

ASX Announcement (ASX:LSN)

2 April 2012

Lawson Gold to acquire up to 51% interest in Saudi Arabian gold, copper and base metal exploration assets and demerge its Kalgoorlie exploration assets

Highlights

- Lawson Gold to purchase and farm in to, and manage exploration projects in Saudi Arabia.
- Portfolio of 5 advanced and 11 early stage gold copper and base metals licences with more than 170 identified targets (Annexure A).
- Binding Term Sheet agreed with Riyadh-based Mawarid Investments Limited.
- Lawson Gold to purchase initial 5% interest in JV and move to 51% over 4 years subject to exploration spend (see full consideration details in Annexure B)
- Capital raising of A\$15-25m at 20c to accelerate exploration, with US\$8m Year 1 spend.
- Lawson Gold to demerge its existing exploration assets and cash by distributing shares in a new company subject to both companies meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules
- Shareholder approval required.

For details of the transaction structure and consideration see Annexure B

Lawson Gold Limited (LSN or Company) intends to acquire a controlling stake in a suite of gold, copper and base metal exploration assets in the Kingdom of Saudi Arabia and to raise a minimum of A\$15 million to accelerate exploration on a number of high priority targets on the 2,247 km² tenement package.

The Company has signed a binding term sheet with Saudi Arabian company Mawarid Investments Limited (Mawarid) and will acquire its interest in the JV through the purchase of Quixford Investments Limited (QIL). The transaction requires formal documentation and is subject to a number of conditions and shareholder and regulatory approvals which are outlined in the supporting annexures to this announcement.

LSN will be transformed into an Arabian-Nubian Shield focused gold and base metals company. The Arabian-Nubian Shield covers countries adjacent to the Red Sea such as Egypt, Saudi Arabia and Eritrea and is host to a number of significant mines including the 10.1¹ million ounce Sukari gold mine in Egypt owned by Centamin plc and the Jabal Sayid high-grade copper deposit (26.8Mt @ 2.2% copper)² in Saudi Arabia now owned by Barrick Gold. LSN will manage the exploration programme.

LSN will acquire an initial 5% JV interest for US\$4.55 million (plus the consideration for the purchase of QIL) and upon spending a further US\$34.275 million in an agreed timeframe, will earn a further 46% of the JV. Consideration for the acquisition is a combination of shares and performance shares and granting to Mawarid of a royalty on future production.

The transaction will also see the Company demerge its existing Kalgoorlie, Western Australia exploration assets (inclusive of A\$2.2m in cash) into a new company (NewCo) and distribute the shares in NewCo to give shareholders continuing ownership of those assets. It is intended to list NewCo on ASX.

Comment by Lawson Gold Chairman David Hillier: *“The Board has been looking for substantial growth assets for some time. The Saudi Arabian assets are in a highly prospective gold and base metals region of the world and have had only sporadic exploration in the past. Shareholders have the best of both worlds; they will receive exposure to the Saudi assets through their continuing Lawson Gold shareholding and retain their interest in the Kalgoorlie assets through the demerger. Naturally a number of important due diligence and shareholder approval steps remain to finalise the transaction which we expect to complete by mid to late July. Shareholders will receive more details including a notice of meeting and explanatory memorandum, independent expert reports and a prospectus, in the coming months”.*

Negotiations have commenced with a financier to raise the minimum initial funding requirement of A\$15 million at 20c per share on standard commercial terms. LSN shareholders will be given a priority entitlement to subscribe for the new shares. Given the size of the intended capital raising it is not expected that a share consolidation of LSNs existing shares will be required.

Marawid Investments Limited is the investment arm of the Mawarid Group, a long-established privately owned Saudi Arabian group of companies. The Group has worldwide investments and has interests in or owns & operates over twenty publicly listed and private companies in the Middle East with diverse commercial activities in media, telecommunications, financial services, manufacturing, healthcare, agriculture, trading, insurance, real estate, food and catering. The Group is looking to rapidly develop the attractive portfolio of mineral exploration licences held by one of its subsidiaries, Mawarid Energy and Mining Company (MEMC), which has led to the proposed transaction with LSN (see Annexure B).

