

BCP Equities

20 July 2016

ASX Code	LNY
Shares on issue (m)	3,023.1
Share price	\$0.004
Market Cap (m)	\$12.092
Cash (m) (31/3/16)	\$0.658
Debt (m)	\$0.0
Enterprise Value(m)	\$11.434



12 month high	\$0.006
12 month low	\$0.001
Daily turnover (m)	9.904m
Recommendation	Speculative Buy
12 month price target	\$0.011

Board

Stephen Bizzell	Chairman
Rick Anthon.....	Non-Executive Director
Mark Baker.....	Non-Executive Director

Matthew Trivett CFA
 BCP Equities Pty Ltd
mtrivett@bizzellcapital.com
 07 3212 9200

BCP Equities Pty Ltd
 ABN 49 145 857 512
 Corporate Authorized Representative of
Centec Securities Pty Ltd
 AFS Licence No. 240877
 Level 9, Waterfront Place, 1 Eagle Street
 BRISBANE QLD 4000
 GPO Box 1164
 BRISBANE QLD 4001
 Email: admin@bizzellcapital.com

Laneway Resources Limited – Bringing it together

INVESTMENT SUMMARY

Laneway Resources Limited (LNY) is closing in on the final requirements to bring its near surface high grade open cut gold mine at Agate Creek into production. With the Environmental Approval granted it is likely that the outstanding requirements, which include the Mining Lease grant and the finalisation of a processing agreement, will be concluded in the September Quarter with first gold and resultant cash flows to follow shortly thereafter. This short path to production is due to the limited amount of mine development and minimal capital and time required to commence production by utilising existing processing facilities.

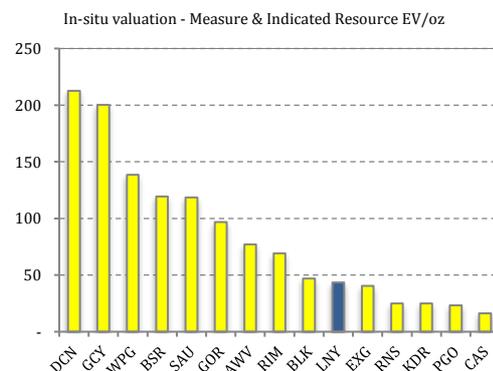
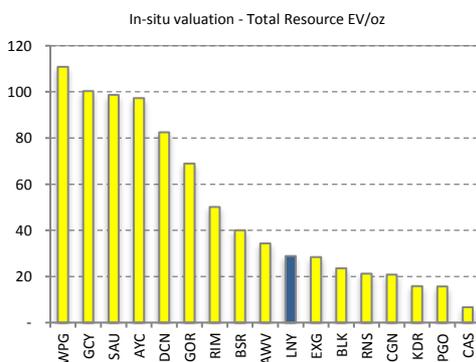
The mining and processing of the defined high grade resource at Agate Creek will be relatively low operating cost, minimal capital cost and the cash flows generated will likely exceed the current market cap of the Company at current gold prices. These cash flows will then provide LNY with the funds to expand the remaining resource and explore its large tenement package in this highly prospective region, the Etheridge Goldfield, which contained the world class Kidston Deposit.

In addition to the developments at Agate Creek we are expecting positive news flow from the Southern Coromandel Project in New Zealand where Newcrest Mining (NCM) is funding exploration activities and has the right to earn 80% of the project. The Phase one (3000m) diamond drill program is currently underway which will complete the minimum commitment portion of the JV with assays expected next quarter.

VALUATION

LNY has total JORC compliant resources of approximately 400koz and these are currently trading at about half the industry average on both an in-situ valuation of total resource on an EV/oz basis and an in-situ valuation of the resources in the Measured and Indicated categories on an EV/oz basis. We also believe that the prospect of material cash flows with a minimal capital outlay in the near term places LNY in a group of peers such as Southern Gold (SAU) which is actively mining the Canon deposit with its development partner Metals X (MLX) and processing the ore at MLX's South Kalgoorlie Operations.

