LEFROY EXPLORATION LIMITED

FINANCIAL REPORT

For the half year ended 31 December 2018

Incorporated in the British Virgin Islands IBC No 29457

Australian Registered Body Number 052 123 930

TABLE OF CONTENTS

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
ARBN 052 123 930

CORPORATE DIRECTORY

Directors

Gordon Galt	(Non-executive Chairman)
Michael Davies	(Non-executive Director)
Geoffrey Pigott	(Non-executive Director)
Wade Johnson	(Managing Director)

Company Secretary
Susan Hunter

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British Virgin Islands

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Telephone: (284) 494-2616

Stock Exchange Listing
Lefroy Exploration Limited shares are listed on the Australian Securities Exchange (ASX code: LEX)

Australian Company Number and Australian Business Number
ARBN: 052 123 930
ABN: 71 052 123 930

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LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
ARBN 052 123 930

DIRECTORS' REPORT

The Directors present their report together with the financial report of Lefroy Exploration Limited (the "Company") and its controlled entities (the "Group"), for the half-year ended 31 December 2018 and independent review report thereon. This financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Directors names

The names of the directors in office at any time during or since the end of the half year are:

Gordon Galt (Non-executive Chairman)

Michael Davies (Non- executive Director)

James Beecher (Non-executive Director) – *Resigned 3 August 2018*

Geoffrey Pigott (Non-executive Director)

Wade Johnson (Managing Director)

The directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Results and Review of operations

During the 6 months ended 31 December 2018, the Company continued and focussed its gold exploration at the Lefroy Gold Project 50km to the south east of Kalgoorlie. Exploration activities here were accelerated in two packages, with work being initiated by Gold Fields Limited (Gold Fields) at Western Lefroy and the Company at Eastern Lefroy.

The key exploration highlights during the six months were: -

- Reverse circulation (RC) and aircore (AC) drilling was focussed at the Lucky Strike, Havelock and Lucky Strike Extended prospects all within 5km's of Silver Lake Resource's Randalls processing plant within the Eastern Lefroy Project
- At Lucky Strike, two phases of RC drilling further enhanced the gold system within Banded Iron Formation (BIF) host rocks with the discovery of a new shallow oxide gold zone
- Significant multiple shallow oxide gold intersections were returned from the Lucky Strike drilling program including: -
    - ***3m at 3.48g/t Au from 39m in LEFR075***
    - ***8m at 4.96g/t Au from 27m in LEFR079***
    - ***8m at 3.46g/t Au from 48m in LEFR087***
    - ***2m at 6.22g/t Au from 32m in LEFR088***

- AC drilling at Havelock, south of Lucky Strike, defined a new gold mineralised trend within BIF that has a 3000m strike length and is open. Encouraging gold intersections returned included 7m at 0.59g/t Au from 24m in LEFA370
- At Hang Glider Hill results from an auger drilling program defined an anomalous gold trend over 2000m of strike in the north west region of the Eastern Lefroy gold project**.**
- Extensive airborne and ground based geophysical surveys were commenced on the Western Lefroy project managed by Gold Fields Limited
- At the Lake Johnston project, the results from a detailed ground gravity survey defined a large ovoid-shaped gravity high, interpreted to represent a buried mafic intrusion located at Mt Day

The loss of the Group for the half year after providing for income tax amounted to $435 thousand (Dec 2017: loss $344 thousand).

Exploration Overview

Lefroy Gold Project

The Lefroy Gold Project ("LGP"), located 50kms to the south east of Kalgoorlie, is the Company's flagship project, with multiple advanced gold target areas developed from appraisal and evaluation of exploration completed by others over the past 25 years.

The Lefroy Gold Project is wholly owned by the Company. The commanding, semi-contiguous, granted land package covers 598km^2 immediately east of the world class St Ives Gold camp, operated by Gold Fields' and south of the high-grade Mt Monger gold centre operated by Silver Lake Resources Limited (ASX:SLR). Four gold processing operations are strategically located within 50km of the project and provide commercial options for processing any gold discovered.

