LEFROY EXPLORATION LIMITED

ANNUAL REPORT

30 June 2018

Incorporated in the British Virgin Islands IBC No 29457

Australian Registered Body Number 052 123 930

Corporate Information

Directors

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)

Company Secretary
Susan Hunter

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

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CHAIRMANS' LETTER

Dear Shareholders

The 2018 financial year has been the first full year of Lefroy's exploration activities. I won't comment here on what we have been doing this year as this is adequately covered in the Director's Report and will concentrate instead on where we see Lefroy heading in future years. In essence this is very straighforward - we will remain squarely focussed on achieving significant gold and nickel discoveries in Western Australia.

Around Australia we are seeing exploration expenditure rising steadily, with around $500m now being spent each quarter. Nearly half of that is spent on gold exploration, mainly in Western Australia, with some spectacular finds reported. We believe that these finds continue to demonstrate that Western Australia is not an "old" area for gold discovery. Government remains very supportive of our industry, with regional magnetic and gravity surveys and specific grants for drilling – one of which we have secured. So the location and policy framework for our agenda is very strong.

Our company has a huge tenement area around Lake Lefroy. With recent pegging we are just under 600 square kilometres. Our need to explore this vast area in a timely manner led us to consumate the strategic partnership with Gold Fields (announced 7 June 2018) to agressively explore the lake area, which we have designated Western Lefroy, while we concentrate on the other tenements, designated as Eastern Lefroy.

The Western Lefroy deal is a geat deal for both parties. It is a multi year effort and we can be sure that it will be thorough. Lefroy now has access to the right equipment and the experienced geoscientists who best know how to find things under the Lake. They have specialised knowledge and insights which would have taken us a long time to obtain. They already have the processing facilities to ensure that any worthwhile finds can be turned into operating projects in the shortest possible time. If we are in the fortunate position that our partnership does find something worthwhile, there is little doubt that we will be able to raise any share of capital we need to participate appropriately in a development of that discovery.

That leaves us to turn our own team's efforts to the exciting Eastern Lefroy area, with high grade hits and a lot of ground that has had little or no exploration. This situation is typified by the Hang Glider area, where gold nuggets have recently been found along the Mt Monger Fault trend. It is hard to imagine that this sort of area hasn't been looked at before, but it does seem that the more we get onto the ground in Eastern Lefroy then the more we can find, with earlier explorers having either overlooked, or not looked at all at, significant prospects.

We have recently raised funding to continue our search. This has been done at a reasonable price and was well supported, and we thank all continuing shareholders and those who have joined us as new shareholders and expressed their confidence in the best possible way – by investing – for your support. We look forward to providing you with regular updates on plans and progress.

I would like to thank our dedicated and committed exploration team, including contractors and suppliers, for your hard work, excellent initiatives and especially for your safe work through the past year. I also thank our board members, who played a large part in securing the Gold Fields partnership, for their guidance and personal work this past year.

We hope you enjoy reading this report and as always welcome questions on all we are doing in pursuit of discovery.

Yours Sincerely

Gordon Galt

DIRECTORS' REPORT

Your directors submit their report on Lefroy Exploration Limited ('Lefroy' or the 'Company') and it's consolidated entities (referred to hereafter as the 'Group') for the year ended 30 June 2018.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report follow. Each director was in the office for this entire period unless otherwise stated.

Gordon Galt, (Non - Executive Chairman) - Appointed 1 July 2010

B.Eng (Hons) (Qld Uni); B.Comm (Qld Uni); Grad Dip Applied Finance (Finsia); MAusIMM; MAICD

Gordon is a mining engineer with extensive experience in operations, project development, senior management and directorship across a range of commodities, especially gold, copper and coal. Gordon was General Manager at Ulan Coal in NSW's Hunter Valley then Managing Director at Cumnock Coal in 1996. He then was Managing Director with Newcrest Mining where he oversaw development of the Cadia and Ridgeway Copper/Gold mines in NSW, the Gosowong Gold Mine in Indonesia and the redevelopment of the Telfer Copper/Gold mine in WA. Gordon entered investment banking in 1999 as Managing Director for Energy, Chemicals and Pharma at ABN AMRO and later was a founding Principal at Taurus Funds Management Pty Ltd. Gordon is currently Chairman of NuCoal Resources Ltd and Realm Resources Limited and is a Non-Executive Director of Finders Resources Ltd. Gordon was a Director at Delta SBD Ltd to 30 June 2016.

Wade Johnson, (Managing Director) - Appointed 19 October 2016

BSc. (Hons) MAIG

Wade is a geologist with over 25 years' experience in mineral exploration with a focus on gold in Western Australia. He was most recently exploration manager for Kalnorth Gold Mines Limited, where he oversaw exploration of the company's gold tenements near Kalgoorlie over a period of five years. Prior to this Wade was with Newmont for 10 years, where he held senior roles as Exploration Manager for Australia and then as Exploration Manager for Asia Pacific. During this time he was responsible for the management of green-fields exploration programs and project generation across the Yilgarn, Tanami, North Queensland and the Lachlan Belt (NSW) with a significant amount of activity in Western Australia. He has also had extensive exploration project management and field experience throughout the Northern Goldfields and Murchison with Wiluna Mines Limited, ASARCO, and St Barbara Mines Ltd. Wade has not had any other directorships in the past three years.

Michael Davies, (Non - Executive Director) – Appointed 1 July 2010

BA (Hons); MBA

Michael is a specialist in resource financing, with over 20 years' experience in investment banking (Barclays, BZW and ABN AMRO), originating, structuring and arranging debt and providing corporate advice to natural resources companies internationally. Michael also has had extensive commercial experience more broadly in the mining industry, having been involved in the negotiation of joint venture agreements, participating on joint venture committees and negotiating the acquisition and sale of mining tenements. Michael is also a founding Principal and Director of Taurus Funds Management Pty Ltd and is a Non-Executive Director of NuCoal Resources Ltd and Realm Resources Ltd.

James Beecher, (Non - Executive Director) – Appointed 1 July 2010, Resigned 3 August 2018

B Com; MBA; FCPA; FAICD

James has over 30 years' experience in senior finance, accounting and secretarial positions in resources, financial services and services companies. James has been Chief Financial Officer or Finance Director of NRMA Limited, Savage Resources Limited and Austen & Butta Limited. He held senior accounting positions with the Commonwealth Bank, including Group Financial Controller and Group Chief Accountant. He is currently a Director of ASX listed CBG Capital Limited, He is Deputy Chair of the Australian Institute of Company Directors Reporting Committee.

DIRECTORS' REPORT (CONTINUED)

Geoffrey Pigott, (Non-Executive Director) – Appointed 1 July 2010

M.A., B.A. (Hons); MAIG

Geoff has worked as a professional geologist in a career that encompasses mineral exploration, resource development and mining. His experience has been mainly in gold and base metals with major mining companies including Rio Tinto, Anglo-American, Freeport-McMoran and Newcrest. More recently as Head of Exploration with Aquila Resources, he played a lead role in assembling its extensive portfolio of iron ore, coal and manganese projects.

COMPANY SECRETARY

The following person held the position of Company Secretary during the year and at the date of this report:

- Susan Hunter (Appointed 6 December 2016) BCom; ACA; F Fin; GAICD; AGIA

Interests in the shares and options of the Company and related bodies

As at the date of this report, the relevant interests of the directors and their related parties in the shares and Share Plan Shares of Lefroy Exploration Limited were:

	Ordinary Shares	Share Plan shares
Gordon Galt	1,873,154	1,000,000
Michael Davies	11,982,654	1,000,000
James Beecher – Resigned 3 August 2018	1,550,413	-
Geoffrey Pigott	2,566,487	1,000,000
Wade Johnson	2,061,712	1,500,000

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were:

- Exploration and evaluation of the Lefroy Gold Project, 50km south east of Kalgoorlie
- Focussed drill based exploration at the Lucky Strike and Red Dale prospects, with early stage reconnaissance exploration at the Capstan and Hang Glider Hill prospects
- Executing a binding Farm In and Joint Venture agreement with Gold Fields Limited in relation to a package of tenements in the western portion of the Lefroy Gold Project
- The general administration of the Group

OPERATING AND FINANCIAL REVIEW

The 12 months ended 30 June 2018, which was the first full financial year during which the Company operated as a listed exploration entity, was a foundation exploration year following re-quotation of the Company in October 2016.. The Company focussed on gold exploration at it's flagship 100% owned Lefroy Gold Project to the south east of Kalgoorlie building upon the early stage work completed in 2017. The key focus areas of exploration for the year were advancing the new gold discovery along the Lucky Strike trend and the definition of a small gold resource at Red Dale. This was supported by early stage generative exploration which, in the second half of the year, outlined the Capstan surface gold anomaly and generated a new focus area centered on Hang Glider Hill.

DIRECTORS’ REPORT (CONTINUED)

The key achievements in the Company’s foundation exploration year were:

- Continued exploration at the Lefroy Gold Project, with the following outcomes:-
  - Completion of 131 holes for 8536m of drilling
  - Significant sulphide and oxide gold intersections from RC and diamond drilling at Lucky Strike
  - Defining the Company’s maiden gold resource at Red Dale comprising 484,000tonnes at 1.26g/t Au for 19,600 ounces of gold
  - Completion of three diamond holes at Zanex in Lake Lefroy supporting the concept of a major gold prospective structural corridor known as the Woolibar Fault
  - Outlining an auger gold anomaly at Capstan located approximately 1000m to the north of Lucky Strike
  - Defining an emerging prospective gold area known as an centred on Hang Glider Hill
- Securing the involvement of St Ives Gold Mining Company Pty Ltd, a subsidiary of Gold Fields Limited, to accelerate exploration at the Lefroy Gold Project through a $25million Farm-in and Joint Venture Agreement whereby Gold Fields has the right to earn up to a 70% joint venture interest on a package of tenements termed Western Lefroy

Exploration Overview

Lefroy Gold Project

The Lefroy Gold Project (‘LGP’) is located some 50km to the South East of Kalgoorlie in the Eastern Goldfields Province of Western Australia and is the Company’s flagship project. The Lefroy Gold Project is wholly owned by the Company.