Further detail regarding the transaction is included in the following annexures.

Annexure A - Provides an overview of the Saudi Arabian exploration projects.

Annexure B - Outlines the consideration for the acquisition - a combination of shares and performance shares that convert to shares on certain prescribe milestones and the granting to Mawarid of a royalty.

Annexure C- Provides information regarding the impact of the transactions on LSN (including an indicative implementation timetable and pro forma balance sheet)

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Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr David Turvey - BSc (Hons), MAusIMM, who is Executive Director of Lawson Gold Limited with over 30 years experience in mineral exploration and resource project evaluation. He has more than five years relevant experience in the styles of mineralisation and types of deposits under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "AusIMM Australasian Code for Reporting of Exploration Results". Mr Turvey consents to the inclusion in this announcement of the matters based on the information in the form and context in which it appears.

The release may include forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Lawson Gold Limited, that could cause actual results to differ materially from such statements. Lawson Gold Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.



Annexure A³

Geology Background and Summary

Mawarid subsidiary Mawarid Energy and Mining Company (MEMC) is the holder of 16 gold and base metal Exploration Licences (ELs) covering an area of 2,247km² in the Kingdom of Saudi Arabia (Figure 1).

Saudi Arabia has a rich mining history and contains numerous ancient mines that were worked from as early as 7,000BC and through the Islamic empire period around 800-1,200AD. Modern exploration has primarily focussed on the vast energy resources. First generation mineral and metal exploration was conducted by American, French and British government geological missions in their working and training of Saudi geologists over the past 50 years. Sporadic mineral exploration was conducted during the late 1960-70's by international companies including Noranda, Riofinex, Phelps Dodge and Robertson Research and during the 1990's-2000's by the Saudi Geological Survey and the government owned mining company Ma'aden. Following the enactment of a new mining code in 2005, mineral exploration has been conducted by Saudi private and public companies and increasingly by junior international exploration companies.

MEMC's exploration projects occur on the African-Nubian Shield which is mainly composed of volcanic, sedimentary and intrusive rocks of NeoProterozoic age (1000-524Ma). The shield formed by the accretion of several tectonostratigraphic terranes during tectonic events between 780-640Ma. This was followed by intrusions of plutons, strike slip faulting, development of pull-apart basins and deposition of overlying sedimentary rocks. More recently, rifting associated with the opening of the Red Sea has resulted in younger sedimentary basins and basaltic volcanism.

The Arabian-Nubian Shield is host to several significant mesothermal gold deposits which are either intrusive related or shear zone hosted. These deposits include the Sukari gold deposit¹ in Egypt (current proven and probable reserves 10.1Moz gold), the Zara-Koka gold deposit⁵ in Eritrea (open pitable reserve 4.6Mt @ 5.1g/t for ~ 760,000oz), and includes several deposits in Saudi Arabia such as the Sukhaybarat gold deposit and epithermal deposits including Mahd adh Dhahab (gold, silver) and Al Amar (gold) for which non-JORC compliant resources have been reported by Ma'aden (Saudi Arabian government mining company). Volcanogenic massive sulphide deposits (VMS) containing varying amounts of copper, zinc, gold and silver are the principal base metal deposits in the Arabian-Nubian Shield. More than 60 occurrences are reported in Saudi Arabia the largest being Jabal Sayid with total reserves of 26.8Mt @ 2.2% Cu². Other significant base metal deposits in Saudi Arabia include Al Massane⁶ (currently under development) and Khnaiguiyah⁷(zinc, copper). Other base metal deposits on the wider Arabian-Nubian Shield include the Bisha deposit⁸ in Eritrea (copper, zinc, gold, silver) and Hassai gold and VMS base metal deposit⁹ in Sudan.