The LGP is referenced in two packages i.e.

• Eastern Lefroy covering 226km^2 of wholly owned tenements including Lucky Strike, Red Dale, Hang Glider Hill, Havelock and other sub-projects along the Mt Monger fault, and

• Western Lefroy JV tenements covering 372km^2 adjoining the Gold Fields tenements that make up the St Ives mining operation. These tenements are included in the Joint Venture agreement with Gold Fields Limited ("Gold Fields"). Gold Fields can earn up to a 70% interest in the LEX tenements by spending up to a total of $25million on exploration activities within 6 years of the commencement date,7June 2018.

Exploration by the Company in Eastern Lefroy during the six months to 31 December 2018 was focused on the Lucky Strike exploration hub located within 5km of Silver Lake Resources' (ASX: SLR) Randalls processing plant (Figure 1). This involved reverse circulation (RC) drilling at Lucky Strike and early stage aircore (AC) programs evaluating the Capstan, Havelock and Lucky Strike Extended prospects.

Exploration was also initiated at the Hang Glider Hill prospect with an auger drilling program covering approximately 2000m of strike. The Company acquired during the six months an additional four tenements nearby and along the Mt Monger Fault in the Hang Glider Hill region to add value to the LGP portfolio.

At Western Lefroy, Gold Fields commenced a major ground and airborne geophysical survey to capture additional geophysical data (gravity & magnetics) over tenements specifically covering Lake Lefroy. This extensive program is still underway and is infilling and complimenting the geophysical work completed by LEX in 2017

Eastern Lefroy Gold Project (LEX 100%)

The Eastern Lefroy project is a semi contiguous package of wholly owned tenements that cover approximately 30km of strike along and straddling the regional Mt Monger Fault . The Mt Monger Fault is considered to be structurally analogous to other major regional faults in the Kalgoorlie terrain. The Company considers it to be similarly prospective for large gold deposits but the area lacks the same degree of exploration.

The Company identified three priority centres or hubs along the trend where exploration for gold is being focused. These hubs are ranked according to the level of prior exploration activity, gold anomalies identified and the structural setting.

P1- Lucky Strike Exploration Hub: - Advanced Exploration

P2-Hang Glider Hill Exploration Hub: -Reconnaissance Exploration

P3-Lake Randall Exploration Hub: -Generative Exploration

During the half year the Company completed activities at each of the exploration hubs involving RC, AC, auger drilling and a heritage survey.

Lucky Strike

The Lucky Strike prospect is located approximately 3km northwest of the high-grade Lucky Bay open pit, mined by Silver Lake Resources (ASX: SLR) during 2015, and is 5km south west of the Randalls Processing Plant currently being operated by SLR. The Company has been methodically evaluating Lucky Strike through a combination of RC and diamond drilling since the discovery in early 2018.

Lucky Strike was identified as a prospective structural corridor adjacent to the regional Mt Monger Fault after integration of previous exploration with a detailed ground gravity data. Reconnaissance, early stage (wide spaced) air core drilling in November 2016 defined a new and emerging gold mineralised trend hosted within sedimentary rocks over a 3,000m strike length. Gold mineralisation at Lucky Strike is hosted within a Banded Iron Formation (BIF).

In the half year the Company completed two phases of step out RC drilling totaling 22 angled holes. The results from these focused programs discovered a new shallow oxide gold zone within an upper BIF unit that is open along strike and at down dip and successfully confirmed the extension of the high-grade zone at depth. The upper BIF combined with those intersected in prior drilling programs is interpreted by the Company to be a series of sub-parallel south west dipping units of variable thickness separated by beds of black shale.

