LEFROY EXPLORATION LIMITED

FINANCIAL REPORT

For the half year ended 31 December 2019

Incorporated in the British Virgin Islands IBC No 29457

Australian Registered Body Number 052 123 930

TABLE OF CONTENTS

Corporate Directory **1**

Directors' report **2**

Half-Year Financial report

- Consolidated statement of profit or loss and other comprehensive income **9**
- Consolidated statement of financial position **10**
- Consolidated statement of changes in equity **11**
- Consolidated statement of cash flows **12**
- Notes to the financial statements .... **13 - 21**

Directors' declaration **22**

Independent auditor's review report **23**

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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PERTH WA 6000

Share Registry
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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 2019 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)

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 2019, 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 tenement packages, with work being continued by Gold Fields Limited (Gold Fields) at the Western Lefroy JV area and by the Company at the wholly owned Eastern Lefroy tenements.

The key exploration highlights during the six months was: -

- At Eastern Lefroy, multiple reverse circulation (RC) drilling programs were completed at the Lucky Strike prospect located within 5km's of Silver Lake Resource's Randalls processing plant. Maiden drilling programs were completed at the Hang Glider Hill and Mulga 3 prospects
- At Lucky Strike, two phases of RC drilling further enhanced and extended the gold system within Banded Iron Formation (BIF) host rocks with the discovery of a new shallow oxide gold zone to the south east
- Significant multiple shallow oxide gold intersections were returned from the Lucky Strike drilling program including: -
    - ***19m @ 4.52g/t Au from 45m in LEFR167***
    - ***17m at @2.41g/t Au from 111m in LEFR173***
    - ***18m @ 6.57g/t Au from 68m in LEFR140***
    - ***22m at 2.49g/t Au from 63m in LEFR152***
- A maiden aircore drilling program was completed at a new target known as Mulga 3, which is proximate to both Lucky Strike and Red Dale

- At Hang Glider Hill in the north west region of the Eastern Lefroy gold project, an early stage three-hole diamond drilling program intersected visible gold in the first hole (19HGDD001), with significant shallow gold intersections including 6.8m @ 1.86g/t Au from 53.7m**.**

- At the Western Lefroy JV project managed by Gold Fields Limited the foundation aircore drilling program that commenced in January 2019 was completed. It comprised 776 holes for 40,421m.
- At the Zanex prospect located in Lake Lefroy, a total of 34 RC holes were completed on four wide spaced drill sections

The Group recorded a loss during the half year (after providing for income tax) amounting to $464,000 (Dec 2018: loss $435,000).

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 249km^2 of wholly owned tenements including Lucky Strike, Red Dale, Hang Glider Hill, Havelock and other sub-projects along the regional scale 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 2019 was focused on the Lucky Strike exploration hub located within 5km of Silver Lake Resources' (ASX: SLR) Randalls processing plant. This involved two phases of reverse circulation (RC) drilling at Lucky Strike and a maiden aircore (AC) drilling program at a new target, Mulga 3 located 3km to the north east of Lucky Strike.

Exploration was also focused at the Hang Glider Hill prospect located 17km to the north west of Lucky Strike. An initial three-hole investigative diamond drill program was completed with encouraging gold results.

DIRECTORS' REPORT

The Company acquired during the six months an additional tenement in the Lucky Strike - Red Dale exploration area to complement the Eastern Lefroy tenement portfolio. In December 2019 the Company's tenement application covering the Burns gold-copper prospect, near to Lucky Strike, was the first drawn in a highly contested tenement ballot.

At Western Lefroy, JV partner Gold Fields completed the foundation air core drilling program that was initiated in January 2019 over tenements specifically covering Lake Lefroy. Subsequent to the completion of this program, a maiden wide spaced RC drilling program was undertaken at the Zanex prospect.

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 and continues to focus exploration at three priority centres or hubs along the trend. These hubs are ranked according to the level of prior exploration activity, gold anomalies identified and 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 to 31 December 2019 the Company completed activities at the Lucky Strike and Hang Glider Hill exploration hubs involving diamond RC, AC and auger drilling.

