



Lefroy Exploration

**LEFROY EXPLORATION LIMITED
(Formerly U.S. Masters Holdings Limited)**

Financial Statements

for the 6 months ended 31 December 2016

**Incorporated in the British Virgin Islands IBC No. 29457
Australian Registered Body Number 052 123 930**

CORPORATE INFORMATION

Directors

Gordon Galt (Chairman)
Michael Davies (Non -executive Director)
James Beecher (Non -executive Director)
Geoffrey Pigott (Non -executive Director)
Wade Johnson (Managing Director –Appointed 19 October 2016)

Company Secretary

Susan Hunter

Registered Office-British Virgin Islands

Palm Grove House, Tortola
British Virgin Islands

Registered Office - Australia

11 Ventnor Avenue
West Perth WA 6005

Bankers

Australia & New Zealand Banking Corporation
West Perth Business Centre
Hay Street
West Perth WA 60005

Share Register

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth WA 6000
Telephone: +61 8 9323 2000

Auditors

Ernst & Young Australia
GPO Box 2646
Sydney NSW 2001
Telephone: +61 2 9248 5555

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange ASX Code: LEX

Website

www.lefroyex.com

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LEFROY EXPLORATION LIMITED
HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2016

Directors' Report
for the 6 months ended 31 December 2016

Expressed in Australian Dollars

The directors present their report together with the financial statements of Lefroy Exploration Limited ("the Company") and its controlled entities ("the Group") for the 6 months ended 31 December 2016 and the auditors' review report thereon.

Board of Directors

The names of the Company's directors in office during, or since the end of the half-year and until the date of this report are as below:

Gordon Galt (Chairman)
Michael Davies (Non -executive Director)
James Beecher (Non -executive Director)
Geoffrey Pigott (Non -executive Director)
Wade Johnson (Managing Director –Appointed 19 October 2016)

Results and Review of Operations

During the 6 months ended 31 December 2016, the Company transformed, through the issue of a prospectus and several transactions, to become an exploration company to undertake gold and nickel exploration on three 100% owned projects in Western Australia.

The key events in the Company's transformation were: -

- Acquisition by the Company of all the issued capital in Hogans Resources Pty Ltd, and tenement E15/1447 from Montezuma Mining Company Ltd to form a large contiguous land package known as the Lefroy Gold Project near Kalgoorlie, Western Australia
- The transfer of the Lithium Rights in the Company's tenements E63/1722 and E62/1723 to Lithium Australia NL (ASX: LIT), and the acquisition by the Company of the gold and nickel rights to LIT's E63/1777
- Issuing a Prospectus dated 8 September 2016 and successfully completing a Public Offering of equity that raised \$4.0 Million in gross proceeds
- The full and final repayment of the Finance Facility Amount provided to the Company by Michael Davies by the issue of 4,375,000 shares
- Change of the Company name from U.S. Masters Holdings Limited to Lefroy Exploration Limited (ASX: LEX) to reflect the change of the nature of the business
- Reinstatement to official quotation on the ASX on 19 October 2016
- Appointment of Wade Johnson, as Managing Director on 19 October 2016
- Commencement of exploration at the Lefroy Gold Project, near Kalgoorlie on 24 October 2016

The Group realised a net profit after tax for the half-year ended 31 December 2016 of \$483,000 (2015: loss \$211,000).

Exploration Overview

Lefroy Gold Project

The Lefroy Gold Project (“LGP”), located some 50km to the South East of Kalgoorlie, is the Company’s flagship project, with five advanced gold target areas recognised from appraisal of previous exploration completed by others over the past 25 years.

The LGP is a commanding contiguous land package covering in excess of 540km² 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 newly discovered 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 - both operated by Silver Lake Resources (ASX: SLR).

