



*Investment view: With a market cap of \$32m, LEX seems to us to represent an inexpensive exposure to open-pittable gold deposits and to a highly prospective nickel belt – the Carnilya Dome a northern extension of the Kambalda Dome. LEX has aggregated 607koz of near-surface/potentially open pitable gold mineralisation at Mt Martin (Loc45), Lucky Strike and Red Dale. Mt Martin we think could be brought into production quite quickly with ore toll treated through one of the many nearby CIP/CIL plants. Longer term, the prize to us looks to be the Goodyear nickel project. With its 15kt/3.8% Inferred nickel resource – open at depth - and in close proximity to BHP’s Nickel West Concentrator, this project might not be far from production as well. We share LEX’s view that the area is under-explored.*

*While still early days for the nickel assets, we consider the opportunity as particularly attractive, especially given the strong re-rating seen by Lunnon Metals (LM8), now a \$170m market cap pre-development play based on resources on the southern edge of the Kambalda Dome. Let’s not forget as well that neighbouring Mincor was taken out by Forrest’s Wyloo Metals for over \$500m. The region is ‘hot property’.*

*The nickel spin-out, Hampton Metals, is still being considered for 2024 with a board and experienced management team already in place. The only way to gain exposure to the obvious exploration upside in Location 45 (and other projects) is with an investment in LEX.*

#### **The Location 45 acquisition: right place at the right time.**

In May this year LEX announced the acquisition of mineral rights to explore and develop all resources on the Location 45 freehold property located some 30km southeast of Kalgoorlie from TSX royalty major, Franco Nevada.

Remarkably, this has been done at nil upfront cost for a term of 21 years with a 4% production royalty going forward. Mineral rights are privately owned and are therefore exempt from a 2.5% State royalty. This is unquestionably an attractive deal.

Location 45 (or Loc45) is one of the freehold Hampton Areas, an anomaly of history where vast tracts of prospective areas south and north of Kalgoorlie are held freehold, with private mineral rights. Ownership of Loc 45 (and several others) have had varied ownership over the past 40 years, with much of the ore processed through the nearby New Celebration mill (now dismantled) and Jubilee mill (now on care and maintenance) held by Northern Star Resources.

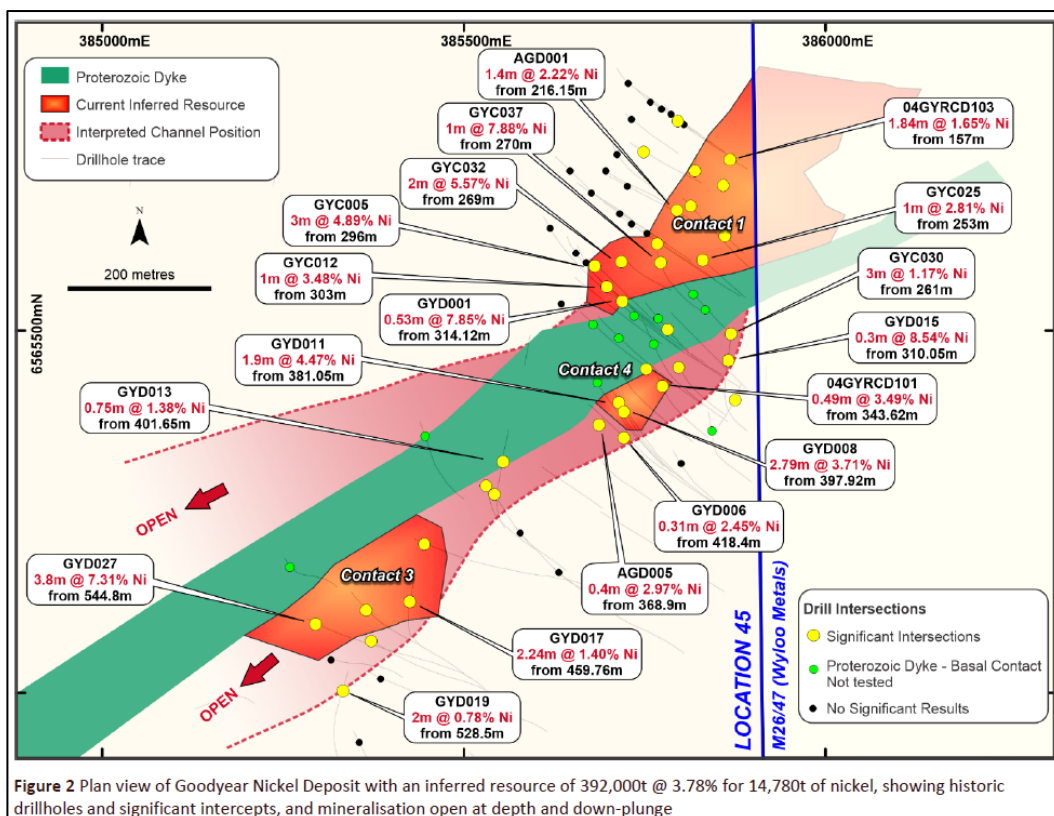
#### **Real value now emerging from LEX’s nickel assets: 15kt Ni at 3.8% at Goodyear**

