

Lefroy Resources Limited

ACN 107 118 678

ANNUAL REPORT
30 JUNE 2005

Lefroy Resources Limited

ACN 107 118 678

CORPORATE DIRECTORY

DIRECTORS

Malcolm James (Non-Executive Chairman)
Craig Bromley (Non-Executive Director)
Tom Kelly (Non-Executive Director)

CHIEF EXECUTIVE OFFICER

John Canaris

COMPANY SECRETARY

Jade Styants

REGISTERED AND PRINCIPAL OFFICE

278 Barker Road
Subiaco WA 6008
Telephone: (08) 9382 8711
Facsimile: (08) 9382 8722
Website: www.lefroyresources.com.au
Email: admin@lefroyresources.com.au

AUDITORS

Somes & Cooke
1304 Hay Street
West Perth WA 6005
Telephone: (08) 9426 4500

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033
Website: www.computershare.com.au

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Chairman's Report

Dear Shareholder,

As the most active gold explorer in Tasmania the Company has undertaken a substantial work programme commencing with the digitisation, in 2D and 3D, of the historical and open file data available on the Lefroy Goldfield and culminating in a unique digital rebuilding of the entire mining history of the Lefroy Goldfield. This has been a significant and important component of the Company's activities with more than 50 historic mines digitised from approximately 170 plans and long sections recovered from various archives. In particular the Pinafore, Chum and Native Youth Reefs have been captured in great detail with 10,000 metres of shafts and drive development recorded into a 3D digital environment together with some 15,000 data points recording critical parameters such as grade and tonnage recovered in historical slopes. The combined result being the first accurate picture of the mined ore zones which is proving to be an effective tool in the Company's exploration and development programmes.

A detailed review of this data assisted with the structural interpretation used to identify drill targets designed to test several mineralization styles within the Lefroy Goldfield.

The resulting drilling programme at the Pinafore and Native Youth Reefs, within the Lefroy Goldfield, was highly successful in intersecting several high-grade gold bearing quartz-sulphide veins beneath historic workings. The success of the drilling programme has enabled the Company to determine the likely controls on gold mineralization.

Such modeling has been successfully applied at similar lode-style deposits at Bendigo and Ballarat in Victoria where multi million ounce resources have been extrapolated and are now being successfully exploited.

Independent assessment commissioned by the Company has identified the important structural controls of the Lefroy Goldfield, which combined with a re-modeling of the trends encountered during historical mining has provided an initial level confidence that the gold grades at the Pinafore and Native Youth Reefs would continue.

With several high grade results from the 8,000 metre RC and diamond drilling campaign at the Pinafore and Native Youth Reefs and the identification of likely structural controls there has been sufficiently robust evidence to support continuation of the strategy on which the Company was established.

Upon completion of the modeling it is the Company's current intention to undertake further targeted drilling to confirm a potential resource. In addition the Company is exploring the opportunity to re-open an old mine shaft and bulk sample, generating critical metallurgical characteristics and providing the Company with early cash flow. Further to this the Company is undertaking a scoping study to determine the economics of re-opening historical shafts.

Thus the Company has an exciting prospect, with several high grade occurrences that may evolve, through modeling and further work, into a significant gold resource. We look forward to the challenges presented by the project and believe that upon the delineation of a substantial resource that the market will be able to give the correct rating to the Company's exploration success.

Chairman's Report

Through prudent management of cash resources, with in excess of \$3.9m at the end of the financial year, the Company is well placed to not only continue the exploration programme in Tasmania but to review and assess new opportunities as they arise.

In this environment the Company has been professionally lead by the Chief Executive John Canaris and supported by the small but efficient management team at Lefroy and I take this opportunity to express our thanks for their endeavours and those of our directors.

We would also take this opportunity to express our thanks to you our shareholders, for your continued support during this period.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Malcolm James', with a large, stylized loop at the end.

Malcolm James
Chairman

Operations Report

INTRODUCTION

Lefroy Resources Limited (the Company) successfully completed its first exploration field season during the year, establishing itself as the most active gold explorer in the north eastern region of Tasmania. Tasmania remains highly prospective, with the Canadian based Fraser Institute ranking Tasmania as the world's most appealing area for mineral potential in February 2005, ahead of Western Australia, Queensland, Brazil and South Africa.

The Company was established in 2004 to explore its extensive exploration land package in the north eastern Goldfields of Tasmania, which includes more than 600 gold occurrences from which historical production in excess of 1.7 million oz of gold has been recorded.

