

# **Lefroy Resources Limited**

ACN 107 118 673

## **Half-Year Financial Report 31 December 2004**

# Directors' Report

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The Directors of Lefroy Resources Limited ("Lefroy Resources" or "Company") present the following report for the half-year ended 31 December 2004.

## DIRECTORS

The names and details of the Directors of the Company in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Malcolm James (Chairman)  
Mr Craig Bromley  
Mr Thomas Kelly

## INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the securities of the Company were:

	Ordinary Shares	Options (Exercisable at \$0.25 up to 31 March 2006)
M. James	241,500	120,750
C. Bromley	3,000,000	1,472,500
T. Kelly	2,962,501	1,478,751

## REVIEW OF OPERATIONS

The NE Gold Province of Tasmania has produced more than 600 gold deposits and occurrences from which there has been historical production in excess of 1.7Moz of gold. The Company's exploration land package consolidates at least three separate mineralised structures. The Lefroy Goldfield, located 20 kilometres from Beaconsfield, occupies the western most mineralised structure and remains the Company's most important Prospect by way of historic production (approximately 200,000oz). The Company's extensive land package extends east to cover potential northern strike extensions from the Lisle/Golconda Goldfield.

Due to the complex structural controls on mineralisation Lefroy Resources recognised the need for structural work to be carried out. A detailed structural model for mineralisation was developed and applied to the interpretation of high-resolution airborne geophysical data collected in September 2004. Resulting targets have been prioritised and are being tested using a combination of RC, soil geochemistry and RAB drilling.

The Lefroy Goldfield extends for at least 5 kilometres through the old gold rush town of Lefroy, 40 kilometres north of Launceston. The Lefroy Goldfield contains many historic workings and shafts with approximately 30 gold reefs which were mined and subsequently abandoned in the late 1800's. Records indicate that the average mined grade of the field was in excess of 30g/t Au. These high-grade gold lodes and shoots are a primary target for the Company, which is focussing its initial efforts on delineating and drill testing targets around the old workings and their potential extensions.

Orientation drilling at the Lefroy Goldfield has been designed to test several mineralisation styles within a corridor striking through the old Goldfield. The Company commenced its 5000 meter RC drill program in November 2004, and has completed 29 holes for 4570 metres. Despite being

# Directors' Report

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hampered by hole deviation drilling has returned promising results from several prospects. These results demonstrate that high-grade mineralisation continues below historic workings at the Lefroy Goldfield. The results mark the successful testing of three out of approximately 30 individual reefs that are known within the Goldfield.

Tenement consolidation continues with the granting of three exploration licences; EL43/2003, EL44/2003, EL45/2003. EL28/2003 remains in application. The Company's total landholding (including application) is over 770 square kilometres, placing Lefroy Resources as the second largest single landholder in the area.

## RESULTS OF OPERATIONS

For the half-year ended 31 December 2004, the Company recorded an operating profit after income tax of \$15,675.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the half-year ended 31 December 2004 were as follows:

- In October 2004, the Company announced a non-renounceable rights issue to shareholders. A total of 17,937,500 options have been allotted and issued, raising \$179,375.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 10.

Signed in accordance with a resolution of the Directors.



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Malcolm James  
Chairman

16 March 2005

# Statement of Financial Performance

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FOR THE PERIOD ENDED 31 DECEMBER 2004

	Notes	31 December 2004 \$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>	2	122,732
Employee benefits expense		(64,821)
Depreciation and amortisation expenses	3	(4,613)
Other expenses from ordinary activities		(37,623)
<b>PROFIT / (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		15,675
Income tax expense relating to Ordinary Activities		-
<b>NET PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF LEFROY RESOURCES LIMITED</b>		<b>15,675</b>
Basic profit / loss per share (cents per share)	4	0.044

# Statement of Financial Position

AS AT 31 DECEMBER 2004

	Notes	31 December 2004 \$	30 June 2004 \$
<b>CURRENT ASSETS</b>			
Cash assets		4,645,994	4,808,634
Receivables		43,786	34,923
Other		-	1,953
<b>TOTAL CURRENT ASSETS</b>		<b>4,689,780</b>	<b>4,845,510</b>
<b>NON CURRENT ASSETS</b>			
Plant and equipment		30,372	21,692
Exploration and evaluation expenditure		1,061,761	652,338
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,092,133</b>	<b>674,030</b>
<b>TOTAL ASSETS</b>		<b>5,781,913</b>	<b>5,519,540</b>
<b>CURRENT LIABILITIES</b>			
Payables		125,253	38,462
<b>TOTAL CURRENT LIABILITIES</b>		<b>125,253</b>	<b>38,462</b>
<b>TOTAL LIABILITIES</b>		<b>125,253</b>	<b>38,462</b>
<b>NET ASSETS</b>		<b>5,656,660</b>	<b>5,481,078</b>
<b>EQUITY</b>			
Contributed equity		5,643,744	5,483,837
Retained profit / (losses)		12,916	(2,759)
<b>TOTAL EQUITY</b>		<b>5,656,660</b>	<b>5,481,078</b>

