

LEX secures \$25 million Farm-in and Joint Venture Agreement with Gold Fields

Highlights

- LEX has entered into a binding farm-in and joint venture agreement with Gold Fields in relation to its interests in the western portion of LEX's Lefroy Gold Project near Kalgoorlie
- The tenements being farmed into cover Lake Lefroy and the surrounding area, comprising 372km² of the total 577km² of the Lefroy Gold Project, and are adjacent to Gold Fields' 10+ million ounce St Ives Gold operations
- Gold Fields can earn up to a 70% interest in the tenements, via an unincorporated joint venture, by spending up to a total of \$25 million on exploration activities within 6 years from commencement of the agreement
 - This includes a minimum expenditure requirement of \$4 million within 2 years before Gold Fields can elect to withdraw
- Gold Fields will manage all exploration activities during the farm-in period and brings extensive regional geological knowledge to the project having developed St Ives into a world class gold district
- If Gold Fields elects to process its share of gold ore through its St Ives Mill, LEX has 'tag along' rights to also receive processing services at St Ives on commercial terms
- This validates LEX's belief that the Lefroy Gold Project has the geological attributes with the potential to host large gold deposits, similar to those discovered at St Ives, such as Invincible.
- The agreement with Gold Fields will provide a significant source of funding for exploration on the western portion of the Lefroy Gold Project, while LEX will continue to focus its exploration on its 100% owned eastern Lefroy Project area which covers an area of 205km² (which includes the promising high grade Lucky Strike discovery),
- Directors believe the transaction is significantly value enhancing for LEX shareholders:
 - the Lake Lefroy JV Tenements comprise only ~37% of LEX's total Australian tenement area
 - Gold Fields will potentially spend up to \$25 million to earn a 70% interest in the Lake Lefroy JV Tenements
 - LEX currently has a market capitalisation of \$14.3 million
- Gold Fields has also been granted an option to subscribe for up to 8,014,535 shares in LEX, exercisable when LEX next conducts a material equity raising, at the same price per share as the issue price of the equity raising

Farm-in and Joint Venture Agreement Overview

Lefroy Exploration Limited (**ASX: LEX**) ("**LEX**" or "**the Company**") is pleased to advise that it has secured the involvement of St Ives Gold Mining Company Pty Ltd, a subsidiary of leading global gold producer Gold Fields Limited (**JSE: GFI**), ("**Gold Fields**") in the next phase of exploration of its Lefroy Gold Project, through a significant \$25 million Farm-in and Joint Venture Agreement ("**the Agreement**"). The Agreement has been executed by LEX, Hogans Resources Limited (a 100% owned subsidiary of LEX), and Gold Fields, is binding and not subject to any conditions precedent or further due diligence.

The Agreement covers LEX’s tenements in the western portion of the Company’s Lefroy Gold Project (“**Lake Lefroy JV Tenements**”) (see Figure 1) and marks the beginning of an important new period of exploration activity. The exploration farm-in will enable the two companies to work together utilising their extensive regional geological knowledge to accelerate exploration activities over the area.

Importantly, LEX retains 100% ownership of the non-Lake Lefroy area of the Lefroy Gold Project (including Lucky Strike) where it has achieved good exploration results to date (see LEX announcements on 28 May 2018; 8 March 2018 and 15 February 2018) and will continue to undertake exploration, in addition to exploration activities at its Lake Johnston and Murchison projects.

New Holland Capital was the corporate advisor and King & Wood Mallesons was the legal advisor to LEX in relation to the Agreement.

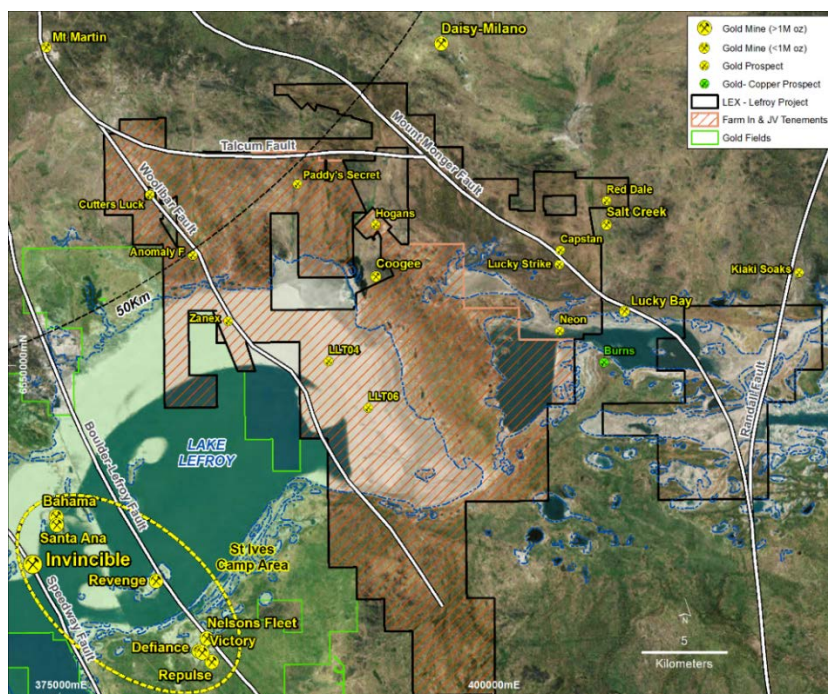


Figure 1 Lefroy Gold Project tenement package highlighting Farm in & JV package and proximity to Gold Fields St Ives tenure.