Located approximately 20km to the southwest of the Lefroy Goldfield is the 1.8 million oz Tasmania Reef at Beaconsfield, which is the largest single gold producing reef in south-eastern Australia. Beaconsfield has a very similar geological setting to the Company, with highly comparable historic gold grades.

Lefroy Goldfield Target Area

During the year the Company focused its exploration efforts on the discovery and development of high grade lode-style gold deposits within the Lefroy Goldfield, with recorded historical production of approximately 200,000oz of gold. Records indicate that gold grades were spectacular, frequently ranging around 30-60g/t on the larger reefs, with some "bonanza" crushing's yielding in excess of 2,000g/t.

Work completed in 2005 includes detailed structural interpretation and targeting, which was followed up with RC and diamond drilling of selected locations. Drilling has proved highly successful with the Company intersecting several zones of high-grade gold bearing quartz-sulphide veining below the historical mines, establishing that mineralisation continues and extends beneath at least two major reef structures, and that the goldfield has the potential to host multiple substantial gold deposits.

The success of this program has been achieved at the first two reefs targeted by the Company from the thirty major reef structures that are within the Company's exploration area. The largest of the known reefs, the Volunteer Reef, will now be the subject of exploration in the coming year.

OPERATIONS REVIEW

The Company recently completed a detailed historical and open file data compilation and Geographic Information System (GIS) review of the Lefroy Goldfield. Old mine sections were recovered from archived sources and historic information including grade, tonnage and ore zone thickness extracted and incorporated into a 2D and 3D digital environment.

The principal structural controls on mineralisation at the Lefroy Goldfield have been interpreted from various data sources including the high-resolution airborne geophysical data collected in 2004. A model defining the controls on gold mineralisation at the Lefroy Goldfield has formed the basis of a robust exploration programme.

Orientation drilling at selected gold reef targets within the Lefroy Goldfields commenced in November 2004 with a total of 44 RC holes for 6,000 metres and 10 diamond holes for 2,050 metres (including pre-collars) was completed during the year. The drilling program was designed to test several mineralisation styles within the Lefroy Goldfield mineralised corridor. As anticipated the drilling returned positive and encouraging results. Best results (previously reported) from 2005 drilling include:

Operations Report

Pinafore Reef

LFC023A	4 metres @ 12.0g/t Au (including 1 metre @ 42.36g/t Au)
LFC018	6 metres @ 5.38g/t Au (including 1 metre @ 20.58g/t Au)
LFC018	7 metres @ 2.66g/t Au (including 1 metre @ 8.39g/t Au)
LFC045	10 metres @ 2.41g/t Au (including 1 metre @ 8.39g/t Au)
LFC045	3 metres @ 3.45g/t Au (including 1 metre @ 7.94g/t Au)

Native Youth Reef

LFC021	10 metres @ 3.03g/t Au (including 3 metres @ 4.99g/t Au)
LFC022	14 metres @ 3.38g/t Au (including 3 metres @ 8.13g/t Au)
LFC044	17 metres @ 4.49g/t Au (including 1 metres @ 19.00g/t Au and 2 metres @ 9.28Au)

Interpretation of Drill Results

Drilling established, for the first time, that high-grade mineralisation continues below old workings at the Lefroy Goldfield and that historic mining ceased in good grade, with LFC018 intersecting high-grade gold bearing zones of quartz-sulphide veining beneath the Pinafore Reef.

Further drilling extended zones of high-grade gold mineralisation below the Pinafore and Native Youth Reefs. These mineralised systems are located approximately 1,000 metres apart and are two of the largest historically mined reefs in the Lefroy Goldfield. They were mined prior to 1900 for approximately 55,000oz and 26,000oz of gold respectively at grades frequently ranging around 30-60g/t.

Both the Pinafore and Native Youth Reefs were historically mined from a strike length of over 400 metres, to approximately 130 metres vertical depth. Drilling completed by the Company confirmed that these ore "shoots" are open at depth. Gold mineralisation has been interpreted as continuing as a steeply dipping high-grade quartz-sulphide ore "shoot" within a lower grade mineralised shear structure, at promising grades and ore-zone thicknesses.

The mineralised structures hosting the Pinafore and Native Youth Reefs are, conceptually, of sufficient magnitude to host a million-plus ounce deposit (with further work clearly required to establish a resource). This result marks the successful testing of two of approximately thirty individual reefs that are known within the Lefroy Goldfield. Due to the gold shoots repeating within a well defined mineralised corridor, there is potential for the Company to produce multiple economic deposits that could be exploited in a single mining campaign.