# Statement of Cash Flows

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FOR THE PERIOD ENDED 31 DECEMBER 2004

	31 December 2004
Notes	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	-
Payments to suppliers and employees	(98,188)
Interest received	122,732
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<u>24,544</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments for property, plant and equipment	(13,293)
Payments for exploration and evaluation	(340,683)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u>(353,976)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of shares	-
Share issue costs	-
Proceeds from issue of options	179,375
Option issue costs	(12,583)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	<u>166,792</u>
NET INCREASE/(DECREASE) IN CASH HELD	<u>(162,640)</u>
Add opening cash brought forward	<u>4,808,634</u>
<b>CLOSING CASH CARRIED FORWARD</b>	<u><b>4,645,994</b></u>

# Notes to Financial Statements

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Lefroy Resources Limited as the full financial report.

### a) Basis of accounting

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 1029 "Interim Financial Reporting". Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. This half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Lefroy Resources Limited during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The financial report has been prepared in accordance with the historical cost convention and except where stated, does not take into account changing money values or fair values of non-current assets.

### b) Changes in accounting policies

The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2004.

	<b>31 December 2004 \$</b>
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>	
Interest received	122,732
<b>Total revenues from ordinary activities</b>	<b>122,732</b>
<b>3. EXPENSES FROM ORDINARY ACTIVITIES</b>	
Employee benefits expense	64,821
Depreciation of plant & equipment	4,613
Other expenses	37,623
<b>Total expenses from ordinary activities</b>	<b>107,057</b>
<b>4. EARNINGS PER SHARE</b>	
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:	
Net profit / (loss)	15,675
Adjustments	-
Earnings used in calculating basic and diluted earnings per share	15,675
<b>NUMBER OF SHARES</b>	
Weighted average number of ordinary shares used in calculating basic earnings per share	35,875,001

## Notes to Financial Statements

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### 5. CONTRIBUTED EQUITY

	2004	
	Number of Shares	\$
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	35,875,001	5,483,837
Options exercisable at 25 cents on or before 31 March 2006	17,937,500	159,907
<b>(b) Movements in options on issue</b>		
Beginning of period	-	-
Issued during the period	17,937,500	179,375
Less: Transaction costs arising on option issue	-	(19,468)
As at 30 June 2004	17,937,500	159,907

### (c) Movements in shares on issue

There was no movement in ordinary fully paid shares for the half-year ended 31 December 2004.

### 6. DIVIDENDS

The Company has not paid or provided for dividends during the half-year.

### 7. SEGMENT INFORMATION

The Company operates in the mineral exploration industry in Australia..

### 8. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There have been no changes in contingent liabilities or contingent assets since 30 June 2004.

### 9. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the period ended 31 December 2004 which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### 10. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In accordance with the Financial Reporting Council's strategic directive, the Company will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the Company's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

The company believes it will be able to achieve A-IFRS implementation by the beginning of 2005. Key areas of accounting policy difference that will arise on adopting A-IFRS are identified in the 2004 Annual Report in Note 22 on page 22.

## Directors Declaration

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In accordance with a resolution of the Directors of Lefroy Resources Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2004 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

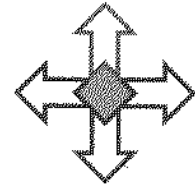
On behalf of the Board



Thomas Kelly  
Director

Perth, 16 March 2005

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Somes and Cooke

2 March 2005

The Board of Directors  
Lefroy Resources Ltd  
Suite 5  
589 Stirling Highway  
COTTESLOE WA 6011

Dear Directors

**Lefroy Resources Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Lefroy Resources Ltd.

As lead audit partner for the review of the financial statements of Lefroy Resources Ltd for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Somes and Cooke  
Chartered Accountants

Kevin Somes  
Partner

Partners  
Kevin Somes FCA  
John Cooke FCA ACIS

Associates  
Julie Burns CA  
Rachelle Rose CA CFP





Somes and Cooke

## Independent Review Report

Independent review to members of Lefroy Resources NL

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the Lefroy Resources NL (the company) during the half-year, and the directors' declaration for the company, for the period ended at 31 December 2004

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conduct an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investment Commission.

Our review was conducted in accordance with Australian Audit Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performances as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the Lefroy Resources NL during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including
  - i. giving a true and fair view of the financial position of the company at 31 December 2004 and of its performance for the period ended on that date; and
  - ii. complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Somes and Cooke  
Chartered Accountants

Kevin Somes  
Partner  
15 March 2005