The LGP is a commanding contiguous land package covering in excess of 577km2 in the heart of the world class gold production area between Kalgoorlie and Norseman. The LGP adjoins the Gold Fields owned St Ives gold camp and mining centre, which contains the Invincible gold deposit, currently in production, and located in the western part of Lake Lefroy. The LGP is also immediately south of the Mount Monger Gold Operation and adjoins the site of the Randalls Processing Facility (‘Randalls Mill’) - both operated by Silver Lake Resources (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 covers a large belt of Archaean aged rocks that are transected by major structural trends as interpreted by the Geological Survey of Western Australia (‘GSWA’), previous explorers and researchers. The Company is the first to amalgamate these tenement areas under one ownership, compile historical exploration data and conduct methodical systematic gold exploration in the search for a new, large gold system.

Exploration during the year progressed the early stage exploration work completed along the Lucky Strike trend in the previous year, and initiated drilling at Red Dale and early stage auger drilling at Capstan. A discrete program of diamond drilling was also completed at the Zanex prospect located along the Woolibar trend in Lake Lefroy.

Woolibar Trend

The Woolibar Trend covers a 13km north westerly trending sequence of rocks within the eastern part of Lake Lefroy which are along, or subparallel to, the informally defined north westerly trending structure termed the Woolibar Fault.

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DIRECTORS' REPORT (CONTINUED)

The Woolibar Fault is to the east of, and parallel to, the Boulder Lefroy and Speedway Faults, which have a primary influence on gold deposits at the St Ives gold camp. The Invincible gold mine at St Ives is situated along the Speedway Fault. The Woolibar Fault extends for approximately 15km in a south easterly direction within Lake Lefroy and the Company believes this may be a structure analogous to the Boulder Lefroy and Speedway Faults and hence prospective for gold mineralisation.

The Zanex Prospect is the most advanced of a number of gold prospects identified by aircore drilling during 2017 in Lake Lefroy. The prospects were initially identified by a geophysical based targeting exercise completed in December 2016.

The Zanex gold anomaly, defined by air core drilling during 2017, has established a north westerly trending sequence of strongly altered and deformed, high Mg basalt, that is intruded by porphyry and is open along strike. The best intersection for this air core drilling was 17m at 2.14 g/t Au from 40m to the end of hole in LEFA047.

During the year three (3) pre-collared angled diamond holes totalling 573m were drilled at Zanex to test for a primary mineralised zone beneath the oxidised rock (saprolite), transported cover and more recent lake sediments over a 380m strike length. Holes depths ranged from 156m to 210m. The secondary objective of the program was to gain a better appreciation of the host stratigraphy, alteration and structure to better understand the regional significance of the Woolibar Fault.

The three holes, spaced 140m apart, targeted the main part of the Zanex gold anomaly. The program was partly supported by co-funding through the State Government of Western Australia's Exploration Incentive Scheme (EIS).

The drilling intersected a variably deformed favourable geological sequence of basalt, metasediments and ultramafics intruded by multiple felsic porphyry dykes. A strong deformation zone was intersected at the metasediment-ultramafic contact with associated subtle (0.05-0.20g/t Au) primary gold mineralisation within LEFD003.

Whilst no significant gold intersections were recorded the program has successfully advanced the geological model and confirmed the structural trend that supports the Woolibar Fault concept.

Lucky Strike

The Lucky Strike prospect is located approximately 3km to the northwest of the high-grade Lucky Bay open pit which was mined by Silver Lake Resources (ASX: SLR) during 2015, and is 5km to the south west of the Randalls Processing Plant currently being operated by SLR.

Reconnaissance, early stage (wide spaced) air core drilling by the Company since November 2016 has defined a new and emerging gold mineralised trend hosted within sedimentary rocks over a 3,000m strike length. In August 2017, a six hole diamond drilling program was completed to determine the nature of the host rock and gold mineralisation along the trend. Discovery drill hole LSRD006 returned significant multiple, narrow, high grade oxide gold intersections.

The mineralised intervals in LSRD006 correspond to a wide zone (approximately 25m down hole length) of highly oxidised Banded Iron Formation (BIF) and siltstone. Significant intersections from LSRD006 included 1.7m at 63g/t Au from 44.7m (Inc. 0.9m at 107g/t Au) and 0.3m at 10.3g/t Au from 46.6m. Subsequent multiple programs of reverse circulation (RC) drilling supported by focussed diamond drilling were focused on expanding the dimensions of the mineralisation along strike from LSRD006. As a result BIF hosted gold mineralisation has been defined over a 300m strike length.

The results from the drilling delivered strong, broad gold intersections from several sections drilled and support a coherent high grade component to the system. The drilling intersected multiple, mineralised banded iron formation ("BIF") units within a package of metamorphosed siltstone, shale and black shale. The identification of multiple BIF units improved the potential for a broader zone of mineralisation. The full extent of the thickness of the BIF package is yet to be determined.

DIRECTORS' REPORT (CONTINUED)

Significant results from the April 2018 RC drill program include:-

- **6m at 1.99g/t Au from 60m in hole LEFR069;**
- **6m at 2.26g/t Au from 45m in hole LEFR070;**
- **5m at 13.6g/t Au from 84m in hole LEFR070;**
  - **Including 3m at 22.3g/t au from 85m**
- **7m at 3.64g/t Au from 82m in hole LEFR071;**
  - **Including 2m at 10.2g/t Au from 85m**
- **11m at 2.24g/t Au from 104m in hole LEFR071;**
  - **Including 3m at 6.16g/t Au from 104m**
- **27m at 1.35g/t Au from 33m in hole LEFR073;**
- **14m at 2.81g/t Au from78m in hole LEFR074;**
  - **Including 3m at 9.37g/t Au from 81m**

The gold intersections in holes LEFR070 & LEFR071 were a significant breakthrough for Lucky Strike. These two holes demonstrate continuity of mineralisation both down dip and along strike and also show higher grade intervals within the lower most BIF unit. The gold mineralisation in the lower BIF in both LEFR070 and LEFR071 is from an interval of semi-massive to massive pyrite within BIF in the primary zone (fresh rock) and supports an earlier intersection of similar geology in LEFR058.

Three diamond holes were completed to follow up on the results of the RC drill campaign and were designed to give further appreciation of the nature of the host rock and the controls on gold mineralisation. The drilling confirmed that the highest-grade gold intersections are associated with strong to intense sulphide alteration of primary magnetite and associated de-magnetisation of the BIF host rock. The new drilling successfully intercepted (in LSRD009 at 64.6m) visible gold (associated with quartz veining interpreted to be related to the mineralising event) hosted in fresh rock.

Significant results from the DD drill program include: -

- **4.7m @ 2.44g/t Au from 56.7m in LSRD007**
  - **Incl. 0.9m @ 7.15g/t Au from 59.8m**
- **0.9m @ 2.25g/t from 87.85m in LSRD007**
- **0.2m @ 40.2g/t Au from 64.4m in LSRD009**
- **1.1m @ 10.48g/t Au from 64.8m in LSRD009**
- **3.22m @ 1.95g/t Au from 87.05m in LSRD009**
  - **Incl. 1m @ 5.95g/t Au from 88.7m**

The results from the drill programs at Lucky Strike are encouraging and support the interpretation that the mineralised system is improving at depth, based on the >10g/t Au intercepts.

The Company is highly encouraged that the Lucky Strike mineralisation has the potential to grow significantly with more drilling and provide a sound exploration model for targeting in a region well known for hosting large gold deposits. The further advancement of the understanding of the BIF hosted gold mineralisation can be applied to exploration along the 3000m Lucky strike trend and to the additional parallel BIF trends. To that end, the Company was awarded up to $100,000 for co-funded drilling under the WA State Government's Exploration Incentive Scheme (EIS) for 2 deep diamond drill holes at Lucky Strike (refer to the ASX announcement 1 June 2018) to be completed in the coming year.

In response to the high-grade gold results and the developing coherent gold trend, the Company has lodged an application for a Mining Lease to cover Lucky Strike and its extensions. The Company considers the application as a very important step in the potential early development of Lucky Strike. The application is expected to be granted in early 2019.

DIRECTORS' REPORT (CONTINUED)

Red Dale Prospect

The Red Dale Prospect adjoins, and is immediately north of, the Randalls Processing Plant and Salt Creek Open pit (abandoned) held by Silver Lake Resources (ASX: SLR). Gold mineralisation was identified at Red Dale in 2007 by Integra Mines Limited ("Integra") following on from their discovery of the Salt Creek deposit located 2.5km to the south.

Numerous gold intersections were reported at or near the base of palaeochannel sediments (transported overburden) in gravel horizons overlying a similar package of rocks as found at Salt Creek. The Company believes that this broad anomaly and the intersections are reflecting anomalous gold in transported basal gravels and sands derived from a nearby bedrock source and that the coarse material in the channels is unlikely to have been transported a significant distance.

During the year the Company completed programs of both aircore and RC drilling to further evaluate the gold mineralised palaeochannel system. In the December 2017 quarter, thirteen vertical RC holes evaluated the higher tenor gold mineralised part of a northerly trending palaeochannel system with eleven step out holes and two infill holes. The step out drilling has succeeded in extending the higher tenor gold in palaeochannel system a further 180m in length. Total defined strike is now 500m and is open to the north and south.

