



LEFROY EXPLORATION LIMITED

FINANCIAL REPORT

For the half year ended 31 December 2020

Incorporated in the British Virgin Islands IBC No 29457

Australian Registered Body Number 052 123 930

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
ARBN 052 123 930

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**LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
ARBN 052 123 930**

CORPORATE DIRECTORY

Directors

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

Company Secretary

Susan Park

Registered Office

Level 2, 11 Ventnor Avenue
WEST PERTH WA 6005
Telephone: +618 9321 0984

Rodus Building
P.O Box 3093
Road Town,
Tortola, VG1110
British Virgin Islands

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
PERTH WA 6000
Telephone: +618 9323 2000

Rodus Building
PO Box 3093
Road Town,
Tortola, VG1110
British Virgin Islands

Stock Exchange Listing

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

Australian Company Number and Australian Business Number

ARBN: 052 123 930
ABN: 71 052 123 930

Email

info@lestroyex.com

Internet Address

<http://lestroyex.com>

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
ARBN 052 123 930

DIRECTORS' REPORT

The Directors present their report together with the financial report of Lefroy Exploration Limited (the "Company") and its controlled entities (the "Group"), for the half-year ended 31 December 2020 and independent review report thereon. This financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Directors names

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

Gordon Galt (Non-executive Chairman)

Michael Davies (Non- executive Director)

Geoffrey Pigott (Non-executive Director)

Wade Johnson (Managing Director)

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

Results and Review of operations

During the 6 months ended 31 December 2020, the Company continued and focussed its gold exploration at the Lefroy Gold Project 50km to the south east of Kalgoorlie. Exploration activities here continue to be progressed in two tenement packages, with work being continued by Gold Fields Limited (Gold Fields) at the Western Lefroy JV area and by the Company at the wholly owned Eastern Lefroy tenements. At Eastern Lefroy there was renewed focus on generating new gold prospects from early-stage baseline exploration programs. This consisted of a large auger drill program to cover most of the Eastern Lefroy package, and two aircore drilling programs evaluating multiple target areas near the Lucky Strike deposit. A maiden drill program was also completed at the Lake Johnston project, east of Norseman.

Subsequent to year end the Company announced outstanding high grade gold and copper results at it Burns prospect (refer ASX Release dated 23 February, 2021). These results included 60m at 5.22g/t Au and 0.38% Cu from 112m down-hole to end of hole, including 20m at 12.2g/t Au, 0.87% Cu and 1.7g/t Ag from 144m

The key exploration highlights during the six months were: -

- The 3120-sample point auger geochemical program that evaluated 17 kilometres of strike extending between Hang Glider Hill and Lucky Strike generated five new strong surface gold anomalies near the Hang Glider Hill prospect.
- A significant baseline aircore drilling program was completed with a total of 12,436m drilled in a 279-aircore drill hole program covering the Hang Glider Hill, Lucky Strike and Havelock areas. That intersected 5m @1.2g/t Au from 50m at Havelock and highlighted the potential for more discoveries along this BIF Trend

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- Follow up aircore drilling completed along the Lucky Strike and Havelock BIF trends generated a bedrock gold anomaly over a 1000m strike at Havelock.
- At the Western Lefroy JV project managed by Gold Fields Limited a large program of aircore, reverse circulation (RC) and diamond drilling evaluated multiple targets in Lake Lefroy. The key intersection of 5m @ 1.73g/t Au from 95m in KD81795 was recorded at target LJV01, which is to the north end of the Zanex trend and wide spaced aircore drilling on the Eastern shore of Lake Lefroy identified a new gold anomaly named LJV017
- At Lake Johnston, a maiden 22-hole aircore drill program was completed at the Bullseye nickel target. Drilling intersected ultramafic intrusive rocks supporting the geological model.
- The Burns tenement E15/1715 was granted securing access to the Burns gold copper prospect and amalgamating a 40km contiguous landholding from Lake Randall to Hang Glider Hill

The Group recorded a loss during the half year (after providing for income tax) amounting to \$504,000 (Dec 2019: loss \$464,000).

Exploration Overview

Lefroy Gold Project

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

The Lefroy Gold Project is wholly owned by the Company. The commanding, semi-contiguous, granted land package covers 621km² immediately east of the world class St Ives Gold camp, operated by Gold Fields, and south of the high-grade Mt Monger gold centre operated by Silver Lake Resources Limited (ASX:SLR). Four gold processing operations are strategically located within 50km of the project and provide commercial options for processing any gold discovered.