Consultants CSA Global have confirmed that the data used to define the recently acquired Goodyear nickel resource – within Loc 45 - is compliant with new JORC standards, which will give LEX the confidence it needs to commence drilling.

The following points emerged from LEX’s recent release:

- Location 45 has been held mainly by gold explorers/miners which has left the nickel potential under-explored.

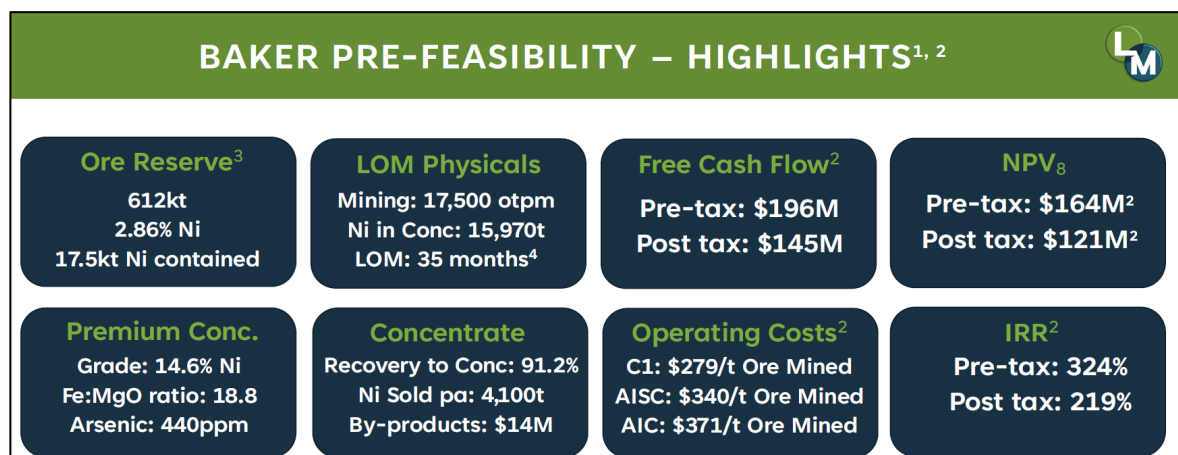
- An independent review of the Goodyear Nickel Project has confirmed a resource of 391kt at 3.78% Ni for 14.78kt contained nickel (unchanged). All Inferred status.
- The Goodyear resource is open down plunge. The deepest hole (3.8m at 7.3% Ni) lies at a vertical depth of ca. 400m.
- The top of the up-plunge extent of the orebody is at a depth of ca. 200m, so easily accessible with a shallow decline.
- The Goodyear deposit is located on the same ultramafic horizon as told Mincor (now Wyloo) projects, Carnilya Hill, which produced 1.7Mt at 3.3% Ni.
- LEX’s view is that the orebody’s grade and thickness is improving at depth. The deepest intercept is 3.8m at an impressive 7.3% Ni.
- Infill/extension drilling of Goodyear is scheduled to start in 4Q23.
- LEX are now talking about 30km strike of “underexplored Kambalda-style komatiites”.



