Rights conditions precedent having been fully satisfied or waived; and
- (d) E63/1777 having been granted as an exploration licence under the Mining Act.

## 3. MZM TENEMENT SALE AGREEMENT

Nature of Agreement	Tenements affected	Parties	Structure	Status
Tenement sale agreement	E15/1447	LEX and MZM	<p>Subject to the satisfaction of a number of conditions precedent, LEX will acquire 100% of E15/1447 from MZM for scrip consideration valued at 21% of the broker supported value of \$4 million.</p> <p>If broker support of \$4 million is not reasonably available then the value of the scrip consideration will be reduced pro-rata so that the value will still represent 21% of the</p>	<p>The 'Tenement Sale Agreement' between MZM and LEX was fully executed on 26 July 2016 and varied by a deed of variation between MZM and LEX dated on or around 6 September 2016.</p> <p>E15/1447 was granted on 2 August 2016.</p>

Nature of Agreement	Tenements affected	Parties	Structure	Status
			supported value.	As at the date of this report, a number of conditions precedent remain are yet to be completed.

### 3.1 Material Terms

The material terms of the Tenement Sale Agreement are:

- (a) **(Consideration)**: Subject to satisfaction of the conditions precedent, at completion, LEX will transfer to MZM up to 4,200,000 shares in LEX. The shares will be validly issued, fully paid and free of encumbrances other than escrow conditions imposed in accordance with the ASX Listing Rules. MZM has covenanted that it or any nominees will execute a restriction agreement with LEX prior to the issue of the shares and the period of restriction will be in accordance with the ASX Listing Rules.
- (b) **(Conditions)**: completion of the Tenement Sale Agreement is conditional upon and subject to:
  - (i) LEX holding a meeting of LEX shareholders to obtain all necessary approvals under the Corporations Act and the Listing Rules that are required to give effect to the HRPL Transaction and the transaction contemplated by the Tenement Sale Agreement on or before 15 October 2016, or such date as agreed between the parties;
  - (ii) LEX receiving all relevant approvals to complete the HRPL Transaction, Tenement Sale Agreement and conditional approval by ASX that it complies with Chapters 1 and 2 of the Listing Rules to achieve re-instatement to official quotation of its securities on ASX on conditions acceptable to LEX on or before 15 October 2016, or such date as agreed between the parties;
  - (iii) LEX completing the Public Offer on or before 15 October 2016, or such date as agreed between the parties; and
  - (iv) completion of the HRPL Transaction on or before completion of the Tenement Sale Agreement.
- (c) **(Ministerial Approval)**: E15/1447 will only be transferred to LEX upon the earlier of the written consent of the Minister responsible for the administration of the Mining Act and 1 August 2017. MZM is obligated to hold E15/1447 on and behalf of the Company until the legal transfer of E15/1447 to the Company.
- (d) **(Tenement Obligations and Costs)**: LEX becomes responsible for performing all duties and making all relevant payments which arise with respect to E15/1447 from the date of completion of the Tenement Sale Agreement. The Company is also responsible for the payment of duty assessed on the lodgement of the transfer of E15/1447.
- (e) **(Environmental Liability Warranties)**: MZM provides no warranties or representations to the Company concerning any environmental liabilities concerning E15/1447.

The Tenement Sale Agreement otherwise contains clauses typical for agreements of this nature.

### **3.2 Status**

The 'Tenement Sale Agreement' between MZM and LEX was fully executed on 26 July 2016.

As at the date of this report, the following conditions precedent under the Tenement Sale Agreement are yet to be completed:

- (v) LEX holding a meeting of LEX shareholders to obtain all necessary approvals under the Corporations Act and the Listing Rules that are required to give effect to the HRPL Transaction and the MZM Transaction on or before 15 October 2016, or such date as agreed between the parties;
- (vi) LEX receiving all relevant approvals to complete the HRPL Transaction, MZM Transaction and conditional approval by ASX that it complies with Chapters 1 and 2 of the Listing Rules to achieve re-instatement to official quotation of its securities on ASX on conditions acceptable to LEX on or before 15 October 2016, or such date as agreed between the parties;
- (vii) LEX completing the Public Offer on or before 15 October 2016, or such date as agreed between the parties; and
- (viii) completion of the HRPL Transaction on or before completion of the MZM Transaction.



## SCHEDULE 3

### NATIVE TITLE AND THIRD PARTY ACCESS AGREEMENT SUMMARIES

#### 1. WAJARRI YAMATJI HERITAGE AGREEMENT

Nature of Agreement	Tenement(s) affected	Parties to Agreement	Structure	Status
Aboriginal Heritage Agreement	P20/2269 P20/2272 P20/2273 P20/2274 P20/2275 E21/193 P20/2256 P20/2257 P20/2259-2263 P20/2268	The Wajarri Yamatji People <b>(the Wajarri People)</b> and LEX	LEX has made tenement applications for the affected exploration licence and prospecting licences.  The exploration and prospecting licences are located wholly or partially within the Wajarri native title claim Area.  The parties have entered into the Agreement to ensure the expeditious grant and validity of the prospecting licences and compliance with Native Title obligations.	As at the date of the report, this agreement is still being negotiated.

The Wajarri People have lodged an application for a determination of native title (WAD 6033/98) which has been registered by the National Native Title Tribunal pursuant to the *Native Title Act* 1993 (Cth).

The Wajarri People and LEX are currently negotiating the terms of an access deed to ensure the expeditious grant and validity of the above tenements and compliance with Native Title obligations. We are instructed that the next status conference is set down for 5 October 2016.

## 2. NDADJU HERITAGE AGREEMENT

Nature of Agreement	Tenement(s) affected	Parties to Agreement	Structure	Status
Aboriginal Heritage Agreement	E63/1722	LEX Ngadju Native Title Aboriginal Corporation RNTBC ( <b>Ngadju</b> )	LEX has made an application for the E63/1722 in the Ngadju Native Title determination area.  The parties have entered into the Agreement to ensure the expeditious grant and validity of E63/1722 and compliance with Native Title obligations.	The Ndadju Heritage Agreement was executed on 23 June 2016.

On 23 June 2016 LEX and the Native Title Corporation entered into an agreement on 23 June 2016 for the purpose of enabling LEX to protect and avoid all Aboriginal Sites in relation to the E63/1722 (**Ndadju Heritage Agreement**).

The material terms of the Ndadju Heritage Agreement are:

- (a) (**Tenements Affected**): The Ndadju Heritage Agreement affects E63/1722 including any extension or renewal.
- (b) (**Purpose of Agreement**): The purpose of the Agreement is to enable LEX to protect and avoid all Aboriginal Sites in relation to the Tenement. The Parties have agreed to address heritage issues in relation to the Tenement, and ensure that in the exercise of rights under the Tenement by or on behalf of LEX any Aboriginal Sites are protected.
- (c) (**Aboriginal Sites**): LEX recognises that there may be Aboriginal Sites within the Tenement, and that these areas are subject to the provisions of the Heritage Act , *Native Title Act 1993* (Cth) and *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth).
- (d) (**Surveys**): The Parties have agreed that they shall conduct a Survey(s) using the processes and lines of communication established by the Agreement.
- (e) (**Native Title Corporation Obligations**): In consideration of LEX agreeing to comply with the Agreement, the Native Title Corporation agrees:
  - (i) in the case of applications for exploration and prospecting licenses, not to lodge an Objection against the grant of the Tenement;
  - (ii) if an Objection has been lodged, to withdraw the Objection within 7 days after the signing of the Agreement; and
  - (iii) within 20 days of receipt of a notification of intention to undertake mining activities by LEX, determine whether a Survey is required.
- (f) (**LEX Obligations**): In co-operation with the Native Title Corporation, LEX agrees to:

- (i) not enter or carry out any activity on the land and waters within the Tenements contrary to the Agreement
  - (ii) immediately report to the Native Title Corporation the location of any area it suspects to be an Aboriginal Site which has not been previously identified by a Survey Team;
  - (iii) not make an application under Section 18 of the Heritage Act with respect to any area within the Tenement without first giving the Native Title Corporation at least 60 days written notice of its intention to do so and negotiating with the Native Title Corporation in good faith during that time;
  - (iv) protect, preserve and rehabilitate the Tenement as a result of its activities as required by law;
  - (v) take all reasonable steps to satisfy any legitimate concerns the Native Title Corporation may have in relation to the restoration of the Tenement that are not covered by the terms of the licenses and legislation;
  - (vi) keep the Native Title Corporation informed of its Low Impact Activities on the Tenement; and
  - (vii) notify the Native Title Corporation informed of its intention to undertake mining activities on the Tenement.
- (g) **(Assignment):** LEX may assign the whole or part of its interest in the Agreement to an Assignee or prospective Assignee of the whole or any part of any or all of the Tenement provided that the Assignee covenants to be bound by the terms of the Agreement.

The Ndadju Heritage Agreement otherwise contains clauses typical for agreements of this nature.

### 3. MZM NATIVE TITLE AGREEMENT

Agreement	Tenement(s) affected	Parties to Agreement	Status
Native Title Agreement	E15/1447	Montezuma Mining Company Ltd ( <b>MZM</b> ) and Ngadju Native Title Aboriginal Corporation RNTBC	LEX is not a party to the native title agreement with respect to E15/1447 however, the tenement search of E15/1447 conducted on 3 August 2016 identifies that: <ul style="list-style-type: none"> <li>• E15/1447 falls within the Ngadju Native Title claim area;</li> <li>• the native title party lodged an objection to E15/1447 on 15/12/2015;</li> <li>• the objection was resolved on 28 July 2016; and</li> <li>• the outcome is stated as being that the objection was withdrawn by agreement.</li> </ul>

#### 4. ST IVES ACCESS AGREEMENT

Nature of Agreement	Tenement(s) affected	Parties	Structure	Status
Access	E15/1498	St Ives Gold Mining Company Pty Ltd ( <b>St Ives</b> ) and LEX	LEX is the registered holder of E15/1498, which encroaches on L15/263 held by St Ives.	The St Ives Access Agreement executed in April 2016.

On or around April 2016 St Ives and LEX entered into an access agreement to resolve objection 479613 lodged by St Ives to the grant on E15/1498 (**St Ives Access Agreement**). St Ives subsequently withdrew its objection to E15/1498 on 20 May 2016.

The material terms of the St Ives Access Agreement are:

- (a) **(Tenements affected)**: the St Ives Access Agreement affects E15/1498 and any substituted or converted mining tenements held by LEX which encroach on parts of E15/1498.
- (b) **(LEX obligations)**: LEX agreed to:
  - (i) comply with the provisions of the relevant mining legislation;
  - (ii) allow St Ives to enter and conduct legally permissible activities on the Affected Area (as defined in the St Ives Access Agreement);
  - (iii) not to interfere with or damage St Ives's infrastructure on L15/263 and to only use existing crossing points approved by St Ives to cross over the infrastructure;
  - (iv) conduct its activities so as not to prevent, impede or interfere with any access or use of the Affected Area by St Ives; and
  - (v) effect and maintain insurances specified under the Agreement.
- (c) **(Access to Infrastructure)**: LEX and its personnel must not access or use any part of St Ives' infrastructure on L15/263, other than to pass over the Affected Area, without St Ives' prior written consent which may be given or withheld in its absolute discretion.
- (d) **(Indemnities)** the Agreement contains a one way indemnity whereby LEX must indemnify St Ives in respect of certain liabilities arising out of this Agreement.
- (e) **(Relocation of St Ives' Infrastructure)**: If LEX wishes to conduct mining operations on the Affected Area that would be reasonably likely to materially interfere with St Ives use of the infrastructure, LEX may give notice to St Ives requesting that the Infrastructure be relocated. St Ives must approve the new location in order to LEX to be able to relocate the infrastructure to that location. LEX must pay all reasonable costs incurred by St Ives in relocating the infrastructure.

The St Ives Access Agreement otherwise contains clauses typical for agreements of this nature.

## 5. SILVER LAKE ACCESS AGREEMENT

Nature of Agreement	Tenement(s) affected	Parties	Structure	Status
Access	E15/1497	Silver Lake (Integra) Pty Ltd ( <b>Silver Lake</b> ) and LEX	LEX has applied for E15/1497, which encroaches on L25/31 held by Silver Lake. Once the agreement is executed, Silver Lake will withdraw its objections to the grant of E15/1497.	As at the date of the report, this agreement is still being negotiated.