Mineralised structures drilled during the year have many similarities to the 1.8 million oz Tasmania Reef at Beaconsfield, located 20 kilometres from the Lefroy Goldfields. Beaconsfield strikes for approximately 350 to 450 metres, at grades and ore-zone thicknesses that are highly comparable with Lefroy.

Resource Estimation & Scoping Study Commenced

A review of the methodology applied to other lode-style deposits in Australia has been completed, which determined that successful resource estimation work must be supported by a clear

Operations Report

understanding of the geological factors controlling ore-zone mineralisation. The style of mineralisation at the Lefroy Goldfield has many similarities to both the Bendigo and Ballarat Goldfields in Victoria, where this methodology has been highly successful in delineating substantial resources. Independent geological work carried out at the Pinafore and Native Youth Reefs has successfully identified the likely structural controls at Lefroy. In addition re-modeling of trends in production grades has concluded that there is no reason to suppose that the gold grades of the Pinafore and Native Youth Reefs decrease down dip. This information is now being incorporated into a resource evaluation that will clearly demonstrate the enormous potential of the Lefroy Goldfield to host a significant economic resource. In addition, a preliminary scoping study has been completed for the Pinafore Reef which incorporates the refurbishment of historic shafts, open cut and decline development.

Preliminary Metallurgical Test Work Completed

Preliminary ore diagnostic test work was carried out on high-grade ore-rock recovered from RC drilling to determine the deportment of gold. In summary, gold distribution from this sample can be classified as:

Ore Classification	Recovery
Gravity Recoverable Gold	84.0 - 85.0 %
Cyanide / HCl Leach Gold	7.0 - 8.5 %
Sulphide Gold	6.0 - 7.0 %

In general terms, it can be concluded that easily recoverable gravity gold may account for approximately 85% of total gold at the Pinafore Reef. Beaconsfield, located some 20 kilometers from Lefroy, produces approximately 140,000oz per annum at a head grade of 17.5g/t gold. Gravity gold accounts for approximately 53% at Beaconsfield with a combination of bacterial oxidation and leach gold forming the remainder. This initial result compares favourably to Beaconsfield and the Company continues work on the overall gold deportment.

Volunteer Target Area

The Volunteer Reef, located at the southern end of the Lefroy Goldfield, is the single largest historically mined reef in the Goldfield, with extensive workings extending to approximately 160 metres vertically. Average recovered grades were spectacular, ranging around 60g/t from ore zones consistently wider than elsewhere in the Goldfield. Despite this the Volunteer Reef remains largely untested and is a high priority target for the 2006 field season. A detailed geochemical sampling program has commenced, covering the shear structure hosting the known ore-zone and its potential extensions.

Tenement Acquisition and Consolidation

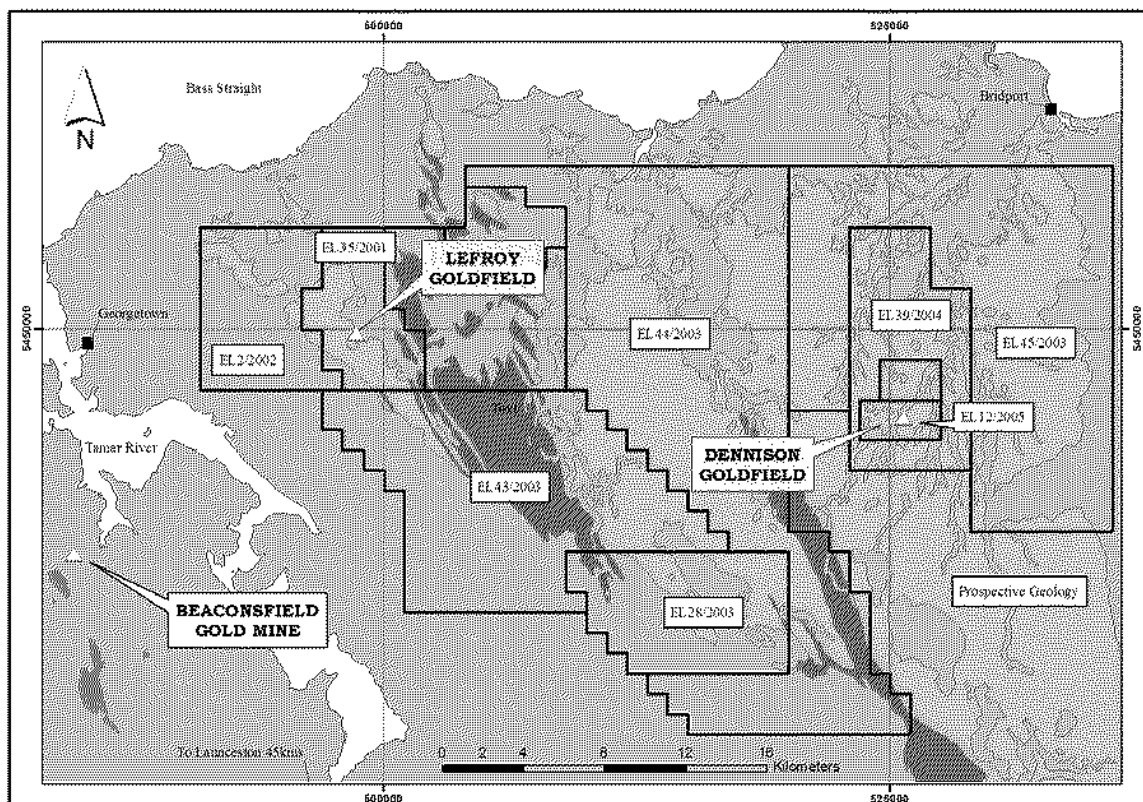
During the year the Company expanded its land holding to the east, taking its total holdings to over 770 square kilometers and was able to successfully negotiate with Mineral Resources Tasmania to combine its exploration licence application areas into a singular Project Area, for the purposes of expenditure and reporting. This is a significant step forward in securing the Company's highly prospective exploration position in the north east Goldfields of Tasmania and places the Company as the second largest landholder in the area.