Better gold intersections from the program include:-

- **6m at 1.86g/t Au from 45m in LEFR027;**
- **7m at 1.23g/t Au from 41m in LEFR029;**
- **3m at 7.58g/t Au from 48m in LEFR033;and**
- **2m at 1.07g/t Au from 45m in LEFR036**

The results from the drilling program supported the completion of a Mineral Resource estimate (refer to ASX announcement on 27 April 2018). The continuity of mineralisation and grade and the proximity to the Randalls Mill make the Red Dale palaeochannel an attractive proposition. The aerial extent of this regolith hosted mineralisation is a gold anomaly that has provided guidance to exploration for a primary source, but given the proximity to the Randalls Mill, it was recognised by the Company as an envelope of oxide mineralisation, which, in itself could carry a resource estimate.

Resource Evaluation Services ('RES') prepared the maiden resource estimate for the Red Dale palaeochannel mineralisation based on drill holes available as of 8 January 2018. A digital geological model was constructed based on sectional interpretations provided by the Company. The Model was estimated by RES using Ordinary Kriging. The model is considered by RES to be a robust estimation of the in-situ resource.

At a 0.5g/t Au cutoff grade the Red Dale Palaeochannel Mineral Resource Estimate contains 484,000tonnes at 1.26g/t Au (Au cut grade) for 19,600 ounces of gold

The Company lodged an application for a Mining Lease over the key area of gold mineralisation at Red Dale in August 2017 to speedily advance this prospect and was granted in the June 2018 Quarter.

Capstan Prospect

The Capstan prospect is located immediately north of Lucky Strike and a large surface gold anomaly was recognised from assessment of previous surface exploration. The results of an auger drilling program (374 holes) completed in December 2017 were reported during the March 2018 Quarter (refer LEX ASX announcement dated 7 February 2018) and confirmed the anomaly (expressed as a plus 20ppb Au result) over a 950m strike length.

The results from the program have confirmed a large and robust surface gold anomaly (plus 20ppb Au) to the north of Lucky Strike that may represent the surface expression of a bedrock gold source. The anomaly extends over an area approximately 950m by 750m and has a general north westerly trend sub parallel to stratigraphy and the mineralisation identified at Lucky Strike.

The Capstan gold anomaly had not been previously evaluated by drilling. The anomaly is interpreted from geophysical data and regional mapping to overlie a sequence of mafic rocks (Inc. high Mg Basalt, Dolerite) proximate to the interpreted position of the Mt Monger Fault. A mafic rock package has the opportunity in the optimum structural setting to host brittle lode gold style mineralisation.

The Company considers the Capstan anomaly to be significant especially in context of the gold mineralisation intersected at Lucky Strike. Capstan may represent the surface expression of a mafic hosted bedrock gold system that could have a similar structural setting to Lucky Strike and demonstrate a cluster of bedrock mineralisation styles in the immediate area.

Hang Glider Hill Prospect

The Company identified a new gold prospect known as Hang Glider Hill during the year.

The prospect was recognised through ground reconnaissance, research of open file WAMEX reports and further enhanced by the discovery of gold nuggets by a prospector in the immediate vicinity of the ridgeline that dominates the topography.

Ground reconnaissance and research by the Company further highlighted the gold prospectivity of the area by locating previous drill holes on the ridgeline that were drilled in 1993 by Sovereign Resources Limited (refer LEX-ASX release 25 June 2018).

Importantly, the prospect is located close to the interpreted position of the regional scale Mt Monger Fault, along which, and 17km's along strike to south east, the Company has identified the high grade Lucky Strike prospect and adjacent Capstan Surface anomaly. The prospects are all located within the Eastern Lefroy tenement package that is not part of the Farm-in and JV with Gold Fields.

The Company has since further strengthened its land tenure along the Mt Monger Fault and close to Hang Glider Hill by the acquisition of one Exploration Licence and outright application for 3 Prospecting Licences. These tenements give Lefroy a commanding land package along the trend within which to focus future exploration activity.

Lake Johnston Project

The Lake Johnston Project is located 120kms west of Norseman and comprises two exploration licences (E63/1722 & 1723) held under title by Lefroy and one exploration licence (E63/1777) held by Lithium Australia NL (ASX:LIT). These holdings form a cohesive package in excess of 300 sq km over the Lake Johnston Greenstone Belt. Lefroy has acquired the gold and nickel rights to E63/1777 under a Tenement Rights Agreement.

The area is considered prospective for gold and nickel, with the tenement package covering the northern strike extension to the Maggie Hayes and Emily Anne nickel mines. The T1 nickel prospect, where previous drilling of geophysical (Ground EM) anomalies intersected sulphides in ultramafic rocks, lies along strike to the north of Emily Anne.

During the year the company continued to compile previous exploration dating back to the mid 1990's from open file sources. This compilation revealed a detailed ground gravity survey completed in 2009 which partially covers the Company's tenement E63/1723. Analysis of the gravity data supports the Company's interpretation that a regional gravity high within the tenure may reflect an underlying thicker package of ultramafic rocks extending north from the Emily Anne Ni deposit.

The Company will continue to compile and assess previous exploration data to develop targets and an improved geological model to assist with gold and nickel exploration.

Murchison Gold Project

The Murchison Gold Project comprises two pending exploration licences and eighteen pending prospecting licences covering 134km^2 to the west of Cue. One exploration licence lies to the south and along strike from Big Bell, and the other tenements form a contiguous package near to and adjoining the Cuddingwarra Mining Centre. During the year the Company completed negotiations with the Native Title Corporation to execute a Heritage Access agreement that resulted in the grant of the tenements. The Company is considering options to conduct exploration on the large tenement holding given the focus and success at the LGP.

DIRECTORS' REPORT (CONTINUED)

Corporate

The key corporate transaction for the year to 30 June 2018 was the execution of a Farm-In and Joint Venture agreement with Gold Fields in relation to tenements in the western portion of the Lefroy Gold Project, which are now designated as the Western Lefroy Project. The Agreement was executed by the Company, Hogans Resources Limited (a 100% owned subsidiary of the Company), and St Ives Gold Mining Company Pty Ltd, a subsidiary of leading global gold producer Gold Fields Limited (JSE: GFI), ("Gold Fields").

The key terms of the agreement are noted in the ASX release dated 7 June 2018, and in summary are as follows

Gold Fields has the right to earn up to a 70% joint venture interest, which includes the Lake Lefroy JV Tenements, by spending a total of $25 million on exploration activities within 6 years

- Stage 1 farm-in requirements:

Gold Fields to sole fund $10 million of expenditure within 3 years in order to earn a 51% joint venture interest

This includes a minimum expenditure commitment of $4 million within 2 years before Gold Fields can elect to withdraw from the Agreement

- Stage 2 farm-in requirements:

If Gold Fields satisfies the Stage 1 farm-in requirements, it has the option to elect to sole fund a further $15 million of expenditure within a total of 6 years from commencement of the Agreement to earn an additional 19% interest (taking its total interest in the joint venture to 70%)

Gold Fields will manage all exploration activities during the farm-in period

In addition, the Company and Gold Fields entered into an Option Agreement, giving Gold Fields an option but not an obligation to subscribe for up to 8,014,535 shares in the Company exercisable when the Company next conducts a material equity raising.

Subsequent to the year-end 2018, the Company announced (9 July 2018) that it had received firm commitments for $2.59 million (before issue costs) through an oversubscribed placement to institutional and sophisticated investors. The Placement resulted in the issue of a total of 15,190,980 fully paid ordinary shares at an issue price of $0.16 per share on 13 July 2018. New shares issued under the Placement will rank equally with the Company's existing ordinary shares.

Gold Fields supported the raising by exercising its full entitlement under the Option Agreement. This resulted in Gold Fields, through its wholly owned subsidiary St Ives Gold Mining Company Pty Ltd (SIGMC), becoming a substantial shareholder of the Company with a 10% holding.

Certain directors of the Company have also committed to participate in the Placement for a total of $160,000. This participation was approved by shareholders at the Company's General Meeting held on 13 August 2018 (refer to the ASX release dated 27 July 2018)

During the year, the Company changed its Australian Registered Office to Level 2, 11 Ventnor Avenue, West Perth, WA, 6005, Australia.

Operating Results for the Year

	2018 $000	2017 $000
Revenue & Other income	33	1,801
(Loss) / Profit	(1,226)	509

Shareholder Returns	2018	2017
Basic profit/(loss) loss per share (cents)	**(2.08)**	1.07
Diluted profit/(loss) per share (cents) (i)	**(2.08)**	1.07

(i) Diluted earnings per share in the prior year has been restated. Refer to Note 23(d) for further detail.

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends was made.

RISK MANAGEMENT

The Board is responsible for ensuring that risks and opportunities are identified on a timely basis and that activities are aligned with the stated intentions of the Company. Risk Management is a recurring item on the agenda of Board meetings. The Board is also responsible for

- Monitoring and assessing the risk exposure of the Group;
- Conducting comprehensive reviews and making recommendations on the risk of fraud and the Groups internal controls; and
- Reviewing the adequacy of the Groups insurance programs.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in the Operating and Financial Review above, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 July 2018, the Group closed a share placement to institutional and sophisticated investors and 16,190,980 fully paid ordinary shares were subsequently issued at an issue price of $0.16 per share to raise $2.59 million before costs.

Gold Fields Limited elected to exercise its full entitlement under Option Agreement and acquired 8,014,535 shares in the Group to hold approximately 10.0% of shares on issue after completion of the share placement, thereby becoming a substantial holder. Certain directors of the Company also participated in the share placement, acquiring 1,000,000 additional shares for a total of $160,000.

Shares under the share placement were issued on 13 July 2018.

On 27 July 2018, the Company gave notice to it's shareholders of a General Meeting to be held on 13 August 2018. The purpose of this meeting was to ratify shares associated with the share placement, including the approval to issue shares to certain directors and their associated entities. All proposed resolutions were passed on a show of hands.