On 7 December 2015, Silver Lake lodged objection 478532 to the grant of E15/1497. LEX and Silver Lake are currently negotiating the terms of an access agreement, under which Silver Lake may agree to withdraw its objection to E15/1497.

## 6. BIG BELL ACCESS DEED

Nature of deed	Tenement(s) affected	Parties	Structure	Status
Access	E21/192 P20/2258 P20/2264 P20/2265 P20/2266 P20/2267	Big Bell Operations Pty Ltd ( <b>Big Bell</b> ) and LEX	LEX has applied for the New Tenements, which encroach on L20/40, L20/41 and L20/21 held by Big Bell ( <b>Existing Tenements</b> ). Once the agreement is executed, Big Bell will withdraw its objections to the grant of the New Tenements.	As at the date of the report, this agreement is still being negotiated.

On 2 December 2015, Big Bell lodged objections 478293, 478287, 478290, 278289, 478291 and 478292 to the grant of each of the affected tenement applications. LEX and Big Bell are currently negotiating the terms of an access deed, under which Big Bell may agree to withdraw its objections.

## 7. RAMELIUS ACCESS AGREEMENT

Nature of Agreement	Tenement(s) affected	Parties	Structure	Status
Access	P26/3764 P26/3690 P26/3691	Ramelius Resources Limited ( <b>Ramelius</b> ) HRPL	L15/264 held by Ramelius encroaches on the prospecting licences held by HRPL.	On 25 August 2016 Frederick Charles Saunders ( <b>Saunders</b> ), HRPL and Ramelius entered into a Deed of Assignment and Assumption with respect to an access agreement with regard to L26/264 ( <b>Ramelius Access Agreement</b> ).

Miscellaneous Licence L15/264 held by Ramelius encroaches on Prospecting licences P26/3764, P26/3690, P26/3691 held by HRPL. On 25 August 2016, HRPL, Saunders and Ramelius entered into a Deed of Assignment and Assumption with respect to the Ramelius Access Deed pursuant to which Saunders agreed to assign and HRPL agreed to assume all the rights, interests and obligations of Saunders under the Ramelius Access Agreement.

The material terms of the Ramelius Access Agreement are:

- (a) **(Tenements affected)**: the Ramelius Access Agreement affects P26/3764, P26/3690 and P26/3691 and any lease or licence issued in extension, renewal, conversion or substitution of any of those tenements.
- (f) **(Ramelius obligations)**: Ramelius agreed to comply with the provisions of the relevant mining legislation, allow LEX to enter and pass through the affected area any to use the affected area for the purposes for which the prospecting licences were granted and use all reasonable endeavours to minimise interference with activities conducted by it on the affected area.
- (g) **(LEX obligations)**: LEX agreed to comply with the provisions of the relevant mining legislation, allow Ramelius to enter and pass through the affected area any to use the affected area for the purposes for which L15/264 was granted and use all reasonable endeavours to minimise interference with activities conducted by it on the affected area.
- (h) **(Relocation of Ramelius Infrastructure)**: If LEX wishes to conduct exploration or mining operations on the Affected Area, LEX may give notice to Ramelius requesting that the Infrastructure be relocated. Once an alternative location is agreed or determined, Ramelius must pay all reasonable costs in relocating the infrastructure.

The Ramelius Access Agreement otherwise contains clauses typical for agreements of this nature.

## 10. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

### 10.1 Directors, Proposed Directors and key personnel

Biographies for the Directors and Proposed Director are set out in Section 2.8. As discussed in Section 2.8, Wade Johnson is proposed to be appointed to the role of Managing Director. Other than Wade Johnson, it is not anticipated that there will be any other key executives appointed in the foreseeable future.

In summary, the Directors and Proposed Director and their respective status (including independence) are:

Gordon Galt	Director	Non-Executive Chairman Not Independent
Michael Davies	Director	Non-Executive Director Not Independent
James Beecher	Director	Non-Executive Director Not Independent
Geoffrey Pigott	Director	Non-Executive Director Not Independent
Wade Johnson	Proposed Director	Managing Director Not independent

The independence of each Proposed Director has been determined in taking into account the relevant factors suggested in the Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**) (**Independence Factors**).

Gordon Galt	Applying the Independence Factors, Mr Galt will not be independent because he is a director of NHC who are providing professional services to the Company in connection with the Public Offer and the associated activities (see section 11.6 in this regard). However, the Company has determined that any risks to the Company and its shareholders associated with Mr Galt's lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Mr Galt's specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.
Michael Davies	Applying the Independence Factors, Mr Davies will not be independent because he is (or is associated with) a substantial shareholder in the Company (see section 2.15 in this regard) and he is a director of NHC who are providing professional services to the Company in connection with the Public Offer and the associated activities (see section 11.6 in this regard). However, the Company has determined that any risks to the Company and its shareholders associated with Mr Davies' lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Mr Davies' specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.
James Beecher	Applying the Independence Factors, Mr Beecher will not be independent because he was acting in an executive capacity by the Company during the last 3 years. However, the Company has determined that any risks to the Company and its shareholders associated with Mr Beecher's lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Mr Beecher's specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.

Geoff Pigott	Applying the Independence Factors, Mr Pigott will not be independent because he was acting in an executive capacity by the Company during the last 3 years. However, the Company has determined that any risks to the Company and its shareholders associated with Mr Pigott's lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Mr Pigott's specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.
Wade Johnson	Applying the Independence Factors, Mr Johnson will not be independent because he is employed in an executive capacity by the Company. However, the Company has determined that any risks to the Company and its shareholders associated with Mr Johnson's lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Mr Johnson's specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.

## 10.2 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's size and needs.

To the extent applicable, our Company has adopted the Recommendations.

The Company's compliance with the Recommendations as at the date of this Prospectus are set out in Annexure A, which also contains an overview of the Company's main corporate governance policies and practices as against each Recommendation. The various corporate governance policies referred to in Annexure A are available in a dedicated corporate governance information section of the Company's website ([www.usmasters.com.au](http://www.usmasters.com.au)).

As an ASX listed Company, LEX is required to report any departures from the Recommendations in (or at the time of lodging) its annual financial report.



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## 11. MATERIAL CONTRACTS

### 11.1 Introduction

Set out below are summaries of the key provisions of contracts to which the Company is a party which are, or may be, material in terms of the Offers or the operations of the Company or otherwise are or may be relevant to an investor who is contemplating the Offers. To understand fully all rights and obligations pertaining to the material contracts, it would be necessary to read them in full.

### 11.2 Share Sale Deed

On or around 26 July 2016, the Company entered into a share sale deed with HRPL and each of the shareholders of HRPL in relation to the acquisition of all the shares in unlisted Australian company, Hogans Resources Pty Ltd (**Share Sale Deed**). The Share Sale Deed sets out the terms upon which the Company will acquire 100% of the issued capital in HRPL from the HRPL Shareholders.

#### (a) (Conditions Precedent)

Completion of the HRPL Transaction is subject to and conditional upon a number of conditions precedent being satisfied on or before 15 October 2016, or such other date agreed between the parties, including:

- (i) LEX holding a meeting of LEX shareholders to obtain all necessary shareholder approvals under the Corporations Act and the Listing Rules that are required to give effect to the HRPL Transaction, the MZM Transaction and the proposed re-admission of LEX;
- (ii) LEX receiving all relevant approvals to complete the HRPL Transaction, MZM Transaction and conditional approval by ASX that it complies with Chapters 1 and 2 of the Listing Rules to achieve re-instatement to official quotation of its securities on ASX on conditions acceptable to LEX; and
- (iii) LEX completing the Public Offer.

#### (b) (Consideration)

Subject to satisfaction of the conditions precedent, at completion, LEX will transfer to the HRPL Shareholders the HRPL Consideration Shares.

The number of HRPL Consideration Shares to be issued is 7,600,000 Shares.

The HRPL Consideration Shares will be validly issued, fully paid ordinary shares and will be free of encumbrances other than the escrow imposed in accordance with the ASX Listing Rules. Each of the vendors have covenanted that it or any nominees will execute a restriction agreement with LEX prior to the issue of the HRPL Consideration Shares and the period for restriction will be in accordance with the ASX Listing Rules.

#### (c) (Alluvial Gold Prospecting Rights)

Prior to entering into the Share Sale Deed, HRPL entered into an agreement for the sale of the exclusive prospecting rights to alluvial gold on the HRPL Tenements to a maximum of 5 metres.

#### (d) (Vendor Representations and Warranties)

The key vendors under the Share Sale Deed, Messrs Wade Steven Johnson, Craig Andrew Nelmes, Ron Norbert Gajewski and Frederick Charles Saunders (**Key Vendors**) each jointly and severally indemnify, and must keep indemnified, LEX against any claim which may be suffered or incurred as a result of a breach of a warranty in the Share Sale Agreement.

The warranties contained in the Share Sale Agreement include, but are not limited to:

- (i) Tenements  
The HRPL Tenements are in good standing and are current and validly subsisting in full force and effect.
- (ii) Environmental Liability and Environmental Laws

To the best of the Key Vendor's knowledge and belief, the HRPL Tenements are not subject to any environmental liability and HRPL has complied with all environmental laws. Further, HRPL has not received any environmental notices and is not aware of any circumstances that may give rise to an environmental notice being issued.

(iii) Contracts

HRPL is not in default of any material contracts that it has entered into. To the best of the Key Vendor's belief and knowledge, the HRPL Tenements are not encumbered by any native title agreements.

(iv) Litigation

The Key Vendors warrant that HRPL is not, nor has it since its incorporation been a party to any investigation, prosecution, litigation or the like and as far as HRPL is aware after making all due enquiry, subject to any material investigation by any government agency.

(v) Taxation

The Key Vendors warrant that any necessary information, notice, computation and returns have been submitted to the relevant government agency in respect of any Australian taxation relating to HRPL. Further, that such information, notice, computation and return which has been submitted discloses all material facts that should be disclosed, is not misleading and has been submitted on time.

The Key Vendors are not aware of any pending or threatened tax audit or undisclosed disputes with any government agency with respect to taxation.

The Share Sale Deed otherwise contains clauses typical for agreements of this nature.

### 11.3 Tenement Sale Agreement

On or around 26 July 2016, the Company entered into a Tenement Sale Agreement with MZM, pursuant to which MZM will sell, and the Company will acquire 100% of the MZM Tenement.

The key terms of the Tenement Sale Agreement are as follows:

(a) **(Conditions Precedent)**

Completion of the acquisition of the MZM Tenement is subject to and conditional upon a number of conditions precedent, including:

- (i) LEX holding a meeting of LEX shareholders to obtain all necessary approvals under the Corporations Act and the Listing Rules that are required to give effect to the HRPL Transaction and the MZM Transaction on or before 15 October 2016, or such date as agreed between the parties;
- (ii) LEX receiving all relevant approvals to complete the HRPL Transaction, MZM Transaction and conditional approval by ASX that it complies with Chapters 1 and 2 of the Listing Rules to achieve re-instatement to official quotation of its securities on ASX on conditions acceptable to LEX on or before 15 October 2016, or such date as agreed between the parties;
- (iii) LEX completing the Public Offer on or before 15 October 2016, or such date as agreed between the parties; and
- (iv) completion of the HRPL Transaction on or before completion of the MZM Transaction.

(b) **(Consideration)**

Subject to satisfaction of the conditions precedent, at completion, LEX will issue to MZM the MZM Consideration Shares.

The number of MZM Consideration Shares to be issued is 4,200,000 Shares.

The MZM Consideration Shares will be validly issued, fully paid and free of encumbrances other than escrow conditions imposed in accordance with the ASX Listing Rules. MZM has

covenanted that it or any nominees will execute a restriction agreement with LEX prior to the issue of the MZM Consideration Shares and the period of restriction will be in accordance with the ASX Listing Rules.

(c) **(Ministerial Approval)**

On 2 August 2016 the MZM Tenement was granted. The MZM Tenement will only be transferred to LEX upon the earlier of the written consent of the Minister responsible for the administration of the Mining Act and 1 August 2017.

MZM is obligated to hold the MZM Tenement on behalf of the Company until the legal transfer of the MZM Tenement to the Company.

(d) **(Tenement Obligations and Costs)**

LEX becomes responsible for performing all duties and making all relevant payments which arise with respect to the MZM Tenement from the date of completion of the Tenement Sale Agreement.