Significant shallow results from the upper BIF unit from the program include: -

- **3m @3.48g/t Au from 39m in LEFR075**
- **8m @4.96g/t Au from 27m in LEFR079**
- **8m @3.46g/t Au from 48m in LEFR087**
- **2m @6.22g/t Au from 32m in LEFR088**
- **6m @1.03g/t Au from 36m in LEFR089**
- **4m @2.95g/t Au from 20m in LEFR090**
- **3m @1.38g/t Au from 51m in LEFR090**
- **7m @1.50g/t Au from 20m in LEFR093**

In addition to the focus on the shallow oxide BIF position, two holes were extended to evaluate the entire BIF package and ultimately test the lower BIF. Both holes successfully confirmed a new zone of gold mineralisation at depth in the lower BIF unit that is open along strike and down dip. The significant result from this program recorded **12m @2.37g/t Au from 96m in LEFR098**, including 3m @6.35g/t from 101m hosted by sulphide altered BIF that is open.

The results from the two programs continue to enhance and deliver robust, broad gold intersections from the sections drilled, and further support the developing geological model of a semi-coherent plunging high-grade component to the multiple BIF units that forms a broad 140m thick package. Importantly, the results further enhance the oxide gold mineralisation in another new hanging wall BIF (refer LEFR090 & LEFR087) unit that is open along strike and at depth

Havelock

To compliment the RC drilling, three new targets, Capstan, Havelock and Lucky Strike Extended, identified proximal to Lucky Strike were evaluated by early stage air core drilling. Havelock is the most promising target of the three evaluated.

The Havelock prospect is located approximately 1.2km south of Lucky Strike. The target was generated from the Company's assessment of regional aeromagnetics which highlight a linear magnetic unit interpreted as Banded Iron Formation (BIF) similar to the host rock at Lucky Strike.

Thirty-five (35) angled aircore holes totaling 1548m on four wide (320m) spaced east - west traverses were completed in October 2018. The drilling evaluated approximately 1300m of strike centered on the magnetic unit. The drilling intersected a sequence of basalt, sediment and BIF.

The results from the drilling (ASX: LEX 26 November 2018) combined with previous results have successfully defined a new gold mineralised trend coincident with the BIF that has a strike length of 3000m and is open. The Company considers these are very encouraging results from early stage drilling and are analogous to results returned from the early wide spaced drilling along the Lucky Strike trend.

Significant results from the Havelock program include:

- ***2m at 0.26g/t Au from 32m in LEFA361***
- ***7m at 0.59g/t Au from 24m in LEFA370***

Hang Glider Hill

The Hang Glider Hill gold prospect is located close to the interpreted position of the regional scale Mt Monger Fault, some 17km along strike to the south east of the Lucky Strike prospect.

Prospecting at Hang Glider Hill (using metal detectors over a period of recent months) yielded numerous gold nuggets that define a north westerly trend extending 2.3km from the original find at Hang Glider Hill.

In September 2018 the Company completed an early stage auger drilling program as an initial exploration search tool along the trend. A total of 266 samples were collected at 50m centres along 200m spaced east west lines that effectively cover approximately 2000m of strike.

The results of the sampling (ASX: LEX 6 November 2018) defined northern and southern zones of gold anomalism (plus 20ppb Au) around the interpreted position of the Mt Monger Fault. The zones are coincident with the locations of the discovered gold nuggets.

The northern anomaly consists of three subparallel trends with a strike of up to 880m. Each of these trends is open to the north west into tenements applied for by the Company and which cover a further 2000m of the trend yet to be explored. The anomaly has a peak value of 97ppb Au.

The southern anomaly is centered about Hang Glider hill (a linear topographical feature) and is a coherent anomaly over a 680m strike length. The anomaly has four sample points exceeding 50ppb Au, with a peak of 82ppb.

Western Lefroy Gold Project (Farm-In and JV: Gold Fields right to earn 70%)

The Western Lefroy tenement package being farmed into by Gold Fields covers Lake Lefroy and the surrounding area. The package comprises 372km2 of the total 598km2 of the Lefroy Gold Project and is adjacent to Gold Fields' +10 million-ounce St Ives Gold operations.