Initial compilation of previous geochemical, geophysical and drilling data over the LGP, and ongoing interpretation, has identified five priority areas of interest for early stage drilling testing. Exploration during the Half Year was initiated on two of these areas yielding results that have helped to advance the geological model and generate targets for follow up exploration. To advance evaluation of the area in Lake Lefroy, the Company completed a Heritage Survey and had Programs of Work (POW) completed and approved. The Company has contracted a purpose-built lake drilling rig with drilling commenced in February 2017.

The major focus post re quotation was the completion of an extensive detailed ground gravity survey over the western half of the project, principally in Lake Lefroy, and covering one of the priority gold targets known as Zanex, which lies along or adjacent to the interpreted Woolibar structural trend. Preliminary interpretation of the geophysical data has yielded 7 priority targets in Lake Lefroy that are considered to have favourable lithological and structural settings that could host gold mineralisation.

At the Lucky Strike Prospect, located 2km NW of the Lucky Bay open pit gold mine (Silver Lake Resources), an early stage air core drill program to investigate and validate previous drill intersections was completed. A program of 41 angled air core holes totaling 2777m was completed on eight traverses, evaluating approximately 1100m of strike that lies proximal to the interpreted position of the regional scale Mt Monger Fault. The drilling defined a core NW trending zone of bedrock gold mineralisation over a 220m strike length.

To further compliment the LGP the Company entered into an agreement with a private prospector to acquire 100% interest in three contiguous granted tenements covering 6.4 square kilometres that adjoin the Lefroy Project. The commercial terms of the agreement were a modest cash payment with no retained royalties.

Lake Johnston Project

The Lake Johnston Project is located 120km 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 300km² over the Lake Johnston Greenstone Belt. Lefroy has acquired the gold and nickel rights to E63/1777 under a Tenement Rights Agreement.

The Company initiated exploration to improve and advance targeting for nickel sulphide mineralisation during the half year. A 50m line spaced aeromagnetic survey was completed in December 2016 to cover areas interpreted to host ultramafic rocks that may be prospective for nickel sulphides, and to complement the existing detailed aeromagnetic data. Processing of the survey data with the existing dataset was completed and will provide the basis for follow up interpretation to advance the nickel exploration program.

Murchison Gold Project

The Murchison Gold Project comprises two pending exploration licences and eighteen pending prospecting licences covering 134km² to the west of Cue. During the period the Company progressed negotiations with the Native Title Corporation for a Heritage Access agreement. It is anticipated an agreement will be reached by 31 March 2017 which will subsequently allow the required process to commence towards grant of the tenements.

Corporate

The Half Year to 31 December 2016 was a period of significant transformation for the Company.

On 19 October 2016, the Company's securities were reinstated to official quotation on the ASX, after completion of all the Transactions as presented in the Prospectus released to the ASX on 8 September 2016 and approval being granted by the ASX to allot the Shares under the public offer. The allotment of 20,000,000 shares at \$0.20 per share, to raise \$4 million under the public offer was completed on 14 October 2016. Following the reinstatement, Lefroy has 64,463,920 fully paid ordinary shares on issue.

The key transactions undertaken during the Half Year are noted in detail in the announcement dated 17 October 2016 and summarised as follows: -

- Acquisition by Lefroy of all the issued capital in Hogans Resources Pty Ltd (HRPL) for consideration of 7,600,000 Lefroy shares.
- Acquisition by Lefroy of granted tenement E15/1447 from Montezuma Mining Company Ltd (ASX: MZM) and the issue of 4,200,000 Lefroy Shares to MZM as consideration.
- The transfer of the Lithium Rights in Lefroy's tenements E63/1722 and E62/1723 to Lithium Australia NL (ASX: LIT), and the acquisition by Lefroy of the gold and nickel rights to LIT's E63/1777. Under this transaction Lefroy received 9,000,000 LIT shares and LIT received 3,000,000 Lefroy shares as consideration.

Mr. Wade Johnson was appointed Managing Director of the Company on 19 October 2016. Mr Johnson is a geologist with over 25 years of experience in the mineral exploration industry with a strong focus on gold in Western Australia.