The LGP is referenced in two packages i.e.

- Eastern Lefroy covering 249km² of wholly owned tenements including Lucky Strike, Red Dale, Hang Glider Hill, Havelock, Burns and other sub-projects along the regional scale Mt Monger fault, and
- Western Lefroy JV tenements covering 372km² adjoining the Gold Fields tenements that make up the St Ives mining operation. These tenements are included in the Joint Venture agreement with Gold Fields . Gold Fields can earn up to a 70% interest in the LEX tenements by spending up to a total of \$25million on exploration activities within 6 years of the commencement date, 7 June 2018.

Subsequent to the release of the Lucky Strike and Red Dale gold resources in early 2020 exploration by the Company at Eastern Lefroy during the six months to 31 December 2020 focused on generating and evaluating new targets. This involved early-stage auger and aircore (AC) drilling that delivered new surface geochemical targets near Hang Glider Hill and a bedrock drill target at Havelock.

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In September 2020, exploration license E15/1715 covering the Burns gold copper prospect was granted to LEX. The tenement covers an area of approximately 20km² to seal a former gap in LGP tenement package. The tenements containing the Lucky Strike, Neon and Havelock prospects adjoin E15/1715 to the west and now link with the single tenement at Lake Randall, giving the Company a commanding prospective land position in this area.

At Western Lefroy, JV partner Gold Fields undertook a combined RC and diamond drill program evaluating five key targets in Lake Lefroy. During the December 2020 quarter 802m of RC and 3,002m of diamond drilling were completed. A further 4,077m of aircore drilling was also undertaken to complete the foundation aircore drill coverage in Lake Lefroy.

Eastern Lefroy Gold Project (LEX 100%)

The Eastern Lefroy project is a contiguous package of wholly owned tenements that cover approximately 40km of strike along and straddling the regional Mt Monger Fault. The Mt Monger Fault is considered to be structurally analogous to other major regional faults in the Kalgoorlie terrain. The Company considers it to be similarly prospective for large gold deposits, but the area lacks the same degree of exploration.

The Company continues to focus exploration at three priority centres or hubs along the trend. These hubs are ranked according to the level of prior exploration activity, gold anomalies identified and structural setting.

P1- Lucky Strike Exploration Hub: - Advanced Exploration

P2-Hang Glider Hill Exploration Hub: - Reconnaissance Exploration

P3-Lake Randall Exploration Hub: - Generative Exploration

During the half year to 31 December 2020 the Company completed activities at two of the exploration hubs involving auger and aircore drilling, with initial preparatory work completed at the Lake Randall hub.

Lucky Strike Exploration Hub

The Lucky Strike Exploration Hub is centered on the Lucky Strike gold deposit and envelopes the nearby gold prospects identified by the Company at Red Dale, Havelock, Neon and the Lucky Strike trend. Gold mineralisation at Lucky Strike is hosted within multiple north west trending Banded Iron Formation (BIF) units interbedded with shale. Lucky Strike is hosted within a gold mineralised trend over a 3800m strike length, defined from AC drilling. Higher grade mineralized zones at Lucky Strike are associated with sulphide (pyrite, pyrrhotite) altered BIF. The Company has been methodically evaluating the Lucky Strike deposit through a combination of RC and diamond drilling since its discovery in early 2018.

In the Half Year the Company completed two phases of AC drilling totaling 277 angled holes for 15,218m of drilling. The drill program evaluated targets along the Lucky Strike and Havelock BIF trends, Salt Creek West and at Red Dale West. The results from the program outlined a new bedrock gold trend at Havelock.

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Havelock is located approximately 1.2km south west of Lucky Strike. The target was generated in 2018 from the Company's assessment of regional aeromagnetic imagery which highlights a linear magnetic unit which was confirmed by AC drilling as BIF.

A single traverse of AC drill holes completed in July 2020 at 20m spacing intercepted strong quartz veining and highly oxidised BIF similar to the host rocks at Lucky Strike. The best result was 5m @ 1.2g/t Au from 50m in hole LEFA774.

Follow up AC drilling evaluated two target areas along a 2.7km corridor centered over the interpreted Havelock BIF in November and December 2020. A total of 92 angled holes for 4735m were completed with holes spaced at 40m centres along drill traverses nominally 160m apart.