The African-Nubian Shield is comparatively underexplored and has excellent potential for the discovery of large, high-quality gold and base metal deposits by the systematic application of modern mineral exploration methods.

Further detail regarding the technical aspects of the licences will be contained in the notice of meeting and explanatory memorandum and prospectus (including an independent technical report on the licences). Review and analysis of historical exploration activity and technical data is ongoing, some of which requires further interpretation and some of which is not compliant with the JORC Code.

MEMC's Advanced "Priority" Projects⁴

1. Kutam polymetallic project (Cu-Zn-Au-Ag), Arin EL

The Kutam project is centred on a large group of ancient shallow mine workings with extensive piles of smelter slags. The copper dominant mineralisation was rediscovered by the USGS (United States Geological Survey) in 1974 and drilled by Noranda Exploration in 1976-77. The mineralisation occurs in sheared mafic to intermediate volcanic and volcanoclastic rocks with intercalated quartz porphyry and has been described as either a deformed VMS style deposit or mesothermal shear zone hosted deposit. A total of 58 holes (25 diamond holes and 33 RC holes) for 8,247 metres have been drilled in three stages over 30 years which defined a steeply-dipping zone of disseminated and stringer style Cu-Zn mineralization. A review of previous exploration results by independent Australian consultants and the Company has identified an exploration target^a of 10-20Mt grading 1-1.5% Cu, 0.3-0.5% Zn, 0.1-0.3g/t Au and 5-10g/t Ag suitable to open pit mining techniques. Alternatively, the Company review identifies an exploration target^a of 4-6Mt grading 2-3% Cu, 1-2% Zn, 0.3-0.5 g/t Au and 8-12g/t Ag suitable to underground mining techniques.

Good exploration potential exists as the mineralisation is open down plunge below ~250 metres vertical depth. Additional drilling and data evaluation is required to establish a JORC compliant resource and the potential for underground mining of higher grade ore to supplement possible lower grade open pitable ore.

^a *The potential quantities and grades presented for exploration targets are conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource in accordance with the 2004 JORC Code.*

2. Al Majma'a gold project (Au), Kitnah EL

Gold mineralisation extends for over 2km strike along a major NNE trending fault zone and subsidiary splay faults hosted by felsic volcanic and metasedimentary rocks. Mineralisation occurs as thin gossanous bands, boudinaged quartz veins, quartz breccia zones and gossanous quartz breccia veins. Previous mineral exploration has included a total of 59 diamond drill holes for 4,850 metres drilled to an average depth of 82 metres. This exploration has identified a large and well mineralised gold system, though geological controls and grade distribution of mineralisation are poorly understood. Detailed geological and structural mapping, drill core logging and sampling are required to resolve the distribution of extensive low level gold mineralization (<1g/t Au) and the possibility of high-grade gold ore shoots.

Widespread anomalous arsenic values identified in stream and soil geochemical surveys suggest the total mineralised system may extend over 9km of additional strike to the south.

Additional drilling and data evaluation is required to establish the potential for an open pitable ore deposit and a JORC compliant resource. A realistic, initial exploration target^a at Al Majma'a is 6-10Mt grading 2-3g/t Au.

^a *The potential quantities and grades presented for exploration targets are conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource in accordance with the 2004 JORC Code.*

3. **Lugatah gold project (Au), Tathlith EL**

Gold mineralisation is associated with quartz carbonate veins hosted by various greenschist facies rocks including mafic and felsic intrusives, metavolcanics and metasedimentary rocks.

Exploration in 2003 by the Saudi Geological Survey included 24 shallow diamond drill holes over 500m strike and 70m depth. This exploration has identified a large and well mineralised gold system, though geological controls and grade distribution of mineralisation are poorly understood. Mineralisation is open at depth and along strike to the north and south.

Additional drilling and data evaluation is required to establish the potential for an open pitable ore deposit and a JORC compliant resource. A realistic, initial exploration target^a at Lugatah is 8-10Mt grading 2-4g/t Au.