Lucky Strike

Lucky Strike is located approximately 35km north east of Gold Fields' St Ives processing plant and 5km south west of the Randalls Processing Plant operated by Silver Lake Resources (ASX:SLR). Gold mineralisation at Lucky Strike is hosted within multiple north west trending Banded Iron Formation (BIF) units interbedded with shale. Lucky Strike is within a gold mineralised trend defined by wide spaced AC drilling over a 3000m strike length. The Company has been methodically evaluating Lucky Strike through a combination of RC and diamond drilling since its discovery in early 2018.

In the half year the Company completed two phases of RC drilling totaling 46 angled holes for 6303m of drilling. The initial wide spaced step out program of 27 holes yielded multiple high-grade gold intersections and extended the deeply oxidised, BIF hosted gold mineralisation a further 320m along strike to the south east. This program delivered the highest gram-metre intersection at Lucky Strike, being 18m at 6.57g/t Au from 68m in LEFR140. The program supported the existence of a new south east plunging lode within the BIF hosted mineralisation.

This was followed up with an 18 hole RC and diamond drilling program that aimed to improve the understanding of the continuity and variability of the high grade mineralisation up and down dip of

LEFR140. The results from that program confirm and reinforce interpretation of a new BIF hosted plunging lode centered on LEFR140 that is open down plunge. A strong gold intersection was returned from each of the three 20m spaced sections drilled, and one hole (LEFR173) highlighted the discovery of a new ore position that is also open.

Significant results returned from that program include: -

- 19m @ 4.52g/t Au from 45m in LEFR167
  incl. 9m @ 8.67g/t Au from 49m
- 17m at @2.41g/t Au from 111m in LEFR173
  incl. 3m @ 10.4g/t Au from 113m
- 11.1m at 2.47g/t Au from 56.9m in LSRD013
  Incl. 4.5m @ 3.73g/t from 63.5m
- 6m at 4.97g/t Au from 60m in LEFR171

The confirmation of the plunging high-grade ore zone centered on hole LEFR140 provides support to the Company's interpretation that there is potential for additional near surface high grade ore shoots along a 400m strike length of the BIF that is currently only been evaluated by wide spaced RC drilling.

Hang Glider Hill

Hang Glider Hill (HGH) is located in the north west region of the Company's Lefroy Gold Project ("LGP" or "Project"), approximately 50km to the south east of Kalgoorlie. HGH is located close to the interpreted position of the regional scale Mt Monger Fault, along which (some 17km along strike to the south east) the Company has also identified the high-grade Lucky Strike prospect.

Hang Glider is also located approximately 8km south west of the high-grade Daisy Milano underground mine, operated by Silver Lake Resources (ASX: SLR), which is central to three operating gold plants at Jubilee, St Ives and Randalls. Each of these plants is within 35km of HGH.

During the December 2019 quarter, three angled diamond drill holes were completed (refer LEX ASX release 29 November 2019). The holes were designed to evaluate the geology beneath the topographical feature known as Hang Glider Hill and constitute the maiden drilling by Lefroy at this developing gold prospect.

The 3 angled diamond holes were drilled on three drill sections spaced 80m apart. The results of the early stage drilling confirmed gold mineralisation within a sheared and quartz veined rock package in hole 19HGDD001. The diamond holes 80m along strike either side of 19HGDD001 intersected a similar geological sequence but were not significantly mineralised.

Significant results returned from 19HGDD001 include: -

- 6.8m @ 1.86g/t Au from 53.7m
- 7.68m @ 0.66g/t Au from 44m (includes VG)

The three diamond holes provide key geological information of the rock package in fresh rock (primary zone) and reinforce the gold prospectivity of the area. This information can now be placed in context with a number of other geological indicators that the Company has been acquiring and building upon since early 2018. In particular, these include the distribution and coincidence of gold nuggets with a gold anomaly defined from auger sampling over a 2km strike length north west from HGH.

Mulga 3

The Mulga 3 prospect is located approximately 3km north east of Lucky Strike prospect and is 1km west of Silver Lake Resources (ASX: SLR) Randalls Processing Operation that includes the now closed Salt Creek mine.

The Mulga 3 target was generated by the Company from interpretation of imagery derived from processing of geophysical data sets, in particular detailed gravity data (refer LEX ASX release 6 December 2019). During the December 2019 quarter an early stage AC drilling program was completed as an initial evaluation of the concept. Forty-nine angle holes for 2223m were completed on six 160m spaced drill traverses to evaluate approximately 1000m of strike.