The results from that program generated a new 1000m strike length bedrock gold anomaly along the Havelock BIF trend with significant results that include: -

- o **1m @5.37 g/t Au from 20m in LEFA897**
- o **4m @0.78 g/t Au from 27m in LEFA897**
- o **3m @ 1.04 g/t Au from 57m in LEFA898**
Including 1m @1.82g/t Au from 59m to EoH
- o **2m @ 2.80 g/t Au from 17m in LEFA901**

The intersections are hosted by oxidised BIF with the last 1m interval in hole LEFA898 ending in near fresh sulphide altered BIF which is a known host to the higher-grade gold mineralisation at Lucky Strike.

The new gold system is located 1500m south west of the Lucky Strike gold resource and further enhances the potential for further discoveries along the remaining 2km strike of the Havelock trend and along the untested parallel Erinmore BIF trend located 900m to the south.

Further drilling involving both RC and AC is planned.

Hang Glider Hill Hub

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

The Hang Glider Hill trend was initially recognised by the discovery of gold nuggets over a 2000m long north-westerly trend in 2018 and is supported by multiple gold anomalies in auger surface sample results. Diamond drilling completed in late 2019 by Lefroy intercepted 6.8m @ 1.86g/t Au from 53.7m in 19HGDD001 hosted within highly sheared, quartz veined rocks which contained visible gold.

A foundation drill program consisting of 129 AC holes for 4713m was completed in June 2020. The program was designed to evaluate the entire HGH area that includes multiple gold in auger anomalies that define two strong trends that flank the interpreted position of the Mt Monger and Hang Glider Hill Faults.

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Detailed interrogation of the drill hole and surface geology, including bottom of hole multi-element analysis has advanced the geological interpretation. The geology of the Hang Glider Hill prospect is considered by the Company to be similar to the Kambalda stratigraphy. Subtle gold and elevated levels of typical orogenic gold system pathfinder elements occur along the interpreted position of the Hang Glider Hill Fault. This includes an intersection of 11m @ 0.19g/t Au from 20m including 1m @ 1.09g/t Au from 26m in LEFA621. Coincident with the Hang Glider Hill Fault is the location of multiple gold nuggets on the surface.

This confirms the Company's interpretation that the Hang Glider Hill Fault is a significant mineralised structural trend. Further aircore drilling is planned to follow up this system.

Lucky Strike to Hang Glider-Auger Program

In July 2020 the Company commenced an early-stage auger drilling program as an initial exploration search tool to assess a large area (71km²) adjacent to the interpreted position of the Mt Monger fault. The program complemented and extended the auger drilling programs completed by the Company during 2018 and 2019 at Hang Glider Hill and Havelock-Lucky Strike and provide a base surface geochemical coverage over approximately 25km of strike along the Mt Monger Fault. A total of 3120 samples were collected

The auger drilling program was completed in early September 2020. The results from the program were successful in generating new gold exploration targets for drill testing. The general background of gold anomalism is +10ppb Au over most of the trend. The initial focus is the higher value (+50ppb Au) anomalies. Five new surface gold anomalies within the Hang Glider Hill exploration hub were identified.

Three robust parallel north-south trending gold anomalies (termed C, D & E) that each extend over more than 400-600m in strike length have been outlined south of the Hang Glider Hill prospect. The anomalies are each constrained by results at each auger sample point that exceed 50ppb Au. A peak value of 581ppb Au (0.58g/t Au) comes from anomaly D and is the highest gold result recorded from the program.

The Company considers the anomalies C, D and E to be an exciting new development in the Hang Glider Hill area. The northerly trend of the anomalies is oblique to the westerly trend of the mafic and ultramafic stratigraphy

A further two anomalies (A&B) striking roughly north-west are located approximately 2.5km along strike to the south-east of the Hang Glider Hill prospect where diamond drilling by Lefroy in late 2019 intercepted 6.8m @ 1.86g/t Au from 53.7m. The Hang glider Hill prospect is recognised by a similarly discrete +50ppbAu surface gold anomaly.

The Company considers these new surface gold anomalies to be highly encouraging and represent new high priority targets for drill testing in its Eastern Lefroy Project portfolio. The next stage of exploration will involve early-stage reconnaissance wide spaced air core drilling program to prioritise targets for RC drill testing.

Lake Randall Exploration Hub

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DIRECTORS' REPORT

During the September 2020 Quarter exploration license E15/1715 known as Burns was granted. The tenement covers an area of approximately 20km² to seal a former gap in LGP tenement package. The tenements containing the Lucky Strike, Neon and Havelock prospects adjoin E15/1715 to the west and now link with the single tenement at Lake Randall, giving the Company a commanding prospective land position in this area.