In addition to the increase in tenure at the Lefroy Goldfield the Company was awarded an area covering the historic Denison Goldfield. The Denison Goldfield was mined prior to 1911 with best crushing's yielding gold at approximately 48g/t. Modern RC drilling by previous explorers has returned significant near surface mineralisation, interpreted as a disseminated gold hosted in

Operations Report

sandstone deposit. Disseminated sandstone hosted gold also occurs at the +1,000,000oz Fosterville Mine in Victoria in a geologically similar environment.

Lefroy Resources Ltd – Tenement Map



Director's Report

The Directors of Lefroy Resources Limited (the Company) submit their report for the period ended 30 June 2005.

DIRECTORS

The names and details of the Directors of the Company in office during the financial 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 (Non-Executive Chairman)

B.Bus, CPA, FAICD, MAusIMM

Mr James has completed a Bachelor of Business at RMIT University and has over 27 years experience in the accounting profession, merchant banking, engineering, manufacturing, financing and resources. Mr James is currently a non-executive director of Australian Stock Exchange (ASX) listed Tianshan Goldfields Ltd and Peninsula Minerals Ltd. He is also a non-executive director of the London Stock Exchange Alternative Investment Market (AIM) listed Caspian Holdings Plc, Cordillera Resources Plc, Empyrean Energy Plc and Eureka Mining Plc. Mr James has also been a director of ASX listed Siberia Mining Corporation Ltd and Hibernia Gold Limited in the last three years.

Mr James is Chairman of the Company's Remuneration Committee and a member of the Company's Audit Committee.

Mr Craig Bromley (Non-Executive Director)

B.Com

Mr Bromley has worked in the finance industry for more than 20 years. He holds a Bachelor of Commerce at the University of Western Australia. In 1983 Mr Bromley began a career in stockbroking with a local firm and later gained extensive experience in all facets of the industry working for a major international investment house. For the last ten years Mr Bromley has focused primarily on corporate finance and capital raisings and was a director of Montagu Stockbrokers Pty Ltd from 1998 to February 2003.

Mr Bromley is a member of the Company's Remuneration Committee.

Mr Thomas Kelly (Non-Executive Director)

B.Bus, AAIFB

Mr Kelly has more than 12 years corporate experience over a wide range of industries and projects. Mr Kelly holds a Bachelor Degree in Business and is a Senior Associate of the Australasian Institute of Banking and Finance. Mr Kelly was previously an Executive Officer of Corporate Services for a prominent West Australian stockbroking firm. More recently Mr Kelly has been involved with a number of publicly listed company restructures and venture capital style project start-ups. Mr Kelly is also a director of ASX listed Royal Harry Gold Mines NL and an executive director of AIM listed Empyrean Energy Plc.

Mr Kelly is Chairman of the Company's Audit Committee.