Source: LEX release, August 2023

- Looking to the history of Location 45 and why the Goodyear deposit remains in the ground: early exploration for nickel was undertaken by WMC (in the 1980s and 90s) which led to the discovery of the Dunlop deposit (located in Mincor’s – now Wyloo’s - tenements to the east). This was followed by the discovery of the Goodyear nickel deposit by Titan Resources in 1996, located along the eastern edge of the East Location 45 property.
- This work was followed up by Australian Mines some years later and an Inferred Resource of 391,250 tonnes at 3.78% Ni for 14,780 tonnes of contained nickel was identified. This appears to be a down-plunge extension of Dunlop.
- We’ve not yet had the opportunity to consider the economic potential for Goodyear. However, it’s interesting to compare with one of the recent Kambalda success stories, Lunnon

Metals (LM8) which has recently released a PFS for the Baker nickel project, based on a reserve of 612kt at 2.9% Ni (17.5kt contained Ni).



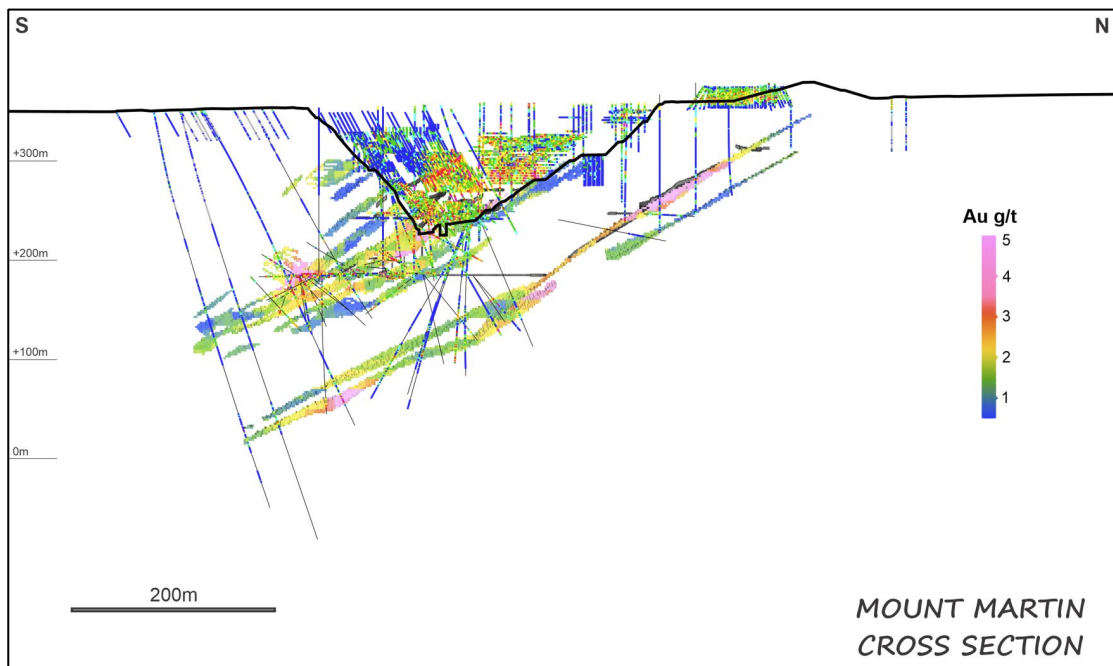
- Note that the Goodyear grade is some 30% higher than LM8's Baker deposit, while contained nickel is just 15% lower. LM8 clearly considers the Baker deposit to be of economic potential.
- The ability to monetise even small nickel resources within the Kalgoorlie/Kambalda Belt is enhanced with the toll milling facilities offered by BHP's nearby Nickel West concentrator, which we understand remains hungry for ore.
- LM8's market capitalisation is now over \$160m. Admittedly, this is an unfair comparison as it holds a resource base of over 90kt of nickel resource (within the Baker and extensions to the old Foster mine). But it does show what the market is prepared to pay for a quality nickel exploration/development company in the highly prospective Kambalda Dome area.
- As well, LEX notes other nickel prospects within Loc45, including Fat Rat, Anomaly 7 and Wren, are largely unexplored at depth. There appears to be at least 10-15% of the tenement underlain by ultramafic rock types, a common host for Kambalda-style nickel sulphide mineralisation.

