

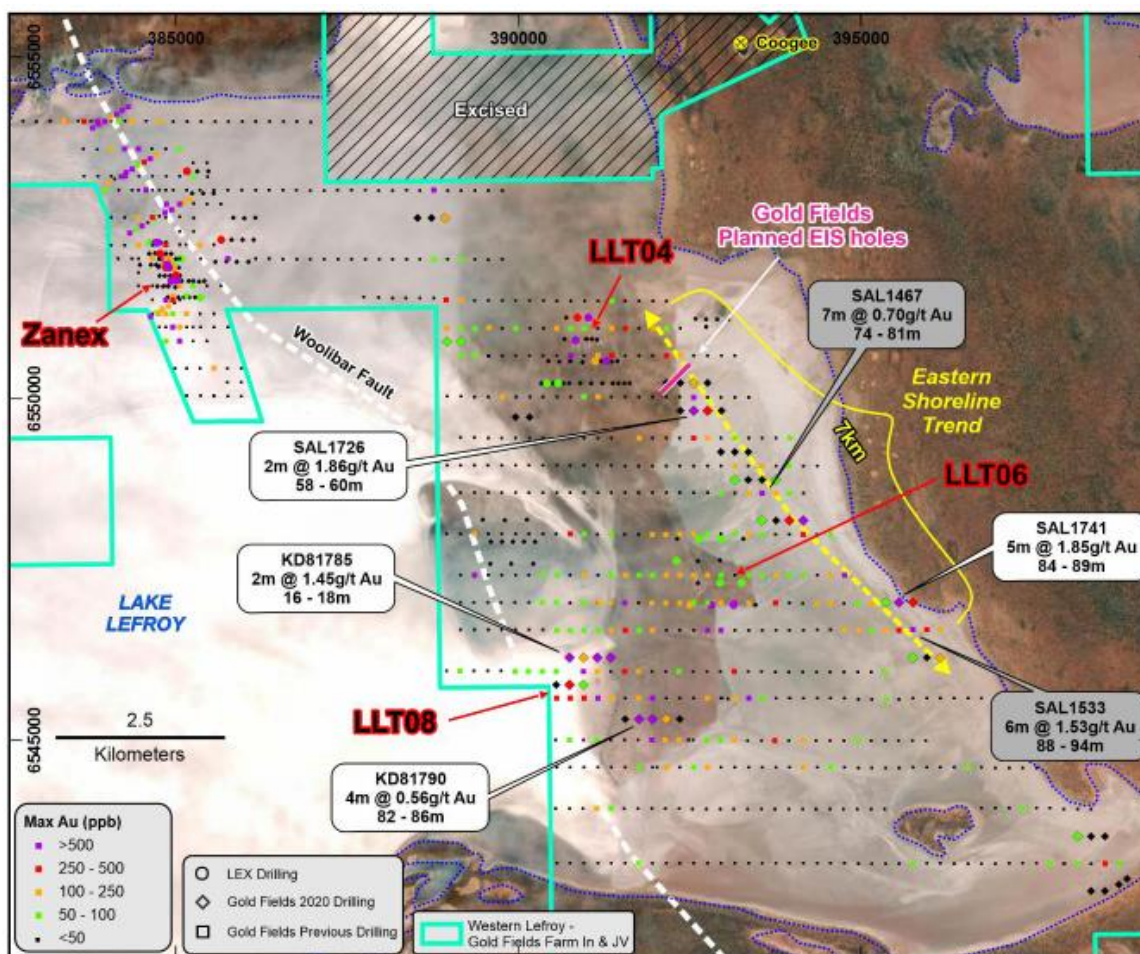
LEFROY EXPLORATION LTD

LEX:AU, \$0.20. Market cap A\$20m

Encouraging air core results from Gold Fields at Lake Lefroy delivers immediate drill targets

Lake Lefroy JV with GFI (GFI earning up to 70%)