During the half year Gold Fields initiated a major program to capture additional detailed geophysical data (specifically gravity & magnetics) over tenements in Lake Lefroy to infill and compliment the work completed by LEX in 2017. Acquisition of ultra-detailed magnetic data over Lake Lefroy commenced in late August 2018 using Gold Fields in house unmanned aerial system colloquially referred to as 'TRAMPE (Tethered Rotary Airborne Magnetic Platform for Exploration).

This major geophysical data acquisition program was near complete at 31 December 2018. The extensive and detailed final gravity and magnetic survey products will provide a key foundation dataset for drill target generation with drilling schedule to commence in early 2019.

Lake Johnston Project

The Lake Johnston Project is located 120km west of Norseman in Western Australia and comprises two granted exploration licenses (E63/1722 & 1723) held under title by Lefroy and one granted exploration license (E63/1777) held by Lithium Australia NL (ASX:LIT). These holdings form a cohesive package in excess of 300km^2 over the Lake Johnston Greenstone Belt. Lefroy holds the Gold and Nickel rights, that includes all other precious and base metals not associated with pegmatites on the package under a Tenement Rights Agreement executed with LIT in 2016.

The Project is considered prospective for both gold and nickel, with the tenement package covering the northern strike extension to the Maggie Hayes and Emily Ann nickel mines held by Poseidon Nickel Limited ("Poseidon").

Poseidon recently announced (ASX: 21 November 2018) the completion of three deep diamond drill holes targeting a new Ni sulphide prospect known at Abi Rose located approximately 400m to the north of Emily Ann. Abi Rose is located approximately 5km south of the Company's tenement boundary and interpreted (refer Poseidon ASX release 21 November 2018) by Poseidon as a magmatic Ni-Cu type emplacement model (mafic or ultramafic Intrusion related).

In October 2018 the Company completed a ground gravity survey in a portion of its project immediately north of Abi Rose, and centered around Mt Day. The survey was completed to infill and extend a gravity survey completed by Norilsk Nickel Australia (Norilsk) in 2008, which extended on to the current Lefroy tenement holding.

The data from this survey was integrated and merged the 2018 gravity survey with the Norilsk data set. The preliminary interpretation of the processed data and imagery was completed independently by two geophysical consultants complemented by supporting interpretation by the Company.

The gravity data defines a large ovoid shaped gravity high (the Anomaly) to the north of the Emily Ann mine and centered about Mt Day. The anomaly is interpreted to represent a large mafic intrusion that intrudes the older greenstone stratigraphy, but which is not exposed at surface.

The mafic intrusion model for the gravity anomaly at Mt Day supports and complements the interpretation made by Poseidon for the narrow, dyke like, pyroxenite-hosted, high grade Ni mineralisation at Abi Rose.

Mafic Intrusions can be large hosts for Ni-Cu sulphide mineralisation that occur as basal accumulations in embayments on or near the basal margins of the intrusion. The Mt Day area has had little if any drilling that has focused on a magmatic intrusion model and remains unexplored.

Murchison Gold Project

The Murchison Gold Project comprises a portfolio of two Exploration Licences (EL's) and eighteen Prospecting Licences (PL's) covering 134km2 to the west of Cue. In December 2018 the Company the sale of its 100% interest in the tenements it holds in the Murchison region of Western Australia ("the Murchison Project") to Golden State Mining Ltd (ASX:GSM). The sale was completed on 23 January 2019 on the terms outlined in the Company's ASX release on 20 December 2018.

Corporate

The key Corporate activities for the Company for the Half Year to 31 December 2018 were

- A share placement to institutional and sophisticated investors for 16,190,980 fully paid ordinary shares at an issue price of $0.16 per share to raise $2.59 million before costs, issued 13 July 2018;
- Mr James Beecher resigned from his position as a Non-executive Director of the Company on 3 August 2018;
- The Company released its 2018 Annual Report on 26 September 2018;
- The Company held its AGM on 3 December 2018. All were resolutions passed on a show of hands; and
- On 20 December 2018, the Company entered into a binding Asset Sale Agreement ("ASA") with Golden State Mining Ltd ("GSM"). The Company agreed to sell its 100% interest in the Murchison Project. As consideration for the sale, the Company received:
    - $25,000 cash consideration
    - 1,700,000 fully paid ordinary shares in GSM; and
    - 800,000 options in GSM, at an exercise price of $0.25 each and expiring 26 October 2022.