On 3 August 2018, Mr James Beecher resigned from his position as a Non-excecutive Director of the Company.

No other matters or circumstances have arisen since the end of the financial year which have significantly affected or in the opinion of directors 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 AND EXPECTED RESULTS

Comments on expected likely developments and expected results are disclosed in the Operating and Financial review above.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under audit.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The names and position of key management personnel ('KMP') for the year were as follows:

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)

Remuneration Policy

The remuneration policy of Lefroy Exploration Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives when considered appropriate. The Board of Lefroy Exploration Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain suitable key management personnel to run and manage the Group.

The remuneration policy, setting the terms and conditions for the Managing Director, was developed by the Board. The Managing Director receives a base salary (which is based on factors such as experience) and superannuation. The board will review executive packages as and when it considers it appropriate to do so in accordance with its remuneration policy and by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and shares under the Company's Share Plan Trust from time to time. The policy is designed to reward executives for performance that results in long-term growth in shareholder wealth.

The Managing Director receives the superannuation guarantee contribution required by the government of Australia, which was 9.5% for the 2018 financial year, but is not entitled to receive any other retirement benefits.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought as and when required. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the Share Plan when considered appropriate by the Board.

Performance based remuneration

The Group utilises performance based remuneration to attract and motivate directors and employees and has the Lefroy Exploration Ltd Share Plan which was approved by shareholders on 12 September 2016. Where utilised, shares issued under the Plan do not vest until certain hurdles have been met. The hurdles are based around future events that will advance the Company towards its objectives.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2018.

Service agreements

Gordon Galt, Non-Executive Chairman

- Term of agreement – Commenced on 1 July 2010, fee of $50,000 pa, no notice period of termination is required, and no monies are payable on termination. Gordon Galt waived his fee for the period July to September 2016.

DIRECTORS' REPORT (CONTINUED)

Wade Johnson, Managing Director:

- Term of agreement – Commenced 19 October 2016
- Annual salary of $220,000 excluding superannuation
- The agreement may be terminated by the Company giving 3 months' notice in writing, or by Mr Johnson giving 3 month's written notice, or applicable shorter periods upon breach of contract by either party. No benefits are payable on termination other than entitlements accrued to the date of termination.

Michael Davies, Non-Executive Director:

- Term of agreement – Commenced on 1 July 2010, fee of $35,000 pa, no notice period for termination, and no monies are payable on termination.

James Beecher Non-Executive Director (Resigned 3 August 2018):

- Term of agreement – Commenced 1 July 2010, fee of $35,000 pa. No notice period of termination was required and no monies were payable on termination.

Geoffrey Pigott, Non-Executive Director:

- Term of agreement – Commenced 1 July 2010, fee of $35,000 pa, no notice period of termination is required and no monies are payable on termination.

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

	Short-Term		**Post-Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits	Share Plan shares	
Directors	$	$	$	$	$	$
Gordon Galt *						
2018	**50,000**	**-**	**-**	**-**	**14,722**	**64,722**
2017	**37,500**	-	-	-	**10,285**	**47,785**
Wade Johnson						
2018	**220,000**	**-**	**20,900**	**-**	**78,333**	**319,233**
2017	**198,844**	-	**19,163**	-	**54,726**	**272,733**
Michael Davies						
2018	**35,000**	**-**	**-**	**-**	**14,722**	**49,726**
2017	**35,000**	-	-	-	**10,285**	**45,285**
James Beecher * (i)						
2018	**35,000**	**-**	**-**	**-**	**14,722**	**49,722**
2017	**35,000**	-	-	-	**10,285**	**45,285**
Geoffrey Pigott *						
2018	**35,000**	**-**	**-**	**-**	**14,722**	**49,722**
2017	**35,000**	-	-	-	**10,285**	**45,285**
Total key management personnel compensation						
2018	**375,004**	**-**	**20,900**	**-**	**137,223**	**533,127**
2017	**341,344**	-	**19,163**	-	**95,866**	**456,373**

(i) Resigned 3 August 2018

* Fees were paid to the directors' respective related entity.

Share Plan Trust shares

As at 30 June 2018 there were 5.8 million ordinary shares (2017: 5.5 million ordinary shares) held by the Lefroy Exploration Share Plan (the 'Share Plan Trust'), previously named the U.S. Masters Executive Plan Trust, in conformity with the Share Plan rules.

During the year ended 30 June 2018:

- 300,000 new fully paid ordinary shares of three equal tranches were added to the Share Plan Trust and assigned to an employee of the Group who is not a KMP. These additional shares are subject to the same terms and vesting conditions of existing ordinary shares within the plan.

A reconciliation of Share Plan ordinary shares is as follows:

Director	1 July 2017	Grants	30 June 2018
Gordon Galt	1,000,000	-	1,000,000
Michael Davies	1,000,000	-	1,000,000
James Beecher (i)	1,000,000	-	1,000,000
Geoffrey Pigott	1,000,000	-	1,000,000
Wade Johnson	1,500,000	-	1,500,000
Other employees	-	300,000	300,000
Total	5,500,000	-	5,800,000

(i) Resigned 3 August 2018, at which point Mr Beecher was no longer entitled to Share Plan shares

Directors and employees are not entitled to the shares held by the Share Plan until the relevant vesting conditions are met.

All ordinary shares held by the Share Plan are issued at $Nil cost 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 and employees were valued using an option pricing model with the following inputs:

	2018			2017		
Measurement date	4 December 2017			12 September 2016		
Volatility	95%			70%		
Expected term	3 years			3 years		
Expected vesting period	3 years			3 years		
Share price at grant date	$0.145			$0.200		
Expected dividends	$Nil			$Nil		
Risk-free rate	2.16%			2%		
Notional exercise price	$0.30	$0.40	$0.50	$0.30	$0.40	$0.50
Expected director exit rate per year	Nil%			Nil%		
Market based vesting conditions	As outlined above			As outlined above		
Fair value at grant date	**$0.065**	**$0.056**	**$0.049**	**$0.176**	**$0.154**	**$0.136**

DIRECTORS' REPORT (CONTINUED)

Share Plan Trust shares (continued)

The Share Plan shares orginally issued in December 2012 were fair valued when the vesting conditions were modified (12 September 2016). This valuation was conducted using the same inputs as those described above. The excess of the fair value of the modified Share Plan shares over the fair value of the original grant of $156,667 is being expensed over the estimated three year vesting period of the modified Share Plan shares.

The fair value of the 1.5 million Share Plan shares issued to Wade Johnson in 2017 was estimated at $235,000 at the measurement date. This amount is being expensed over the estimated three year vesting period.

Share Plan share holdings

The number of rights over ordinary shares in the Company held during the financial year by each director of Lefroy Exploration Limited and other key management personnel of the Group, including their personally related parties, is set out below:

	Balance at start of the year or date of appointment	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Gordon Galt	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**-**	**1,000,000**
Michael Davies	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**-**	**1,000,000**
James Beecher (i)	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**-**	**1,000,000**
Geoffrey Pigott	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**-**	**1,000,000**
Wade Johnson	**1,500,000**	**-**	**-**	**-**	**1,500,000**	**-**	**1,500,000**

(i) Resigned 3 August 2018, at which point Mr Beecher was no longer entitled to Share Plan Trust shares

Shareholdings

The number of shares in the Company held during the financial year by each director of Lefroy Exploration Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted to KMP's during the year as compensation.

	Balance at start of the year	Conversion of borrowings	Other changes during the year	Balance at end of the year
Directors of Lefroy Exploration Limited				
Ordinary shares				
Gordon Galt	1,673,154	-	-	1,673,154
Michael Davies	9,882,654	-	100,000	9,982,654
James Beecher (i)	1,550,413	-	-	1,550,413
Geoffrey Pigott	2,316,487	-	-	2,316,487
Wade Johnson	1,711,712	-	-	1,711,712

(i) Resigned 3 August 2018

Loans to key management personnel

There were no loans to key management personnel during the year (2017 $Nil).

DIRECTORS' REPORT (CONTINUED)

Other transactions with Key Management Personnel

Messrs Gordon Galt and Michael Davies are directors of New Holland Capital Pty Ltd ('New Holland Capital'), a subsidiary of Taurus Funds Management Pty Ltd. During the year, the Group engaged New Holland Capital to act as Lead Advisor in relation to a farm-in or vend-in over the Lefroy Project. Pursuant to this engagement, New Holland Capital received $47,500 (exc. GST) in monthly retainer fees and $160,000 (exc. GST) upon successful completion and execution of the Joint Venture Agreement with Gold Fields Limited.

As at 30 June 2018, $178,500 (inc. GST) remains due and payable to New Holland Capital in respect of services rendered.

DIRECTORS' MEETINGS

The number of Directors' Meetings held and attended by each of the Directors for the year were as follows:

	Directors Meetings	
	Eligible to Attend	Attended
Gordon Galt	10	10
Michael Davies	10	10
James Beecher	10	10
Geoffrey Pigott	9	9
Wade Johnson	10	10

SHARES UNDER OPTION

Unissued ordinary shares of Lefroy Exploration Limited under option at the date of this report are as follows:

Date options issued	Expiry date	Exercise price (cents)	Number of options
14 October 2016	14 October 2021	$0.40	1,000,000
Total number of options outstanding at the date of this report			1,000,000

The above options were provided in the prior year to New Holland Capital Pty Ltd, a related party of Messrs Galt and Davies. These options were subsequently passed to nominees of New Holland Capital Pty Ltd.