The material amount of news flow next quarter from the Southern Coromandel Project and Agate Creek will be significant value drivers for LNY. This with the prospect of near term cash flows from production to fund wider exploration indicates that LNY is undervalued at current price levels. Accordingly, we are initiating coverage on LNY with a Speculative Buy recommendation and a 12 month price target of \$0.011/share.



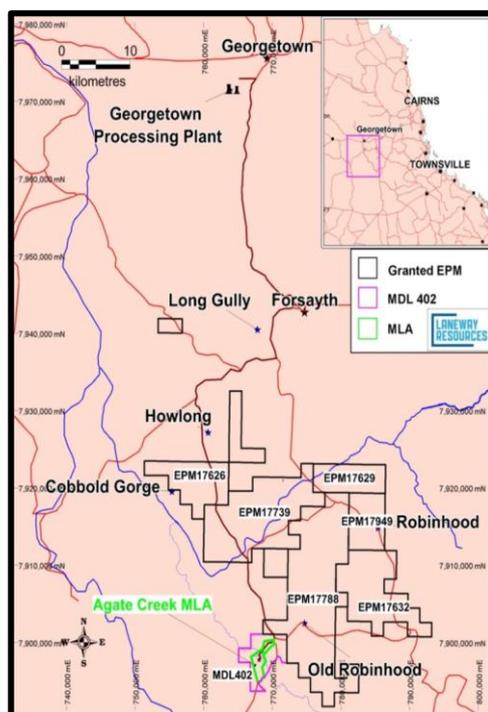
Project Overview

The Agate Creek Gold Project is located approximately 40km south of Forsyth in North Queensland. It is an advanced project with a defined resource with a high grade component. A Heads of Agreement (HOA) has been signed with a third party to access the processing plant at Georgetown and a Mining Lease Application lodged over the Sherwood and Sherwood West prospects.

These components are being brought together to deliver near term production from a near surface high grade open cut mine with exploration potential to extend production in a highly prospective area that is within 60km of the world class Kidston Deposit which historically produced over 3.4Moz Au/Ag.

The next major milestone for the project is the granting of the Mining Lease (ML). LNY lodged a Mining Lease Application with Queensland's Department of Natural Resources and Mines (DNRM) in February 2015 and since then the Environmental Approval has been granted. The ML encompasses the Sherwood and Sherwood West near surface high grade prospects as well as prospective extensions to the known mineralisation areas and the planned locations of infrastructure to support mining operations.

The Company plans to process the high grade ore from the Project at the Georgetown processing plant, approximately 90km to the north of the MLA. The utilisation of an existing processing plant will significantly reduce the capital expenditure and time to first gold production more than off-setting the distance the high grade ore (+8g/t) will need to be transported.



Mining and Processing Agreement for Agate Creek

The HOA was signed in June 2015 and outlined how the owner of the Georgetown Plant will undertake the mine development and mining operations at Agate Creek and process ore at Georgetown. The HOA establishes the basis for commencing open cut mining and processing operations upon successful grant of the Agate Creek Mining Lease.

The objective is to initially process up to 200kt of high grade ore (+8 g/t). The plant currently has a nominal throughput capacity of 100ktpa and refurbishment work is underway to lift the Mill's capacity to 200ktpa and improve recoveries.

Metallurgical work

There is a very high level of confidence in this processing plan as the extraction and processing of a test sample from Sherwood was completed at the beginning of 2014. The results from this sample, processed through the Georgetown plant, highlighted the potential of the Agate Creek ore.