  Shares and options issued to the Company are subject to a one year escrow period.
  The sale of the Murchison project was completed on 23 January 2019.

Significant changes in state of affairs

There were no significant changes in the Group's state of affairs that occurred during the half year ended, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the Group during the half year was exploration and evaluation of mineral assets within the state of Western Australia.

No significant change in the nature of these activities occurred during the half year.

After balance date events

On 23 January 2019, the Company completed the sale of its 100% interest in the Murchison Project to Golden State Mining Limited (ASX:GSM). As consideration for the sale, the Company received:

- $25,000 cash consideration
- 1,700,000 fully paid ordinary shares in GSM; and
- 800,000 options in GSM, at an exercise price of $0.25 each and expiring 26 October 2022.

Shares and options issued to the Company are subject to a one year escrow period.

No other matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments

The Group expects to maintain the present status and level of operations.

Rounding of amounts

The financial statements are expressed in Australian Dollars and have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the board of directors.

Wade Johnson

WADE JOHNSON
Managing Director

Dated this 15 day of March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	NOTE	Consolidated 31-Dec-18 $000	Consolidated 31-Dec-17 $000
Income			
Interest Income		15	21
Net gain on financial assets held at fair value through profit or loss		-	2
Other Income		2	1
Total Income		17	24
Expenses			
Accommodation expenses		12	18
Legal, professional and consulting expenses		114	71
Directors fees		63	78
Travel expenses		7	9
Depreciation expense		11	9
Salaries and wages expenses		93	49
Share based payment expense		69	68
Transaction costs		3	-
Other expenses		80	66
Total Expenses		452	368
(Loss) / Profit for the period before income tax		(435)	(344)
Income tax expense		-	-
(Loss) / Profit after income tax		(435)	(344)
Other comprehensive income		-	-
Total comprehensive (loss) / profit for the period		(435)	(344)
(Loss) / Profit per share			
Basic (loss) / profit per share attributable to ordinary equity holders in cents		(0.59)	(0.58)
Diluted (loss) / profit per share attributable to ordinary equity holders in cents		(0.59)	(0.58)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	NOTE	Consolidated 31-Dec-18 $000	Consolidated 30-Jun-18 $000
ASSETS			
Cash and cash equivalents		1,388	523
Trade and other receivables		44	97
Non-current assets held for sale	3	35	-
Other current assets		35	10
Total current assets		1,502	630
Property, plant and equipment		83	86
Exploration and evaluation assets	4	6,758	5,928
Total non-current assets		6,841	6,014
TOTAL ASSETS		8,343	6,644
LIABILITIES			
Trade and other payables		123	462
Provisions		46	46
Total current liabilities		169	508
TOTAL LIABILITIES		169	508
NET ASSETS		8,174	6,136
EQUITY			
Issued Capital	5	28,499	26,095
Foreign currency translation reserve		(111)	(111)
Share based payment reserve		414	345
Accumulated losses		(20,628)	(20,193)
TOTAL EQUITY		8,174	6,136