- LEX reported several very encouraging air core drill results from GFI's systematic exploration of rocks beneath Lake Lefroy. As a reminder GFI is earning up to 70% interest in the Lake Lefroy tenements with a \$25m spend before June 2024. GFI has already passed its minimum spend of \$4m and appears on its way to earn 51% of the project with another \$6m.
- The plan below highlights the success of this air core programme, with several quite high tenor samples obtained from assays of 'bottom-of-hole' rock chips. For us, the most encouraging results are the identification of a +7km strike of anomalous gold along the Eastern Shoreline Trend. Best intercepts toward the south include two hits of 5 to 6m at 1.5 to 2gpt. These are highly anomalous (in fact ore grade), and represent very high priority follow-up drill targets.
- Other anomalies include the previously identified LLT04, 06 and 08. The current programme included an additional 12 holes into LLT08, which now has dimensions of ca. 1.5km strike by 1km in width. Rocks here are basalts and sediments, a similar sequence to the rock types seen at several of the St Ives deposits.



Source: LEX release 30/6/20

MiFID II compliance statement: Bridge Street Capital Partners are Corporate Advisors to LEX and receive fees from LEX for services provided. See disclaimer/disclosure for more detail. Bridge Street acted as Lead Manager and Book Runner for a placement of 19m shares at 20c in August 2019 for which BSCP received fees. See disclaimer.

- The most recent discovery of any significance at St Ives was the Invincible orebody, which is now a 1.3Moz resource and growing. The deposit was blind, covered by lake sediments. The discovery hole turned out to be a single RAB hole drilled in 1994 by previous owners WMC. But it took until 2012 to actually discover Invincible. This history is not lost on the current generation of geologists at St Ives.
- Preparation for RC drilling of key anomalies is underway. Importantly, Gold Fields have negotiated a diamond drilling programme to be co-funded by the WA Government. Four 400m diamond holes are to be drilled on a single traverse to assist the geologists in understand the stratigraphy of the eastern section of the Kambalda trend.

Extension drilling at Lucky Strike (LEX 100%)

- LEX has just announced that a step-out aircore programme has just commenced, aimed at extending the extent of the 80koz Lucky Strike deposit.
- LEX state that its aim is to “potentially double the strike extent of the 740m long Lucky Strike gold system and deliver targets for follow up RC drilling”.
- While small ounces by comparison to the multi-million ounce deposits to the west (St Ives) and north (Kalgoorlie), in our May 2020 report we urged investors to think about the economics of toll milling of reserves in and around Kalgoorlie in a +A\$2,500/ounce gold price environment.
- LEX has a number of toll-milling opportunities. The Kalgoorlie South region has at least 5 mills within economic trucking distance (St Ives, Randalls, Jubilee and Lakewood, with Higginsville an outsider). We’d be surprised if LEX can’t do an attractive deal with one of these operators, several of whom we would guess might be struggling to find their own reserves (and more particularly oxide reserves) over the next year or 2. The bulk of Lucky Strike’s resources are oxide.
- Is 100koz material to LEX? In our May report we concluded that a toll-milling outcome could derive a ‘netback’ to LEX of around A\$45/t, multiplied by 750Kt equates to a potential gross cashflow of a total of over \$30 million. Capex should total no more than \$2m.
- To stress, these are estimates and have not been tested with local operators, but we believe these numbers are of the right order of magnitude.
- Timetable? Allow 6-12 months for mine planning and permitting.

BSCP’s view

- We remain perplexed that the market continues to ignore the very good work being done within LEX’s tenements, especially in such a strong A\$ gold price environment.
- While we’d all like to see 100%-owned Lucky Strike to be larger, free cash from a toll milling option could ultimately be almost twice the current EV for LEX. The options here should emerge over the next quarter or 2.
- And then there is exploration potential of the Lake Lefroy JV with Goldfields, where large and high tenor geochemical anomalies continue to be discovered. There are now at least 4 walk-up drill targets. RC drilling is to begin this month
- And finally, there are the regional exploration opportunities (we are expecting results for the recently drilled Hang Glider Hill shortly) and potential for extensions to the Lucky Strike deposit.

By downloading this report, you acknowledge receipt of our Financial Services Guide, available on our web page 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 29 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 and August 2019 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