On 6 December 2016, Mr James Beecher resigned as the Company Secretary and Ms Susan Hunter was appointed to that role.

Subsequent to the end of the Half Year, the Company announced the change of its Australian Registered Office to Level 1, 11 Ventnor Avenue, West Perth, WA, 6005, Australia and postal address to PO Box 821 West Perth WA 6872.

Dividends

No dividends were paid during the period and no dividend is recommended.

Significant Changes in State of Affairs

Apart from disclosed in the Review and Results of Operations there have been no other significant changes in the affairs of the Company.

Subsequent Events

Apart from disclosed in the Review and Results of Operations the directors are not aware of any significant changes in the state of affairs occurring since the end of the half year apart from those events disclosed in the Review and Results of Operations.

Currency and Rounding

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

Dated this 13th day of March 2017

Signed in accordance with a resolution of the directors.

A handwritten signature in cursive script that reads "Wade Johnson".

Wade Johnson

Managing Director

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LEFROY EXPLORATION LIMITED

Statement of profit or loss and comprehensive income For the half-year ended 31 December 2016

Expressed in thousands of Australian Dollars

| | Note | Consolidated 31 Dec 2016 \$000 | Consolidated 31 Dec 2015 \$000 |
|---|------|--------------------------------------|--------------------------------------|
| Income | | | |
| Interest Income | | 7 | - |
| Profit on sale of Lithium Rights | 3 | 1,710 | - |
| Other income | | 47 | - |
| Total income | | 1,764 | - |
| Expenses | | | |
| Accommodation expenses | | 9 | 10 |
| Legal, professional and consulting expenses | | 30 | 97 |
| Directors fees | | 65 | - |
| Travel expenses | | 8 | 4 |
| Tender fees | | - | 26 |
| Interest expense | | 70 | 31 |
| Net loss on financial assets held at fair value through profit or loss | 4 | 416 | 1 |
| Salaries and wages expenses | | 138 | - |
| Share Plan shares | 8 | 180 | - |
| Other expenses | | 81 | 42 |
| Total expenses | | 997 | 211 |
| Profit / (loss) for the period before income tax | | 767 | (211) |
| Income tax expense | 9 | (284) | - |
| Profit / (loss) after income tax | | 483 | (211) |
| Other comprehensive income | | - | - |
| Total comprehensive profit (loss) for the period | | 483 | (211) |
| Profit / (loss) per share | | | |
| Basic profit / (loss) per share attributable to ordinary equity holders | | 0.01 | (0.01) |
| Diluted profit / (loss) per share attributable to ordinary equity holders | | 0.01 | (0.01) |

LEFROY EXPLORATION LIMITED

Statement of Financial Position

As at 31 December 2016

Expressed in thousands of Australian Dollars

| | Note | Consolidated 31 Dec 2016 \$000 | Consolidated 30 Jun 2016 \$000 |
|---|------|--------------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 3,254 | 52 |
| Financial assets at fair value through profit or loss | 4 | 972 | 10 |
| GST receivable | | 160 | - |
| Other current assets | | 31 | 12 |
| Total current assets | | 4,417 | 74 |
| Property, plant and equipment | | 10 | - |
| Deferred tax assets | 9 | 49 | - |
| Exploration and evaluation assets | 6 | 3,430 | - |
| Total non-current assets | | 3,489 | - |
| TOTAL ASSETS | | 7,906 | 74 |
| LIABILITIES | | | |
| Trade and other payables | | 253 | 56 |
| Income tax payable | 9 | 333 | - |
| Other finance liabilities | | 10 | - |
| Provisions | | 30 | - |
| Total current liabilities | | 626 | 56 |
| Borrowings | 7 | - | 656 |
| Total non-current liabilities | | - | 656 |
| TOTAL LIABILITIES | | 626 | 712 |
| NET ASSETS | | 7,280 | (638) |
| EQUITY | | | |
| Issued capital | 8 | 19,160 | 11,795 |
| Share premium reserve | | 7,115 | 7,115 |
| Foreign currency translation reserve | | (111) | (111) |
| Share based payment reserve | 10 | 109 | 39 |
| Accumulated losses | | (18,993) | (19,476) |
| TOTAL EQUITY | | 7,280 | (638) |