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Consolidated	NOTE	Contributed equity $'000	Accumulated losses $'000	Share based payments reserve $'000	Share premium reserve $'000	Foreign currency translation reserve $'000	Total equity / (shareholders' deficit) $'000
At 1 July 2017		**18,980**	**(18,967)**	**205**	**7,115**	**(111)**	**7,222**
Profit / (Loss) for the period		-	(344)	-	-	-	**(344)**
Total comprehensive profit/ (loss)		**-**	**(344)**	**-**	**-**	**-**	**(344)**
Share based payments		-	-	68	-	**-**	**68**
At 31 December 2017		**18,980**	**(19,311)**	**273**	**7,115**	**(111)**	**6,946**
At 1 July 2018		**26,095**	**(20,193)**	**345**	**-**	**(111)**	**6,136**
Loss for the period		-	(435)	-	-	-	**(435)**
Other comprehensive income, net of income tax		-	-	-	-	-	**-**
Total comprehensive loss		-	(435)	-	-	-	**(435)**
Issue of ordinary shares (net of costs)		2,404	-	-	-	-	**2,404**
Share based payments		-	-	69	-	**-**	**69**
At 31 December 2018		**28,499**	**(20,628)**	**414**	**-**	**(111)**	**8,174**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	NOTE	Consolidated 31-Dec-18 $000	Consolidated 31-Dec-17 $000
Cash flows from operating activities			
Payments to suppliers and employees		(715)	(313)
Interest received		15	21
Net cash flows used in operating activities		**(700)**	**(292)**
Cash flows from investing activities			
Payments for exploration and evaluation		(830)	(1,045)
Payments for plant and equipment		(8)	(3)
Net cash flows used in investing activities		**(838)**	**(1,048)**
Cash flows from financing activities			
Proceeds from issue of shares		2,590	-
Payments of share issue costs		(186)	-
Net cash flows generated from financing activities		**2,404**	**-**
Net (decrease)/increase in cash and cash equivalents held		**865**	**(1,340)**
Cash and cash equivalents at the beginning of the financial period		523	3,071
Cash and cash equivalents at the end of the financial period		**1,388**	**1,731**

The accompanying notes form part of these financial statements.

NOTE 1: GENERAL INFORMATION

Lefroy Exploration Limited was incorporated under the laws of the British Virgin Islands on 14 May 1990 under the International Business Companies Act (Cap. 291). The liability of the members is limited by shares. The Company maintains its Registered Office in the British Virgin Islands.

These financial statements are presented in thousands of Australian Dollars and comprises the Company and its controlled entities (the "Group"). The Group has determined that its functional currency is Australian dollars (June 2018: Australian dollars).

The consolidated financial statements were approved and authorised for issue by the directors as at the date of the directors' report.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group in the preparation and presentation of the consolidated financial report are in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the *IAS* 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by the Group during the half-year.

(b) Accounting estimates and judgements

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018.

(c) Historical Cost Convention

The financial report has been prepared under the historical cost convention, except for certain classes of assets and liabilities for which the fair value basis of accounting has been applied.

(d) Going concern

The interim consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

(d) Going concern (continued)

The Group has incurred a net loss after tax for the half-year ended 31 December 2018 of $435,000 (31 December 2017: loss $344,000) and had a net cash outflow from operating and investing activities of $1,538,000 (31 December 2017: $1,340,000). The net assets of the Group as at 31 December 2018 were $8,174,000 (30 June 2018: $6,136,000).

The Group's cash flow forecasts through to 31 March 2020 reflect that the Group will be required to raise additional working capital during this period to enable it to meet its committed administration, exploration and operational expenditure over this period.

The Directors are satisfied that the Group will be able to secure additional working capital as required via one or a combination of, a placement of shares, option conversions, rights issues, or joint venture arrangements or sale of certain assets. Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event the Group is unable to raise additional working capital to meet the Group's ongoing operational and exploration commitments as and when required, there is significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(e) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current half year disclosures.

(f) Operating segments

IFRS 8 requires that operating segments be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group engages in one business segment, being exploration activities within Western Australia. Consequently the results of the Group are analysed as a whole by the chief operating decision maker.

(g) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale and generally measured at the lower of carrying amount and value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

(g) Non-current assets held for sale (continued)

Classification as 'held for sale' occurs when management has committed to a plan for immediate sale, the sale is expected to occur within one year and active marketing of the asset has commenced. Such assets are current assets.

(h) New and amended standards and interpretations

IFRS 15 Revenue from Contracts with Customers

IFRS 15 and its related amendments supersede IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group adopted IFRS 15 using the full retrospective method of adoption. The change did not have a material impact on other comprehensive income for the year as the Group does not generate revenue from contracts with customers. There was no net impact on the statement of cash flows. There was no impact on EPS.