The Company is also responsible for the payment of duty assessed on the lodgement of the transfer of the MZM Tenement.

(e) **Environmental Liability Warranties**

MZM provides no warranties or representations to the Company concerning any environmental liabilities concerning the MZM Tenement.

The Tenement Sale Agreement otherwise contains clauses typical for agreements of this nature.

## 11.4 Rights Acquisition Agreement

On or around 17 August 2016 the Company entered into a rights acquisition agreement with Lithium Australia NL. The agreement sets out the terms to two transactions upon which the Company is to transfer the right to explore for and exploit Lithium and other mineralisation associated with pegmatites on the LEX Tenements to LIT, and is to acquire the right to explore for and exploit Gold, Nickel and all other precious and base metals not associated with pegmatites on the LIT Tenement from LIT.

A summary of the key terms of the Rights Acquisition Agreement are as follows:

(a) **(Lithium Rights Conditions Precedent)**

Completion of the acquisition by LIT of the Lithium Rights is subject to and conditional upon the following conditions precedent:

- (i) LEX holding a meeting of LEX shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the Proposed Transactions; and
- (ii) LEX receiving conditional approval by ASX to reinstate its securities on the official list of the ASX and those conditions being satisfied to the reasonable satisfaction of LEX and LIT.

(b) **(Consideration Paid)**

Subject to the satisfaction or waiver of the Lithium Rights Acquisition conditions precedent, at completion:

- (i) LEX will transfer the Lithium Rights to LIT; and
- (ii) LIT will issue to LEX 9,000,000 LIT Shares as consideration for the Lithium Rights Acquisition. The Company has agreed to voluntarily escrow 50% of the LIT Shares for a period of 3 months from their date of issue.

(c) **(Gold and Nickel Rights Conditions Precedent)**

Subject to the satisfaction or waiver of the following conditions, the acquisition by LEX of the Gold and Nickel Rights is subject to and conditional upon the following conditions precedent:

- (i) each of the Lithium Rights conditions precedent having been fully satisfied or waived; and

- (ii) the LIT Tenement having been granted as an exploration licence under the Mining Act.

(d) **(Consideration Received)**

Subject to the satisfaction or waiver of the Gold and Nickel Rights Acquisition conditions precedent:

- (i) LIT will transfer the Gold and Nickel Rights to LEX; and
- (ii) LEX will issue to LIT 3,000,000 LEX Shares as consideration for the Gold and Nickel Rights Acquisition. There are no voluntary escrow restrictions on the LEX Shares, however the issue of the LEX Shares is subject to any restrictions imposed by ASX.

(e) **(Further Agreements)**

Following completion of the Lithium Rights Acquisition and the Gold and Nickel Rights Acquisition, the parties will use best endeavours to negotiate the terms and conditions of a mineral rights agreement governing appropriate access arrangements for each of the respective tenements the subject of each acquisition.

Until such time as the parties enter into the formal agreements, the terms and conditions with respect to access to the tenements are set out in a schedule to the Rights Acquisition Agreement.

(f) **(Exclusivity)**

Until the earlier of termination of the Rights Acquisition Agreement or completion of the Proposed Transactions occurring, none of LIT, LEX or any of their officers or directors will solicit, offer, encourage or respond to any proposals from any third party regarding any acquisition of their issued share capital or a competing transaction or alternative investment.

(g) **(Conflicting Activities)**

The parties have agreed to cooperate and coordinate their activities on the LEX Tenements and LIT Tenement in good faith so as not to conflict or interfere with the activities of any other party within the area of the respective tenement. Where it is not possible to avoid interference between the party's respective activities, the parties will negotiate in good faith such arrangements to minimise the conflict or interference with each party's activities.

The parties have agreed that the holder of each tenement will cooperate with and provide all reasonable assistance to the other party to enable the other party to exercise its rights and undertake its proposed activities within that tenement.

(h) **(Obligation to Maintain Tenement)**

Each party has agreed that on and from the date of completion of the Lithium Rights Acquisition and Gold and Nickel Rights Acquisition, it will not, without the prior written consent of the other party:

- (i) do (or omit to do) any act or omission that would lead to the respective tenement to be lost or become the subject of an encumbrance, forfeited, allowed to lapse or fail to be renewed; or
- (ii) voluntarily relinquish ground or surrender any other rights held under the respective tenement.

Each party has agreed to make any necessary application for the extension or renewal of the relevant tenement, ensure minimum expenditure commitments for the respective tenement have been met each year and do all other things required to keep the tenement in good standing.

The parties have agreed that where a party is required under the Mining Act to relinquish ground or surrender any other rights, that party must first notify the other party at least 2 months prior to the date of such relinquishment and use reasonable endeavours to negotiate and agree upon the area of that tenement or other rights to be compulsorily surrendered.

(i) **(Pre-Emptive Rights)**

The parties have agreed that in the event that a party wishes to surrender any tenement held by it, that party must offer in writing to sell that tenement to the other party for a nominal amount.

The Rights Acquisition Agreement otherwise contains clauses typical for agreements of this nature.

## 11.5 Finance Facility

On or around 21 August 2014, and amended on or around 15 February 2016, the Company entered into a finance facility agreement with Mr Michael Davies, a Director, for up to \$800,000.

A summary of the key terms of the Facility Agreement are as follows:

(a) **(Facility Amount)**

The Company is permitted to draw down up to \$800,000 under the Finance Facility. At the date of this Prospectus, the Company has used approximately \$700,000 of the Finance Facility.

(b) **(Repayment)**

The Company has the option, on each anniversary of the Finance Facility, to repay the outstanding amount by either:

- (i) repaying the total amount drawn down, in addition to a premium of 10% per annum from the draw down date to the date of repayment, on the amounts drawn down; or
- (ii) issuing that number of LEX Shares to Mr Davies, or his nominee, to the value of the drawn down amount, with a 25% premium to the outstanding balance in lieu of the receipt of interest. That is, the balance of the Finance Facility Amount for the purposes of the conversion rises from \$700,000 to \$875,000.

The Company has elected to pay the balance of the Finance Facility Amount to Mr Davies by transferring 4,375,000 LEX Shares to Mr Davies, being the number of LEX Shares that is valued at \$875,000.

(c) **(Shareholder Approval)**

Mr Davies is a director, and therefore related party of the Company. Accordingly, the transfer of the LEX Shares to Mr Davies is subject to and conditional upon the receipt of shareholder approval which is being sought at the General Meeting.

If shareholder approval of the issue of the LEX Shares to Mr Davies is not received, the Company must repay the Finance Facility Amount in accordance with (b)(i) above on an anniversary of the Facility Agreement.

## 11.6 NHC Mandate

On or around 27 July 2016, the Company entered into a mandate letter agreement with New Holland Capital in relation to the HRPL Transaction, MZM Transaction and the Public Offer.

A summary of the material terms of the Mandate Agreement are as follows:

(a) **(Services Provided by NHC)**

NHC has been exclusively engaged as the corporate advisor with respect to the HRPL Transaction, MZM Transaction and the Public Offer.

(b) **(Payments to NHC)**

The Company has agreed to pay the following fees to NHC:

(i) **Corporate Advisor Fee**

A monthly corporate advisory fee of \$15,000 per month (plus GST) from April 2016 to September 2016 (6 months) for execution of the Mandate Agreement. This fee is payable at the time the funds from the Public Offer are received by the Company.

**(ii) Completion Fee**

The Company has agreed to pay a fee of \$94,400, being 4% of the aggregate consideration paid on the combined value of the HRPL Transaction and the MZM Transaction. This fee is payable in cash at the time the funds from the Public Offer are received by the Company.

**(iii) Public Offer Fee**

A capital raising fee of 6.0% of the gross amount raised from investors introduced by NHC under the Public Offer, plus a 1% management fee on all other funds (excluding any broker-raised funds) that are associates of the directors of NHC and existing shareholders of the Company raised under the Public Offer.

**(iv) Advisory Options**

The Company has agreed to issue 1,000,000 options in LEX. Refer to Section 12.6 for the terms of the Advisory Options.

**(v) Incidental Expenses**

The Company will reimburse NHC for incidental expenses incurred in connection with providing the services pursuant to the Mandate Agreement.

**(c) (Limitation of Liability)**

The Mandate Agreement is conditional upon the liability of NHC in respect of loss, liability and damage to the Company for any act or omission by NHC being limited to any amounts paid up to that date to NHC under the Mandate Agreement, excluding incidental expenses previously reimbursed.

The Mandate Agreement contains other standard terms and conditions expected to be included in an agreement of this nature.

## **11.7 BSCP Mandate**

On or around 10 August 2016 the Company and Bridge Street Capital Advisors Pty Ltd (ACN 614037302) and a related party of BSCP, entered into a joint lead manager mandate in relation to the Public Offer.

Under the BSCP Mandate, BSCP has agreed to assist the Company with its proposed relisting on the ASX and its associated equity capital raising.

A summary of the material terms of the BSCP Mandate are as follows:

**(a) (Services Provided by BSCP)**

BSCP has been engaged to act as joint lead manager to raise \$1,000,000 under the Public Offer. Accordingly, BSCP will:

- (i) identify new potential equity investors, brokers and other intermediaries to the Company via the Public Offer;
- (ii) obtain orders for no less than \$1,000,000 Shares under the Public Offer; and, amongst other things
- (iii) assist the Company to obtain an appropriate spread of shareholders for ASX listing purposes.

Under the BSCP Mandate, BSCP does not guarantee, underwrite, commit or provide any assurance whatsoever that the Public Offer can or will be completed on terms satisfactory to the Company.

BSCP may also utilise the services of other specialist persons as contractors or consultants in relation to providing the services to the Company, and the cost of these additional resources will be met by BSCP.

BSCP is engaged by the Company from 10 August 2016 for a period of six months or the until the completion of the Public Offer, whichever is earlier.

(b) **(Payments to BSCP)**

The Company has agreed to pay to BSCP, or its nominees:

- (i) Public Offer Fee – a capital raising fee of 6.0% of the gross amount raised from investors introduced by BSCP under the Public Offer. BSCP will raise up to a maximum of \$1.0 million under the Public Offer.
- (ii) Incidental Expenses – reimbursement of expenses incurred in connection with providing services pursuant to the BSCP Mandate.

(c) **(Future Transactions)**

BSCP has the right of first refusal to participate as joint lead manager on any equity capital raising or quasi equity raising to be undertaken by the Company up to and including 17 November 2017. The terms and fees of such future role as lead manager will be consistent with general market practice and are to be agreed between the parties, acting reasonably.

(d) **(Limitation of Liability)**

BSCP's agreement to assist the Company in relation to the Public Offer is conditional upon the liability of BSCP for any and all losses or damage suffered by the Company as a result of acts or omission from BSCP is limited to such amount as is equal to the fees it is entitled to receive from the Company under the BSCP Mandate.

The BSCP Mandate contains other standard terms and conditions expected to be included in an agreement of this nature.

## 11.8 **Solicitor's Report on the Tenements**

A summary of material contracts with respect to the Tenements, are referred to and summarised in the Solicitor's Report on the Tenements contained in Section 9 of this Prospectus.

## 11.9 **Wade Johnson Employment Agreement**

On 10 June 2016, the Company entered into an employment agreement with Mr Wade Johnson (**Employment Agreement**).

A summary of the material terms of the Employment Agreement are as follows:

(a) **(Services)**

Mr Johnson has been engaged to initially undertake the role of Chief Executive Officer of the Company. It is intended that once the Company is re-listed on the ASX Mr Johnson will be appointed Managing Director of the Company.

(b) **(Term)**

(i) Chief Executive Role

The initial term of employment for the role of Chief Executive Office of the Company is for the period 10 June 2016 until the date that the Company is re-admitted to the official list of the ASX, or 10 September 2016, whichever is sooner.

(ii) Managing Director Role

Subject to the Company completing the Prospectus Offer and the Company being re-admitted to the ASX, Mr Johnson shall be employed for a further period of 12 months from 10 September 2016.

(c) **(Remunerations)**

(i) Chief Executive Role

Mr Johnson's remuneration for the Chief Executive Officer role is \$9,167 per month.

(ii) Managing Director Role

Mr Johnson's remuneration for the Managing Director role is \$18,333 per month.

The Company and Mr Johnson have agreed, subject to shareholder approval, a long term incentive grant of 1,500,000 ESP Shares which will vest if certain vesting conditions are met.