Director's Report

CHIEF EXECUTIVE OFFICER

Mr John Canaris

B.Sc (Hons)

Mr Canaris is a geologist with more than 10 years experience in the resource exploration industry. Mr Canaris holds a Bachelor of Science Degree in Geology with Honours in Geomorphology from the University of Adelaide. Mr Canaris' wide-ranging experience encompasses both minerals and hydrocarbon exploration in Australia. Mr Canaris has worked extensively in Australia as an exploration geologist and internationally in a business development role for World Geoscience Corporation and Fugro Airborne surveys, bringing him in contact with all aspects and techniques in airborne survey and remote mapping.

COMPANY SECRETARY

Ms Jade Styants

B.Com, CA

Ms Styants is a Chartered Accountant with experience in corporate accounting for both the resource and manufacturing industries, having worked for companies such as Anaconda Nickel Limited and Gillette International SARL. To date Ms Styants has been involved in the listing of Caspian Holdings Plc, Cordillera Resources Plc and Empyrean Energy Plc on AIM. Ms Styants is also Company Secretary of ASX listed Peninsula Minerals Limited and AIM listed Empyrean Energy Plc.

INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares and options of Lefroy Resources Limited were:

	Ordinary Shares	Options over Ordinary Shares
M. James	241,500	120,750
C. Bromley	3,000,000	1,472,500
T. Kelly	3,062,501	1,478,751

EARNINGS PER SHARE

The basic earnings per share of the Company for the period ended 30 June 2005 was 0.0004 cents per share (2004: - 0.017).

DIVIDENDS

The Company has not paid an interim dividend and the Directors of the Company have resolved not to recommend a dividend for the period ended 30 June 2005.

CORPORATE STRUCTURE

Lefroy Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has no subsidiaries.

Director's Report

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the period ended 30 June 2005 comprised exploration of tenements in Tasmania. There have been no significant changes in the nature of activities during the year.

EMPLOYEES

The Company employed one employee as at 30 June 2005.

OPERATING AND FINANCIAL REVIEW

The Company's operations are discussed in detail in the Operations Report.

For the period ended 30 June 2005, the Company recorded an operating profit after income tax of \$12,879 (2004: -\$2,759). No income tax is payable for the year (2004: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the period ended 30 June 2005 were as follows:

- In October 2004, the Company announced a one for two non-renounceable option issue to shareholders. A total of 17,937,500 options expiring 31 March 2006 exercisable at 25 cents were allotted and issued at a consideration of 1 cent per option, raising \$179,375.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company continues to focus on exploiting its mineral exploration interests in Tasmania. Other than as referred to in this report, further information as to likely developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Company and its shareholders.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Board believes that the Company has adequate systems in place for the management of environmental requirements and is not aware of any breach of environmental requirements as they apply to the Company.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 17,937,500 unissued ordinary shares under options, due to expire on 31 March 2006. No options have been exercised since being issued on 15 December 2004.

Director's Report

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement to indemnify all the Directors and Officers of the Company against all losses or liabilities incurred by each Director and Officer in their capacities as Directors and Officers of the Company. During the period ended 30 June 2005, the Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance for Directors and Officers of the Company. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of the entity and related joint venture companies. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

REMUNERATION REPORT

Remuneration Committee

The role of the Remuneration Committee is to:

- Review and determine the remuneration of the Senior Executives, using independent external advice where appropriate;
- Review and ratify the recommendations of the Chief Executive Officer for the remuneration of executive management;
- Determine the fees to be paid to the Chairman and Non Executive Directors;
- Review, approve and implement incentive based remuneration plans including share and option plans; and
- Review and set remuneration policies and strategies.

The members of the Remuneration Committee are:

Malcolm James (Chairman)
Craig Bromley

The Company Secretary acts as secretary to the Committee.

Remuneration Policy

The Remuneration Committee is responsible for determining and reviewing the appropriate remuneration levels and policies for Directors and senior executives. The Company's remuneration policy is to ensure remuneration packages properly reflect each person's duties and responsibilities and support the Company's business objectives by remunerating people in a manner that is competitive and can attract, retain and motivate people of the highest calibre. To ensure the retention of high quality people the Remuneration Committee assesses the appropriateness of the nature and amount of emoluments for each Director and Senior Executive Officers on an annual basis by reference to industry and market conditions.

The Company's remuneration policy strives to establish a culture of performance and accountability that correctly reflects each person's duties and responsibilities. To assist in achieving these objectives, the Remuneration Committee seeks to link remuneration to the Company's financial and operational performance.