^a *The potential quantities and grades presented for exploration targets are conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource in accordance with the 2004 JORC Code.*

4. **Jabal Dhaylan zinc-lead project (Zn-Pb), Ajer EL**

Significant base metal mineralisation is broadly concordant and hosted by coarser grained carbonate facies rocks within a Miocene sedimentary sequence that shows many similarities to Mississippi Valley type (MVT) deposits. Mineralisation predominantly consists of disseminated and dendriform black manganese oxides containing up to 15% Zn, notably cryptomelane $K(Mn,Zn)_8O_{16}$. Other "oxide" zinc-bearing phases include hemimorphite and hydrozincite, which are commonly associated with lesser amounts of secondary lead-bearing phases including hydrocerussite and pyromorphite. Primary sulphide mineralisation has been intersected by drilling at depth below the weathered zone and comprises sphalerite (as colloform replacement of dolostone), galena, marcasite and locally, barite.

Previous mineral exploration over the last 40 years by Government agencies such as BRGM^b and USGS^c has included 34 diamond drill holes, geological mapping and sampling and extensive ground geophysical surveys. More recent exploration by MEMC during 2000-2010 has included 135 diamond drill holes of the weathered profile to 20-30 metres depth, 150 shallow RC and post hole auger drill holes, and preliminary metallurgical test work. Review of these exploration results by independent Australian consultants and the Company has identified an exploration target^a of 3-5Mt grading 5-6% Zn and 1.0-1.5% Pb in several near-surface oxide mineral deposits.

Additional drilling and data evaluation is required to establish a JORC compliant resource and the potential for mine development. The location and logistics are attractive in being ~12km from the Red Sea coast and near to a national highway.

^a *The potential quantities and grades presented for exploration targets are conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource in accordance with the 2004 JORC Code.*

^b *Bureau de Recherches Géologiques et Minières (Office of geological and Mining Research)*

^c *United States Geological Survey*

5. Mulhal gold-copper project (Au-Cu), Turabah Aqiq EL

The Mulhal project was initially explored as a VMS copper prospect and work was focussed around several ancient workings. Sheared gossanous zones comprising quartz, limonite-goethite, secondary copper minerals and barites are hosted by strongly folded, foliated and sheared andesitic to dacitic volcanic.

Exploration by MEMC since 2005 has included trenching, 35 RC drill holes and 5 diamond drill holes to approximately 50 metres depth. This exploration has identified a large and well-mineralised gold-silver system over a strike length of approximately 300m, though geological controls and grade distribution of mineralisation are poorly understood. Mineralisation remains open along strike and down dip.

Additional drilling and data evaluation is required to establish the potential for an open pitable ore deposit and a JORC compliant resource. A realistic, initial exploration target^a at Mulhal is 8-10Mt grading 2-4g/t Au.

^a *The potential quantities and grades presented for exploration targets are conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource in accordance with the 2004 JORC Code.*

Proposed Exploration Program on KSA Projects 2012

- **Focus on systematic exploration to define mineralisation & prioritise exploration targets**
- Compile, review and interpret the extensive exploration database in order to establish geological models and effectively plan exploration programmes.
- Conduct detailed geological mapping and QA/QC sampling for “proof of concept”
- Geochemical sampling and geophysical surveys to identify, qualify and prioritise exploration targets
- Drilling advanced projects and specific exploration targets in order to establish a resource base
- Preliminary evaluation of resources and assessment of development options and commercial potential
- **Exploration Budget ~US\$8 million in the initial year**

¹ Centamin plc
<http://www.centamin.com/centamin/operations/resources-and-reserves>
Proven & Probable Reserves as at December 31, 2011
277.0Mt @ 1.13g/t Au for contained 10.1Moz gold

² Barrick Gold Corporation
http://www.barrick.com/Theme/Barrick/files/docs_annualquarterly/2011/Q4-Report.pdf
Page 162 as at December 31, 2011
Proven & Probable Reserves 26.815Mt @ 2.204% Cu

³ The principal sources of technical information used in this release are based on information provided by MEMC and its consultants, government agencies, independent consultants, and other relevant published and unpublished data.. Lawson Gold Limited has endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of this technical information.