LEFROY EXPLORATION LIMITED

Statement of changes in equity

For the half-year ended 31 December 2016

Expressed in thousands of Australian Dollars

| | Share capital \$000 | Share premium reserve \$000 | Share based payments reserve \$000 | Foreign currency translation reserve \$000 | Retained losses \$000 | Total equity \$000 |
|--|---------------------------|--------------------------------------|--|--|-----------------------------|--------------------------|
| Opening balance at 1 July 2015 | 11,795 | 7,115 | 39 | (111) | (19,059) | (221) |
| Total comprehensive loss for the period | - | - | - | - | (211) | (211) |
| Balance as at 31 December 2015 | 11,795 | 7,115 | 39 | (111) | (19,270) | (432) |
| Balance as at 1 July 2016 | 11,795 | 7,115 | 39 | (111) | (19,476) | (638) |
| Total comprehensive profit for the period | - | - | - | - | 483 | 483 |
| Transactions with owners, in their capacity as owners | | | | | | |
| Acquisition of Hogans Resources Pty Ltd | 8 1,520 | - | - | - | - | 1,520 |
| Acquisition of other exploration assets | 8 1,440 | - | - | - | - | 1,440 |
| Conversion of borrowings | 8 875 | - | - | - | - | 875 |
| Capital raising | 8 4,000 | - | - | - | - | 4,000 |
| Capital raising costs | 8 (650) | - | 70 | - | - | (580) |
| Issue of shares under Share Plan | 8 180 | - | - | - | - | 180 |
| Balance as at 31 December 2016 | 19,160 | 7,115 | 109 | (111) | (18,993) | 7,280 |

LEFROY EXPLORATION LIMITED

Statement of Cash Flows for the 6 months ended 31 December 2016

Expressed in thousands of Australian Dollars

| | Note | Consolidated 31 Dec 2016 \$000 | Consolidated 31 Dec 2015 \$000 |
|--|------|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | | |
| Interest and dividends received | | 7 | - |
| Interest paid | | (1) | - |
| Payments to suppliers and employees | | (255) | (179) |
| Net cash used in operating activities | | (249) | (179) |
| Cash flows from investing activities | | | |
| Payments for exploration and evaluation | | (399) | - |
| Payments for plant and equipment | | (10) | - |
| Proceeds from disposal of financial assets at fair value | 4 | 332 | - |
| Net cash used in investing activities | | (77) | - |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 8 | 4,000 | - |
| Share issue costs | | (622) | - |
| Draw down on finance facility | 7 | 150 | 150 |
| Net cash inflow from financing activities | | 3,528 | 150 |
| Net increase/ (decrease) in cash and cash equivalents | | 3,202 | (29) |
| Cash and cash equivalents at the beginning of the period | | 52 | 53 |
| Cash and cash equivalents at the end of the period | | 3,254 | 24 |

LEFROY EXPLORATION LIMITED

Notes to and forming part of the Financial Statements for the 6 months ended 31 December 2016

1. GENERAL INFORMATION

Lefroy Exploration Limited (the “Company”) 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 2016: Australian Dollars).

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Company’s financial statements are set out below.

(a) Basis of preparation

The financial statements of Lefroy Exploration Limited have been prepared in accordance with IAS34 “Interim Financial Reporting”. They comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”).

The accounting policies have been consistently applied by the Group and are consistent with those of the previous period. The Group has considered the implications of new or amended Accounting Standards, but has determined that their application to the financial statements is either not relevant or not material.

This interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2016.

LEFROY EXPLORATION LIMITED

Notes to and forming part of the Financial Statements for the 6 months ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and brokers with maturities of three months or less.