Details of the grant are included in Section 2.21 with details of the ESP and vesting conditions set out in section 12.7.

(d) **(Statutory Entitlements)**

The Employment Agreement is subject to the usual statutory entitlements of annual leave, sick leave, long services leave and superannuation.

(e) **(Notice Period)**

In the event that Mr Johnson resigns from the Company he must provide 3 month's notice. The Company must provide 3 months' written notice to Mr Johnson if his position is to be terminated, except where Mr Johnson's employment has been terminated forthwith as a result of misconduct or with 1 month's written notice for reasons of incapacity.

Where Mr Johnson's term of employment extends beyond 10 September 2017, the Company is required to give 6 months' notice to Mr Johnson if his position is to be terminated.

### 11.10 Non-executive Directors

On or around 1 July 2010 the Company entered into an agreement with each of the Directors governing the terms of their engagement with the Company (**Engagement Agreements**).

Each of the Engagement Agreements is materially the same, with the exception of the amount of directors' fees payable.

The material terms of the Engagement Agreements are as follows.

Each Director is engaged conditional upon satisfactory performance and successful re-election by Shareholders in accordance with the Company's constitution and the Corporations Act. The Directors are required to attend and actively participate in regular Board meetings, the Company's annual general meeting, strategic meetings and site visits. A failure to attend at least four Board meetings per annum will amount to a failure of the Director to discharge their duties to the Company.

The office of director may become vacant if the relevant Director becomes bankrupt or unsound of mind, they are not re-elected to office or any other circumstance specified in the Company constitution.

Each Director may be reimbursed for out of pocket expenses incurred as a result of the directorship or any special duties they perform.

Under the Engagement Agreements, each Director is entitled to be included in any directors' and officers' liability insurance which the Company is able to maintain. The Directors must disclose to the Company their interests and any matters which affect their independence.

The Engagement Agreements otherwise contain standard terms and conditions expected to be included in an agreement of this nature.

### 11.11 Rental and Administration Agreement

LEX leases office space from, and contracts for administrative tasks to be performed by, Taurus SM Holdings Pty Ltd, a company of which Michael Davies and Gordon Galt are directors.

LEX paid rent of \$20,691 and administration fees of \$26,400 to Taurus SM Holdings Pty Ltd in the 2016 financial year.



## 12. ADDITIONAL INFORMATION

### 12.1 LEX Subsidiaries

Following completion of the Proposed Transactions and Public Offer, LEX will have the following wholly owned subsidiaries:

- (a) Hogans Resources Pty Limited – Mineral exploration company to be 100% acquired under the Proposed Transactions
- (b) U.S. Masters Share Plan Pty Ltd – 100% owned subsidiary holding the ESP Shares
- (c) U.S. Masters Chile Limitada – 100% owned dormant subsidiary
- (d) USH Colombia S.A.S – 100% owned dormant subsidiary

### 12.2 Litigation

As at the date of this Prospectus, our Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

### 12.3 Comparison of BVI and Australian Law

The Company is incorporated and exists under the laws of the British Virgin Islands. The following table sets out the principal differences between laws and regulations concerning shares in a company incorporated in the British Virgin Islands as opposed to Australia.

This summary is provided as a general guide only, and is not a comprehensive summary or analysis of all of the consequences resulting from acquiring, holding or disposing of shares or interests in such companies. The laws, rules, regulations and procedures described are subject to change from time to time, and investors should seek their own independent advice in relation to such differences. Please also refer to the risk factors set out in Section 5 of this Prospectus.

<b>Share capital and issue of shares</b>	
<p><b><i>British Virgin Islands</i></b></p> <p>Subject to the BVI Business Companies Act (as amended) (the “<b>Act</b>”) and to the company’s memorandum and articles of association (“<b>M&amp;A</b>”), shares in the company may be issued, and options to acquire shares in a company granted, at such times, to such persons, for such consideration and on such terms as the directors may determine.</p> <p>A statement of the maximum number of shares that the company is authorised to issue or that the company is authorised to issue an unlimited number of shares, and the classes of shares that the company is authorised to issue, and if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares, must be included in the M&amp;A.</p> <p>Shares may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services. The</p>	<p><b><i>Australia</i></b></p> <p>The constitution of a typical Australian public company authorises the board to issue shares, options and other securities with preferred, deferred or other special rights or such restrictions, whether with regards to dividends, voting, return of capital and other matters as the directors may decide. The constitution typically does not impose any maximum limit on the number of shares.</p> <p>Under Australian law a company, as part of its legal personality, has the power to issue and cancel shares in the company. In addition to this power a company may also issue bonus shares, preference shares and partly paid shares. The company has the power to determine the terms of and rights and restrictions attaching to the shares it issues.</p> <p>ASX Listing Rule 7.1 provides that a company must not issue or agree to issue shares exceeding 15% of the company’s issued capital without shareholder approval. Listing Rule 7.4 allows a company to obtain subsequent approval of a security issue, as per Listing Rule</p>

<p>consideration for a share with a par value shall not be less than the par value of the share. Shares may be issued with no par value if so provided in the M&amp;A.</p> <p>If shares are to be issued by a company for a consideration which is, in whole or in part, other than money, then the directors are required to pass a resolution stating:</p> <p>a) the amount to be credited for the issue of the shares; and</p> <p>b) that, in their opinion, the present cash value of the non-money consideration and money consideration, if any, is not less than the amount to be credited for the issue of the shares.</p>	<p>7.1, in order that it is treated as if it had received prior approval.</p>
<p><b>Share buybacks and share reductions</b></p>	
<p><b><i>British Virgin Islands</i></b></p> <p>The Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedures set out in the Act, or any other procedure as provided for in the M&amp;A. The statutory provisions do not apply to a company to the extent that they are negated, modified or inconsistent with the provisions contained in the M&amp;A.</p> <p>Under the statutory provisions, the directors may make an offer to purchase, redeem or otherwise acquire the shares in a company provided that the offer is either made:</p> <p>a) to all shareholders and would, if successful, leave the relative voting and distribution rights of the shareholders unaffected, and affords each shareholder a reasonable opportunity to accept the offer; or</p> <p>b) to one or more shareholders and consented to in writing by all shareholders, or otherwise permitted by the M&amp;A. Where the offer is to some, but not all, of the shareholders, the directors must pass a resolution to the effect that, in their opinion:</p> <p>(i) the purchase, redemption or other acquisition is to the benefit of the remaining shareholders; and</p> <p>(ii) the terms of the offer and the consideration offered for the shares are fair and reasonable to the company and the remaining shareholders.</p> <p>A shareholder may apply to the court in the</p>	<p><b><i>Australia</i></b></p> <p>Under Australian law, a company may reduce its share capital if the reduction is fair and reasonable to the company's shareholders as a whole, does not materially prejudice the company's ability to pay its creditors and is approved by shareholders in accordance with the Corporations Act and relevant filings are made and the statutory time period is adhered to.</p> <p>Under the Corporations Act, if the reduction is an equal reduction, it must be approved by an ordinary resolution passed at a general meeting of the company. However, if the reduction is a selective reduction, it must be approved by either a:</p> <p>a) special resolution passed at general meeting of the company with no votes cast by those who are to receive consideration as part of the reduction; or</p> <p>b) a resolution agreed to at a general meeting by all ordinary shareholders.</p> <p>In addition, if the reduction involves the cancellation of shares, it must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.</p> <p>Under Australian law, a company may buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures laid down in the Corporations Act.</p> <p>Under the Corporations Act:</p> <p>a) shareholder approval by ordinary resolution will be required if the buy-</p>

<p>British Virgin Islands for an order restraining the proposed purchase, redemption or other acquisition on the grounds that:</p> <p>a) the purchase, redemption or other acquisition is not in the best interests of the remaining shareholders; or</p> <p>b) the terms of the offer and the consideration offered for the shares are not fair and reasonable to the company or the remaining shareholders.</p> <p>Shares in the company can be redeemed otherwise than at the option of the company if such share is redeemable at the option of the shareholder and the shareholder gives proper notice to the company of his intention to redeem the share.</p> <p>Under British Virgin Islands law a company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if the M&amp;A do not prohibit it from holding treasury shares; the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50 percent of the shares of that class previously issued by the company, excluding shares that have been cancelled. All the rights and obligations attaching to a treasury share are suspended and cannot be exercised by or against the company while it holds a share as a treasury share.</p>	<p>back will exceed more than 10% of the company's issued capital within a 12 month period; and</p> <p>b) shareholder approval will be required by special resolution if the buy-back will not qualify as an equal access buy-back (a buy-back will qualify as an equal access buy-back if it, among other things, relates only to ordinary shares and the offer is made equally to all holders of ordinary shares, otherwise the buy-back will be a selective buy-back).</p>
<p><b>Winding up</b></p>	
<p><b><i>British Virgin Islands</i></b></p> <p>The voluntary liquidation of a company under the Act commences at the time at which notice of the appointment of the voluntary liquidator is filed with the British Virgin Islands Registrar of Corporate Affairs..</p> <p>The directors of a company may, by resolution, appoint an eligible individual as the voluntary liquidator of the company:</p> <p>(i) upon expiration of such time as may be prescribed by the M&amp;A for the company's existence;</p> <p>(ii) if the company is a company limited by shares and it has never issued any shares;</p> <p>(iii) upon the happening of an</p>	<p><b><i>Australia</i></b></p> <p>Voluntary winding up requires the company to pass a special resolution that it be wound up voluntarily. Subject to the provisions of the Corporations Act regarding preferential payments, upon winding up the property of the company must be applied in satisfaction of its liabilities equally and, unless the company's constitution otherwise provides, be distributed among the members according to their rights and interests in the company.</p> <p>For winding-up in insolvency or by the court, a distribution of the surplus assets can only be made by order of the court.</p>

event which has been specified by the M&A as an event that shall terminate the existence of the company; or

- (iv) In any other case if the M&A permit the directors to pass a resolution for the appointment of a voluntary liquidator and the shareholders have, by resolution, approved the liquidation plan.

A company may only be placed into voluntary liquidation if it has no liabilities or if it is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities. If the company does not satisfy this test then it can only be placed into insolvent liquidation in accordance with the procedures set out in the *Insolvency Act 2003*.

In order to implement a voluntary liquidation, the company's directors are required to approve a liquidation plan. A liquidation plan must specify:

- a) the reasons for the liquidation of the company;
- b) the directors' estimate of the time required to liquidate the company;
- c) whether the liquidator is authorised to carry on the business of the company if he or she determines that to do so would be necessary or in the best interests of the company's creditors or shareholders;
- d) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator. It should be emphasised here that only individuals (not corporate entities) can be appointed as liquidators; and
- e) whether the liquidator is required to send to all the company's members a statement of account prepared or caused to be prepared by the liquidator in respect of his or her actions or transactions.

The directors of the company must also make a declaration of solvency stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due and that the value of the company's assets equals or exceeds its liabilities.