The tenement covers the Burns gold-copper prospect that was discovered by Octagonal Resources Limited ("Octagonal") in 2011.

The Burns prospect is situated on the eastern margin of a large interpreted felsic intrusion, termed the Burns Intrusion. The intrusion does not outcrop and has is represented by a distinctive aeromagnetic and gravity geophysical signature.

The Company rapidly assessed the previous exploration data and secured heritage clearance for drilling. Subsequent to the half year the company commenced and completed a combined 22-hole RC and diamond drilling program. Results for the initial 10 RC holes were announced on 23 February 2021. Hole LEFR260 intersected an outstanding intercept of: -

- **60m at 5.22g/t Au and 0.38% Cu from 112m down-hole to end of hole, including:**
 - **20m at 12.2g/t Au, 0.87% Cu and 1.7g/t Ag from 144m**

The intersection is hosted within fresh hematite altered porphyry and is a significant new development on the underexplored eastern side of the Burns anomaly. The mineralisation in LEFR260 is open.

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

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

Gold Fields commenced a 9000m reverse circulation (RC) drill program in July 2020 to evaluate five key targets generated in Lake Lefroy. Each target area was initially planned to be evaluated by one or more traverses of angled deep RC or diamond holes (+200m) to gain a greater appreciation of the primary (fresh) bedrock.

During the December 2020 Quarter, 127 combined AC, RC and diamond drill holes were completed totalling 7891m on the Western Lefroy JV(WLJV) (Table 1). Four target key areas were evaluated with wide spaced traverses of RC and or diamond drilling. Aircore drilling was completed near to and along strike of the eastern shoreline to complete the foundation drilling.

The key outcome of the drill program was the identification of a primary gold intersection at target LJV01 1800m north of Zanex. The intersection in RC hole KD81795 is along the contacts of a hematite and pyrite altered felsic intrusion along a dolerite-basalt contact which is open. RC drill holes to the west on the same drill traverse intersected transported Au in basal gravels and sandy clays in a tributary to the main Lefroy palaeochannel located further south. Significant gold intersections from the RC/Diamond drilling include:

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- **5m @ 1.73g/t Au from 95m in KD81795**
- **8m @ 0.67g/t Au from 41m in KD81798**
- **5m @1.94g/t Au from 39m in KD81800**

An aircore drilling program commenced in October 2020 to evaluate untested areas near to or along strike of the Eastern Shoreline trend. The results of that 114-hole program identified a new target LJV017 to the north of target LJV12 in a package of multiple NNW striking dolerite and basalt sills in a sequence of felsic volcanics and volcanoclastic rocks. Significant results from that program include:

- **2m @ 0.33g/t Au from 30m in SAL1843**
- **2m @ 0.27g/t Au from 20m in SAL1797**
- **4m @ 0.53g/t Au from 30m in SAL1870**
- **2m @ 0.44g/t Au from 44m in SAL1870**

Subsequent to the end of the December 2020 Half Year, Gold Fields reported that \$1,096,091 was spent in the December 2020 Quarter and the total JV exploration expenditure of \$6.2million had been incurred since JV commencement to 31 December 2020. Gold Fields are required to fund an additional \$3.8million for AFY2021 to meet the Stage 1 earn in commitment to sole fund \$10million to earn a 51% interest in the joint venture by 7 June 2021.

Subsequent to the end of the 2020 Half Year a diamond drill program had commenced in late January to evaluate the LJV01 and LJV15 targets.

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Lake Johnston Project

The Lake Johnston Project is located 120km west of Norseman in Western Australia and comprises two granted exploration licenses (E63/1722 & 1723) held under title by the Company and one granted exploration license (E63/1777) held by Lithium Australia NL (ASX:LIT). These holdings form a cohesive package in excess of 300km² over the Lake Johnston Greenstone Belt. Lefroy holds the Gold and Nickel rights, including all other precious and base metals not associated with pegmatites on the package, under a Tenement Rights Agreement executed with LIT in 2016.

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

During the six months to 31 December 2020, the Company completed a 22 hole, 695m aircore drill program as an initial evaluation of the Bullseye nickel target. Bullseye is characterised by a distinctive 2.5km wide ovoid shaped high amplitude aeromagnetic feature interpreted by the Company to represent a mafic or ultramafic intrusion.