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

The Western Lefroy tenement package, which is being farmed into by Gold Fields, covers Lake Lefroy and the surrounding area. The package comprises 372km2 of the total 621km2 of the Lefroy Gold Project and is adjacent to Gold Fields' +10 million-ounce St Ives Gold operations.

During the September 2019 quarter Gold Fields completed a major full field aircore (AC) drilling program on tenements within Lake Lefroy (refer: LEX ASX release 31 January 2019). The program was designed to yield foundation geological and geochemical information that can be interrogated in conjunction with the geophysical data captured in 2018 to deliver specific drill targets for deeper drill testing and hence termed foundation drilling. Since commencement of drilling in January, 776 vertical air core holes totalling 40,421m have been completed.

The results of this foundation drilling enhanced and extended the Zanex trend to a 4000m strike length. In August 2019 Gold Fields initiated a wide spaced RC drill program to further evaluate the system. Thirty-four angled RC holes totalling 6748 metres of drilling were completed on four wide spaced drill sections. Compilation and interrogation of the of drill data with the foundation air core drilling is in progress.

Subsequent to the end of the December 2019 half-year, Gold Fields reported that JV exploration expenditure of $3.8 million had been incurred from JV commencement to 30 June 2019. This is part of the minimum expenditure requirement of $4 million within 2 years of JV commencement before Gold Fields can elect to withdraw from the Agreement (refer LEX:ASX release 7 June 2018).

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 the Company 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, including 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").

During the six months to 31 December 2019 the Company continued to progress options to advance and accelerate exploration on the large prospective tenement holding given the focus and exploration success at the LGP. Discussions were continued with several parties who have expressed interest in the tenement package.

Corporate

The key Corporate activities for the Company for the Half Year to 31 December 2019 were

- A share placement to institutional and sophisticated investors for 19,026,845 fully paid ordinary shares at an issue price of $0.20 per share to raise $3.805 million before costs ('Share Placement'). 17,600,000 fully paid ordinary shares were issued on 23 August 2019. On 11 October 2019, 1,426,845 fully paid ordinary shares were issued to Directors and their related parties who participated in the Share Placement, as approved at the General Meeting of Shareholders held on 1 October 2019;
- The Company released its 2019 Annual Report on 27 September 2019; and
- The Company held its AGM on 2 December 2019. All resolutions were carried by a poll.

Significant changes in state of affairs

There were no significant changes in the Group's state of affairs that occurred during the half year, 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

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 12th day of March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	NOTE	Consolidated 31-Dec-19 $000	Consolidated 31-Dec-18 $000
Income			
Interest Income		12	15
Other Income		18	2
Total Income		30	17
Expenses			
Exploration expense		9	-
Accommodation expenses		15	12
Legal, professional and consulting expenses		126	114
Directors fees		60	63
Travel expenses		11	7
Depreciation expense		15	11
Net loss on financial assets held at fair value through profit or loss	3	29	-
Salaries and wages expenses		108	93
Share based payment expense		35	69
Transaction costs		-	3
Other expenses		86	80
Total Expenses		494	452
Loss for the period before income tax		(464)	(435)
Income tax expense		-	-
Loss after income tax		(464)	(435)
Other comprehensive income		-	-
Total comprehensive loss for the period		(464)	(435)
Loss per share			
Basic loss per share attributable to ordinary equity holders in cents		(0.52)	(0.59)
Diluted loss profit per share attributable to ordinary equity holders in cents		(0.52)	(0.59)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTE	Consolidated 31-Dec-19 $000	Consolidated 30-Jun-19 $000
ASSETS			
Cash and cash equivalents		2,258	372
Trade and other receivables		62	53
Financial assets at fair value through profit or loss	3	121	150
Other current assets		22	12
Total current assets		2,463	587
Property, plant and equipment		61	70
Exploration and evaluation assets	4	8,927	7,606
Total non-current assets		8,988	7,676
TOTAL ASSETS		11,451	8,263
LIABILITIES			
Trade and other payables		143	196
Provisions	5	64	60
Total current liabilities		207	256
Provisions	5	143	-
Total non-current liabilities		143	-
TOTAL LIABILITIES		350	256
NET ASSETS		11,101	8,007
EQUITY			
Issued Capital	6	32,126	28,603
Foreign currency translation reserve		(111)	(111)
Share based payment reserve	7	483	448
Accumulated losses		(21,397)	(20,933)
TOTAL EQUITY		11,101	8,007

The accompanying notes form part of these financial statements.