#### LEX's gold opportunity: 500Koz added from Mt Martin acquisition

- The Loc45 acquisition takes LEX's gold resource inventory for a 50km tenement strike length of highly prospective geology to 1.1Moz.
- Ounces which seem likely to be toll-treatable through nearby gold plants, Mt Martin, Lucky Strike and Red Dale now total 607koz at a grade of around 1.8g/t.

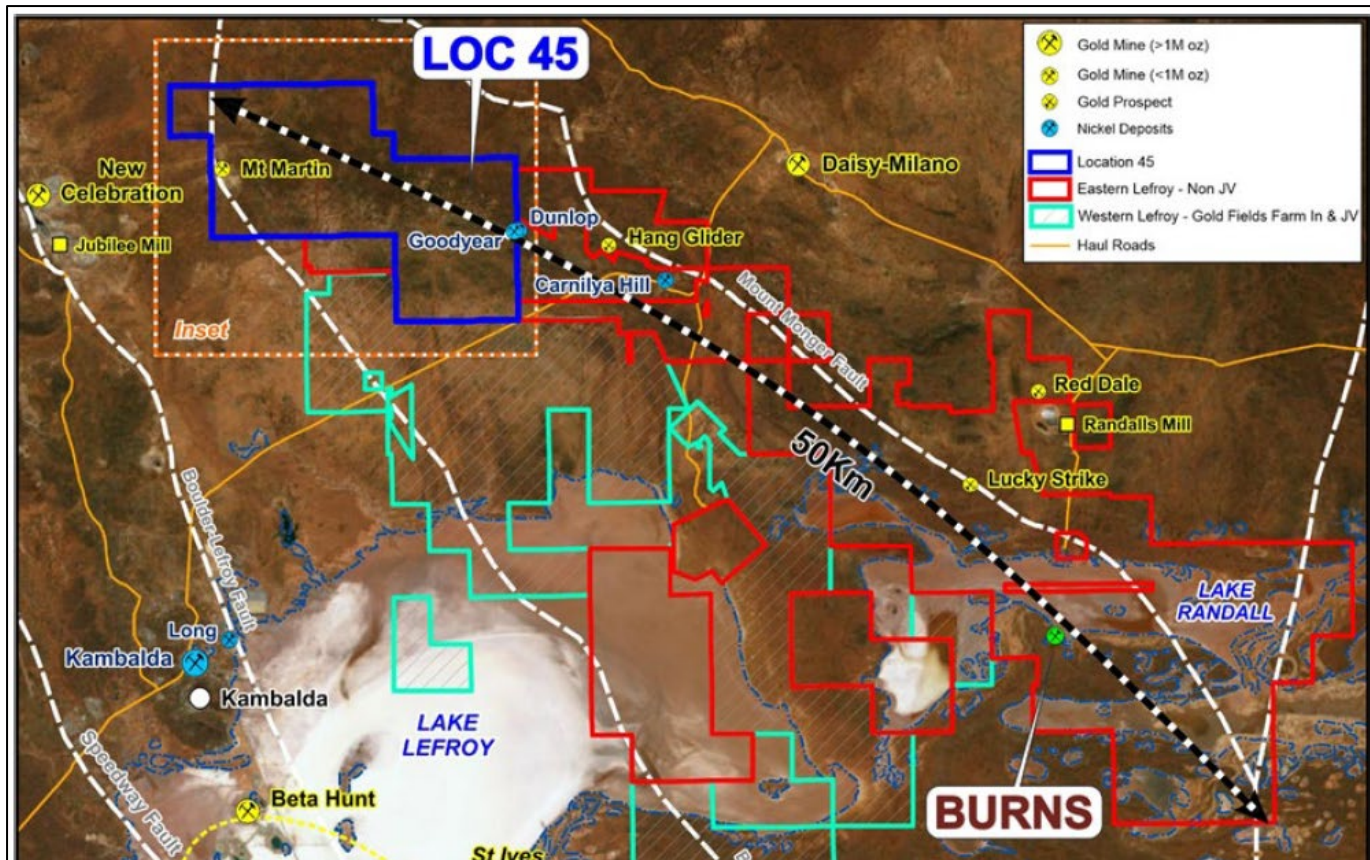
Deposit	Mt	Au (g/t)	Contained oz
Mt Martin	8.72	1.79	501,891
Lucky Strike	1.27	1.95	79,630
Red Dale	0.67	1.18	25,421
<b>Total</b>	<b>10.66</b>	<b>1.77</b>	<b>606,942</b>
Burns Central	42.96	0.36	497,286
<b>Combined</b>	<b>53.62</b>	<b>0.64</b>	<b>1,103,434</b>