⁴ Lawson Gold Limited has not yet reported historical exploration results and foreign resource estimates of MEMC for their projects in the Kingdom of Saudi Arabia. This information is currently not reported in accordance with the JORC Code. While the company remains optimistic it will report resources in the future, any discussion in relation to exploration results, exploration potential or exploration targets or mineralisation is only conceptual in nature and it is uncertain if further exploration will result in determination of a Mineral Resource in accordance with the JORC Code.

⁵ <http://chalicegold.com/Projects/Eritrea/Zara-Project/Resource-Reserves>

- 6 http://www.arabianamericandev.net/AMAK/company_info.html
JORC Compliant Ore Reserve Study completed September 2009 by Watts, Griffis and McQuat
http://www.arabianamericandev.net/AMAK/technical_reports.html
- 7 <http://www.alararesources.com.au/sites/default/files/20120221%20AUQ%20ASX%20Maiden%20JORC%20Resource%20-%20Khnaiguiyah%20Zinc%20Copper%20Project%20-%20Saudi%20Arabia%20-%20Low%20File%20Size.pdf>
- 8 <http://www.nevsun.com/projects/bisha-main/resources/>
<http://www.nevsun.com/projects/bisha-main/reports/revised-technical-report.pdf>
- 9 <http://www.lamancha.ca/en/our-assets/sudan/hassai-mine>
http://www.lamancha.ca/assets/bfea9ed1d2634b4a9be42ff4024bdd1c_20110630FINAL---43-101-report-_CIP-DFS_-Complete.pdf
<http://www.lamancha.ca/en/our-assets/sudan/hassai-vms-project>
http://www.lamancha.ca/assets/b690cd16eba54e5686a8c03ca9cc5ea0_43-101-report-_CIP-VMS__VFinal.pdf

Annexure B

Overview of the transactions

1 Acquisition of interest in MEMC

LSN proposes to acquire an initial 5% interest in the MEMC incorporated Joint Venture by acquiring 100% of Quixford Investments Limited (**QIL**), which in turn will acquire a 5% interest in MEMC. The vendor of QIL is a trust established on behalf of entities associated with employees of and consultants to Resource Capital Investment Corporation. Further details will be disclosed in the meeting documentation.

Lawson Gold will fund the acquisition through the consideration detailed in section 4 below.

On completion of the acquisition, QIL and Mawarid will form an incorporated joint venture pursuant to which LSN, through QIL, will manage the exploration programme, and upon spending US\$34.275 million in an agreed timeframe, earn an additional 46% of the joint venture (51% total). If warranted, the joint venture will also develop and operate one or more mines on the licences.

LSN's earn in terms are summarised in section 5 below.

2 Demerger of Lawson Gold's existing Western Australian exploration assets

LSN also proposes to demerge its existing Western Australia gold exploration assets (including A\$2.2 million in cash) by distributing shares in a wholly owned subsidiary to LSN shareholders (**NewCo**).

NewCo will seek to list on the ASX thereby enabling LSN shareholders to retain their exposure to LSN's existing assets through a publicly listed vehicle. This will require NewCo to comply with the appropriate requirements of Chapters 1 and 2 of the ASX Listing Rules.

3 Conditions precedent

Completion of the transactions is subject to a range of conditions precedent including:

- Negotiation of formal documentation which has commenced and is targeted for completion by 30 April 2012 or such later date as is agreed by all parties
- Satisfactory completion of reciprocal due diligence by 30 April 2012
- Saudi Arabian regulatory approvals
- LSN shareholder approval to aspects of the acquisition transaction and demerger
- Australian regulatory approvals, consents and waivers including confirmation that LSN will continue to be listed on ASX following completion of the transaction, and that NewCo will be admitted to the official list of ASX.
- LSN having raised a minimum of A\$15 million

It is the intention of the parties that the transaction settles by 31 July 2012.