No shares have been issued during or since the end of the year as a result of any person exercising any options referred to above.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, in accordance with each director's Deed of Indemnity, Insurance and Access with Lefroy Exploration Limited, the Group has paid premiums insuring all the directors of Lefroy Exploration Limited against all liabilities incurred by the director acting directly or indirectly as a director of the Company to the extent permitted by law, including legal costs incurred by the director in defending proceedings, provided that the liabilities for which the director is to be insured do not arise out of conduct involving a wilful breach of the director's duty to the Company.

The total amount of insurance contract premiums paid is $8,106.

NON-AUDIT SERVICES

The following details any non-audit services provided by the entity's auditor, Ernst & Young or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of professional pronouncements and standards for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermines the general standard of independence for auditors.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	2018	2017
	$	$
Taxation compliance services	**33,986**	22,150

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for unspecified amounts). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court.

ROUNDING OF AMOUNTS

All amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Wade Johnson.

Wade Johnson
Managing Director
Perth, 25 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $000	2017 $000
INCOME			
Interest income		**31**	42
Profit on sale of Lithium Rights	**4**	**-**	1,710
Other income	**5**	**2**	49
		33	1,801
EXPENDITURE			
Accommodation expenses		**(30)**	(30)
Legal, professional and consulting expenses		**(175)**	(139)
Directors' fees		**(155)**	(143)
Travel expenses		**(25)**	(17)
Interest expense		**-**	(70)
Deprecation expense		**(22)**	(5)
Net loss on financial assets held at fair value through profit or loss	**9**	**(2)**	(359)
Salaries and wages expenses		**(144)**	(277)
Share based payment expense		**(140)**	(96)
Business development expenditure		**(458)**	-
Other expenses		**(108)**	(156)
(LOSS)/PROFIT FOR THE YEAR BEFORE INCOME TAX		**(1,226)**	509
Income tax benefit/(expense)		**-**	-
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF LEFROY EXPLORATION LIMITED		**(1,226)**	509
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF LEFROY EXPLORATION LIMITED		**(1,226)**	509
Basic profit/(loss) per share attributable to the ordinary equity holders (cents per share)	**23**	(2.08)	1.07
Diluted profit/(loss) per share attributable to the ordinary equity holders (cents per share)(i)	**23**	(2.08)	1.07

(i) Diluted earnings per share in the prior year has been restated. Refer to Note 23(d) for further detail.

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		Consolidated	
		2018	2017
	Notes	$000	$000
CURRENT ASSETS			
Cash and cash equivalents	**8**	**523**	3,071
Financial assets at fair value through profit or loss	**9**	**-**	3
Trade and other receivables	**10**	**97**	55
Other current assets		**10**	22
TOTAL CURRENT ASSETS		**630**	3,151
NON-CURRENT ASSETS			
Plant and equipment		**86**	42
Exploration and evaluation assets	**11**	**5,928**	4,386
TOTAL NON-CURRENT ASSSETS		**6,014**	4,428
TOTAL ASSETS		**6,644**	7,579
CURRENT LIABILITIES			
Trade and other payables	**12**	**462**	335
Other finance liabilities		**-**	2
Provisions		**46**	20
TOTAL CURRENT LIABILITIES		**508**	357
TOTAL LIABILITIES		**508**	357
NET ASSETS		**6,136**	7,222
EQUITY			
Contributed equity	**14**	**26,095**	18,980
Share premium account	**15**	**-**	7,115
Foreign currency translation reserve	**15**	**(111)**	(111)
Share based payment reserve	**15**	**345**	205
Accumulated losses		**(20,193)**	(18,967)
TOTAL EQUITY		**6,136**	7,222

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2018

	Notes	Contributed equity	Share Premium Reserve	Share Based Payments Reserve	Foreign Curreny Translation Reserve	Accumulated Losses	Total
		$000	$000	$000	$000	$000	$000
BALANCE AT 1 JULY 2016		11,795	7,115	39	(111)	(19,476)	(638)
Profit for the year		-	-	-	-	509	509
Other comprehensive loss, net of income tax		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	-	-	509	509
Acquisition of Hogan Resources Pty Ltd	**14**	1,520	-	-	-	-	1,520
Acquisition of other exploration assets	**14**	1,440	-	-	-	-	1,440
Conversion of borrowings	**14**	875	-	-	-	-	875
Capital raising	**14**	4,000	-	-	-	-	4,000
Capital raising costs	**14**	(650)	-	70	-	-	(580)
Share based payments	**15**	-	-	96	-	-	96
BALANCE AT 30 JUNE 2017		**18,980**	**7,115**	**205**	**(111)**	**(18,967)**	**7,222**
Loss for the year		-	-	-	-	(1,226)	(1,226)
Other comprehensive loss, net of income tax		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	-	-	(1,226)	(1,226)
Share based payments	**15**	-	-	140	-	-	140
Transfer of historic share premium account to contirbuted equity	**14**	7,115	(7,115)				
BALANCE AT 30 JUNE 2018		**26,095**	**-**	**345**	**(111)**	**(20,193)**	**6,136**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $000	2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(761)**	(479)
Interest paid		**-**	(1)
Interest received		**31**	42
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**22**	**(730)**	(438)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation	**11**	**(1,753)**	(1,426)
Payments for plant and equipment		**(66)**	(45)
Proceeds from disposal of financial assets	**9**	**1**	1,358
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(1,818)**	(113)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares	**14**	**-**	4,000
Payments of share issue costs	**14**	**-**	(580)
Draw down on finance facility	**13**	**-**	150
NET CASH INFLOW FROM FINANCING ACTIVITIES		**-**	3,570
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(2,548)**	3,019
Cash and cash equivalents at the beginning of the financial year		**3,071**	52
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**8**	**523**	3,071

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of Lefroy Exploration Limited and its subsidiaries ("the Group" or "consolidated entity"). The financial statements are presented in Australian dollars. Lefroy Exploration Limited is a company limited by shares, incorporated in and under the laws of the British Virgin Islands on 14 May 1990 under the International Business Act (Cap. 291). The Company maintains registered offices in Western Australian and the British Virgin Islands. The financial statements were authorised for issue by the directors on 25 September 2018. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). Lefroy Exploration Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) New and amended standards adopted by the Group

The Group has adopted all of the new or amending Accounting Standards and Interpretations issued by the IASB that are relevant to their operations and effective for the current annual reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

(ii) Early adoption of standards

The Group did not elect to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

(iii) Historical cost convention

Except for certain financial assets which have been measured at fair value these financial statements have been prepared under the historical cost convention.

(iv) Going concern

The 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.

Subsequent to year end, the Group raised $2.59 million before costs through a share placement to sophisticated and institutional investors. Refer to Note 25 for further details. The Group's cash flow forecasts through to 30 September 2019, inclusive of the above capital raising, 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.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lefroy Exploration Limited ("Company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. Lefroy Exploration Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Lefroy Exploration Limited.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(f) Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and not subject to significant risk of changes in value, and bank overdrafts.

(h) Investments and other financial assets

The Group classifies all of its financial assets as receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading or for the purpose of short-term profit taking. Such assets are measured at fair value with changes in carrying amount being included in profit or loss. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of profit or loss and other comprehensive income.

(i) Plant and equipment

All plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 25% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

(j) Exploration and evaluation costs

Exploration and evaluation costs incurred are accumulated in respect of each identifiable area of interest. Exploration and evaluation costs related to each identifiable area of interest are recognised as exploration and evaluation assets in the year in which they are incurred and carried forward to the extent that the following conditions are satisfied:

- rights to tenure of the identifiable area of interest are current; and
- at least one of the following conditions is also met:
    - the expenditure is expected to be recouped through the successful development of the identifiable are of interest, or alternatively, by its sale; or
    - where activities in the identifiable area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and activities in, or in relation to, the area of interest.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full in the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

Exploration and evaluation assets are reviewed at each reporting date for indicators of impairment and tested for impairment where such indicators exist. If the test indicates that the carrying value might not be recoverable, the asset is written down to its recoverable amount. Any such impairment arising is recognised in the statement of profit or loss and other comprehensive income for the year.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(m) Share-based payments

The Group may provide benefits to employees (including directors) of the Group, and to vendors and suppliers, in the form of share-based payment transactions, whereby employees render services, or where vendors sell assets to the Group, in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions in the case of employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined in accordance with International Accounting Standards by an internal valuation using a Black-Scholes (or other industry accepted) option pricing model for options and Share Plan shares and by reference to market price for ordinary shares. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of rights that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for rights that do not ultimately vest, except for rights where vesting is conditional upon a market condition.

Where a right is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the right is recognised immediately. However, if a new option is substituted for the cancelled right, and designated as a replacement right on the date that it is granted, the cancelled and new right are treated as a modification of the original award.

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis.

(p) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q) New accounting standards and interpretations

International accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2018. Relevant Standards and Interpretations are outlined in the table below.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
IFRS 9 Financial Instruments	IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in IAS 39 has been replaced with an expected credit loss model in IFRS 9. **Impact on Lefroy Exploration Limited** The Group has assessed that there is no expected material impact of the above standard.	1 January 2018	1 July 2018

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
IFRS 15 Revenue from Contracts with Customers	IFRS 15 replaces all existing revenue requirements in Australian Accounting Standards (including IAS 11 Construction Contracts and IAS 18 Revenue,) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS16 Leases, once applied). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: ► Step 1: Identify the contract(s) with a customer ► Step 2: Identify the performance obligations in the contract ► Step 3: Determine the transaction price ► Step 4: Allocate the transaction price to the performance obligations in the contract ► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation **Impact on Lefroy Exploration Limited** The Group has considered the adoption of IFRS 15 and has determined that the impact would not be significant as the Group does not generate revenue from contracts with customers.	1 January 2018	1 July 2018
IFRS 16 Leases	IFRS 16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under IAS 17 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term) The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. **Impact on Lefroy Exploration Limited** The Group's operating leases are usually short term and less than 12 months in duration. The Group has assessed that there is no expected material impact of the above standard.	1 January 2019	1 July 2019

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
IFRS 2 Amendments to Classification and Measurement of Share-based payment transactions	This Standard amends IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations ► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 clarifies how an entity should apply the recognition and measurement requirements in AASB 112: Income Taxes when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to consider any uncertain tax treatments and whether the taxation authority is likely to accept the uncertain treatment. The Group will need to take into account the 'most likely' amount or the 'probability weighted average' amount of current and deferred tax the Group expects to incur. The Group will be required to reassess judgements or estimates should facts or circumstance change from information which arises.	1 January 2019	1 July 2019

The impact of the above standards is yet to be determined unless noted otherwise above.