Director's Report

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non Executive Director Remuneration

Clause 82 of the Company's Constitution provides that Non Executive Directors are entitled to receive Non Executive Fees within the limits approved by Shareholders in general meeting. On the 5 January 2004 the Board resolved to limit the amount of non executive director's remuneration to an aggregate maximum of \$150,000 per annum. Fees paid to the Non-Executive Chairman and Non-Executive Directors are reviewed annually by the Board. Shareholders are yet to approve the aggregate remuneration to be paid to Non Executive Director.

Each director receives a fee for being a Director of the Company. No additional fees are paid for membership or chairing Board Committees or attendance at Committee meetings. There is no scheme to provide retirement benefits, other than statutory superannuation to non-executive directors.

Details of the remuneration of non-executive directors for the period ended 30 June 2005 are detailed in Table 1.

Table 1: Directors remuneration for the year ended 30 June 2005

2005	Primary Benefits			Post Employ- ment	Equity	TOTAL
Name	Salary & Fees (\$)	Non Monetary (\$)	Cash Bonus (\$)	Super (\$)	Options (\$)	(\$)
Malcolm James (Chairman)	24,000	-	-	2,160	-	26,160
Craig Bromley	24,000	-	-	2,160	-	26,160
Thomas Kelly	24,000	-	-	2,160	-	26,160

2004	Primary Benefits			Post Employ- ment	Equity	TOTAL
Name	Salary & Fees (\$)	Non Monetary (\$)	Cash Bonus (\$)	Super (\$)	Options (\$)	(\$)
Malcolm James (Chairman)	2,000	-	-	180	-	2,180
Craig Bromley	2,000	-	-	180	-	2,180
Thomas Kelly	2,000	-	-	180	-	2,180

Director's Report

Senior Executives Remuneration

The Board of the Company offers competitive remuneration to attract, retain and motivate people of the highest calibre. The remuneration package of the Chief Executive Officer includes both a fixed cash component and a long term option incentive scheme. The level of fixed remuneration is set to provide a base level of remuneration which is both appropriate to the position and competitive in the market. Base levels are reviewed annually by the Remuneration Committee, having regard to the individual's performance, relevant comparative data and independent expert advice where necessary.

Long term incentives have been delivered to the Chief Executive Officer in the form of Options. The Long term option incentives have been designed to align executive financial rewards with those of shareholders.

Details of the remuneration of the highest paid executives for the period ended 30 June 2005 are detailed in Table 2.

Table 2: Senior Executives Remuneration for the year ended 30 June 2005

2005	Primary Benefits			Post Employment	Equity	TOTAL
	Salary & Fees (\$)	Non Monetary (\$)	Cash Bonus (\$)	Super (\$)	Options (\$)	(\$)
John Canaris (Chief Executive Officer)	116,665	-	-	-	4,674	121,339
Colwin Lloyd (Senior Geologist)	71,031	-	-	-	-	71,031

2004	Primary Benefits			Post Employment	Equity	TOTAL
	Salary & Fees (\$)	Non Monetary (\$)	Cash Bonus (\$)	Super (\$)	Options (\$)	(\$)
John Canaris (Chief Executive Officer)	19,666	-	-	-	-	19,666

Options granted as part of remuneration packages have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option and the vesting period of the options. The value of options granted that vest over a service period are amortised evenly over that period.

Options Granted

During the financial year the Company did not grant options to Directors of the Company.

During the financial year the Company has granted options to the Chief Executive Officer over unissued shares in Lefroy Resources Limited as part of a remuneration package:

Director's Report

Name	Grant Date	Number Granted	Grant Date Valuation	Vest	Exercise Price	% of Remuneration
John Canaris (Chief Executive Officer)	1/12/04	500,000	0.05	31/12/07	\$0.25	3.85%

Options can only be exercised if the daily volume weighted average sales price of shares on the ASX exceeds the following hurdle prices for five consecutive days:

Hurdle Price	\$0.30	\$0.40	\$0.50	\$0.60
Number of Options Exercisable	125,000	125,000	125,000	125,000

No options in the Company have been granted since the end of the financial year.

Executive Agreements

The Chief Executive Officer, Mr Canaris has been under contract with the Company for the past 12 months. At this time the Company has recommenced negotiations with Mr Canaris to enter into a new service contract that will span a further 12 months. Under the terms of the current contract Mr Canaris may terminate the agreement at any time by providing three months written notice. The Company may terminate the agreement by providing three months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Canaris remuneration). The Company may terminate the contract at any time without notice if serious misconduct has occurred. In this case remuneration would only be payable up to the day of termination and all unvested options will immediately be forfeited.