4 Consideration payable

The consideration payable by LSN is a mixture of up front and deferred consideration shares payable to the vendors of QIL and to fund QIL's acquisition of the interest in MEMC. It is likely that some or all of this consideration will be subject to ASX imposed escrow restrictions.

Tranche	Description	Timing	Comments
Initial consideration			
Initial Consideration	Initial consideration to Mawarid US\$4.55 million, comprised of the issue of fully paid ordinary LSN shares.	Completion	The number of shares to be issued is calculated at the USD equivalent of 70% of the 90 day VWAP prior to this announcement = 77,144,065 shares
	Initial consideration to QIL vendors US\$4.50 million, comprised of the issue of fully paid ordinary LSN shares	Completion	The number of shares to be issued is calculated at the USD equivalent of 70% of the 90 day VWAP prior to this announcement = 76,296,328 shares
Deferred Consideration	Performance Shares to QIL vendors Issue by LSN of 4 Performance Shares. *	Completion	Each Performance Share converts into LSN shares on the achievement of a particular milestone in accordance with the formula specified below.

* The issue of Performance Shares is subject to ASX approving their terms.

Tranche	Description	Timing	Comments
<p>Deferred consideration – Milestone 1 Payment Payable on MEMC establishing a JORC Code compliant measured and/or indicated resource containing at least 500,000 tonnes of copper or 1.5 million ounces of gold.</p>			
	<p>Milestone 1 payment to QIL vendors US\$1.94 million to be satisfied by the issue of LSN shares (including by conversion of the LSN Class A Performance Share)</p>	<p>On the occurrence of Milestone 1</p>	<ul style="list-style-type: none"> • Issue price per LSN share is equal to the USD equivalent of 70% of the VWAP of LSN shares over the 90 calendar days preceding the date of the ASX announcement regarding Milestone 1 • If, for legal or ASX Listing Rule reasons, or because more LSN shares than the specified maximum in the terms of the Class A Performance Share are required to be issued, the vendors of QIL do not immediately receive the full share entitlement, shareholders will be asked to approve the issue, and if not approved the obligation will be settled by the cash equivalent of the number of shares that should have been issued determined at the VWAP of a LSN share over the 10 days following that meeting.
<p>Deferred consideration – Milestone 2 Payment Payable on MEMC establishing a JORC Code compliant measured and/or indicated resource containing 3.5 million ounces of gold, provided that payment is not to be made unless or until LSN has raised a total of A\$25 million, including the initial raising of A\$15 million.</p>			
	<p>Milestone 2 payment to QIL vendors U1.94 million, to be satisfied by the issue of LSN shares (including by conversion of the Class B Performance Share).</p>	<p>On the occurrence of Milestone 2 but only if or when A\$25m (incl initial A\$15m) has been raised by LSN</p>	<ul style="list-style-type: none"> • Issue price calculated as per Milestone 1 payment using the 90 calendar days preceding the ASX announcement of Milestone 2. • As above