- These resources appear to be open-pittable (at least in part) and are amenable to conventional CIP extraction, we believe. The last serious work done on the Mt Martin resource was by Alacer in 2012. Here a mine plan was placed around the old HBJ deposit (adjacent to the Jubilee mill and now exhausted we believe) and the Mt Martin project.
- There appears to be no reason why the Mt Martin orebody does not represent an economic opportunity. The metallurgical characteristics of the ore look to be quite suitable for conventional CIP/CIL extraction. Open pit oxide and sulphide ore has already been processed at the nearby Jubilee mill..
- A review of the Mt Martin exploration database has highlighted “significant potential for resource growth” (LEX 4 October 2023 release) with “significant underground ore potential”.
- Mineralisation at Mt Martin is associated with a series of stacked, westerly dipping, sulphide and quartz-carbonate bearing lodes which are mainly hosted within intensely deformed and altered chloritic schists sandwiched between talc-carbonate ultramafic lithologies.



Source: LEX

- Very little (if any) exploration has been undertaken in the Mt Martin district since the drilling completed by Alacer in 2011. Alacer was effectively broken up in 2013 with the Australian assets acquired by Metals X subsidiary, Westgold. The Mt Martin resource has remained untouched since.
- Importantly, we understand that there is an existing haul road which extends from Mt Martin to the New Celebration/Jubilee area and to the main Kalgoorlie-Kambalda highway. This served a modest open cut and underground operation at Mt Martin in the 1990’s. No mining has occurred since.
- LEX’s next priority will be to integrate Mt Martin into a mine plan with its 100%-owned Lucky Strike and Red Dale deposits. As shown in the following plan, LEX now controls around 50 strike kilometres of highly prospective rock types along the western flank of the Mt Monger Fault. With the Gold Fields JV over Lake Lefroy, LEX must now be the largest titleholder in the region.



- As we've noted in previous reports, LEX is well located to existing gold mills, including:
  - The Gold Fields/St Ives mill. Given the JV with GFI over Lake Lefroy, we'd be surprised if this isn't the most likely opportunity. LEX has disclosed that if Gold Fields elects to process its share of gold ore (if discovered) through its St Ives Mill, LEX has 'tag along' rights to also receive processing services at St Ives on commercial terms. Is it possible that LEX can do a deal to process Mt Martin or Lucky Strike ore through St Ives?
  - Silver Lake's Randall's mill
  - Northern Star's Jubilee mill
  - Karora's Lakewood mill
  - Karora's Higginsville mill.
- The last serious exploration for additional gold resources within Loc45 was done by Alacer over 10 years ago. It seems that little work was done while under the control of previous mineral rights holder, Northern Star
- There does seem to be an excellent opportunity to add further ounces within Loc45.
- In summary, this looks to be an excellent opportunity for LEX to move towards production from a +600koz resource base, potentially more with additional exploration effort.
- This takes pressure off LEX trying to advance the Burns discovery. While a valid exploration target, we view this low-grade target as being of insufficient size to deliver a large scale project. Not to say there isn't additional opportunities here, but further exploration is now lower priority.
- Importantly relatively low cost metallurgical testing of the various ore types at Burns has begun.