Lake Lefroy JV Tenements Background

LEX has undertaken significant early stage exploration at the Lake Lefroy JV Tenements over the previous 18 months. During this time, it has assembled a comprehensive geo-scientific database which has facilitated the identification and initial drill testing of a series of high-quality gold exploration targets in Lake Lefroy. The prospects were initially identified by a geophysical based targeting exercise completed in December 2016. This also identified a north westerly trending structure termed the Woolibar Fault, which is reinforced by gravity data.

The Woolibar fault is to the east of and parallel to the Boulder Lefroy and Speedway Faults which have a primary influence on gold deposits at the St Ives gold camp. The fault extends for approximately 15km within Lake Lefroy and is a prime corridor for further exploration.

Key Terms of Farm-in and Joint Venture Agreement

The key commercial terms of the Agreement are as follows:

- Gold Fields has the right to earn up to a 70% joint venture interest, which includes the Lake Lefroy JV Tenements, by spending a total of \$25 million on exploration activities within 6 years
- Stage 1 farm-in requirements:
 - Gold Fields to sole fund \$10 million of expenditure within 3 years in order to earn a 51% joint venture interest
 - This includes a minimum expenditure commitment of \$4 million within 2 years before Gold Fields can elect to withdraw from the Agreement
- Stage 2 farm-in requirements:
 - If Gold Fields satisfies the Stage 1 farm-in requirements, it has the option to elect to sole fund a further \$15 million of expenditure within a total of 6 years from commencement of the Agreement to earn an additional 19% interest (taking its total interest in the joint venture to 70%)
- Gold Fields will manage all exploration activities during the farm-in period
- Except where the parties enter into an advanced mining joint venture (detailed below), if Gold Fields satisfies the Stage 1 farm-in requirements but does not complete the Stage 2 farm-in requirements, it will hold a 51% joint venture interest (with LEX retaining a 49% interest) and the joint venture will then be formed and operated on a pro rata contributing basis and subject to dilution provisions, with Gold Fields as manager of the joint venture. Subject to certain conditions, LEX will have the option to elect to become manager of the joint venture and, if exercised, will be granted a minimum 51% voting right (despite its 49% joint venture interest) allowing it to progress exploration by approving exploration budgets and programs
- If Gold Fields satisfies the Stage 1 farm-in requirements and wishes to progress to early development despite not yet completing the necessary expenditure to meet the Stage 2 farm-in requirements, Gold Fields may elect to deposit any shortfall into escrow and the parties will enter into negotiations to form an advanced mining joint venture in relation to the relevant development area, with Gold Fields holding a 70% interest and LEX holding a 30% interest. The escrow amount will be applied to satisfy Gold Field's Stage 2 farm-in requirements in relation to the remaining area. At the end of the farm-in period, any amount in escrow not applied against the Stage 2 farm-in requirements will be released to LEX, and Gold Fields will have satisfied its Stage 2 farm-in requirements and a joint venture will be formed in respect the area of the tenements not occupied by the mining joint venture
- If Gold Fields satisfies the Stage 1 and Stage 2 farm-in requirements, it will hold a 70% joint venture interest (with LEX retaining a 30% interest) and the joint venture will then be formed and operated on a pro rata contributing basis and subject to dilution provisions, with Gold Fields as manager of the joint venture
- Once the joint venture is formed, a management committee will be established comprising two representatives from each party. Committee members will have voting rights that correspond with the joint venture interest of the appointing party (except as detailed above whereby LEX will have 51% voting rights if Gold Fields does not complete the Stage 2 farm-in requirement and LEX elects to become Manager)
- If the management committee unanimously approves a development proposal, a separate mining joint venture will be formed in relation to the area to be developed, and in certain defined circumstances LEX will have the ability for Gold Fields to provide it with a loan carry for its share

of development costs.

- The loan carry will bear interest on commercial terms plus a margin and will be repaid from 80% of LEX's monthly free cash flow generated from the mining operation
- If a development proposal is not approved by the management committee at two or more meetings, the party voting in favour of the development proposal may have the option to acquire the disapproving party's interest in the area to be developed for fair market value
- If Gold Fields proposes to process its share of gold ore through its St Ives Mill, LEX has the right to elect to 'tag along' and also receive processing services from Gold Fields at St Ives on commercial terms
- Should either party dilute below a 5% interest in the joint venture, their interest will convert to a 2% net smelter royalty.

Key Terms of the Option Agreement with Gold Fields

LEX and Gold Fields have also entered into an Option Agreement, conferring on Gold Fields an option but not an obligation to subscribe for up to 8,014,535 shares in LEX exercisable when LEX next conducts a material equity raising within the next 6 months. If exercised, Gold Fields will subscribe for LEX shares at the same issue price as under the equity raising. The issue of the option is within LEX's capacity under ASX Listing Rule 7.1 and does not require shareholder approval.