<b>Takeovers</b>	
<p><b>British Virgin Islands</b></p> <p>There are no takeover provisions under the laws of the British Virgin Islands.</p> <p>Subject to the M&amp;A, shareholders of the company holding 90 per cent. of the votes of the outstanding shares entitled to vote may give a written instruction to a company directing the company to redeem the shares held by the remaining shareholders. Upon receipt of the written instruction, the company is required to:</p> <ul style="list-style-type: none"> <li>(i) redeem the shares specified in the written instruction irrespective of whether or not the share are by their terms redeemable; and</li> <li>(ii) give written notice to each shareholder whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.</li> </ul>	<p><b>Australia</b></p> <p>The Corporations Act places restrictions on a person acquiring relevant interests in the voting shares of an Australian unlisted public company which has more than 50 members, or an Australian listed company, where, as a result of the acquisition, that person's or someone else's voting power in the company (together with the voting power of their associates) increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.</p> <p>Certain exceptions apply, such as acquisitions of relevant interests in voting shares made under takeover bids or made with shareholder approval, or creeping acquisitions of not more than 3% in a 6 month period.</p> <p>Similar to the position under the BVI Business Companies Act, the Corporations Act permits compulsory acquisition of the shares for which acceptances have not been received, where a bidder holds not less than a 90% relevant interest in the relevant securities.</p> <p>Takeover bids must treat all shareholders alike and must not involve any collateral benefits.</p>
<b>Limitations on directors' liability</b>	
<p><b>British Virgin Islands</b></p> <p>British Virgin Islands law does not limit the extent to which the M&amp;A may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime). An indemnity will be void and of no effect and will not apply to a person unless the person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.</p>	<p><b>Australia</b></p> <p>Under the Corporations Act a company or a related body corporate must not exempt a person (whether directly or via an interposed entity) from a liability to the company incurred as an officer of the company.</p> <p>A company or a related body corporate cannot indemnify a director from any of the following liabilities incurred as an officer of the company:</p> <ul style="list-style-type: none"> <li>a) a liability owed to the company;</li> <li>b) a liability for a pecuniary penalty or a compensation order incurred under the Corporations Act; or</li> <li>c) a liability that is owed to someone other than the company or a related body corporate and did not arise out of conduct in good faith. This prohibition does not apply to legal costs (but the Corporations Act also restricts a company from indemnifying directors against certain types of legal costs).</li> </ul>

<b>Disclosure of substantial holdings</b>	
<p><b>British Virgin Islands</b></p> <p>A director is obliged to disclose any interests he may have in a transaction to be entered into by the company (although, subject to the provisions of the M&amp;A, he remains entitled to vote on the transaction, attend meetings in relation to it and be counted for the purposes of the quorum). Should he fail to do so, the transaction will be voidable by the company, unless the material facts of the interest are disclosed to the members and the members nevertheless ratify or approve the transaction, or the company receives fair value for it.</p>	<p><b>Australia</b></p> <p>Under the Corporations Act, a shareholder who begins or ceases to have a substantial holding in a listed company or has a substantial holding in a listed company and there is a movement by at least 1% in their holding, must give a notice to the company and ASX.</p> <p>A person has a substantial holding if that person and that person's associates have a relevant interest in 5% or more of the voting shares in the company.</p> <p>The Company is not subject to the provisions of the Corporations Act relating to the disclosure of substantial holdings.</p>
<b>Protection of minority shareholders-oppression</b>	
<p><b>British Virgin Islands</b></p> <p>The Act introduced a series of remedies available to members. Where a company incorporated under the breaches the Act or the M&amp;A, the court can issue a restraining or compliance order. Members can now also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for members' remedies have been incorporated into the Act - where a member of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may now apply to the court for an order on such conduct.</p> <p>Any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.</p> <p>The Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:</p> <ul style="list-style-type: none"> <li>a) a merger (unless the company is the surviving company and the member continues to hold the same or similar shares);</li> <li>b) a consolidation;</li> <li>c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent in value of the assets or business of the company, if not made in the usual or regular course of the business carried on by the company but not</li> </ul>	<p><b>Australia</b></p> <p>Under Australian law, a shareholder of an Australian company may apply to the court under the Corporations Act to bring an action in cases of conduct which is either contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholders in their capacity as a shareholder, or themselves in a capacity other than as a shareholder.</p>

<p>including:</p> <ul style="list-style-type: none"> <li>(i) a disposition pursuant to an order of the court having jurisdiction in the matter;</li> <li>(ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interest within one year after the date of disposition; or</li> <li>(iii) a transfer pursuant to the powers of the company under the Act to: (A) issue and cancel shares and hold treasury shares; (B) grant options over unissued shares and treasury shares; (C) issue securities that are convertible into shares; (D) give financial assistance to any person in connection with its own shares; (E) issue debt obligations and grant options, warrants and rights to acquire debt obligations; (F) guarantee an obligation or liability of any person and secure any obligation by a mortgage, pledge or other charge over any of its assets; or (G) to protect the assets of the company for the benefit of the company, its members or creditors and, at the discretion of the directors, for any person having a direct or indirect interest in the company;</li> <li>(iv) a redemption of their shares if they hold 10 per cent, or fewer of the issued shares of the company; and</li> <li>(v) an arrangement, if permitted by the court.</li> </ul>	
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<b>Accounting and Auditors</b>	
<p><b>British Virgin Islands</b></p> <p>A company must keep such records and underlying documentation for a period of at least five years from the date:</p> <p>a) Of completion of the transaction to which the records and underlying documents relate; or</p> <p>b) The company terminates the business relationship to which the records and underlying documents relate,</p> <p>that are sufficient to show and explain the company's transactions and which will, at any time, enable the financial position of the company to be determined with reasonable accuracy.</p>	<p><b>Australia</b></p> <p>Under the Corporations Act a company must report to members for a financial year by providing financial reports for the year, director's reports for the year and an auditor's report on the financial report or a concise report as specified under the Corporations Act.</p> <p>The directors of a public company must appoint an auditor within 1 month after the day on which the company is registered; however this appointment is subject to confirmation at the next annual general meeting. A public company must appoint an auditor of the company to fill any vacancy in the office of auditor at each subsequent annual general meeting.</p>

## 12.4 Rights Attaching to Shares

The following is a summary of the more significant rights attaching to Shares under the Company's Memorandum and Articles. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) **ASX Listing Rules**

To the extent of any inconsistency between the Articles and the ASX Listing Rules, the ASX Listing Rules prevail and the Directors are required to take any steps necessary under the laws of the British Virgin Islands to give effect to the above provision.

(b) **General Meeting**

The Board may, whenever it thinks fit, and in accordance with the BVI Business Companies Act, convene a general meeting. Notice of every general meeting shall be given to every member of the Company who is, under the Articles, entitled to receive such notices from the Company.

Shareholders can request a general meeting provided Shareholders entitled to exercise 30 per cent or more of the voting rights in respect of the matter for which the meeting is requested, make such request in writing.

(c) **Voting**

Each Share in the Company confers upon the Shareholder the right to one vote at a meeting of the Shareholders of the Company or on any resolution of Shareholders.

A shareholder may be represented at a meeting of Shareholders by a proxy who may speak and vote on behalf of the Shareholder.

(d) **Issues of Further Shares**

The Company is authorised to issue 1,000,000,000 Shares with nil par value each of a single class.

(e) **Variation of Rights**

The rights attached to Shares may only, whether or not the Company is being wound up, be varied with the consent in writing of or by a resolution passed at a meeting by the holders of more than 50% of the issued Shares of that class.

(f) **Dividends**

Each Share in the Company confers the Shareholder the right to an equal share in any dividend paid by the Company.



The Directors of the Company may by resolution of Directors authorise a dividend at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that immediately after the distribution, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

Dividends may be paid in money, shares or other property.

Notice of any dividend that may have been declared shall be given to each Shareholder as specified in the Articles and all dividends unclaimed for three years after having been declared may be forfeited by resolution of Directors for the benefit of the Company.

(g) **Winding Up**

The Company presently has only issued one class of Shares, which all rank equally in the event of winding up.

The Company may by resolution of Shareholders or by a resolution of Directors appoint a voluntary liquidator.

(h) **Purchase of Own Shares**

The Company may redeem, purchase or otherwise acquire all or any Shares in the Company with the consent of the Shareholders whose Shares are to be redeemed, purchased or acquired.

The Company may only offer to acquire Shares if at the relevant time, the Directors determine by resolution of Directors that immediately after the acquisition the value of the Company's assets will exceed its liability and the Company will be able to pay its debts as they fall due.

(i) **Directors**

The Company's Articles state that the minimum number of Directors is one.

(j) **Powers of the Board**

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the BVI Business Companies Act, any other law, the Company's Articles or the ASX Listing Rules.

(k) **Amendment of Memorandum and Articles**

Subject to (e), the Company may amend its Memorandum or Articles by a resolutions of Shareholders or a resolution of Directors, save that no amendments may be made by a resolution of Directors:

- (i) to restrict the rights or powers of the Shareholders to amend the Memorandum or Articles;
- (ii) to change the percentage of Shareholders required to pass a resolution of Shareholders to amend the Memorandum or Articles;
- (iii) in circumstances where the Memorandum or Articles cannot be amended by the Shareholders; or

to clauses 8 (Designations, Powers, Preferences etc. of Shares), clause 9 (Variation of Rights), clause 10 (Rights Not Varied by the Issue of Shares Pari Passu), or clause 13 (Amendment of Memorandum and Articles).

## 12.5 Treasury Shares

In accordance with regulation 3.1 of the Articles of Association of the Company, LEX, as a BVI company, can purchase, redeem or otherwise hold its own Shares but must then either cancel those Shares or hold those Shares as Treasury Shares (except to the extent that such Shares are in excess of 50% of the issued Shares in which case they must be cancelled but are available for reissue).

All rights and obligations attaching to Treasury Shares are suspended and cannot be exercised.

LEX can at any time dispose of Treasury Shares as the Directors determine, including by allocating and transferring them to new or existing shareholders as Shares, at which time all of the rights and obligations attaching to Shares are re-enlivened.

LEX currently holds 12,194,460 Treasury Shares following buy-backs of issued Shares. The Directors have resolved to satisfy LEX's obligations to provide Shares to each of the HRPL Shareholders and Michael Davies, with the remaining Treasury Shares allocated to the Share Plan.

Treasury Shares transferred will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares.

## 12.6 Options

The terms and conditions of the Advisory Options are as follows:

- (a) Each Option gives the holder the right to subscribe for one (1) Share.
- (b) The Options are exercisable at any time up until the date that is 5 years from the date of grant.
- (c) The exercise price of each Option is \$0.40 (Exercise Price).
- (d) The Options are freely transferable (subject to any ASX escrow requirement).
- (e) The Options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the holder to exercise a specified number of Options, accompanied by an Option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder's right to exercise the balance of any Options remaining.
- (f) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares.
- (g) The Options are not to be quoted on ASX and the Company is under no obligation to apply for quotation of the Options on ASX.
- (h) The Company will apply for quotation on ASX of all Shares issued upon exercise of the Options.
- (i) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the Company will give each Option holder prior notice as required by the Listing Rules of the Record Date (as defined in the Listing Rules) of any proposed issue of Shares or other securities or entitlements made available to the holders of Shares generally to enable the Option holder to exercise its Options and participate in the new issue.
- (j) There is no right to change the Exercise Price of an Option nor the number of Shares over which the Option can be exercised, if the Company completes a pro rata issue of Shares which is not a bonus issue.
- (k) If there is a bonus issue of Shares, the number of Shares over which an Option can be exercised increases by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- (l) In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date, all rights of the Option

holder will be varied in accordance with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

## 12.7 Employee Share Plan

The Directors propose to re-adopt the Directors and Executives Share Plan (**ESP**) to enable Eligible Employees to be granted Shares in the Company, the principle terms of which are summarised below.

### Eligibility criteria

The Share Plan is open to participation by employees and consultants of Group Companies, directors of the Company and associates of any of those persons (Eligible Employees).

### Structure and administration of the share plan

- (a) The Share Plan provides for Shares to be acquired by the Share Plan Trustee either:
  - (i) to be held on behalf of Eligible Employees who have accepted offers to acquire Shares under the Share Plan (Offers); or
  - (ii) for later allocation to other Eligible Employees who may accept Offers in future.
- (b) The terms, conditions and rules governing the regulation and administration of the Share Plan are set out in the Share Plan Rules. There is also a Trust Deed between the Company and the Share Plan Trustee which provides for the Share Plan Trustee to administer the Share Plan in accordance with those Plan Rules.

### Acquisition of shares

- (a) All Shares are offered to Eligible Employees for no consideration.
- (b) The Share Plan Committee may make Offers from time to time under the Share Plan to any or all Eligible Employees, which will specify, amongst other things:
  - (i) the eligibility criteria for the purpose of the Offer, or the Eligible Employees or category of Eligible Employees to whom the Offer is to be made;
  - (ii) the existence and nature of any applicable Vesting Conditions;
  - (iii) the number of Shares (or means of determining the number of Shares) the subject of the Offer; and
  - (iv) any other terms or conditions of the Offer (including the last date for acceptance and how acceptance is to occur).

### Shares to be held by plan trustee

- (a) Upon acceptance of an Offer by an Eligible Employee (Participant), the Company will direct the Share Plan Trustee to acquire sufficient Shares (either through on or off-market trades or by subscribing for new Shares or by reissue of Treasury Shares held by the Company) and allocate those Shares to the Participant.
- (b) The Share Plan Trustee will hold those Shares on trust for the Participant until the Shares are either released from the Share Plan or forfeited.