IFRS 9 Financial Instruments

Measurement and classification

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria, the Group's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI' criterion).

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. There was no material impacts on the comparative balances as the Group. On transition, although there were changes to the measurement categories of certain financial instruments presented in the statement of financial position, this did not result in a material change to their basis of measurement as previously applied under IAS 39.

(h) New and amended standards and interpretations

Impairment of assets

In relation to financial assets carried at amortised cost, IFRS 9 requires an expected credit loss ('ECL') model to be applied as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect the changes in credit risk since initial recognition of the financial asset.

As at 1 January 2018, the Group has reviewed and assessed the existing financial assets for impairment using reasonable and supportable information as to their associated credit risk. The Group concluded that the relevant financial assets are of low credit risk, or the lifetime ECL associated with the financial asset would be negligible. Accordingly, there was no financial impact recognised upon application of IFRS 9 by the Group.

NOTE 3: NON-CURRENT ASSETS HELD FOR SALE

	Consolidated	**Consolidated**
	31-Dec-18	30-Jun-18
	$000	$000
Non-current assets held for sale		
Carrying amount at beginning of the period	-	-
Exploration and evaluation capitalised in relation the Murchison Project	35	-
Carrying amount end of year	35	-

On 20 December 2018, the Company entered into a binding Asset Sale Agreement ("ASA") with Golden State Mining Ltd ("GSM"). The Company agreed to sell its 100% interest in the Murchison Project. As consideration for the sale, the Company received:

- $25,000 cash consideration
- 1,700,000 fully paid ordinary shares in GSM; and
- 800,000 options in GSM, at an exercise price of $0.25 each and expiring 26 October 2022.

Shares and options issued to the Company are subject to a one year escrow period. The sale of the Murchison project was completed on 23 January 2019.

NOTE 4: EXPLORATION AND EVALUATION ASSETS

	Consolidated	**Consolidated**
	31-Dec-18	30-Jun-18
	$000	$000
Exploration and evaluation assets		
Carrying amount at beginning of the period	5,928	4,386
Expenditure incurred during the year	865	1,542
Assets reclassified as held for sale during the period (Note 3)	(35)	-
Carrying amount end of year	6,758	5,928

NOTE 4: EXPLORATION AND EVALUATION ASSETS (CONTINUED)

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent upon successful development and commercial exploitation.

NOTE 5: ISSUED CAPITAL

Issued Capital	**31-Dec-18 Nos.**	30-Jun-18 Nos.	**31-Dec-18 $000**	30-Jun-18 $000
(a) Share capital				
Fully Paid Ordinary Shares	**75,154,900**	58,963,920	**28,499**	26,095

	Consolidated	
	Nos.	$000
(b) Movements in issued capital		
Fully Paid Ordinary Shares		
Balance at 1 July 2018	58,963,920	18,980
Transfer of historic share premium account to contributed equity (i)	-	7,115
Balance at 30 June 2018	**58,963,920**	**26,095**
13 July 2018 - Share Placement	*15,190,980*	2,430
24 August 2018 - Share Placement (ii)	*1,000,000*	160
Share issue costs	-	(186)
Balance at 30 June 2018	**75,154,900**	**28,499**

(i) In accordance with a resolution passed by the directors in August 2016, the Memorandum of Association of the Company was amended to convert the authorised and issued share capital of the Company from ordinary shares with a par value of US$0.50 to ordinary shares with no par value. Accordingly, the historical share premium account has been transferred to contributed equity

(ii) Shares issued to Directors and their related parties who participated in the Share Placement, as approved at the General Meeting of Shareholders held on 13 August 2018.

NOTE 6: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity or its parent and their personally related entities

As at 30 June 2018, the Company owed $178,500 (inc. GST) to New Holland Capital Pty Ltd, a subsidiary of Taurus Funds Management Pty Ltd and a related party of Messrs Gordon Galt and Michael Davies. The amount owing was in relation their engagement as Lead Advisor for the Farm In and Joint Venture Agreement entered into with Gold Fields Limited ('Goldfields') during the 30 June 2018 financial year. The amount owing was paid by the Group during the 31 December 2018 half year period.