A single traverse of wide spaced rotary air blast (RAB) drilling in 1997 on the southern margin of Bullseye reported promising shallow nickel intersections that includes 18m at 0.46% Ni from 20m in hole RTRB16 including 4m at 0.58% Ni from 24m.

In December 2020, an aircore drill program was completed on two preexisting drill lines to determine the underlying basement geology. The drilling intersected localised serpentinised cumulate textured ultramafic rocks that supports the Company's interpretation that the Bullseye magnetic anomaly is an ultramafic intrusive body and advances the prospectivity for Ni mineralisation.

Assay results are pending but based on the rocks observed in the drilling the Company lodged an exploration license (E63/2073) to cover the ground immediate to the east and south.

Corporate

The key Corporate activities for the Company for the Half Year to 31 December 2020 were

- On 22 October 2020, the Company advised that it had completed a A\$4.69 million (before issue costs) significantly oversubscribed placement to institutional and sophisticated investors and a share purchase plan to existing shareholders (LEX ASX release 22 October 2020).
- The Company released its 2020 Annual Report on 30 September 2020: and
- The Company held its 2020 Annual General Meeting (AGM) on 9 December 2020. All resolutions were carried by a poll.

Significant changes in state of affairs

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

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Principal activities

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

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

After balance date events

Subsequent to the period ended 31 December 2020, Tranche 2 and 3 of the Lefroy performance share plan was achieved and vested, and there is no impact to the financial statements as at 31 December 2020.

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

Likely developments

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

Rounding of amounts

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

Signed in accordance with a resolution of the Board of Directors.



WADE JOHNSON
Managing Director

Dated this 11th day of March 2021.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | NOTE | Consolidated 31-Dec-20 \$000 | Consolidated 31-Dec-19 \$000 |
|--|-------------|---|---|
| Income | | | |
| Interest Income | | 2 | 12 |
| Other Income | | 67 | 18 |
| Total Income | | <u>69</u> | <u>30</u> |
| Expenses | | | |
| Exploration expense | | - | 9 |
| Accommodation expenses | | 15 | 15 |
| Legal, professional and consulting expenses | | 148 | 126 |
| Directors fees | | 149 | 60 |
| Travel expenses | | 5 | 11 |
| Depreciation expense | | - | 15 |
| Net loss on financial assets held at fair value through profit or loss | 3 | 32 | 29 |
| Salaries and wages expenses | | 47 | 108 |
| Share based payment expense | | 58 | 35 |
| Transaction costs | | - | - |
| Other expenses | | 119 | 86 |
| Total Expenses | | <u>573</u> | <u>494</u> |
| Loss for the period before income tax | | <u>(504)</u> | <u>(464)</u> |
| Income tax expense | | - | - |
| Loss after income tax | | <u>(504)</u> | <u>(464)</u> |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the period | | <u>(504)</u> | <u>(464)</u> |
| Loss per share | | | |
| Basic loss per share attributable to ordinary equity holders in cents | | (0.50) | (0.52) |
| Diluted loss profit per share attributable to ordinary equity holders in cents | | (0.50) | (0.52) |

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | NOTE | Consolidated 31-Dec-20 \$000 | Consolidated 30-Jun-20 \$000 |
|---|-------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | | 4,102 | 907 |
| Trade and other receivables | | 91 | 105 |
| Financial assets at fair value through profit or loss | 3 | - | 398 |
| Other current assets | | 2 | 9 |
| Total current assets | | 4,195 | 1,419 |
| Property, plant and equipment | | 62 | 57 |
| Exploration and evaluation assets | 4 | 11,319 | 10,210 |
| Total non-current assets | | 11,381 | 10,267 |
| TOTAL ASSETS | | 15,576 | 11,686 |
| LIABILITIES | | | |
| Trade and other payables | | 138 | 214 |
| Provisions | 5 | 63 | 57 |
| Total current liabilities | | 201 | 271 |
| Provisions | 5 | 182 | 182 |
| Total non-current liabilities | | 182 | 182 |
| TOTAL LIABILITIES | | 383 | 453 |
| NET ASSETS | | 15,193 | 11,233 |
| EQUITY | | | |
| Issued Capital | 6 | 36,533 | 32,126 |
| Foreign currency translation reserve | | (111) | (111) |
| Share based payment reserve | 7 | 587 | 530 |
| Accumulated losses | | (21,816) | (21,312) |
| TOTAL EQUITY | | 15,193 | 11,233 |