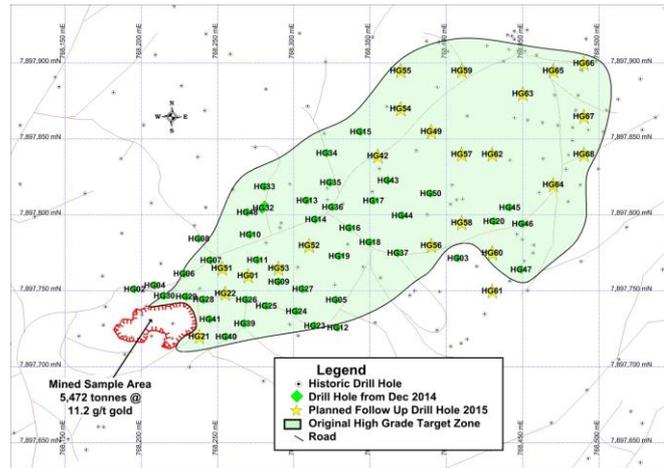
A total sample of 5,472t was mined from a small and shallow (average depth of 3m) pit at Sherwood. Very little waste material was encountered as the ore horizon was largely exposed at surface, resulting in a very low and favourable strip ratio. A total of 1,725 ounces of gold was produced from 5,472t of ore. The recovered gold grade was 9.8g/t Au, from a feed grade of 11.2g/t Au, representing an overall recovery of 87%. Some basic circuit and reagent improvements have been identified which the Company expects would increase recoveries above 90% for future operations.



Reserve and resources

Earlier this year LNY announced an updated JORC Resource. The Total Mineral Resource is similar to the previous estimate with recent drilling principally to better define the known higher grade zones. This drilling along with the introduction of inner high grade domain interpretations has resulted in a more selective model in the defined high grade areas with the estimation and reporting of lower tonnages at higher grade.

The introduction of the high grade domains provides a basis for assessing near surface material suitable for open pit mining and toll treating. The Sherwood high grade domain presents as a flat quartz rich zone that outcrops and has a shallow dip and should be mostly accessible by open pitting. The recent drilling at roughly 20 m spacing has increased the confidence of the estimate of this domain. High grade domains at Sherwood West are interpreted at a lower cut-off to provide regional continuity in the interpretation. The new interpretation provides a basis to assess smaller higher grade areas suitable for shallow open pit mining and toll treatment.



	Total Resource			High Grade Resource		
	Mt	Grade (g/t)	Contained Au (koz)	Mt	Grade (g/t)	Contained Au (koz)
Indicated	5.0	1.6	252	1.1	2.16	76.9
Inferred	3.2	1.2	128	0.1	1.72	8.1
Total	8.2	1.4	381	1.2	2.11	85

Exploration upside

A drill program is planned to commence shortly to infill drill and get a better geological understanding of the high grade domain, test extension zones of the current resource and ensure the planned waste dump locations do not sterilise potential ore grade material. In addition to drilling on the MLAs LNY is going to test a number of highly prospective regional targets within the relatively large (682km²) and under explored Agate Creek tenement package.

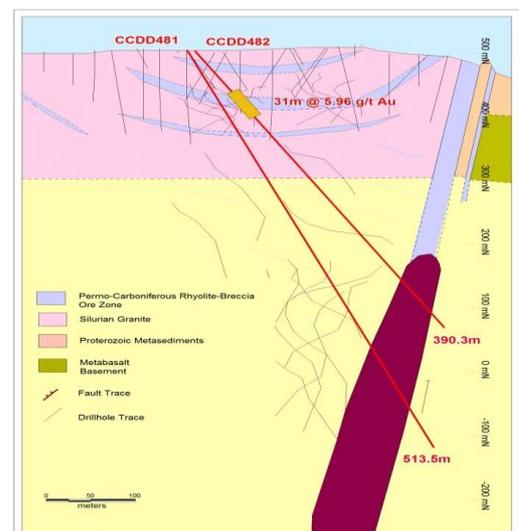
Regional targets identified and expected to be drilled in the current program include the Jemma Vein, Eastern Bar and Bald Mountain prospects.