Mr Lloyd entered into a contract with the Company in September 2005 as a Senior Geologist. Under the terms of the current contract Mr Lloyd may terminate the agreement at any time by providing four weeks written notice. The Company may terminate the agreement by providing four weeks written notice or provide payment in lieu of the notice period. The Company may terminate the contract at any time without notice if serious misconduct has occurred. In this case remuneration would only be payable up to the day of termination.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the period ended 30 June 2005 and the number of meetings attended by each Director were as follows:

	Directors' Meetings	Meetings of Committees Audit*	Remuneration**
Number of meetings held:	5	2	2
Number of meetings attended:			
Malcolm James	5	2	2
Craig Bromley	5	-	2
Thomas Kelly	5	2	-

* Mr Kelly is the chairman of the Audit Committee with Mr James being a member.

** Mr James is the chairman of the Remuneration Committee with Mr Bromley being a member.

Director's Report

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 18 and forms part of this Director's Report for the year ended 30 June 2005.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Malcolm James', with a large, stylized loop at the end.

Malcolm James
Chairman

Perth, 30 September 2005

Auditor's Independence Report

1304 Hay Street
West Perth WA 6005
PO Box 709 West Perth WA 6872
Tel (08) 9322 4853
Fax (08) 9481 5645
Email admin@somesandcooke.com.au
www.somesandcooke.com.au



28 September 2005

The Board of Directors
Lefroy Resources Ltd
278 Barker Road
SUBIACO WA 6008

Dear Directors

Sandfire Resources NL

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 audit of the financial statements of Lefroy Resources Ltd for the year ended 30 June 2005, 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

Partner
Chartered Accountants

Partners
Kevin Somes FCA
John Cooke FCA ACIS

Associates
Julie Burns CA
Rachelle Rose CA CPF



Chartered Accountants. Business Consultants and Financial Advisers

Corporate Governance Statement

The Board of Directors of Lefroy Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's (the Council) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations), the Corporate Governance Statement contains certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Encourage enhanced performance
- Principle 9. Remunerate fairly and responsibly
- Principle 10. Recognise the legitimate interests of stakeholders

Structure of Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of this Annual Report is included in the Directors' Report on page 9. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

The Board has applied the following definition of an Independent Director:

"An Independent Director is a director who is not a member of management, is a non-executive director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another group member;

Corporate Governance Statement

- is not a significant consultant, supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another group member other than as a director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company."

In accordance with the definition of independence above, Mr James is considered an Independent Director.

There are procedures in place, as agreed by the Board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

	Term in Office
Malcolm James	19 months
Craig Bromley	21 months
Thomas Kelly	21 months

Nomination Committee

The Board has formally adopted a Nomination Committee Charter however given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. At such time when the Company is of sufficient size a separate Nomination Committee will be formed.

Audit Committee

The Board has established an Audit Committee, which operates under a charter of the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-information. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control of the economic entity to the Audit Committee.

The members of the Audit Committee at 30 June 2005 and the date of this report were:

Thomas Kelly (Non-executive Director) – Chairman
Malcolm James (Non-executive Chairman) – Member

Qualifications of audit committee members:

Mr Kelly is Chairman of the Audit Committee. He has more than 12 years corporate experience over a wide range of industries and holds a Bachelor Degree in Business and is a Senior Associate of the Australasian Institute of Banking and Finance.

Mr. James is a Certified Practicing Accountant and has over 27 years experience in the accounting profession, merchant banking, engineering, manufacturing and resources.

Corporate Governance Statement

The Audit Committee also invites a member of its Auditor, Somes & Cooke to attend its meetings and the Company Secretary acts as secretary to the Committee.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to page 16 of the Director's Report.

Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executives by remunerating Directors and Senior Executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive and directors' emoluments to the Company's financial and operational performance. The expected outcome of this remuneration structure is:

- Retention and Motivation of Directors and key Senior Executives
- Attraction of quality management to the Company
- Performance incentives which allow executives to share the rewards of the success of the Company

The Board has established a Remuneration Committee, comprising two non-executive Directors to oversee the implementation of Company policies and to make recommendations to the Board on remuneration of Directors and Senior Executives. The members of the Remuneration Committee at 30 June 2005 and the date of this report were:

Malcolm James (Non-executive Chairman) - Chairman
Craig Bromley (Non-executive Director) - Member

The Company Secretary acts as secretary to the Committee.