### Vesting conditions

- (a) The Share Plan Committee may in its absolute discretion make Offers which are subject to Vesting Conditions.
- (b) The purpose of the Vesting Conditions is to provide for performance hurdles to achieve the objective of aligning employee and director rewards to Company performance and the interests of Shareholders.
- (c) The Share Plan Committee may reduce or waive the Vesting Conditions in whole or in part. If the Company makes a discounted share issue, an issue of bonus shares or reconstructs its share capital the Share Plan Committee will adjust any Vesting Condition to take account of that issue or reconstruction so that a Participant is not disadvantaged.

### **Release of shares from share plan**

Shares held by the Share Plan Trustee on behalf of particular Participants may be released from the Share Plan in any of the following circumstances (Release Event):

- (a) the Vesting Conditions have been satisfied;
- (b) the Share Plan Committee has determined that Vesting Conditions are not required to be satisfied or that they have been waived;
- (c) a Participant ceases to be employed by a Group Company due to the existence of special circumstances (such as death, disablement or other circumstances considered to be special by the Share Plan Committee); or
- (d) automatically, where either of the following “Accelerated Vesting Events” occurs:
  - (i) the Company is subject to an unconditional takeover bid (for the acquisition of at least 50% of the Company’s issued share capital and the bidder has received acceptances for at least 33% of the Company’s issued share capital); or
  - (ii) a scheme of arrangement for the acquisition of at least 50% of the Company’s issued share capital has been approved by Shareholders and the relevant Court.

### **Forfeiture**

- (a) Shares held by the Share Plan Trustee on behalf of particular Participants may be forfeited in any of the following circumstances:
  - (i) the Participant ceases to be employed by a Group Company (or has given or received a notice for the termination of such employment) and a Release Event has not occurred;
  - (ii) a court declares that a Participant has contravened his or her duties as an Eligible Employee; or
  - (iii) the Share Plan Committee determines that a Participant has acted inappropriately with respect to the Company (including gross misconduct, acts of fraud or bringing the Company into disrepute).
- (b) Forfeited Shares may be sold, cancelled or transferred, or may continue to be held by the Share Plan Trustee for the benefit of Eligible Employees in future.

### **Rights of participants**

Participants have the following rights during the period in which their Shares are held by the Share Plan Trustee:

- (a) to direct the Share Plan Trustee on how to vote their Shares;
- (b) to receive dividends paid on their Shares;
- (c) to participate in any pro rata share issue and sell any renounceable rights acquired; and
- (d) to participate in the issue of any bonus shares or other securities in relation to their Shares (which will be subject to the same terms and Vesting Conditions as, and will be held in the Share Plan by the Share Plan Trustee in the same manner as, Shares that they received under the Share Plan).

### **Dealings in shares**

Participants are prohibited from disposing of, or granting any security interests over, Shares (or interests in them) which are held on their behalf by the Share Plan Trustee.

### **Termination and amendment**

The Company retains the right to modify, alter, add to or repeal all or any provision of the Share Plan Rules and the Directors retain the right to waive any provision of the Share Plan Rules or obligations of Participants under them.

## 12.8 Interests of Directors

The Proposed Director of LEX, Wade Johnson, is currently a shareholder and Director of HRPL, Wade Johnson, holds 2,500,000 shares in HRPL representing 22.52% of HRPL's outstanding shares (11,100,000).

Upon completion under the HRPL Transaction, Wade Johnson will receive 1,711,712 Shares. Further details on the HRPL Transactions are set out in Section 11.2 above. Wade Johnson is also entitled to receive a grant of 1,500,000 Shares (unvested) under the Company's Employee Share Plan.

Other than as set out in this Prospectus, no Director or Proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Public Offer;

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or Proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Public Offer.

## 12.9 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Public Offer; or
- (c) the Public Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Public Offer.

Ernst & Young has acted as Investigating Accountant and has prepared the Independent Limited Assurance Report which is included in Section 7 of this Prospectus. Ernst & Young is the Company's auditor and has audited the LEX and HRPL financial statements for the year ended 30 June 2016. The Company estimates it will pay Ernst & Young a total of \$20,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Ernst & Young have received \$50,980 (excluding GST) in fees from the Company in connection with preparation of audited annual financial accounts.

NHC has acted as Lead Manager of the Public Offer set out in this Prospectus. The Company estimates it will pay NHC a total of approximately \$283,100 (excluding GST and assuming \$4.0 million is raised pursuant to the Public Offer) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, NHC has not received any fees from the Company.

BSCP has acted as Joint Lead Manager of the Public Offer set out in this Prospectus. The Company estimates it will pay BSCP, or its nominees, a total of approximately \$60,000 (excluding GST and assuming \$4.0 million is raised pursuant to the Public Offer) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BSCP has not received any fees from the Company.

Allion Partners Pty Ltd has acted as the solicitors to the Company in relation to the Public Offer. Allion Partners has also acted as the Solicitors reporting on tenements and has prepared the Solicitor's Report in relation to the Tenements included in Section 9 of this Prospectus. The Company estimates it will pay Allion Partners Pty Ltd approximately \$60,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Allion Partners has not received any fees from the Company.

Ravensgate International Pty Ltd has acted as the Independent Geologist and has prepared the Independent Geological Report included in Section 8 of this Prospectus. Ravensgate International Pty Ltd will be paid \$23,426 (excluding GST) in respect of these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Ravensgate International Pty Ltd has received \$10,120 (excluding GST) in fees from the Company in connection with the provision of a summary report on historical exploration data on the Lefroy Project.

## **12.10 Consents**

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Ernst & Young has given its written consent to being named as the Company's Auditor and Investigating Accountant in this Prospectus in the form and context in which it is named and to the inclusion of the Independent Limited Assurance Report in Section 7 of this Prospectus in the form and context in which it is included. Ernst & Young has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Allion Partners has given its written consent to being named as the solicitors to the Company and Solicitor reporting on the Tenements in the form and context in which it is named and to the inclusion of the Solicitor's Report included in Section 9 of the Prospectus in the form and context in which it is included in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Ravensgate International Pty Ltd has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the Independent Geologist in the form and context in which it is named and to the inclusion of the Independent Geological Report included in Section 8 of the Prospectus in the form and context in which it is included.

NHC has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the Public Offer under this Prospectus in the form and context in which it is named.

BSCP has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Joint Lead Manager to the Public Offer under this Prospectus in the form and context in which it is named.

Except to the extent set out above, Ernst & Young, Allion Partners, NHC and BSCP were not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. None of them make any express or implied representation or warranty in relation to the

Company, this Prospectus or the Public Offer and except to the extent expressly set out above (if at all) does not make any statement in this Prospectus, nor is any statement in it based on any statement made by those parties. To the maximum extent permitted by law, Ernst & Young, Allion Partners and BSCP expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus.

Computershare has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

## 12.11 Expenses of the Offer

The total expenses of the Public Offer (excluding GST) are estimated to be approximately \$603,965 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Full Subscription (\$4.0 million)
ASIC fees	\$2,350
ASX fees	\$68,789
Advisory fees	\$184,400
Broker Commissions	\$220,000
Legal Fees	\$60,000
Investigating Accountant's Fees	\$20,000
Independent Geologist's Fees	\$23,426
Printing and Distribution	\$7,500
Public Offer Management Costs	\$2,500
BVI Legal fees	\$12,000
Directors and Officers Insurance	\$3,000
<b>TOTAL</b>	<b>\$603,965</b>

## 12.12 Continuous disclosure obligations

The Company is currently a "disclosing entity" (as defined in Section 111AC of the Corporations Act) due to its listing on the ASX and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## 12.13 Electronic Prospectus

Pursuant to Regulatory Guide 107, ASIC wishes to encourage the distribution of an electronic prospectus and electronic application form, subject to compliance with certain requirements.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at [www.usmasters.com](http://www.usmasters.com).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### **12.14 Financial Forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

#### **12.15 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company is currently a CHES participant, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **12.16 Privacy statement**

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the *Privacy Act 1988* (Cth) and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

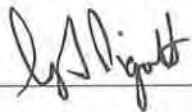


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**13. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors and separately consented to by the Proposed Director.

Each Director and the Proposed Director has consented to the lodgement of this Prospectus with ASIC.



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**Geoffrey Pigott**

**Director**

**For and on behalf of Lefroy Exploration Limited**

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## 14. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

<b>\$</b>	means an Australian dollar.
<b>Advisory Options</b>	Options granted to NHC for corporate advisory services to the Company in relation to the Proposed Transactions
<b>Application Form</b>	means either a Public Offer Application Form or a HRPL Shareholders Offer Application Form.
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ACN 008 624 691) or the securities market operated by ASX Limited, as the context requires
<b>Board</b>	Board of Directors
<b>BSCP</b>	Bridge Street Capital Partners Pty Limited (ACN 164 702 005), Corporate Authorised Representative of AFSL 456663
<b>BSCP Mandate</b>	the mandate agreement between the Company and Bridge Street Capital Advisors Pty Limited (ACN 614037302) a related party of BSCP entered into on or around 10 August 2016
<b>BVI</b>	British Virgin Islands
<b>Closing Date</b>	means the closing date of the Offer as set out in the indicative timetable on page 5 shown under the Key Dates section of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offers early).
<b>Company or LEX</b>	Lefroy Exploration Limited (formerly U.S. Masters Holdings Limited) (ARBN 052 123 930) incorporated in the British Virgin Islands, IBC No. 29457
<b>Constitution</b>	constitution of the Company
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Director</b>	a director of the Company
<b>E</b>	mineral exploration licence issued in Western Australia
<b>Employment Agreement</b>	the employment agreement entered into between the Company and Mr Wade Johnson on or around 10 June 2016
<b>Engagement Agreements</b>	the engagement agreements between the Company and each of the Directors on or around 1 July 2010
<b>ESP Shares</b>	Shares granted under the Share Plan
<b>Finance Facility</b>	the facility of up to \$800,000 provided by Michael Davies to the Company dated 21 August 2014, as amended on 15 February 2016
<b>Finance Facility Amount</b>	the maximum amount of \$700,000 drawn down under the Finance Facility
<b>Gold</b>	means the chemical element gold with the symbol "Au"

<b>Gold and Nickel Rights</b>	the right to explore for and exploit Gold, Nickel and all other precious and base metals not associated with pegmatites on the LIT Tenement
<b>Gold and Nickel Rights Acquisition</b>	the acquisition by LEX of the Gold and Nickel Rights from LIT
<b>HRPL</b>	Hogans Resources Pty Ltd (ACN 606 338 907)
<b>HRPL Consideration Shares</b>	7,600,000 Shares, as determined under the terms of the Share Sale Deed, to be transferred to the HRPL Shareholders on a pro rata basis under the HRPL Transaction as detailed in Section 2.2
<b>HRPL Shareholder</b>	the holders of shares in the capital of HRPL
<b>HRPL Shareholders Offer</b>	the offer of Shares to the HRPL Shareholders pursuant to this Prospectus as set out in Section 3.2 of this Prospectus
<b>HRPL Shareholders Offer Application Form</b>	the application form attached to or accompanying this Prospectus relating to the HRPL Shareholders Offer
<b>HRPL Tenements</b>	the tenements listed in the Independent Geologists Report in Section 8 held by HRPL
<b>HRPL Transaction</b>	the acquisition of 100% of the shares in HRPL from the HRPL Shareholders
<b>Independent Geologist</b>	Ravensgate International Pty Ltd
<b>Solicitors</b>	Allion Partners Pty Ltd
<b>JORC</b>	the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” by the Australasian Joint Ore Reserves Committee.
<b>Letter Agreement</b>	the Letter Agreement between the Company and LIT dated 17 June 2016, which was superseded by the Rights Acquisition Agreement
<b>LEX Consideration Shares</b>	9,000,000 LIT Shares to be issued by LIT to LEX as consideration for the Lithium Rights Acquisition
<b>LEX Tenements</b>	granted mineral exploration licences E63/1723 and E63/1722 held by LEX
<b>Listing Rules</b>	the official listing rules and requirements of the ASX
<b>Lithium</b>	the chemical element lithium with the symbol “Li”
<b>Lithium Rights</b>	the right to explore for and exploit Lithium and other mineralisation associated with pegmatites on the LEX Tenements
<b>Lithium Rights Acquisition</b>	the acquisition by LIT of the Lithium Rights from LEX
<b>LIT</b>	Lithium Australia NL (ABN 29 126 129 413)
<b>LIT Consideration Shares</b>	3,000,000 Shares to be transferred by LEX to LIT as consideration for the Gold and Nickel Rights Acquisition as detailed in Section 2.2
<b>LIT Tenement</b>	exploration licence application for E63/1777 held by LIT