- Jemma Vein represents a priority regional target, as demonstrated by high grade rock chip samples which returned results of 15.75g/t Au and 20g/t Ag.
- Soil samples at Eastern Bar have highlighted a 1,000m x 500m geochemical soil anomaly with a 400m long potentially en-echelon zone to the south. Rock chips from the area included 52g/t Au with associated elevated Ag, Cu and Pb.
- Previous drilling at Bald Mountain has revealed the potential for gold deposits within a diatreme breccia pipe, as well as vein style and breccia hosted gold. A historical drill hole (AOG6) to the north of Bald Mountain returned 2m @ 33g/t Au from 70m. As well as the drill ready Bald Mountain target, EPM 17739 also contains the prospective Kimberley Sue area.

There are also deeper high grade zones at Sherwood that potentially present underground targets but require additional interpretation and drilling to be defined with confidence. Deep drilling was undertaken in 2013 as part of a collaborative drilling initiative (CDI) grant with the Queensland government.

The objective was to intersect the potential Sherwood Bonanza Zone just above the interpreted intersection of the Agate Creek and Sherwood West Faults.

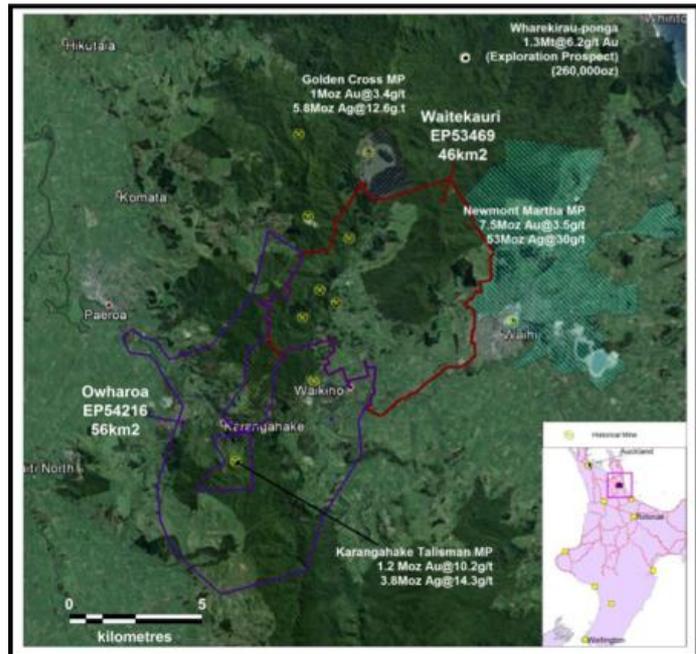
The results returned a significant high grade gold intercept of 31m at 5.96 g/t gold from 124m including 1m at 73g/t gold, although the targeted bonanza zone was not intersected.



LNy's Southern Coromandel Project comprises two granted exploration permits (EP53469 and EP54216) covering approximately 102km² located on the North Island of New Zealand within the Hauraki goldfields. These goldfields have yielded in excess of 45Mozs of gold and silver from approximately 50 low- sulphidation epithermal deposits. The exploration permits sit within the mineralised corridor that is host to the operating Martha Mine (Waihi) and the Golden Cross gold-silver mine.

In June 2015 LNy executed a Farm-in agreement with Newcrest Mining (NCM) over the Southern Coromandel Project. Key terms of the Southern Coromandel Project Joint Venture (SCJV) Agreement include:

- NCM to solely fund two stages of Minimum Work Programs associated with the Permits, with the first stage forming a Minimum Commitment;
- LNy will be the Manager of the Project during the Earn-in period and will earn a Management Fee. At its election Newcrest may elect to become the Manager;
- Upon completing both Minimum Work Programs for either Permit NCM has the right to earn 80% of the Project/Permit;
- Following the Farm-In period, the parties may enter into a Joint Venture to jointly fund the future development of the Project in accordance with their equity position;
- If LNy elects not to fund the ongoing development of the Joint Venture after the Farm-in period, its interest will be diluted through a mutually agreed formula. If LNy's interest in the Project dilutes below 10% then it will convert to a Net Smelter Royalty (NSR) of 2%; and
- NCM may elect to purchase 1% of the NSR for \$500,000.