NOTE 6: RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel compensation is consistent with those disclosure in the Group 2018 annual financial statements for the financial year ended 30 June 2018.

Certain directors of the Company also participated in the share placement, acquiring 1,000,000 additional shares for a total of $160,000. For further details refer to Note 5 of this report.

NOTE 7: COMMITMENTS AND CONTINGENCIES

(i) Exploration Commitments

	31-Dec-18	30-Jun-18
	$000	$000
Up to 1 year	900	897
Between 2 and 5 years	1,881	1,821
	2,781	**2,718**

The expenditure commitment of the Group for later than 1 year but not later than 5 years is uncertain. It is not possible to accurately forecast the nature or amount of future tenement expenditure commitments required to maintain areas of interest, although it will be necessary to incur expenditure.

Exploration commitments due within the next year include:

- $233,000 in relation to the Murchison Project, divested subsequent to period end (refer to Note 10 for further information); and
- $380,000 for the Western Lefroy Project, subject to a Farm in and Joint Venture agreement with Gold Fields

Gold Fields, under the terms of its Farm In and Joint Venture agreement with the Company, will meet certain minimum expenditure requirements for a number of tenements held by the Group. Gold Fields must spend a minimum of $4 million by 7 June 2020 on the tenement package that forms the Western Lefroy JV area. At that point, Gold Fields can elect to withdraw or continue the next phase of earn in commitment. Gold Fields is expected to spend $1 million on exploration expenditure within the next year.

The amount included is considered by management to be a conservative estimate of future costs in order to maintain the Group's interest in present tenement areas. If the Group decides to relinquish, farm out, vary, convert or otherwise change its areas of interests that are in good standing with the Department of Mines & Petroleum (subject to receipt of approval), such amounts that are committed will also change.

NOTE 7: COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Lease commitments: Group as lessee

	31-Dec-18	30-Jun-18
	$000	$000
Up to 1 year	30	18
Between 2 and 5 years	-	-
	30	**18**

The directors are not aware of any contingent liabilities of the Group for the half year ended 31 December 2018.

NOTE 8: DIVIDENDS PAID

No dividends were paid or provided for during the half year ended 31 December 2018 (2017: $NIL)

NOTE 9: FAIR VALUES

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount.

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

On 23 January 2019, the Company completed the sale of its 100% interest in the Murchison Project to GSM. As consideration for the sale, the Company received:

- $25,000 cash consideration
- 1,700,000 fully paid ordinary shares in GSM; and
- 800,000 options in GSM, at an exercise price of $0.25 each and expiring 26 October 2022.

Shares and options issued to the Company are subject to a one year escrow period.

There has been no other matters or circumstance, which has arisen since 31 December 2018 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2018, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2018, of the Group.

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
ARBN 052 123 930

DIRECTORS' DECLARATION

The Board of Directors of Lefroy Exploration Limited state that the accompanying financial statements have been prepared in accordance with International Financial Reporting Standards and that in their opinion:

a) the consolidated statement of profit or loss and other comprehensive income drawn up presents fairly the results of the Group for the 6 months ended 31 December 2018.

b) the accompanying consolidated statement of financial position drawn up presents fairly the state of affairs of the Group at 31 December 2018.

c) having regard to the matters set out in note 1(d) to the financial report, at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of directors.

Wade Johnson.

WADE JOHNSON

Managing Director

Dated this 15 day of March 2019.

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To the members of Lefroy Exploration Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report, which comprises the consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not presented fairly, in all material respects, in accordance with IAS 134 Interim Financial reporting. As the auditor of Lefroy Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Lefroy Exploration Limited does not present fairly, in all material respects, the financial position of the consolidated entity as at 31 December 2018 and its financial performance and its cash flows for the half ended on that date, in accordance with IAS-134 Interim Financial Reporting.

Material uncertainty related to going concern

We draw attention to Note 2(d) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
15 March 2019