<b>LIT Transaction</b>	each of: the Gold and Nickel Rights Acquisition; and the Lithium Rights Acquisition
<b>LIT Shares</b>	fully paid ordinary shares in the capital of LIT
<b>Mandate Agreement</b>	the mandate agreement between LEX and NHC dated 27 July 2016 for the provision of corporate advisory services for the Proposed Transactions
<b>Mining Act</b>	the <i>Mining Act</i> 1978 (WA)
<b>Moz</b>	million ounces
<b>MZM</b>	Montezuma Mining Company Ltd (ACN 119 711 929)
<b>MZM Consideration Shares</b>	4,200,000 Shares, as determined under the terms of the Tenement Sale Agreement, to be transferred to MZM under the MZM Transaction as detailed in Section 2.2
<b>MZM Tenement</b>	mineral exploration licence E15/1447 held by MZM
<b>MZM Transaction</b>	the acquisition by LEX of the MZM Tenement from MZM
<b>NHC</b>	New Holland Capital Pty Limited (ACN 124 626 295), as an Authorised Representative (Number 314646) of Taurus Funds Management Pty Limited (Australian Financial Services Licensee Number 307723)
<b>Nickel</b>	the chemical element nickel with the symbol “Ni”
<b>Notice of General Meeting or Notice of Meeting</b>	The notice of General Meeting required to approve the Proposed Transactions
<b>NSW</b>	New South Wales
<b>Offers</b>	Refers to the offer of Shares pursuant to all of the following: <ul style="list-style-type: none"> <li>• the Public Offer; and</li> <li>• the HRPL Shareholders Offer.</li> </ul>
<b>Official List</b>	the official list of ASX
<b>Official Quotation</b>	official quotation by ASX in accordance with the ASX Listing Rules
<b>Opening Date</b>	the opening date of the Public Offer, as set out in the indicative timetable in Key Dates Section of this Prospectus
<b>P</b>	mineral prospecting licence issued in Western Australia
<b>Projects</b>	The Company’s exploration projects comprising the Lefroy Project, Lake Johnston Project, and the Murchison Project
<b>Proposed Transactions</b>	includes the following: <ul style="list-style-type: none"> <li>• the LIT Transaction;</li> <li>• the HRPL Transaction; and</li> </ul>

- the MZM Transaction.

<b>Prospectus</b>	this prospectus
<b>Public Offer</b>	the offer of Shares to the public pursuant to this Prospectus as set out in Section 3.1 of this Prospectus.
<b>Public Offer Application Form</b>	the application forms attached to or accompanying this Prospectus relating to the Public Offer
<b>Resolutions</b>	the resolutions contained in the LEX Notice of Meeting dated 2 September 2016
<b>Rights Acquisition Agreement</b>	the Rights Acquisition Agreement between the Company and LIT dated 17 August 2016 for the LIT Transaction, the key terms of which are summarised in Section 11.4.
<b>Sale Agreements</b>	the Share Sale Deed, Tenement Sale Agreement, and Rights Acquisition Agreement
<b>Schedule</b>	schedule to this Prospectus
<b>Section</b>	a section of the Prospectus
<b>Settlement Date</b>	the date of settlement of the Sale Agreements
<b>Share</b>	fully paid ordinary share in the capital of the Company
<b>Shareholder</b>	holder of a Share in the Company
<b>Share Plan</b>	the Directors and Executive Share Plan, a summary of which is set out in Section 12.7
<b>Share Sale Deed</b>	the share sale deed between the Company and the HRPL Shareholders dated 26 July 2016 for the HRPL Transaction, the key terms of which are summarised in Section 11.2
<b>Tenement Sale Agreement</b>	the tenement sale agreement between the Company and MZM dated 26 July 2016 for the MZM Transaction, the key terms of which are summarised in Section 11.3
<b>Treasury Shares</b>	in accordance with the Articles of Association of the Company, Shares held by the Company in itself.
<b>USH</b>	U.S. Masters Holdings Limited
<b>VWAP</b>	volume weighted average price
<b>WA</b>	Western Australia

# ANNEXURE A – CORPORATE GOVERNANCE COMPLIANCE

## Compliance with ASX Corporate Governance Principles and Guidelines

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
<b>1.</b>	<b>LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>		
1.1	A listed entity should disclose the respective roles and responsibilities of its board and management; and those matters expressly reserved to the board and those delegated to management.	Yes	The Board has adopted a Board Charter, which discloses the specific responsibilities of the Board, including detailing those responsibilities which are reserved expressly to the Board and those which are delegated to management.  The Company's Board Charter is published on the Company's website.
1.2	A listed entity should:  (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and  (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	The Company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a director.  The Company intends to appoint the Proposed Director to the Board on completion of the Acquisition. In preparation for these appointments, the Company has conducted all appropriate checks, including criminal history, bankruptcy and ASIC disqualification checks, on the Proposed Director.  In addition, the Company's Nomination Committee Charter establishes accountability for requiring appropriate checks of potential directors to be carried out before appointing that person or putting them forward as a candidate for election, and this will be undertaken with respect to all future appointments.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Each director has a written agreement setting out the terms of their appointment. A written agreement will also be entered into with the Proposed Director.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.	Yes	The Company Secretary is accountable to the Board in relation to matters to do with the proper functioning of the Board.
1.5	A listed entity should have a diversity policy and should disclose at the end of each reporting period the measurable objectives	Partial	The Company recognises the importance of equal employment opportunity, however, the Company has determined to not initially adopt a formal policy and establish measurable objectives for achieving gender diversity (and accordingly, will not initially be in a position to

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
	for achieving gender diversity and the progress towards achieving those objectives.		report against measurable objectives). The Board considers that its approach to gender diversity and measurable objectives is justified by the current nature, size and scope of the business, but will consider in the future, once the business operations of the Company mature, whether a more formal approach to diversity is required.
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors;</p> <p>(b) and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	No	The Board has not adopted any formal procedures for the review of the performance of the Board, however to date the Board has applied an on-going self-evaluation process to measure its own performance. The Company anticipates that this recommendation will become an area of focus as the Company's operations mature.
1.7	A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	No	As from completion of the Proposed Transactions, it is not anticipated that the Company will in the short term have any executives or full time employees that are not members of the Board. Accordingly, the Board has not adopted any formal procedures for the review of the performance of senior executives. The Board will, as required, adopt in the future an assessment process to measure senior executive performance, with outcomes utilised to determine senior executive remuneration.
<b>2.</b>	<b>LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>		
2.1	<p>The Company should have a Nomination Committee which has at least 3 members a majority of whom are independent and is chaired by an independent director.</p> <p>If it does not have a nomination committee, the Board should disclose that fact and the processes it employs to address board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and</p>	Yes	<p>The Board has not established a separate nomination committee. Given the scale of the Company's operations post completion of the Proposed Transactions and Public Offer, it is anticipated that the full Board will be able to continue adequately discharge the functions of a Nomination Committee for the short to medium term. The reconstituted Board will consider establishing a Nomination Committee when the size and complexity of the Company's operations and management warrant it. In the meantime, the Company has adopted a Nomination Committee Charter and Remuneration Committee Charter, which includes specific responsibilities to be carried out by those committees when they are established.</p> <p>The Company's Nomination Committee Charter and Remuneration Committee Charter are available on the Company's website.</p>

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
	diversity to enable it to discharge its duties and responsibilities effectively.		
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	No	The proposed Board will be specifically constituted with the mix of skills and experience that the Company requires to move forward in implementing its new strategic objectives. The composition of the Board and the performance of each Director will be reviewed from time to time to ensure that the Board continues to have a mix of skills and experience necessary for the conduct of the Company's activities as the Company's business matures and evolves. Currently, and in view of the new proposed composition of the Board to suit the Company's clear short to medium term strategic objectives, the Company does not consider that a specific Board skills matrix would add any separate or additional value or benefit to the Company or its shareholders. The Board will re-consider whether a formal Board skills matrix is appropriate in due course.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship which may otherwise be seen as a conflict to the director's obligation to the company but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service for each director	Yes	Details of the Directors and the Proposed Director and their independence status are identified in section 10.1 of this Prospectus. Independence factors are fully discussed in that section.
2.4	A majority of the board of a listed entity should be independent directors	No	As disclosed in the response to Recommendation 2.3 above and Section 10.1 of this Prospectus, there are no independent directors currently on the Board.  However, the Company is confident that current composition of the Board is optimal for transitioning the Company into its next phase of operations, and is therefore in the best interests of the Company and its shareholders. The Board will review the balance of independence on the Board on an on-going basis, and will implement changes at its discretion having regard to the Company's growth and changing management and



No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
			operational circumstances.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity	No	Mr Galt is not considered independent for the reasons discussed in Section 10.1 of this Prospectus, however the Company believes that Mr Galt is suited to carrying out the functions of the Chair as Mr Galt's specific expertise (as detailed in Section 2.8 of this Prospectus) is a key factor for the future success of the Company.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	No	Commensurate with the Board's small size and the scale of the Company's operations, the induction process for new directors is currently informal. Directors are supported in undertaking their own continuing professional development.
<b>3.</b>	<b>PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING</b>		
3.1	A listed entity should have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.	Yes	<p>The Company has adopted a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in business. All of the Company's directors and employees are required to comply with the standards of behaviour and business ethics in accordance with the law and the Code of Conduct.</p> <p>The Code of Conduct is disclosed on the Company's website.</p>
<b>4.</b>	<b>SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>		
4.1	<p>The Board of a listed entity should have an audit committee which consists of at least 3 members all of whom are non- executive directors and a majority of whom are independent directors and the committee should be chaired by an independent director who is not the chair of the board.</p> <p>If it does not have an audit committee, the Board should disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the</p>	Yes	<p>The Board has not established a separate audit committee. Given the present size of the Company and the scale of its operations, the Board has decided that the full Board can adequately discharge the functions of an audit committee. The Board will establish an Audit Committee when the size and complexity of the Company's operations and management warrant it.</p> <p>In the meantime, the Board has adopted an Audit and Risk Committee Charter, which includes specific responsibilities relating to audit and risk, and which the Board uses as a guide when acting in the capacity of the Audit Committee.</p> <p>The Company's Audit and Risk Committee Charter is available on the Company's website.</p>

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
	external auditor and the rotation of the audit engagement partner.		
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO (or equivalent) a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	The Board will require a conforming declaration from the relevant key executive or executives before it approves the entity's financial statements for each financial period.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	The Company's external auditor will be invited to attend all Annual General Meetings of the Company and will be available to answer questions from security holders relevant to the audit.
<b>5.</b>	<b>MAKE TIMELY AND BALANCED DISCLOSURES</b>		
5.1	A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.	Yes	The Company has a Continuous Disclosure Policy which includes processes to ensure compliance with ASX Listing Rule 3.1 disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.  The Continuous Disclosure Policy is disclosed on the Company's website.
<b>6.</b>	<b>RESPECTS THE RIGHTS OF SHAREHOLDERS</b>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company has established a website on which it maintains information in relation to corporate governance, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details.