(r) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation costs

The accounting policy for exploration expenditure results in expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

This policy requires management to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that the recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to profit and loss.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Share-based payments

Share-based payment transactions, in the form of options to acquire ordinary shares and Share Plan shares, are valued using option pricing models. This model uses assumptions and estimates as inputs.

Impairments

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the directors' best estimate of the asset's fair value, which can incorporate various key assumptions.

For Exploration and evaluation assets, impairment is assessed when sufficient data exists to determine the technical feasibility and commercial viability, or if facts or circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of extraction of mineral resources in an area of interest are demonstratable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an are of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

For all other assets, any amounts in excess of the fair value are impaired, in line with accounting policy disclosures in parts 1(f).

(s) Rounding of amounts

All amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.
Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process.

(a) Market risk

(i) Foreign exchange risk

The Group operates entirely in Australia and is not significantly exposed to foreign exchange risk.

(ii) Commodity price risk

Given the current level of operations, the Group's financial statements for the year ended 30 June 2018 are not exposed to commodity price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group of $523,000 (2017: $3,071,000) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 1.95% (2017: 1.98%).

Sensitivity analysis

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	Consolidated	
	2018	2017
+/- 100 basis points	$000	$000
Impact on profit/(loss) after tax	**3**	31
Impact on equity	**(3)**	(31)

2: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of the impairment allowance account) of those assets as disclosed in the statement of financial position and notes to the financial statements.

All surplus cash holdings within the Group are currently invested with AA- rated financial institutions.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings.

The tables below represents the undiscounted contractual settlement terms for financial liabilities.

	< 6 Months	6-12 Months	1-5 years	Total contractual cash flows	Carrying amount
Year ended 30 June 2018	$000	$000	$000	$000	$000
Payables	(462)	-	-	(462)	(462)
Year ended 30 June 2017					
Payables	(335)	-	-	(335)	(335)

(d) Fair value estimation

All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their fair value due to their short term nature.

3: SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment, being exploration activities undertaken in Western Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

4: PROFIT ON SALE OF LITHIUM RIGHTS

On 16 October 2016, the Company sold its Lithium Rights within tenements E63/1723 and E63/1722 in exchange for 9 million ordinary shares in Lithium Australia NL. A profit of $1,710,000 was recorded, as the book value of the assets sold was $Nil. These shares were subsequently sold (refer to Note 9).

5: OTHER INCOME

	Consolidated 2018 $000	Consolidated 2017 $000
Other revenue		
- Prior year GST (i)	**-**	47
- Other revenue	**2**	2
	2	49

(i) During the year ended 30 June 2017, the Company registered for GST and claimed all GST paid over the past four years.

6: LOSS FROM CONTINUING OPERTATIONS

	Consolidated 2018 $000	Consolidated 2017 $000
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**13**	19
Minimum lease payments relating to operating leases	**30**	30

7: INCOME TAX

(a) Income tax expense

	2018 $000	2017 $000
Current tax	**-**	-
Deferred tax	**-**	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 $000	2017 $000
Profit/(loss) from continuing operations before income tax expense	**(1,226)**	509
Prima facie tax benefit at the Australian tax rate of 27.5% (2017: 30%)	**(337)**	153
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**39**	29
Adjustments in respect of temporary differences for the prior year	**-**	(73)
Recognition of tax losses not previously brought to account	-	(109)
Deferred tax assets not recognised	**298**	-
Income tax expense	**-**	-

Tax consolidation

The company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rate basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Lefroy Exploration Limited.

(c) Deferred taxes

	Consolidated 2018 $000	Consolidated 2017 $000
Deferred tax assets/(liabilities) have been recognised in respect of the following items:		
Deferred tax assets:		
Investments	**14**	107
Trade and other payables	**39**	14
Business related costs	**187**	7
Revenue tax losses	**1,257**	508
Deferred tax liability:		
Capitalised exploration expenditures	**(927)**	(364)
Deferred tax assets not brought to account as realisation is not probable	**(570)**	(272)
Net deferred tax asset / (liability)	**-**	**-**

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

8: CASH AND CASH EQUIVALENTS

	2018 $000	2017 $000
Cash at bank and in hand	**221**	571
Short-term deposits	**302**	2,500
	523	3,071

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.
Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2018 $000	2017 $000
Beginning of the financial year	**3**	10
Acquisition of Lithium Australia ('LIT') shares (Note 4)	**-**	1,710
Fair value of shares sold during the year	**(1)**	(1,358)
Net loss of financial assets at fair value through profit or loss	**(2)**	(359)
End of the financial year	**-**	3

During the year ended 30 June 2018, the Company disposed all of the LIT shares.
The fair value of financial assets at fair value through profit or loss listed above were measured using quoted market prices (level 1 in the fair value hierarchy).

10: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018 $000	2017 $000
Current		
Other debtors	**33**	-
GST receivable	**64**	55
	97	55

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value

11: EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2018 $000	2017 $000
Beginning of the financial year – at cost	**4,386**	-
Acquisition of exploration assets held by Hogan Resources Pty Ltd (i)	**-**	1,520
Acquisition of gold and nickel rights within E63/1777 from Lithium Australia NL (Note 14)	**-**	600
Acquisition of EL 15/447 from Montezuma Mining Limited (note 14)	**-**	840
Other exploration costs incurred during the year	**1,542**	1,426
End of the financial year	**5,928**	4,386

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

11: EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(i) Acquisition of Hogans Resources Pty Ltd

In October 2016, the Group acquired a 100% interest in Hogans Resources Pty Ltd.

The acquisition of Hogans Resources Pty Ltd was assessed by the board and it was determined that the acquisition was an asset acquisition rather than a business combination as Hogans Resources Pty Ltd was not considered to meet the definition of a 'business' under IAS 3 *Business Combinations*.

	2017 $000
Consideration for the acquisition:	
Fair value of ordinary shares (Note 14)	1,520
Total fair value of net assets acquired at the date of acquisition:	
Cash	2
Exploration assets	1,520
Other payables	(2)
	1,520

12: TRADE AND OTHER PAYABLES

	Consolidated	
	2018 $000	2017 $000
Current		
Trade payables	**346**	245
Other payables and accruals	**116**	110
	462	355

Trade payables and accruals are non-interest bearing and generally settled within 30-60 day terms. The carrying amount of trade payables approximate their fair values.

Included within trade and other payables are balances to related parties totalling $178,500 inc. GST (2017: $Nil)

13: BORROWINGS

	Consolidated	
	2018 $000	2017 $000
Beginning of the financial year (i)	**-**	656
Drawdown	**-**	150
Interest accrued (i)	**-**	69
Conversion of facility into shares (Note 14) (i)	**-**	(875)
End of the financial year	**-**	-

(i) Finance facility from Michael Davies (director of the Company). Under the terms of the finance facility, as the amount owing was settled in equity, the fair value of shares issued to settle the facility equated to the principal owing of $700,000 plus, in lieu of interest, a premium of 25% of the principal.

14: ISSUED CAPITAL

	Notes	2018 Number of shares	2018 Consolidated $000	2017 Number of shares	2017 Consolidated $000

(a) Share capital

Lefroy Exploration Limited is a company limited by shares, incorporated in and under the laws of the British Virgin Islands. The Company has authorised share capital of 1,000,000,000 ordinary no par value shares.

	Notes	2018 Number of shares	2018 Consolidated $000	2017 Number of shares	2017 Consolidated $000
Ordinary shares fully paid - total issued capital(i)		**58,963,920**	**18,980**	58,963,920	18,980
Beginning of the financial year		**58,963,920**	**18,980**	19,788,920	11,795
Issue shares – Public offering		-	**-**	20,000,000	4,000
Share issue costs (ii)		-	**-**	-	(650)
Issue of shares to acquire Hogans Resources Pty Ltd (Note 11)		-	**-**	7,600,000	1,520
Issue of shares to acquire EL 63/1777 (Note 11)		-	**-**	3,000,000	600
Issue of shares to acquire EL 15/447 (Note 11)		-	**-**	4,200,000	840
Issue of shares to settle borrowings (Note 13)		-	**-**	4,375,000	875
Transfer of historic share premium account to contirbuted equity (iii)		-	**7,115**	-	-
End of the financial year		**58,963,920**	**26,095**	58,963,920	18,980

(i) Total issued capital of 58,963,920 is net of treasury shares including shares reserved for the share plan, of 6,800,000 shares.

(ii) Includes $294,000 to New Holland Capital Pty Ltd, a company which directors Gordon Galt and Michael Davies are directors of, and a share based payment (Note 15).

(iii) 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.

(b) Ordinary shares

Ordinary fully paid shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of the shares held.

On a show of hands every holder of ordinary fully paid shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll is entitled to one vote for each share held.