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
ARBN 052 123 930

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Consolidated	NOTE	Contributed equity $'000	Accumulated losses $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Total equity / (shareholders' deficit) $'000
At 1 July 2018		**26,095**	**(20,193)**	**345**	**(111)**	**6,136**
Profit / (Loss) for the period		-	(435)	-	-	**(435)**
Total comprehensive profit/ (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**
At 1 July 2019		**28,603**	**(20,933)**	**448**	**(111)**	**8,007**
Loss for the period		-	(464)	-	-	**(464)**
Other comprehensive income, net of income tax		-	-	-	-	**-**
Total comprehensive loss		-	(464)	-	-	**(464)**
Issue of ordinary shares (net of costs)		3,523	-	-	-	**3,523**
Share based payments	7	-	-	35	**-**	**35**
At 31 December 2019		**32,126**	**(21,397)**	**483**	**(111)**	**11,101**

The accompanying notes form part of these financial statements.

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	NOTE	Consolidated 31-Dec-19 $000	Consolidated 31-Dec-18 $000
Cash flows from operating activities			
Payments to suppliers and employees		(419)	(715)
Interest received		12	15
Net cash flows used in operating activities		**(407)**	**(700)**
Cash flows from investing activities			
Payments for exploration and evaluation		(1,224)	(830)
Payments for plant and equipment		(6)	(8)
Net cash flows used in investing activities		**(1,230)**	**(838)**
Cash flows from financing activities			
Proceeds from issue of shares		3,805	2,590
Payments of share issue costs		(282)	(186)
Net cash flows generated from financing activities		**3,523**	**2,404**
Net (decrease)/increase in cash and cash equivalents held		**1,886**	**865**
Cash and cash equivalents at the beginning of the financial period		372	523
Cash and cash equivalents at the end of the financial period		**2,258**	**1,388**

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 2019: 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 2019, except for the impact of new and amended Standards and Interpretations adopted on 1 July 2019 as described below.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with *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. During the half year, the Group recognised a rehabilitation provision involving certain judgements, estimates and assumptions as described below.

Rehabilitation provision

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and cost increases. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

All other judgements, estimates and assumptions applied in the consolidated financial statements for the half year ended 31 December 2019, 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 2019.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

The Group's cash flow forecasts through to 31 March 2021, reflect that the Group has sufficient working capital to enable it to meet its committed administration, exploration and operational expenditure over this period.

Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis.

(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) New and amended standards and interpretations

The Group applied all new and amended Accounting Standards and Interpretations that were effective 1 July 2019. The nature and effect of the changes as a result of the adoption of the new standard and interpretation are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

(g) New and amended standards and interpretations (continued)

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office rental and accommodation rental (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

The application of the above new standard had no material impact on the balances and transactions recognised in the consolidated financial statements for the half year ended 31 December 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes ("IAS 12") and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

· Whether an entity considers uncertain tax treatments separately;
· The assumptions an entity makes about the examination of tax treatments by taxation authorities;
· How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
· How an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. There was no impact on the half year financial report from the Group adopting IFRIC 23.

NOTE 3: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	Consolidated	
	31-Dec-19	30-Jun-19
	$000	$000
Carrying amount at the beginning of the period	150	-
Acquisition of Golden State Mining Limited shares	-	247
Acquisition of Golden State Mining Limited options	-	50
Net loss of financial assets at fair value through profit or loss	(29)	(147)
Carrying amount at the end of the period	121	150

The Group has available to it various methods in estimating the fair value of listed investments. The methods comprised:

Level 1: The fair value is calculated using quoted prices in active markets for identical assets or liabilities.