Tranche	Description	Timing	Comments
Deferred consideration – Milestone 3 Payment			
A first Decision to Mine being made under the MEMC joint venture agreement and provided payment is not to be made unless or until that LSN has raised a total of A\$35 million, including the A\$25 million applicable to Milestone 2.			
	Milestone 3 payment to QIL vendors US\$1.94 million, to be satisfied by the issue of LSN shares (including by conversion of the Class C Performance Share)	On the occurrence of Milestone 3 but only if or when A\$35m (incl A25m applicable to Milestone 2) has been raised by LSN	<ul style="list-style-type: none"> Issue price calculated as per Milestone 1 payment using the 90 calendar days preceding the ASX announcement of Milestone 3. As above
Deferred consideration – Milestone 4 Payment			
A second Decision to Mine being made under the MEMC joint venture agreement and provided that payment is not to be made unless or until the Milestone 3 payment has been made.			
	Milestone 4 payment to QIL vendors US\$1.955 million, to be satisfied by the issue of LSN shares (including by conversion of the Class D Performance Share)	On the occurrence of Milestone 4 but only if or when the Milestone 3 payment has been made.	<ul style="list-style-type: none"> Issue price calculated as per Milestone 1 payment using the 90 calendar days preceding the ASX announcement of Milestone 4.
	Royalty Net smelter return royalty of 2.25% granted to Mawarid by MEMC.	Completion	

5 Earn in to Joint Venture

Following purchase of the initial 5% interest LSN will earn its interest in the MEMC joint venture by sole funding expenditure on exploration as follows:

- US\$8 million to earn an additional 11% interest during the first twelve* months after the commencement date, and
- US\$12 million to earn an additional 16% interest in the second and third* years after the commencement date, and
- US\$14.275 million to earn an additional 19% interest in the fourth year after the commencement date.

* There are provisions that allow for limited time overruns on the First and Second Earn-in Periods, (but not so as to extend the overall 4 years), but if expenditure commitments are not met within the extended time periods, those interests are foregone. Loss of any one earn-in does not impact on following earn-in criteria. Meeting all expenditure and time commitments will result in LSN, through QIL, holding 51% of the joint venture.

Following the sole funding period, Mawarid will maintain a 20% free carried interest in exploration expenditure by the MEMC joint venture. Subsequent to any decision to mine, whether made during the sole funding period or subsequently, Mawarid will be free carried as to a 20% interest and contribute 29/80ths of all expenditures that are not project financed. Expenditures on mine development will not count towards the sole funding expenditure requirements.

Annexure C

Additional information

1 Impact on LSN capital structure

On the basis that LSN completes the Proposed Transaction on the terms set out in the Term Sheet, the LSN capital structure will change as follows:

Pre transaction

Issued capital	Number
Shares	
Current issued share capital	24,893,001
Options	
Unlisted options exercisable at \$0.30 on or before 4 August 2015	300,000
Unlisted options exercisable at \$0.40 on or before 4 August 2015	600,000
Total options	900,000

Post transaction

Issued capital	Number
Shares	
Current issued share capital	24,893,001
Shares issued to Vendors of QIL ¹ and of MEMC ¹	153,440,393
Shares issued under capital raising ²	75,000,000
Total ordinary shares	253,333,394
Performance Shares	
Performance shares to be issued to Vendors – see Annexure B re Deferred Consideration	4
Options	
Unlisted options exercisable at \$0.30 on or before 4 August 2015	300,000
Unlisted options exercisable at \$0.40 on or before 4 August 2015	600,000
Total options	900,000

¹ Escrow arrangements are likely apply to these shares.

² Assumes the minimum capital raising of A\$15 million at 20c per share. Maximum intended raising is 125 million shares.

2 Indicative timetable¹

Event	Date
Announcement of proposed acquisition	2 April 2012
Signing of definitive transaction agreements	30 April 2012
Completion of reciprocal due diligence	30 April 2012
Despatch of Notice of Meeting and Explanatory Memorandum	Approximately 30 May 2012
Lodgement of prospectus	Approximately 15 June 2012
Suspension of LSN Shares from trading on ASX at open of trading ²	Approximately 29 June 2012
Shareholder meeting held to consider the resolutions required to approve the Transaction	Approximately 29 June 2012
Completion of Transaction (including the issue of consideration)	Approximately 9 July 2012
Trading in LSN Shares reinstated by ASX and NewCo admitted to the Official List of ASX and trading in NewCo securities commences ³	Approximately 16 July 2012

1. This timetable is indicative only and dates are subject to change. It is subject to ASX Listing Rules and Corporations Act requirements and the satisfaction of all conditions precedent.
2. LSN's securities will be suspended from trading commencing on the day of the shareholder meeting until the completion of the transaction and compliance with Chapters 1 & 2 of the ASX Listing Rules.