14: ISSUED CAPITAL (CONTINUED)

(c) Capital risk management

The Group's defines capital as issued share capital. Its objective when managing capital is to safeguard its ability to continue as a going concern, so that it may strive to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2018 and 30 June 2017 are as follows:

	Consolidated	
	2018	2017
	$000	$000
Cash and cash equivalents	**523**	3,071
Trade and other receivables	**97**	55
Trade and other payables	**(462)**	(355)
Working capital position	**158**	2,771

Subsequent to year end, the Group raised $2.59 million before costs through a share placement to institutional and sophisticated investors in order to fund its operations. Refer to Note 25 for further information.

15: RESERVES

	Consolidated	
	2018	2017
	$000	$000
(a) Reserves		
Foreign currency translation reserve	**(111)**	(111)
Share premium account	**-**	7,115
Share based payments reserve	**345**	205
	234	7,209

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve is used to record historical exchange differences arising from the translation of the financial statements in the functional currency to the reporting currency for the periods when the functional and presentation currencies were different.

(ii) Share premium account

The share premium reserve represents the difference between the par value of the shares issued and the issue price. During the year the share premium account has been transferred to contributed equity. Refer to note 14(a) for details.

(iii) Share based payments reserve

The share-based payments reserve is used to recognise the fair value of options and shares issued under employee Share Plan.

(c) Movements in options on issue	Number of options	
	2018	2017
Beginning of the financial year	**1,000,000**	-
Options to New Holland Capital Pty Ltd for services in relation to public offer	**-**	1,000,000
End of the financial year	**1,000,000**	1,000,000

15: RESERVES (CONTINUED)

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights. Set out below are summaries of the options granted:

	2018		2017	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the financial year	**1,000,000**	**40**	-	-
Granted (i)	**-**	**-**	1,000,000	40
Outstanding at year-end	**1,000,000**	**40**	1,000,000	40
Exercisable at year-end	**1,000,000**	**40**	1,000,000	40

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.25 years, and the exercise price 40 cents.

(i) During the prior year, 1,000,000 options were issued to New Holland Capital Pty Ltd as part consideration for services provided. Directors Gordon Galt and Michael Davies are directors of New Holland Capital Pty Ltd. Each option entitles the holder to purchase one ordinary share for $0.40. The options expire on 14 October 2021. A value of $70,000 has been ascribed to the options. The options were valued using a Black-Scholes Option pricing model, with the following inputs:

Measurement date	18-Oct-16
Volatility	60%
Expected term	5 years
Expected vesting period	5 years
Share price at grant date	$0.20
Expected dividends	$Nil
Risk-free rate	1.84%
Exercise price	$0.40

(d) Share Plan Shares

As at 30 June 2018 there were 5.8 million ordinary shares (2017: 5.5 million ordinary shares) held by the Lefroy Exploration Share Plan (the 'Share Plan Trust'), previously named the U.S. Masters Executive Plan Trust, held in conformity with the Share Plan Trust rules.

During the year ended 30 June 2018, 300,000 new fully paid ordinary shares of three equal tranches were added to the Share Plan Trust and assigned to an employee of the Group. These additional shares are subject to the same terms and vesting conditions of existing ordinary shares within the plan.

A reconciliation of Share Plan ordinary shares is as follows:

Director	1-Jul-17	Grants	1-Jul-18
Gordon Galt	1,000,000	-	1,000,000
Michael Davies	1,000,000	-	1,000,000
James Beecher (i)	1,000,000	-	1,000,000
Geoffrey Pigott	1,000,000	-	1,000,000
Wade Johnson	1,500,000	-	1,500,000
Other employees	-	300,000	300,000
Total	5,500,000	300,000	5,800,000

(i) Resigned 3 August 2018

15: RESERVES (CONTINUED)

Directors and employees are not entitled to the shares held by the Share Plan Trust until the relevant vesting conditions are met. All Share Plan shares are granted 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 and employees were valued using an option pricing model with the following inputs:

	Consolidated	
	2018	2017
Measurement date	4-Dec-17	12-Sep-16
Volatility	95%	70%
Expected term	3 years	3 years
Expected vesting period	3 years	3 years
Share price at grant date	$0.15	$0.20
Expected dividends	$Nil	$Nil
Risk-free rate	2.16%	2%
Notional exercise price	$0.30 $0.40 $0.50	$0.30 $0.40 $0.50
Expected director exit rate per year	Nil%	Nil%
Market based vesting conditions	As outlined above	As outlined above
Fair value at grant date	**$0.065 $0.056 $0.049**	**$0.176 $0.154 $0.136**

The Share Plan shares orginally issued in December 2012 were fair valued as at the date the vesting conditions were modified (12 September 2016). This valuation was done using the same inputs as those described above. The excess of the fair value of the modified share plan shares over the fair value of the original grant of $156,667, is being expensed over the estimated three year vesting period of the modified share plan shares.

The fair value of the 1.5 million share plan shares issued to Wade Johnson in 2017 was estimated at $235,000 at the measurement date. This amount is being expensed over the estimated three year vesting period.

The total amount expensed during the year ended 30 June 2018 in relation to the Share Plan Trust shares was $139,584 (2017: $95,868)

16: DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends was made.

17: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	Consolidated	
	2018	2017
(a) Audit services	$000	$000
Ernst & Young Australia – audit and review of financial reports	**43**	40
Total remuneration for audit services	**43**	40
(b) Non-audit services		
Ernst & Young Australia – taxation compliance services	**34**	22
Total remuneration for other services	**34**	22

18: CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at the reporting date.

19: COMMITMENTS

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	Consolidated	
	2018	2017
	$000	$000
within one year	**897**	529
later than one year but not later than five years	**1,821**	1,202
	2,719	1,731

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.

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 is expected to cover $363,000 of the required minimum expenditure commitment within the next year. A further $675,000 of exploration expenditure required for the Group's exploration commitments later than one year but not later than five years will also be met by Gold Fields.

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.

(b) Lease commitments: Group as lessee	Consolidated	
Operating leases (non-cancellable):	2018	2017
Minimum lease payments	$000	$000
within one year	**18**	18
later than one year but not later than five years	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**18**	18

20: RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Lefroy Exploration Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 21.

(c) Key management personnel compensation

	Consolidated	
	2018	**2017**
	$0	**$0**
Short-term benefits	**375,004**	341,344
Post-employment benefits	**20,900**	19,163
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**137,223**	95,866
	533,127	456,373

(d) Transactions and balances with other related parties

Other than the related party transactions described in Notes 13, 14 and 15, the following related party transactions occurred during the year ended 30 June 2018:

Messrs Gordon Galt and Michael Davies are directors of New Holland Capital Pty Ltd ('New Holland Capital'), a subsidiary of Taurus Funds Management Pty ltd. During the year, the Group engaged New Holland Capital to act as Lead Advisor in relation to a farm-in or vend-in over the Lefroy Project. Pursuant to this engagement, New Holland Capital received $47,500 (exc. GST) in monthly retainer fees and $160,000 (exc. GST) upon successful completion and execution of the Joint Venture Agreement with Gold Fields Limited.

As at 30 June 2018, $178,500 (inc. GST) remains due and payable to New Holland Capital in respect of services rendered.

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

21: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding	
			2018	**2017**
			%	**%**
Hogans Resources Pty Limited	Australia	Ord	**100**	100
Lefroy Exploration Share Plan Pty Ltd (previously known as the U.S. Masters Share Plan Pty Ltd)	Australia	Ord	**100**	100
USH Colombia S.A.S (i)	Columbia	Ord	**-**	100
U.S. Masters Chile Limitada (i)	Chile	Ord	**-**	100

(i) During the 30 June 2018 year, U.S. Masters Chile Limitada and USH Colombia S.A.S were liquidated. These subsidiaries were dormant.

22: STATEMENT OF CASH FLOWS

	Consolidated 2018 $000	Consolidated 2017 $000
Reconciliation of (loss) / profit after income tax to net cash outflow from operating activities		
Net (loss) / profit for the year	**(1,226)**	509
Non-cash, non-operating activities		
Depreciation expense	**22**	5
Share based payment expenses	**140**	96
Sale of Lithium Rights	**-**	(1,710)
Net loss on financial assets held at fair value through profit and loss	**2**	359
Interest expense on borrowings	**-**	69
Change in operating assets and liabilities		
Increase in trade and other receivables	**(42)**	(55)
(Increase)/decrease in other current assets	**12**	(10)
Increase in trade and other payables	**336**	299
Increase in provisions	**26**	-
Net cash outflow from operating activities	**(730)**	**(438)**

23: (LOSS) / PROFIT PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

	2018	2017
Profit/(loss) attributable to the owners of the Company used in calculating basic and diluted loss per share	**(1,226)**	509

	Number of shares 2018	Number of shares 2017
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic (loss) / profit per share	**58,963,920**	47,376,934
Weighted average number of ordinary shares used as the denominator in calculating diluted (loss) / profit per share	**58,963,920**	47,376,934
Basic (loss) / profit per share attributable to ordinary equity holders in cents	(2.08)	1.07
Diluted (loss) / profit per share attributable to ordinary equity holders in cents[(d)]	**(2.08)**	1.07

(c) Information on dilutive options

For the year ended 30 June 2018, the 1 million options and 5.8 million Share Plan shares (Note 15) were anti-dilutive and have not been included in the calculation of diluted earnings per share.

(d) Restatement of prior year diluted earnings per share

Diluted earnings per share in the prior year has been restated from 0.96 cents per share to 1.07 cents per share to remove the effect of 1,000,000 options and 5,500,000 share plan shares which were incorrectly included as dilutive.