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | Contributed equity \$'000 | Accumulated losses \$'000 | Share based payments reserve \$'000 | Foreign currency translation reserve \$'000 | Total equity / (shareholders' deficit) \$'000 | |
|--|---------------------------------|---------------------------------|--|--|--|---------------|
| Consolidated | NOTE | \$'000 | \$'000 | \$'000 | \$'000 | |
| At 1 July 2019 | | 28,603 | (20,933) | 448 | (111) | 8,007 |
| Profit / (Loss) for the period | | - | (464) | - | - | (464) |
| Other comprehensive income, net of income tax | | - | - | - | - | - |
| Total comprehensive loss | | - | (464) | - | - | (464) |
| Issue of ordinary shares (net of costs) | | 3,523 | - | - | - | 3,523 |
| Share based payments | | - | - | 35 | - | 35 |
| At 31 December 2019 | | 32,126 | (21,397) | 483 | (111) | 11,101 |
| At 1 July 2020 | | 32,126 | (21,312) | 530 | (111) | 11,233 |
| Loss for the period | | - | (504) | - | - | (504) |
| Other comprehensive income, net of income tax | | - | - | - | - | - |
| Total comprehensive loss | | - | (504) | - | - | (504) |
| Issue of ordinary shares (net of costs) | | 4,407 | - | - | - | 4,407 |
| Share based payments | 7 | - | - | 57 | - | 57 |
| At 31 December 2020 | | 36,533 | (21,816) | 587 | (111) | 15,193 |

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | Consolidated | Consolidated |
|--|---------------------|---------------------|
| | 31-Dec-20 | 31-Dec-19 |
| | \$000 | \$000 |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (587) | (419) |
| Receipts of ATO tax refund and cash flow boost | 100 | - |
| Interest received | 2 | 12 |
| Net cash flows used in operating activities | (485) | (407) |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation | (1,142) | (1,224) |
| Payments for plant and equipment | (5) | (6) |
| Proceeds from share sale | 420 | - |
| Net cash flows used in investing activities | (727) | (1,230) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 4,686 | 3,805 |
| Payments of share issue costs | (279) | (282) |
| Net cash flows generated from financing activities | 4,407 | 3,523 |
| Net (decrease)/increase in cash and cash equivalents held | 3,195 | 1,886 |
| Cash and cash equivalents at the beginning of the financial period | 907 | 372 |
| Cash and cash equivalents at the end of the financial period | 4,102 | 2,258 |

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 1: GENERAL INFORMATION

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

These financial statements are presented in thousands of Australian Dollars and comprises the Company and its controlled entities (the "Group"). The Group has determined that its functional currency is Australian dollars (June 2020: Australian dollars).

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group in the preparation and presentation of the consolidated financial report are in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2020, except for the impact of new and amended Standards and Interpretations adopted on 1 July 2020 as described below.

(a) Basis of preparation

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

(b) Accounting estimates and judgements

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

All judgements, estimates and assumptions applied in the consolidated financial statements for the half year ended 31 December 2020, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Historical Cost Convention

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

(d) Going concern

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

The Group has incurred a net loss after tax for the half year ended 31 December 2020 of \$504,000 (31 December 2019: loss \$464,000) and had a net cash outflow from operating and investing activities of \$1,213,000 (31 December 2019: \$1,637,000). The net assets of the Group as at 31 December 2020 were \$15,193,000 (30 June 2020: \$11,233,000) which included cash of \$4,102,000 (31 December 2019: \$907,000).

The Group's cash flow forecasts through to 31 March 2022, reflect that although the Group has sufficient working capital to enable it to meet its committed administration, exploration and operational expenditure over this period, it is likely that the group will be required to raise additional working capital within this timeframe to enable it to pursue its ongoing exploration and evaluation objectives.

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

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

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

(e) Comparatives

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

(f) Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Operating segments (continued)

resources to the segment and to assess its performance.

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

(g) New and amended standards and interpretations

The Group applied all new and amended Accounting Standards and Interpretations that were effective 1 July 2020, including the following:

Amendments on IFRS 3 – Definition of a Business

Amendments to IFRS 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- (a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- (b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- (c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- (d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- (e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The application of IFRS 3 has not materially impacted the financial statements of the Group.