(c) 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.

(d) Exploration and evaluation assets

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 area 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.

LEFROY EXPLORATION LIMITED

Notes to and forming part of the Financial Statements for the 6 months ended 31 December 2016

3. 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. Based on the ASX market quoted Lithium Australia 12 month VWAP to 19 October 2016 of \$0.19 per share, a profit of \$1,710,000 has been recorded, as the book value of the assets sold was \$Nil.

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Total |
|---|--------------|
| | \$000 |
| Carrying amount at 1 July 2016 | 10 |
| Acquisition of Lithium Australia (LIT) shares (Note 3) | 1,710 |
| Fair value of shares sold during the period | (332) |
| Net loss of financial assets at fair value through profit or loss | (416) |
| Carrying amount at 31 December 2016 | <u>972</u> |

As at 31 December 2016 the last quoted market price of LIT on the ASX was \$0.14 resulting in a write down of the LIT holding of \$416,000. The Company has been disposing of the LIT shares as it is not a long term holder of shares in a lithium development company.

As at 31 December 2016 6,900,000 LIT shares were still held.

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

- Level 1: The fair value is calculated using quoted prices in active markets.
- Level 2: The fair value is estimated using inputs other than quotes prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets at fair value through profit or loss listed above were calculated using the level 1 method.

LEFROY EXPLORATION LIMITED

Notes to and forming part of the Financial Statements
for the 6 months ended 31 December 2016

5. ACQUISITION OF HOGANS RESOURCES PTY LTD

In October 2016, the Company 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.

| | |
|---|--------------|
| Consideration for the acquisition. | \$000 |
| Ordinary shares (Note 8) | 1,520 |
| | <hr/> 1,520 |
| | |
| The fair value of net assets acquired at the date of acquisition: | \$000 |
| Cash | 2 |
| Exploration assets (Note 6) | 1,520 |
| Other payables | (2) |
| | <hr/> 1,520 |

6. EXPLORATION ASSETS

| | |
|--|--------------|
| | Total |
| | \$000 |
| Carrying amount at 1 July 2016 | - |
| Acquisition of exploration assets held by Hogans Resources Pty Ltd (Note 5) | 1,520 |
| Acquisition of gold and nickel rights within E63/1777 from Lithium Australia NL (Note 8) | 600 |
| Acquisition of EL 15/447 from Montezuma Mining Limited (Note 8) | 840 |
| Other exploration costs incurred during the period | 470 |
| Carrying amount at 31 December 2016 | <hr/> 3,430 |

LEFROY EXPLORATION LIMITED

Notes to and forming part of the Financial Statements for the 6 months ended 31 December 2016

7. BORROWINGS

| | Total |
|---|--------------|
| | \$000 |
| Carrying amount at 1 July 2016 (i) | 656 |
| Drawdown | 150 |
| Interest accrued (i) | 69 |
| Conversion of facility into shares (Note 8) (i) | (875) |
| Carrying amount at 31 December 2016 | - |

- (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 principle owing of \$700,000 plus, in lieu of interest, a premium of 25% of the principle.

8. SHARE CAPITAL

Movement in ordinary shares

| | Number | \$000 |
|---|---------------|--------------|
| Issued capital at 1 July 2016 (iii) | 24,388,920 | 11,795 |
| Issue shares – Public offering | 20,000,000 | 4,000 |
| Share issue costs (i) | - | (650) |
| Conversion of treasury shares to acquire Hogans Resources Pty Ltd (Note 5), (iii) | 7,600,000 | 1,520 |
| Issue of shares to acquire EL 63/1777 (Note 6) | 3,000,000 | 600 |
| Issue of shares to acquire EL 15/447 (Note 6) | 4,200,000 | 840 |
| Conversion of treasury shares to settle borrowings (Note 7), (iii) | 4,375,000 | 875 |
| Conversion and issue of shares under share plan (ii), (iii) | 900,000 | 180 |
| Issued capital at 31 December 2016 (iii) | 64,463,920 | 19,160 |

- (i) Includes \$294,000 from Taurus Funds Management Pty Ltd, a company which Gordon Galt and Michael Davies are directors of, and a share based payment (Note 10).
- (ii) Shares issued and converted from treasury shares, under the Company's Directors and Executive Share Plan, to Wade Johnson.