24: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Lefroy Exploration Limited, at 30 June 2018. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2018 $000	2017 $000
Current assets	**629**	3,151
Investment in Hogans Resources Pty Limited	**1,520**	1,520
Other non-current assets	**4,496**	2,908
Total assets	**6,645**	7,579
Current liabilities	**(508)**	356
Non-current liabilities	**-**	-
Total liabilities	**(508)**	356
Net Assets	**6,136**	7,222
Issued capital	**18,980**	18,980
Share premium reserve	**7,115**	7,115
Foreign currency translation reserve	**(111)**	(111)
Share-based payments reserve	**344**	205
Accumulated losses	**(20,192)**	(18,966)
Total equity	**6,136**	7,222
Profit/(loss) for the year	**(1,226)**	509
Total comprehensive income for the year	**(1,226)**	509

25: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 9 July 2018, the Group closed a share placement made to institutional and sophisticated investors. 16,190,980 fully paid ordinary shares at an issue price of $0.16 per share were placed to raise $2.59 million before costs.

Gold Fields Limited elected to exercise its full entitlement under its pre-existing option agreement, acquiring 8,014,535 shares in the Group in order to hold approximately 9.9% of shares on issue after completion of the share placement and becoming a substantial holder. Certain directors of the Company also participated in the share placement, acquiring 1,000,000 additional shares for a total of $160,000.

Shares under the share placement were issued on 13 July 2018.

On 27 July 2018, the Company gave notice to its shareholders of a General Meeting to be held on 13 August 2018. The purpose of this meeting was to ratify shares associated with the share placement, including to approve the issue of shares to certain directors and their associated entities. All proposed resolutions were passed on a show of hands.

On 3 August 2018, Mr James Beecher resigned from his position as Non-executive Director of the Company.

No other matters or circumstances have arisen since the end of the financial 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.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Lefroy Exploration Limited:

In the opinion of the directors:

a) The financial statements and notes of the Group are in accordance with the International Financial Reporting Standards, including:

   (i) Giving a true and fair view of the financial position as at 30 June 2018 and its performance, for the year ended on that date of the Group; and

   (ii) Complying with Australian Accounting Standards.

b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a); and

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.

This statement has been made in accordance with a resolution of directors.

Wade Johnson
Managing Director
Perth, 25 September 2018

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Independent auditor's report to the Members of Lefroy Exploration Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Lefroy Exploration Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report presents fairly, in all material respects, the financial position of Lefroy Exploration Limited as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
As disclosed in Note 11 of the financial report, as at 30 June 2018, the Group held capitalised exploration and evaluation expenditure assets of $5.93 million. The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount. The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. During the year the Group determined that there had been no indicators of impairment.	In performing our procedures, we: ▸ Considered the Group's right to explore in the relevant area of interest, which included obtaining and assessing supporting documentation. We also considered the status of the exploration licences as it related to tenure. ▸ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area, which included assessment of the Group's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group. ▸ Considered whether the exploration activities within each area of interest have reached a stage where the commercial viability of extracting the resource could be made. ▸ Assessed the adequacy of the disclosure included in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the International Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
25 September 2018

ASX ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 18 September 2018.

(a) Distribution schedule and number of holders of equity securities as at 18 September 2018

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	34	87	149	163	85	518
Unlisted Options – 40c 14.10.2021	-	-	-	-	3	3

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 18 September 2018 is 44.

(b) 20 Largest holders of quoted equity securities as at 18 September 2018

The names of the twenty largest holders of fully paid ordinary shares (ASX code: LEX) as at 18 September 2018 are:

Rank	Name	Shares	% of Total Shares
1	ST IVES GOLD MINING COMPANY PTY LTD	14,764,535	18.24
2	MR MICHAEL DAVIES	11,982,654	14.80
3	LEFROY EXPLORATION SHARE PLAN PTY LTD	5,800,000	7.16
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	3,646,403	4.50
5	LITHIUM AUSTRALIA NL	3,000,000	3.71
6	MR JAMES DAVID BEECHER + MRS CAROL BEECHER <THE BEECHER SUPER FUND A/C>	1,750,413	2.16
7	RON NORBERT GAJEWSKI	1,711,712	2.11
8	WADE STEVEN JOHNSON	1,711,707	2.11
9	CRAIG ANDREW NELMES	1,711,707	2.11
10	MR GEOFFREY FRANCIS PIGOTT	1,656,666	2.05
11	FREDERICK CHARLES SAUNDERS	2,398,244	2.96
12	CLARKSON'S BOATHOUSE PTY LTD <CLARKSON SUPER FUND A/C>	1,576,090	1.95
13	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,475,767	1.82
14	BNP PARIBAS NOMINEES PTY LTD <JARVIS A/C NON TREATY DRP>	1,292,690	1.60
15	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	1,267,727	1.57
16	ALCARDO INVESTMENTS LTD	680,000	0.84
17	MRS MICHELE PIGOTT	659,821	0.82
18	MR DAVID ADAM BEAMOND	655,299	0.81
19	MR PHILIP REESE	635,475	0.78
20	KHE SANH PTY LTD <TRADING NO 1 A/C>	562,500	0.69
	TOTAL	58,939,410	72.81

Stock Exchange Listing – Listing has been granted for 64,233,067 fully paid ordinary shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 18 September 2018 are detailed below in part (d).

(c) Substantial shareholders

Substantial shareholders in Lefroy Exploration Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Name	Shares	% of Total Shares
St Ives Gold Mining Company Pty Ltd	14,764,535	18.24%
Michael Davies	10,882,654	16.88%
Montezuma Mining Company Limited	4,200,000	6.52%

(d) Unquoted Securities

The number of unquoted securities, which are escrowed (detailed in part f below), on issue as at 18 September 2018:

Unquoted Security	Number on Issue
Fully Paid Ordinary Shares	23,921,833
Unlisted Options – exercisable at 40c on or before 14.10.2021	1,000,000

(e) Holder Details of Unquoted Securities

Optionholders that hold more than 20% of a given class of unquoted securities as at 18 September 2018 other than options issued under an employee incentive scheme:

Security	Name	Number of Securities
Unlisted Options – exercisable at 40c on or before 14.10.2021	IONIKOS PTY LTD <WELD A/C>	425,000
Unlisted Options – exercisable at 40c on or before 14.10.2021	MRS RACHEL READER MILTON	425,000

(f) Restricted Securities as at 18 September 2018

The Company had the following restricted securities as at 18 September 2018 –

Security	Escrow Period
1,000,000 Unlisted Options – exercisable at 40c on or before 14.10.2021	Under escrow until 19 October 2018.
16,721,833 Fully Paid Ordinary Shares	Under escrow until 19 October 2018.

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

(h) On-Market Buy-Back

The Company is not currently undertaking an on-market buy-back.

(i) Corporate Governance

The Board of Lefroy Exploration Limited is committed to Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate with Shareholders. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at http://lefroyex.com/corporate-governance/ .

(j) Application of Funds

During the financial year, Lefroy Exploration Limited confirms that it has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with the Company’s business objectives.

(k) Schedule of Mining Tenements

The schedule of interest in mining tenements both as at 30 June 2018 and as at 25 September 2018 is as follows:

Project	Tenement ID	Ten status	Holder	Interest %
Lefroy	E26/0183	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	E26/0184	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	E 26/0131	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	E 26/0134	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	E 26/0150	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P 26/3689	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P 26/3690	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P 26/3691	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P 26/3764	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P 26/3765	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P26/3889	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P26/3890	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P26/3891	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	E 25/0517	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	E26/0182	Live	LEFROY EXPLORATION LTD	100
Lefroy	E15/1447	Live	LEFROY EXPLORATION LTD	100
Lefroy	P25/2316	Live	LEFROY EXPLORATION LTD	100
Lefroy	P25/2317	Live	LEFROY EXPLORATION LTD	100
Lefroy	E25/0518	Live	LEFROY EXPLORATION LTD	100
Lefroy	E15/1497	Live	LEFROY EXPLORATION LTD	100
Lefroy	E15/1498	Live	LEFROY EXPLORATION LTD	100
Lefroy	E26/0193	Live	LEFROY EXPLORATION LTD	100
Lefroy	P25/2421	Live	LEFROY EXPLORATION LTD	100

Project	Tenement ID	Ten status	Holder	Interest %
Lefroy	P25/2451	Live	LEFROY EXPLORATION LTD	100
Lefroy	P26/4287	Live	LEFROY EXPLORATION LTD	100
Lefroy	M25/362	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	M25/363	Live	LEFROY EXPLORATION LTD	100
Lefroy	M26/842	Live	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	E15/1615	Live	LEFROY EXPLORATION LTD	100
Lefroy	P26/4391	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4392	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4393	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4394	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4423	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4424	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4425	Pending	LEFROY EXPLORATION LTD	100
Lefroy	M25/366	Pending	HOGANS RESOURCES PTY LTD	100[1]
Lefroy	P26/4437	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4438	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4443	Pending	LEFROY EXPLORATION LTD	100
Lefroy	P26/4444	Pending	LEFROY EXPLORATION LTD	100
Lefroy	E26/176	Live	LEFROY EXPLORATION LTD	100
Lefroy	E26/195	Live	LEFROY EXPLORATION LTD	100
Lake Johnston	E63/1722	Live	LEFROY EXPLORATION LTD	100[2]
Lake Johnston	E63/1723	Live	LEFROY EXPLORATION LTD	100[2]
Lake Johnston	E63/1777	Live	LITHIUM AUSTRALIA NL	Note
Murchison	E21/0192	Live	LEFROY EXPLORATION LTD	100
Murchison	E21/0193	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2256	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2257	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2258	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2259	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2260	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2261	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2262	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2263	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2264	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2265	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2266	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2267	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2268	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2269	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2272	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2273	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2274	Live	LEFROY EXPLORATION LTD	100
Murchison	P20/2275	Live	LEFROY EXPLORATION LTD	100

1. Hogans Resources Pty Ltd is a wholly owned subsidiary of Lefroy Exploration Limited
2. E63/1722 and E63/1723- Held under title by LEX, Lithium Australia NL (ASX:LIT) have the rights to Lithium

NOTE E63/1777-LEX has the gold and nickel rights.