Amendments on IAS 1 and IAS 8 – Definition of Material

This standard principally amends IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in IAS 1. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across IFRS Standards and other publications. The amendment also includes some supporting requirements in IAS 1 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

The application of this amendments has not materially impacted the financial statements of the Group.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| NOTE 3: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | Consolidated | |
|--|---------------------|-----------|
| | 31-Dec-20 | 30-Jun-20 |
| | \$000 | \$000 |
| Carrying amount at the beginning of the period | 398 | 150 |
| Acquisition of Golden State Mining Limited shares | - | - |
| Acquisition of Golden State Mining Limited options | - | - |
| Options exercised during the year | - | 200 |
| Fair value of shares sold during the year | (366) | (153) |
| Net (loss)/profit of financial assets at fair value through profit or loss | (32) | 201 |
| Carrying amount at the end of the period | - | 398 |

The Group has calculated the fair value of its listed shares in GSM based on the quoted share price. This represents level 1 inputs in the fair value hierarchy which are quoted prices in active markets for identical assets or liabilities.

| NOTE 4: EXPLORATION AND EVALUATION ASSETS | Consolidated | |
|--|---------------------|-----------|
| | 31-Dec-20 | 30-Jun-20 |
| | \$000 | \$000 |
| <i>Exploration and evaluation assets</i> | | |
| Carrying amount at the beginning of the period | 10,210 | 7,606 |
| Other exploration costs incurred during the period | 1,109 | 2,604 |
| Carrying amount at the end of the period | 11,319 | 10,210 |

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

| NOTE 5: PROVISIONS | Consolidated | |
|---------------------------|---------------------|-----------|
| | 31-Dec-20 | 30-Jun-20 |
| | \$000 | \$000 |
| Current | | |
| Employee benefits | 63 | 57 |
| | 63 | 57 |
| Non-current | | |
| Rehabilitation (i) | 182 | 182 |
| | 182 | 182 |

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 5: PROVISIONS (CONTINUED)

(i) The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The current rehabilitation provision represents the present value of rehabilitation costs relating to project sites. Those provisions have been created based on the Group's financial assurance lodged with the Department of Environmental Authority. The discount rate used in the calculation of the provision as at 31 December 2020 was 0.92% (30 June 2020 : 0.92%).

NOTE 6: ISSUED CAPITAL

| Issued Capital | 31-Dec-20 Nos. | 30-Jun-20 Nos. | 31-Dec-20 \$000 | 30-Jun-20 \$000 |
|----------------------------|-------------------|-------------------|--------------------|--------------------|
| (a) Share capital | | | | |
| Fully Paid Ordinary Shares | 114,209,667 | 94,686,745 | 36,533 | 32,126 |

| | Consolidated | |
|--|---------------------|---------------|
| | Nos. | \$000 |
| (b) Movements in issued capital | | |
| <i>Fully Paid Ordinary Shares</i> | | |
| Beginning of the financial year | 75,659,900 | 28,603 |
| 23 August 2019 – Share Placement | 17,600,000 | 3,520 |
| 11 October 2019 – Share Placement | 1,426,845 | 285 |
| Share issue costs | - | (282) |
| Balance at 30 June 2020 | 94,686,745 | 32,126 |

| | Consolidated | |
|---|---------------------|---------------|
| | Nos. | \$000 |
| 9 September 2020 – vesting of Tranche one Share Plan Shares | 1,933,333 | - |
| 30 October 2020 - Share Placement | 18,041,671 | 4,330 |
| 25 November 2020 - Share Purchase Plan | 772,917 | 186 |
| 17 December 2020 - Share Placement (i) | 708,334 | 170 |
| Share issue costs | - | (279) |
| Balance at 31 December 2020 | 116,143,000 | 36,533 |

(i) Shares issued to Directors and their related parties who participated in the Share Placement, as approved at the General Meeting of Shareholders held on 9 December 2020.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 7: RESERVES

| | Consolidated | |
|--------------------------------------|---------------------|--------------------|
| | 31-Dec-20 \$000 | 30-Jun-20 \$000 |
| (a) Reserves | | |
| Foreign currency translation reserve | (111) | (111) |
| Share based payments reserve (i) | 587 | 530 |
| | 587 | 530 |

(i) Share Plan Shares

As at 31 December 2020 there were 3.866 million ordinary shares (30 June 2020: 5.8 million ordinary shares) held by the Lefroy Exploration Share Plan (the 'Share Plan Trust'), previously named the U.S. Masters Executive Plan Trust, on behalf of Directors and employees, held in conformity with the Share Plan Trust rules.