3 Demerger

As a condition precedent to the transaction LSN will transfer its existing Australian exploration assets together with A\$2.2 million in cash, to a new wholly owned subsidiary company (**NewCo**). The shares in NewCo will then be distributed to the shareholders of LSN, on a pro rata basis, as at a record date which is before Completion occurs. Subject to ASX approvals, NewCo is to be listed on ASX.

The exploration assets of LSN comprise some 58 sq km of granted ELs and MLs and a number of small tenement applications located approximately 45km north east of Kalgoorlie in Western Australia. LSN has conducted detailed geological mapping, soil sampling and RAB and diamond drilling over much of the area as well as extensive checking of historic data for inclusion in a single coherent database. Recent geological interpretation has led to the view that the original objective of discovery of a gold deposit with the potential to produce half a million ounces of gold should be modified to reflect a more modest but nevertheless potentially lucrative resource. Further consolidation of the tenement holdings in the region is seen as highly desirable and it is intended that NewCo will play a part in the rationalisation.

Pro forma balance sheet of NewCo immediately prior to in specie distribution of its shares

	A\$'000
Cash	2,200
Exploration tenements ¹	<u>1,350</u>
Shareholders equity	<u>3,550</u>

¹ Exploration tenement value as per LSN 31 December 2011 half year accounts

Pro forma balance sheet of LSN

As an independent valuation of the Saudi exploration portfolio has yet to be finalised it is not possible to provide figures for a pro forma balance sheet. However, at completion of the transaction, LSN will have only two significant assets, being cash in the range A\$13-25,000,000 depending on the amount raised and net of expenses, and the Saudi exploration interests held through QIL. There will be no initial liabilities other than any residual liabilities remaining as a result of this transaction, such as legal and financial consultants fees and an obligation to reimburse expenditures on a preliminary exploration program incurred since September 2011, estimated at less than US\$1 million.

4 Other changes

Management

The existing board of LSN comprises David Hillier as Chairman, David Turvey as Executive Director and non-executive director Peter Watson. The directors intend to invite up to 3 new members to join the board of LSN, and in particular a nominee representing the Mawarid Group. The board will consult with the major new investors in LSN before deciding on 2 further invitations.

It is intended that David Hillier will take up an executive role, including as Chief Executive of the joint venture manager. David Turvey will relinquish his executive role but will extend his role as the technical consultant to LSN and the board with respect to all Saudi exploration activity.

Company name

The Board expects that shareholders will be asked to approve a change of name of the Company to reflect the new focus. It is expected that, in the short term, management of NewCo will be as it currently is for LSN.

5 Definitive documentation

The transactions referred to in this announcement are conditional upon the parties agreeing definitive documentation. While the term sheet sets out certain agreed terms and binds the parties to negotiate in good faith and acting reasonably, if definitive documents are not executed by 30 April 2012 (or such other date as is agreed by the parties), the agreements contained in the term sheet come to an end. A further announcement detailing the material terms of those agreements will be made on execution.

Until the Term Sheet has come to an end Mawarid has agreed not to deal directly or indirectly with any third party in respect of the exploration licences. It is anticipated that

an extension of the date for completion of definitive transaction documentation will result in an extension of this date.

6 Further information on the Proposed Transaction

LSN shareholders will receive a notice of meeting in due course, which will provide further details regarding the Proposed Transaction and the required resolutions in respect of its approval.

The vendors of QIL have agreed to reimburse LSN's costs up to a maximum A\$650,000 in cash, or by subscription for LSN shares at an issue price equal to the 10 day volume weighted average price of a Lawson Gold share for the 10 trading days post this announcement (subject to any necessary shareholder or regulatory approvals), should the transaction not proceed.