If Gold Fields exercises the option and acquires not less than 6,010,901 LEX shares:

- then for so long as Gold Fields maintains a shareholding interest of not less than 5% in LEX, and does not withdraw from the project arrangements contemplated by the Agreement; and
- subject to receipt of a waiver from ASX reflecting the strategic relationship between LEX and Gold Fields (to be applied for in due course),

Gold Fields will be given the ongoing opportunity to participate in certain future equity issues so as to maintain its proportionate shareholding interest subject to customary exclusions.

Managing Director Comments

LEX's Managing Director, Wade Johnson, believes the agreement with Gold Fields provides a unique opportunity to forge a strong partnership over prime exploration tenure at Lake Lefroy.

"This is a very exciting opportunity to unlock the synergies that exist between our two exploration teams and to create genuine win-win outcomes for our shareholders by utilising Gold Fields' successful exploration, development and mining expertise in the region.

With its commitment to exploration at St Ives, Gold Fields is the dominant player in exploration within Lake Lefroy, with a vast knowledge base and skill-set developed from hands-on experience at St Ives and demonstrated by the recent discovery and development of the Invincible gold mine in Lake Lefroy.

This farm-in creates an opportunity to bring Gold Fields' knowledge and experience to bear along with its funding capacity as a major gold producer to underpin the next phase of exploration of the Lake Lefroy JV Tenements.

From LEX's perspective, it is envisaged that exploration success will deliver a significant return to our

shareholders from what could be a high-value, high-grade discovery similar to the gold deposits at St Ives, while at the same time potentially providing us with an immediate pathway to production through our partnership with Gold Fields, which has an operating mill at St Ives.

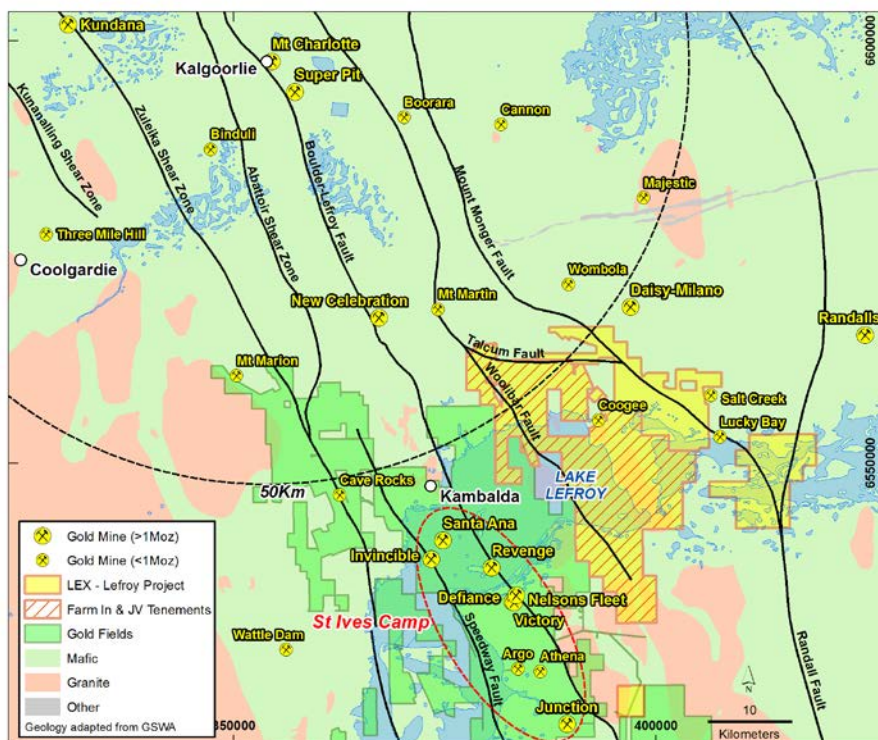
Importantly, we retain our interests in the remainder of the Lefroy Gold Project (including the Lucky Strike prospect) which the Company will continue to focus its exploration efforts. We are very much looking forward to working with Gold Fields as we enter this new exciting chapter in our growth.”

About Lefroy Exploration Limited and the Lefroy Gold Project

LEX is a WA based and focused explorer taking a disciplined methodical and conceptual approach in the search for high value gold deposits in the Yilgarn Block of WA. Key projects include the Lefroy Gold Project to the south east of Kalgoorlie and the Lake Johnston Project to the west of Norseman.

The Lefroy Gold Project covers 577km² located in the heart of the world class gold production area between Kalgoorlie and Norseman, shown in figure 2. The project is in close proximity to Gold Fields’ St Ives gold camp, which contains the Invincible gold mine located in Lake Lefroy and is also immediately south of Silver Lake Resources’ (ASX:SLR) Daisy Milano gold mining operation.

Figure 2 Location of the Lefroy Gold Project relative to Kalgoorlie and Gold Fields St Ives tenement package



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