During the half year ended 31 December 2020:

In August 2020, Tranche 1 of the Lefroy Share Plan was achieved and vested. 1,933,333 in total number of shares were issued on 4 September 2020 to the participants or their respective nominees.

A reconciliation of Share Plan Trust ordinary shares is as follows:

| Director | 1-Jul-20 | Grants | Vested | 31-Dec-20 |
|-----------------|------------------|---------------|--------------------|------------------|
| Gordon Galt | 1,000,000 | - | (333,334) | 666,666 |
| Michael Davies | 1,000,000 | - | (333,334) | 666,666 |
| Geoffrey Pigott | 1,250,000 | - | (416,668) | 833,332 |
| Wade Johnson | 2,000,000 | - | (666,667) | 1,333,333 |
| Other employees | 550,000 | - | (183,330) | 366,670 |
| Total | 5,800,000 | - | (1,933,333) | 3,866,667 |

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

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

The total amount expensed during the half year ended 31 December 2020 in relation to the Share Plan Trust shares was \$57,599 (2019: \$35,481).

Subsequent to the period ended 31 December 2020, Tranche 2 and 3 of the Lefroy performance share plan was achieved and vested. Refer to the subsequent event note 12 for further information.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 8: RELATED PARTY TRANSACTIONS

Transactions with key management personnel of the entity or its parent and their personally related entities are set out below. All other Key management personnel compensation is consistent with the disclosures of the Groups 2020 annual financial statements for the financial year ended 30 June 2020.

- 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. In the current year, New Holland Capital was engaged as Sole Lead Manager and Bookrunner for the share placement completed in October 2020. New Holland Capital received \$259,800 (exc. GST) in relation to these services.

In the 31 December 2020 period, 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 \$15,000 (exc. GST) in monthly retainer fees as corporate advisor for the sale/commercialisation of the Lake Johnson assets and Lucky Strike-Red Dale in the Lefroy gold project.

As at 31 December 2020, \$Nil remains due and payable to New Holland Capital in respect of services rendered (31 December 2019: \$5,000 exc. GST)

NOTE 9: COMMITMENTS AND CONTINGENCIES

Exploration Commitments

| | 31-Dec-20 | 30-Jun-20 |
|-----------------------|--------------|--------------|
| | \$000 | \$000 |
| Up to 1 year | 570 | 530 |
| Between 2 and 5 years | 1,897 | 1,887 |
| | <u>2,467</u> | <u>2,417</u> |

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

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

A further \$428,000 of exploration expenditure is required for the Western Lefroy Project's exploration commitments within the next year. A further \$1,466,000 of exploration expenditure is required for the Western Lefroy Project's exploration commitments later than one year but not later than five years.

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

LEFROY EXPLORATION LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 9: COMMITMENTS AND CONTINGENCIES (CONTINUED)

also change.

The Directors are not aware of any contingent liabilities of the Group for the half year ended 31 December 2020.

NOTE 10: DIVIDENDS PAID

No dividends were paid or provided for during the half year ended 31 December 2020 (2019: \$NIL)

NOTE 11: FAIR VALUES

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

NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the period ended 31 December 2020, Tranche 2 and 3 of the Lefroy performance share plan was achieved and vested, and there is no impact to the financial statements as at 31 December 2020.

There has been no other matters or circumstance, which has arisen since 31 December 2020 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2020, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2020, of the Group.

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DIRECTORS' DECLARATION

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

- a) the consolidated statement of profit or loss and other comprehensive income drawn up presents fairly the results of the Group for the 6 months ended 31 December 2020.
- b) the accompanying consolidated statement of financial position drawn up presents fairly the state of affairs of the Group at 31 December 2020.
- c) subject to the matters set out in note 2(d) to the financial report there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.



WADE JOHNSON

Managing Director

Dated this 11th day of March 2021.

To the members of Lefroy Exploration Limited

Report on the half year financial report

We have reviewed the accompanying half-year financial report of Lefroy Exploration Limited, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Material uncertainty related to going concern

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

Directors' responsibility for the half year financial report

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

Auditor's responsibility

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

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

Independence

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half year financial report of Lefroy Exploration Limited does not present fairly, in all material respects, the company's financial position as at 31 December 2020 and its financial performance and its cash flows for the half year ended on that date, in accordance with IAS 134 *Interim Financial Reporting*.



Ernst & Young



Gavin Buckingham
Partner
Perth
11 March 2021