Level 2: The fair value is estimated using inputs other than quotes prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of financial assets at fair value through profit or loss listed above were calculated as follows:

o Level 1 for listed shares in GSM based on the quoted share price

o Level 2 for unlisted options in GSM, valued using a Black-Scholes-Merton option pricing model with the following inputs

Volatility	49%
Expected term	2.81 years
Expected vesting period	2.81 years
Share price at valuation date	$0.070
Expected dividends	$Nil
Risk-free rate	0.77%
Exercise price	$0.250

NOTE 4: EXPLORATION AND EVALUATION ASSETS	Consolidated	
	31-Dec-19	30-Jun-19
	$000	$000
Exploration and evaluation assets		
Carrying amount at the beginning of the period	7,606	5,928
Less carrying amount of Murchison Project disposed of	-	(25)
Expenditure incurred during the year (i)	1,321	1,703
Carrying amount at the end of the period	8,927	7,606

(i) Includes $143,000 recognised as the present value of the estimated costs to rehabilitate areas of tenure disturbed during exploration activities. Refer to Note 5 for further details.

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: PROVISIONS

	Consolidated	
	31-Dec-19	30-Jun-19
	$000	$000
Current		
Employee benefits	64	60
	64	60
Non-current		
Rehabilitation (i)	143	-
	143	-

(i) Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the Group's right to tenure over areas of exploration. The Group assesses its rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The nature of these restoration activities includes: dismantling and removing structures; dismantling operating facilities; and restoring, reclaiming and revegetating affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related exploration assets to the extent that it was incurred as a result of exploration activities undertaken.

Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.
Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 6.

NOTE 6: ISSUED CAPITAL

Issued Capital	31-Dec-19 Nos.	30-Jun-19 Nos.	31-Dec-19 $000	30-Jun-19 $000
(a) Share capital				
Fully Paid Ordinary Shares	94,686,745	75,659,900	32,126	28,603

NOTE 6: ISSUED CAPITAL (CONTINUED)	**Consolidated**	
	Nos.	$000
(b) Movements in issued capital		
Fully Paid Ordinary Shares		
Beginning of the financial year	58,963,920	26,095
13 July 2018 – Share Placement	15,190,980	2,430
24 August 2018 – Share Placement	1,000,000	160
Share issue costs	-	(183)
15 May 2019 – Shares issued in lieu of drilling services received	505,000	101
Balance at 30 June 2019	75,659,900	28,603
23 August 2019 - Share Placement	17,600,000	3,520
11 October 2019 - Share Placement (i)	1,426,845	285
Share issue costs	-	(282)
Balance at 31 December 2019	94,686,745	32,126

(i) Shares issued to Directors and their related parties who participated in the Share Placement, as approved at the General Meeting of Shareholders held on 1 October 2019.

NOTE 7: RESERVES	**Consolidated**	
	31-Dec-19 $000	30-Jun-19 $000
(a) Reserves		
Foreign currency translation reserve	(111)	(111)
Share based payments reserve (i)	483	345

(i) Share Plan Shares

As at 30 June 2019 there were 5.8 million ordinary shares (2018: 5.8 million ordinary shares) held by the Lefroy Exploration Share Plan (the 'Share Plan Trust'), previously named the U.S. Masters Executive Plan Trust, on behalf of Directors and employees, held in conformity with the Share Plan Trust rules.

During the half year ended 31 December 2019:

- 500,000 and 250,000 fully paid ordinary shares of three equal tranches were assigned to Messrs Wade Johnson and Geoffrey Pigott respectively. These additional shares are subject to the same terms and vesting conditions of existing ordinary shares within the plan. Approval for their issue was received from Shareholders at the General Meeting held on 1 October 2019.

NOTE 7: RESERVES (CONTINUED)

A reconciliation of Share Plan ordinary shares is as follows:

Director	1-Jul-19	Grants	Other	31-Dec-19
Gordon Galt	1,000,000	-	-	1,000,000
Michael Davies	1,000,000	-	-	1,000,000
Geoffrey Pigott	1,000,000	250,000	-	1,250,000
Wade Johnson	1,500,000	500,000	-	2,000,000
Other employees	550,000	-	-	550,000
Unassigned	750,000	(750,000)	-	-
Total	5,800,000	-	-	5,800,000

Directors and employees are not entitled to the shares held by the Share Plan Trust until the relevant vesting conditions are met. All ordinary shares held by the Share Plan Trust are issued in three equal tranches and subject to the same vesting conditions, outlined below and as approved by the Company's shareholders on 12 September 2016:

(i) Tranche one (33.33%) – When the Company's share price (as traded on the ASX) exceeds $0.30 per share;
(ii) Tranche two (33.33%) – When the Company's share price (as traded on the ASX) exceeds $0.40 per share; and
(iii) Tranche three (33.33%) – When the Company's share price (as traded on the ASX) exceeds $0.50 per share

The Share Plan shares issued to the Directors during the half year ended 31 December 2019 were valued using an option pricing model with the following inputs:

Measurement date	11-Oct-19
Volatility	136%
Expected term	3 years
Expected vesting period	3 years
Share price at grant date	$0.22
Expected dividends	$Nil
Risk-free rate	0.77%
Exercise price	$0.30 $0.40 $0.50
Expected director exit rate per year	Nil%
Market based vesting conditions	As outlined above
Fair value at grant date	**$0.160** **$0.151** **$0.144**

The total amount expensed during the half year ended 31 December 2019 in relation to the Share Plan Trust shares was $35,481 (2019 financial year: $103,477).

NOTE 8: RELATED PARTY TRANSACTIONS

Transactions with key management personnel of the entity or its parent and their personally related entities are set out below. All other Key management personnel compensation is consistent with the disclosures of the Groups 2019 annual financial statements for the financial year ended 30 June 2019.

- New Holland Capital Pty Ltd ('NHC'), a subsidiary of Taurus Funds Management Pty Ltd and a related party of Messrs Gordon Galt and Michael Davies was engaged during the half year to provide advisory services to the Group in relation to a potential transaction involving the Lake Johnston project. For the half year ended 31 December 2019, the Group paid NHC a total of $25,000 (excluding GST) for advisory services rendered with a further $5,000 (excluding GST) owing at half year end.
- NHC provided capital raising services to the Group in relation to its August 2019 Share Placement. A total amount of $39,015 (excluding GST) was paid to NHC in relation to these services during the half year ended 31 December 2019.
- Messrs Wade Johnson and Geoffrey Piggott were also offered additional fully paid ordinary shares in the Group as per the terms and conditions set forth within the Lefroy Exploration Share Plan. Further details of the terms and conditions attached to this offer are disclosed within Note 7 of this report.

Certain directors of the Company also participated in the share placement, acquiring 1,426,845 additional shares for a total of $286,000. For further details refer to Note 6 of this report.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Exploration Commitments

	31-Dec-19	30-Jun-19
	$000	$000
Up to 1 year	498	465
Between 2 and 5 years	908	670
	1,406	**1,135**

The expenditure commitment of the Group for later than one year but not later than five 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.

In addition to the above, the Group will also need to meet certain minimum expenditure requirements associated with the Western Lefroy Project which is subject to a Farm In and Joint Venture agreement with Gold Fields.

A further $418,000 of exploration expenditure is required for the Western Lefroy Project's exploration commitments within the next year. $380,000 of this exploration expenditure for the Western Lefroy Project is subject to and expected to be met under the terms of the Farm in and Joint Venture agreement with Gold Fields.

NOTE 9: COMMITMENTS AND CONTINGENCIES (CONTINUED)

A further $551,000 of exploration expenditure is required for the Western Lefroy Project's exploration commitments later than one year but not later than five years.

Gold Fields, under the terms of its Farm In and Joint Venture agreement with the Company 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 continue its exploration program and expenditure within the next year.

The amounts included above are 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.
The directors are not aware of any contingent liabilities of the Group for the half year ended 31 December 2019.

NOTE 10: DIVIDENDS PAID

No dividends were paid or provided for during the half year ended 31 December 2019 (2018: $NIL)

NOTE 11: FAIR VALUES

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

NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no other matters or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2019, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2019, of the Group.

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 2019.

b) the accompanying consolidated statement of financial position drawn up presents fairly the state of affairs of the Group at 31 December 2019.

c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

WADE JOHNSON

Managing Director

Dated this 12th day of March 2020.

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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 of Lefroy Exploration Limited, which comprises the consolidated statement of financial position as at 31 December 2019, and the 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 accompanying 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 also 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, nothing has come to our attention that causes us to believe that the accompanying half year financial report of Lefroy Exploration Limited does not present fairly, in all material respects, the company's financial position as at 31 December 2019 and its financial performance and its cash flows for the half year ended on that date, in accordance with IAS 134 *Interim Financial Reporting*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
12 March 2020

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