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	The Company has adopted a Shareholder Communications Policy, which establishes principles to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.  The Shareholder Communications Policy is disclosed on the Company's website.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	The Company encourages shareholders to participate in general meetings of the Company as a means by which feedback can be given to the Company.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Ltd at <a href="http://www.computershare.com.au">www.computershare.com.au</a> .
<b>7.</b>	<b>RECOGNISE AND MANAGE RISK</b>		
7.1	The Board should establish a risk management committee made up of at least 3 members, a majority of whom are independent directors, and chaired by an independent director.  If it does not have a risk committee, the Board should disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Yes	The Board has not established a separate risk committee. Given the present size of the company, the Board has decided that the full Board can adequately discharge the functions of a risk committee for the time being. The Board will establish a Risk Committee when the size and complexity of the Company's operations and management warrant it.  In the meantime, the Company's Audit and Risk Committee Charter includes principles to guide the Board's oversight of the Company's risk function. In addition, the Company has adopted a Risk Management Policy to assist in guiding the Board to manage material business risks.  The Risk Management Policy is available on the Company's website.
7.2	The board or a committee of the board should:  (a) review the entity's risk management framework at least annually to satisfy itself	Yes	The risk profile of the Company is currently undergoing a substantial change, with the strategic emphasis of the Company shifting from investment to mining exploration. As part of the strategic transition, the identification and management of risk has been continually at the forefront of the Company's recent activities. The material risks associated with the proposed

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
	<p>that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>		<p>future operations of the Company are discussed fully in Sections 2.9 and 5 of this Prospectus.</p> <p>Moving forward, in accordance with the Audit and Risk Committee Charter, the Board will review the Company's risk management framework on an annual basis and will disclose in its annual report or elsewhere as appropriate whether such review has taken place.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Yes	<p>Given the present size of the company, the Board has decided that a formal internal audit function is not required for the time being.</p> <p>The risk management functions employed by the Board are summarised above.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	<p>The Company has disclosed all material risks facing the Company in Sections 2.9 and 5 of this Prospectus, including exposure to economic, environmental and social sustainability risks. The Company will continue to disclose these material risks in the future in its annual report or elsewhere as appropriate.</p>
<b>8.</b>	<b>REMUNERATE FAIRLY AND RESPONSIBLY</b>		
8.1	<p>The board should establish a remuneration committee which has at least three members, a majority of whom are independent and which is chaired by an independent director.</p> <p>If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is</p>	Yes	<p>The Board has not established a separate remuneration committee. Given the present size of the company, the Board has decided that the full Board can adequately discharge the functions of a remuneration committee for the time being.</p> <p>The Board will establish a Remuneration Committee when the size and complexity of the Company's operations and management warrant it.</p> <p>In the meantime, the Board has adopted a Remuneration Committee Charter, which includes principles for setting and reviewing the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. Until such time as the Remuneration Committee is established, the functions of this committee will continue to be carried out by the full Board.</p>

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES	COMMENT
	appropriate and not excessive		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	<p>Each director has entered a separate employment or consultancy agreement with the Company, and this will also occur in respect of the Proposed Director.</p> <p>The remuneration of directors and senior executives is generally reviewed annually. As discussed under Recommendation 8.1 above, a Remuneration Committee Charter is in place, and it is anticipated that the Board (in its capacity as the Remuneration Committee) in will consider its approach to remuneration in due course once execution of the Company's proposed strategic objectives is underway.</p>
8.3	<p>A listed entity which has an equity- based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	N/A	<p>The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the Company, this will be disclosed.</p>

## ANNEXURE B – JORC 2012 TABLE 1 AND TABLE 2

### 14.1 Section 1

#### JORC Code 2012 Edition – Table 1 Report – LEFROY, and LAKE JOHNSTON Projects – 1 September 2016

Section 1: SAMPLING TECHNIQUES AND DATA (Commentary on Historical Exploration information described below has been derived from WAMEX Open File reports sourced from the Department of Minerals and Petroleum)

Criteria	JORC Code Explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li><b>RAB and Aircore (AC) drilling</b> One metre AC and RAB samples were collected from the cyclone and laid out in rows) on the ground. Composite 4m samples were then collected by spear or scoop sampling the 1m piles to produce a bulk 2-3kg sample which were sent to the Laboratory.</li> <li><b>Reverse Circulation (RC) drilling</b> One metre samples collected from the cyclone and then composited into 4m samples by scoop or spear sampling for analysis. Anomalous samples (usually &gt; 100 ppb Au) were resubmitted as single 1 m intervals.</li> <li><b>Diamond Drilling (DD)</b> Sampling of Diamond drill core conducted is considered industry standard at the time of collection.</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>RAB Drilling-refer to WAMEX report A48593</li> <li>AC drilling-refer to WAMEX reports A52840, A58146, A60175, A104565 and A104013</li> <li>RC drilling-refer to WAMEX report A75045</li> <li>Diamond Drilling-refer to WAMEX report A48593</li> </ul>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li><b>RAB-AC-RC</b>—Sample recovery insufficiently recorded in the reports</li> <li><b>Diamond Drilling</b>-core recovery recorded Refer to WAMEX report A48593</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a</li> </ul>	<ul style="list-style-type: none"> <li>All drill holes reported were geologically logged for the entire</li> </ul>

Criteria	JORC Code Explanation	Commentary
	<p>level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</p> <ul style="list-style-type: none"> <li>• Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>• The total length and percentage of the relevant intersections logged.</li> </ul>	<p>length of the hole.</p>
<p><b>Sub-sampling techniques and sample preparation</b></p>	<ul style="list-style-type: none"> <li>• If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>• If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>• For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>• Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>• Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</li> <li>• Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Diamond Drilling</b> Half core samples collected refer WAMEX report A48593</li> <li>• <b>RC drilling</b> Collection of 4m composite samples, single metre samples collected if 4m composite was considered anomalous.</li> <li>• <b>RAB and AC Drilling</b> Collection of 2m or 4m composite samples an if considered anomalous 1m intervals resampled.</li> <li>• The sample preparation of the RAB&amp;AC followed industry best practice at the time, involving oven drying, pulverising, to produce a homogenous sub sample for analysis.</li> </ul>
<p><b>Quality of assay data and laboratory tests</b></p>	<ul style="list-style-type: none"> <li>• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>• For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>• Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</li> </ul>	<ul style="list-style-type: none"> <li>• Previous explorers employed laboratory's such as Genalysis and ALS, Samples routinely analysed for gold by aqua regia digest or 40g Fire Assay digest method with an AAS finish.</li> <li>• No geophysical tools, spectrometers or hand held XRF instruments used.</li> <li>• Previous explorers did not document detailed QAQC procedures.</li> </ul>
<p><b>Verification of sampling and assaying</b></p>	<ul style="list-style-type: none"> <li>• The verification of significant intersections by either independent or alternative company personnel.</li> <li>• The use of twinned holes.</li> <li>• Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>• Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>• Not documented in the historical reports.</li> </ul>

Criteria	JORC Code Explanation	Commentary
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>• Specification of the grid system used.</li> <li>• Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>• Drill holes at Zanex, Coogee South and Neon were located on surveyed local grids. Drill holes at Red Dale and Lucky strike surveyed using GPS.</li> <li>• Drill Holes initially reported using local grid coordinates or AMG 84 and later MGA94 Zone 51.</li> <li>• Topographic elevation if captured by using reading from hand held GPS with an accuracy of +/-10m and considered suitable for the flat terrain.</li> </ul>
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>• Data spacing for reporting of Exploration Results.</li> <li>• Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>• Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>RAB-AC drilling:</b> initial hole spacing at nominal 160m centres on reconnaissance east west orientated drill lines with line spacing's varying from 160m to 800m.</li> <li>• <b>RC Drilling:</b> targeted on anomalous RAB-AC drill results, drilled on same traverse lines but irregularly spaced.</li> <li>• <b>Diamond Drilling:</b> sited on anomalous RAB results.</li> <li>• RAB and AC samples composite range 2-6m but generally 4m. No assay compositing has been applied.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>• If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>• The AC and RAB drilling is reconnaissance in nature, being relatively wide spaced and the orientation of the gold mineralised structures intersected is yet to be confirmed.</li> <li>• There is insufficient information to determine if the RC and DD holes were orientated perpendicular to the mineralised structures.</li> </ul>
<b>Sample security</b>	<ul style="list-style-type: none"> <li>• The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>• Not documented in historic reports</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>• The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>• Not documented in historic reports.</li> </ul>



## 14.2 Section 2

### Section 2: REPORTING OF EXPLORATION RESULTS – LEFROY and LAKE JOHNSTON PROJECTS

(Commentary on Historical Exploration Results described below has been derived from WAMEX Open File reports sourced from the Department of Minerals and Petroleum and detailed in the Independent Geologist's Report)

Criteria	JORC Code Explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>The Lefroy Project is located approximately 50km in a south easterly direction from Kalgoorlie, Western Australia and consists of a contiguous package of tenements. The Lake Johnston tenements are located 160 km east of Hyden and the Murchison applications lie between Cue and Big Bell mine</li> <li>The tenements are current and in good standing with the Department of Mines and Petroleum (DMP) of Western Australia.</li> <li>Full tenement details are listed in the Independent Solicitors Report attached to this prospectus.</li> </ul>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>For full details of exploration done by other parties at the Lefroy, Lake Johnston, and Murchison projects refer to the Independent Geologists Report attached to this prospectus.</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>For full details of the geological settings at the Lefroy, Lake Johnston and Murchison Projects refer to the Independent Geologists Report attached to this prospectus.</li> </ul>
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information</li> </ul>	<ul style="list-style-type: none"> <li><b>Zanex Prospect</b> - Intersection of 6m from 45m at 2.87g/t Au in vertical hole LF182 drilled in 1996. EOH 57m Located 6551800N 384780E (AMG). No RL recorded Details in WAMEX report A52840</li> <li><b>Coogee South Prospect</b> - Intersection of 17m from 99m at 1.67g/t Au in vertical RC hole CSRC 3 drilled in 2006. EOH 150m Located 6554576N 393329E (AGM84). RL 305m Details in WAMEX report A75045</li> <li><b>Neon Prospect</b> - Drill Intersections shown on plan within Figure 9 of Prospectus. Intersection of 4m from 22m at 0.32g/t Au in vertical AC hole SAL 571 drilled in 1998. EOH 43m Details in WAMEX report A58146</li> </ul>

Criteria	JORC Code Explanation	Commentary
	<p><i>is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></p>	<p>Intersection of 2m from 20m at 2.67g/t Au in vertical AC hole SAL 746 drilled in 1999. EOH 45m Details in WAMEX report A60175. Intersections reported for OBURC016 and OBURDD001 sourced from Octagonal Resources Limited quarterly report for the period ending 31 March 2015.</p> <ul style="list-style-type: none"> <li>• <b>Lucky Strike Prospect</b> - Intersection of 22m from 112m at 2.97g/t Au in angled AC hole SCAC794 drilled in 2009. EOH 134m Located 6554089N 405833E (GDA94 Zone 51) RL 305m. Hole declined 60 degrees to 90 degrees. Intercept based on weighted average of 4m and 2m composite samples. No 1m resampling reported. Details in WAMEX report A104013</li> <li>• <b>Red Dale Prospect</b> - Drill Intersections shown on plan within Figure 7 of Prospectus sourced from WAMEX reports A80006 and 104012 and refer to Independent Geologists Report attached to this prospectus.</li> <li>• <b>Frodo Gold Prospect</b> - RAB hole PRAB 013 intersection of 4m at 8.06 g/t Au from 8m. Located at 6448300N 265075E (AMG84) RL not recorded. Hole declined 60 degrees to 90 degrees. Length 60m. Intercept based on 1m resampling of a 4m composite sample as reported in WAMEX report A65822 dated 2002.</li> </ul>
<p><b>Data aggregation methods</b></p>	<ul style="list-style-type: none"> <li>• <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></li> <li>• <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> <li>• <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Weighted averages based on the sum of length multiply by assay divided by total length.</li> <li>• Intercepts based on 1m, 2m or 4m sampling</li> <li>• No grade cutting has been undertaken.</li> </ul>
<p><b>Relationship between mineralisation widths and intercept lengths</b></p>	<ul style="list-style-type: none"> <li>• <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li>• <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its</i></li> </ul>	<ul style="list-style-type: none"> <li>• All results are based on down-hole metres.</li> <li>• Given the wide spaced reconnaissance nature of the drilling the geometry of the mineralisation reported is not known and the true width is not known</li> </ul>

Criteria	JORC Code Explanation	Commentary
	<p><i>nature should be reported.</i></p> <ul style="list-style-type: none"> <li><i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></li> </ul>	
<b>Diagrams</b>	<ul style="list-style-type: none"> <li><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	<ul style="list-style-type: none"> <li>Appropriate summary diagrams are included in the prospectus and in the Independent Geologist's Report.</li> </ul>
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>	<ul style="list-style-type: none"> <li>Significant assay results are reported in the Independent Geologist's Report.</li> <li>Drill holes with no significant results are not reported but are shown on the plans in the prospectus and Independent Geologist's Report.</li> </ul>
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>	<ul style="list-style-type: none"> <li>All other exploration data has been included within the prospectus and attached Independent Geologist's Report.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Summary exploration programs for the prospects in the Lefroy, Lake Johnston and Murchison Projects are documented in Section 4.4 of the prospectus and further supported under the relevant project headings in the Independent Geologist's Report.</li> </ul>