LEFROY EXPLORATION LIMITED

Notes to and forming part of the Financial Statements for the 6 months ended 31 December 2016

8. SHARE CAPITAL (Continued)

- (iii) During the period, all the treasury shares held by the Company were used to satisfy the issue of shares under the transactions completed in October 2016. Share capital is reconciled as follows:

| | 31 Dec 2016 Number | 31 Dec 2016 \$000 | 30 Jun 2016 Number | 30 Jun 2016 \$000 |
|-------------------|-----------------------|----------------------|-----------------------|----------------------|
| Ordinary shares | 64,463,920 | 19,160 | 36,583,380 | 40,511 |
| Treasury shares | - | - | (12,194,460) | (28,716) |
| Net share capital | 64,463,920 | 19,160 | 24,388,920 | 11,795 |

Movement in treasury shares

| | Number |
|---|-------------|
| At 1 July 2016 | 12,194,460 |
| Acquisition of exploration assets held by Hogans Resources Pty Ltd (Note 5) | (7,600,000) |
| Settlement of borrowings (Note 7) | (4,375,000) |
| Shares under share plan | (219,460) |
| At 31 December 2016 | - |

9. INCOME TAX

| | Total \$000 |
|---|----------------|
| Numerical reconciliation of income tax expense to prima facie tax payable is as follows: | |
| Profit before income tax expense | 767 |
| Tax at statutory rate | 230 |
| Non-deductible expenditure | 54 |
| Income tax expense | 284 |
| Recognised deferred tax assets/ (liabilities): | |
| Investments | 105 |
| Payables | 10 |
| Business related costs | 2 |
| Exploration | (68) |
| Total | 49 |

LEFROY EXPLORATION LIMITED
Notes to and forming part of the Financial Statements
for the 6 months ended 31 December 2016

10. SHARE BASED PAYMENT

1,000,000 options were issued to New Holland Capital Pty Ltd as part consideration for services in relation to the public offer to raise \$4 million (Note 8). 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 in 5 years. A value of \$70,000 has been ascribed to the options.

11. SEGMENT REPORTING

Post October 2016, the Group has operated entirely as an exploration company in Western Australia, and therefore has only one operating segment. All significant revenues and expenses for the half-year to 31 December 2016 are attributable to that segment.

12. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities of the Group at the period end.

13. RELATED PARTY TRANSACTIONS

Other than the related party transactions noted in Notes 7, 8 and 10, the following related party transactions occurred during the period:

- Rent and administration expenses of \$17,467 paid and payable to Taurus Funds Management Pty Ltd
- Rent and administration expenses of \$10,702 paid and payable to Taurus SM Holdings Pty Ltd

Gordon Galt and Michael Davies are directors of these companies.

14. SUBSEQUENT EVENTS

Other than those matters listed in this report the directors are not aware of any significant changes in the state of affairs of the Group occurring between 31 December 2016 and the date of this report.

LEFROY EXPLORATION LIMITED
Directors' Statement
for the 6 months ended 31 December 2016

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 statement of profit or loss and comprehensive income is drawn up so as to give a true and fair view of the Group for the 6 months ended 31 December 2016.
- b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Group at 31 December 2016.
- c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Dated this 13th day of March 2017

Signed in accordance with a resolution of directors.



Wade Johnson
Managing Director



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To the members of Lefroy Exploration Limited

Report on the Half-Year or Interim 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 2016, consolidated statement of 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.

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 2016 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

Ryan Fisk
Partner
Sydney
13 March 2017

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