The next steps for Mt Martin are as follows:

- Compilation and analysis of historical data for Mt Martin and surrounds.
- Advance gold exploration in ground surrounding the Mt Martin open pit.
- Resource definition drilling at Mt Martin.

### **The West Lefroy earn-in by Gold Fields**

The Western Lefroy tenement package is being farmed into by Gold Fields Limited (GFI). This project lies adjacent to the +10 million-ounce St Ives Gold operation of GFI. GFI is in the second year of the Stage 2 Earn-In which allows the company to sole fund a further \$15 million of expenditure over three years (by 30 July 2024) to earn an additional 19% interest in the Joint Venture to bring its total interest to 70%.

The current focus of the GFI programme continues to be the land based, wide-spaced 400m x 400m grid Full Field Aircore (FFAC) program. This program aims to deliver basic geological and geochemical information to generate specific targets for further aircore, RC and diamond drilling.

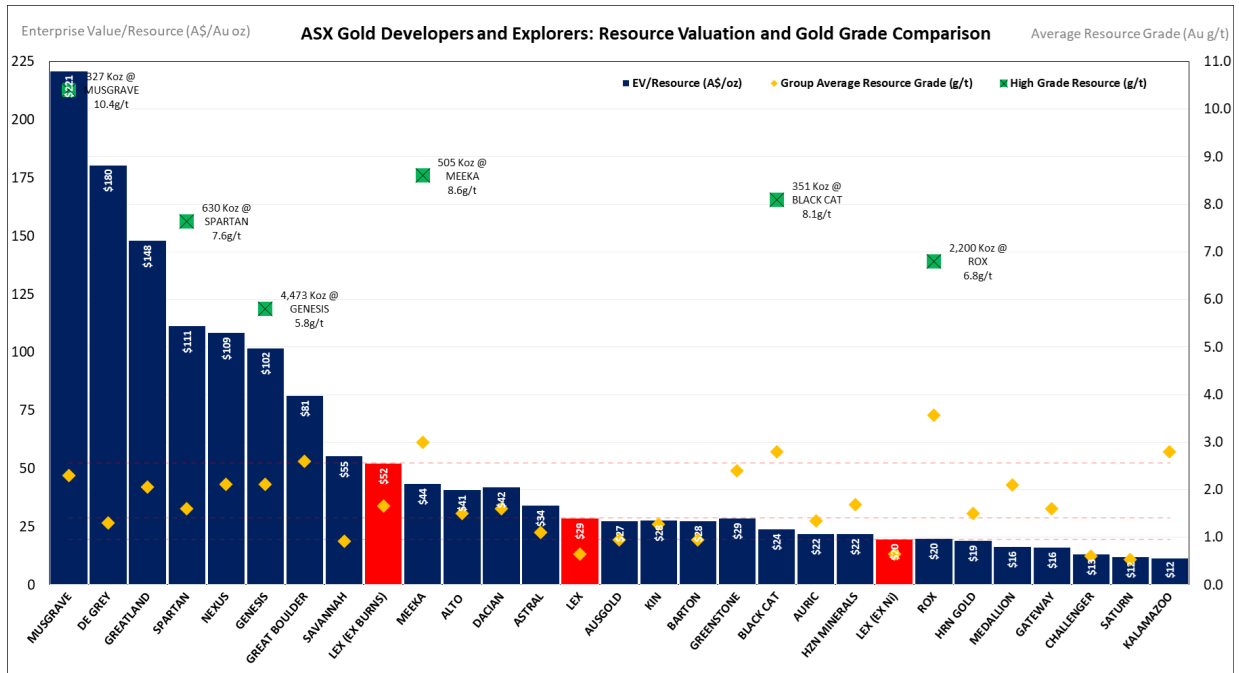
We understand that little work has been done by GFI regarding the nickel potential beneath Lake Lefroy. We believe that favourable Kambalda geology extends into the area and little attention has been paid to the ultramafic rocks, potential hosts for nickel mineralisation. With GFI's approval, this could represent another nickel opportunity for LEX.

### **Valuation for LEX**

At its current level of resource development, it's challenging to place a value on LEX and its now quite significant resource base.