NCM outlined in its latest Quarterly Report that target generation work comprised of field mapping, surface geochemical sampling and over 15 line km of ground geophysical survey (induced polarization). Five priority drill targets were identified and a drill program has commenced to test these targets. This program is expected to be completed early in the September quarter with assays to follow.

NCM has also been granted the neighbouring Rahu exploration permit indicating a growing interest in the area by NCM.

Stephen Bizzell – Chairman

Stephen is Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners. He is highly experienced in the fields of corporate restructuring, debt and equity financing, mergers and acquisitions and has over 25 years' corporate finance and public company management experience in the resources sector in Australia and Canada. Stephen was previously an Executive Director of Arrow Energy from 1999 to until its acquisition in 2010 by Royal Dutch Shell and PetroChina for \$3.5 billion. He was also a director of Bow Energy Ltd from its incorporation in 2004 until its takeover in 2012 for \$550 million. Stephen spent his early career in the corporate finance division of Ernst & Young and the tax division of Coopers & Lybrand and qualified as a chartered accountant. He is also a director of Diversa Ltd, Renascor Resources Ltd, Stanmore Coal Ltd, Armour Energy Ltd and UIL Energy Ltd and is a former director of Queensland Treasury Corporation.

Rick Anthon – Non-Executive Director

Rick is a practicing lawyer with over 30 years' experience in both corporate and commercial law. Mr Anthon also has extensive experience in the resource sector, as a director of a number of resource companies, is currently Legal Counsel to Orocobre Ltd and provides legal, project acquisition, development and, capital raising advice to this company.

Mark Baker – Non-Executive Director

Mark is the Chief Executive Officer of the Melbourne Press Club and a former senior editor and national editorial executive with Fairfax Media. Mark has extensive experience working across Asia and in government relations at a national and state level. He is a board member of the Defence Reserves Support Council (Victoria), has a Bachelor of Arts degree and is a Graduate of the Australian Institute of Company Directors.

Vaughan Wishart - Chief Operating Officer

Vaughan is a Civil Engineer with nearly 30 years' experience in mining, engineering, and construction. He has had extensive gold experience in Australia, New Zealand, Africa, China and Romania including 5 years in NZ gold, primarily OGL's Macraes Mine. Vaughan was also a co-founder of Stanmore Coal Ltd and heavily involved in the development of the company.

Scott Hall - Exploration Manager

Scott is a qualified Geologist with more than 20 years experience in exploration and mining operations within Australia and New Zealand with a number of commodities primarily gold and coal. Scott was successful in the role of Mine Operations Manager for an underground gold mine in the Northern Territory and responsible for its metallurgical processes. Scott is also the competent person responsible for the Mineral Resource Statements issued by Laneway.

Paul Marshall - Company Secretary and CFO

Paul is a Chartered Accountant. He holds a Bachelor of Law degree, and a post Graduate Diploma in Accounting and Finance. He has over 25 years experience having worked for Ernst and Young for ten years and subsequently more than fifteen years spent in commercial roles as Company Secretary and/or CFO for a number of listed and unlisted companies mainly in the resources sector.

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BCP Group has been engaged by LNY to produce this research report and is being paid a fee for its preparation. In the future, BCP Group may provide capital raising services or advisory services to LNY on commercial terms.

Analyst certification and disclosure of interest

The analyst certifies that the views expressed in this research accurately reflect their personal views about the subject securities.

BCP Equities Pty Ltd
ABN 49 145 857 512
Corporate Authorised Representative of
Centec Securities Pty Ltd
AFS Licence No. 240877
Level 9, Waterfront Place, 1 Eagle Street
BRISBANE QLD 4000
Postal Address: GPO Box 1164
BRISBANE QLD 4001
Phone: (07) 3212 9200