The chart below compares the EV/resource ounce for a number of exploration and pre-development gold companies against three separate valuation scenarios for LEX.

- Considering just the 606koz from the Mt Martin/Lucky Strike/Red Dale resources, LEX is \$52/oz, inexpensive against its peer group.
- Considering the entire 1.1Moz resource base LEX's value drops to \$30/resource ounce, excluding copper credits from Burns.
- Both of these figures exclude a potential value for the Goodyear nickel resource of 14.7kt. Lunnon Metals 87.8kt of nickel is capitalised at an EV of over \$1700/annual tonne. In the third valuation scenario we have applied an EV of \$10m for LEX's nickel assets, representing a highly conservative 60% discount to the possible value of Goodyear's nickel alone. Deducting \$10m from LEX's EV results in an inexpensive \$20/oz valuation at LEX's recent share price.
- Moreover, there is no value imputed for GFI's earn-in to 70% of the West Lefroy JV, which, as ever, is only one drillhole away from a discovery.



- In our view, LEX looks particularly inexpensive against its peers.



**By downloading this report, you acknowledge receipt of our Financial Services Guide, available on our web page [www.bridgestreetcapital.com.au](http://www.bridgestreetcapital.com.au).**

Bridge Street Capital Partners Pty Ltd is licensed to provide financial services in Australia; CAR AFSL 456663; Level 14, 234 George Street, Sydney NSW 2000

Bridge Street Capital Partners Pty Ltd is providing the financial service to you.

### **General Advice Warning**

Please note that any advice given by Bridge Street Capital Partners Pty Ltd or its authorised representatives (BSCP) is GENERAL advice, as the information or advice given does not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, PDS or like instrument.

### **Disclaimers**

BSCP provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by BSCP in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. BSCP has no obligation to update the opinion unless BSCP is currently contracted to provide such an updated opinion. BSCP does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments, made by less experienced investors, in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. BSCP does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, BSCP shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, BSCP limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

### **Disclosures**

Dr Chris Baker, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has over 30 years investment experience in wholesale capital markets. He worked as a mining analyst for brokers BZW and UBS for 11 years and has a further 16 years' experience as a mining analyst and portfolio manager with Colonial First State and Caledonia Investments. He now provides independent financial advice on a part time basis. He may own securities in companies he recommends but will declare this when providing advice. He currently owns shares in LEX. He is remunerated by BSCP but is not paid a specific fee for providing this report.

BSCP acted as Joint Lead Manager of the IPO of LEX in October 2016 and received corporate finance fees for this role. BSCP acted as Joint Lead Manager of a placement of shares for LEX in July 2018, August 2019 and November 2021 and received corporate finance fees for this role. BSCP, its directors and consultants may own shares and options in LEX and may, from time to time, buy and sell the securities of LEX.

## Appendix 1

US Disclaimer: This investment research is distributed in the United States by Bridge Street Capital Partners Pty Ltd and in certain instances by Enclave Capital LLC (Enclave), a U.S.-registered broker-dealer, only to major U.S. institutional investors, as defined in Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission. This investment research is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research and are not a major U.S. institutional investor, you are instructed not to read, rely on or reproduce the contents hereof, and to destroy this research or return it to Bridge Street Capital Partners Pty Ltd or to Enclave. The analyst(s) preparing this report are employees of Bridge Street Capital Partners Pty Ltd who are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to Rule 2711 of the Financial Industry Regulatory Authority (FINRA) or to Regulation AC adopted by the U.S. Securities and Exchange Commission (SEC) which among other things, restrict communications with a subject company, public appearances and personal trading in securities by a research analyst. Any major U.S. institutional investor wishing to effect transactions in any securities referred to herein or options thereon should do so by contacting a representative of Enclave.

Enclave is a broker-dealer registered with the SEC and a member of FINRA and the Securities Investor Protection Corporation. Its address is 19 West 44th Street, Suite 1700, New York, NY 10036 and its telephone number is 646-454-8600. Bridge Street Capital Partners Pty Ltd is not affiliated with Enclave or any other U.S. registered broker-dealer