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 16 of the Director's Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Disclosure of Non-Compliance with ASX Corporate Governance Council Recommendations

During the financial year ended 30 June 2005 the Company has complied with each of the ASX Corporate Governance Council (the Council) Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The majority of the Board are not independent directors.	Mr Bromley and Mr Kelly are not considered to be independent when applying the Council's definition of independence by virtue of the fact that they both indirectly have interests in substantial shareholdings of the Company. Mr Bromley and Mr Kelly are founding directors and promoters of the Company, a situation not uncommon in exploration companies of this size.

Corporate Governance Statement

2.4	The Company does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board, given the current size of the Company.
4.3	The Audit Committee does not consist of a majority of independent directors and does not comprise at least three members.	The Audit Committee comprises only two members, given the Board comprises three directors and the current size of the Company. Mr Kelly is one of the two members of the Audit Committee and is not considered to be independent when applying the Council's definition of independence.

It is the Company's intention to comply with these guidelines as and when the Company's activities are such that they warrant additional directors and additional expertise on the Board.

Statement of Financial Performance

FOR THE PERIOD ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
REVENUE FROM ORDINARY ACTIVITIES	2	240,722	47,121
Employee benefits expense		(80,577)	(32,305)
Depreciation and amortisation expenses	3	(6,393)	(582)
Other expenses from ordinary activities		(140,873)	(16,993)
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		12,879	(2,759)
Income tax expense relating to Ordinary Activities	4	-	-
NET PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF LEFROY RESOURCES LIMITED		12,879	(2,759)
Basic earnings /(loss) per share (cents per share)	16	0.036	(0.017)
Diluted earnings /(loss) per share (cents per share)	16	0.027	(0.017)

Statement of Financial Position

AS AT 30 JUNE 2005

	Notes	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	5	3,917,744	4,808,634
Receivables	6	53,092	34,923
Other	7	-	1,953
TOTAL CURRENT ASSETS		3,970,836	4,845,510
NON CURRENT ASSETS			
Financial Assets	8	52,288	-
Property, plant and equipment	9	35,956	21,692
Exploration and evaluation expenditure	10	1,839,878	652,338
TOTAL NON CURRENT ASSETS		1,928,122	674,030
TOTAL ASSETS		5,898,958	5,519,540
CURRENT LIABILITIES			
Payables	11	245,090	38,462
TOTAL CURRENT LIABILITIES		245,090	38,462
TOTAL LIABILITIES		245,090	38,462
NET ASSETS		5,653,868	5,481,078
EQUITY			
Contributed equity	12	5,643,748	5,483,837
Retained profits / (losses)	13	10,120	(2,759)
TOTAL EQUITY		5,653,868	5,481,078

Statement of Cash Flows

FOR THE PERIOD ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(200,209)	(31,213)
Interest received		240,722	47,121
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	14 (a)	40,513	15,908
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(20,656)	(23,426)
Payments for exploration and evaluation		(1,070,658)	(189,560)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(1,091,314)	(212,986)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options	12	179,375	5,363,926
Share and option issue costs	12	(19,464)	(358,214)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		159,911	5,005,712
NET INCREASE/(DECREASE) IN CASH HELD		(890,890)	4,808,634
Add opening cash brought forward		4,808,634	-
CLOSING CASH CARRIED FORWARD	14 (b)	3,917,744	4,808,634

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

c) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash in banks and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

d) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

e) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

f) Property, plant and equipment

Cost and valuation

Property, plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:

Plant and equipment:

	2005	2004
- office plant & equipment	3-5 years	3-5 years
- plant & equipment under lease	8 years	8 years

g) Exploration, evaluation, development and restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Grants and subsidies are offset against costs as incurred.

Costs carried forward in respect of an area of interest that is abandoned are written-off in the year in which the decision to abandon is made.

Notes to the Financial Statements

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future.

h) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

i) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

j) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

k) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

m) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Notes to the Financial Statements

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- a. where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- b. receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

n) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

o) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements

	2005 \$	2004 \$
2. REVENUE FROM ORDINARY ACTIVITIES		
Interest - other persons/corporations	240,722	47,121
Total revenues from ordinary activities	240,722	47,121
3. EXPENSES FROM ORDINARY ACTIVITIES		
Employee benefits expense	80,577	32,305
Depreciation of plant & equipment	6,393	582
Other expenses	140,873	16,993
Total expenses from ordinary activities	227,843	49,880
4. INCOME TAX		
a) Income Tax Expense		
The prima face tax on operating profit/(loss) differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit/(loss) from ordinary activities	3,864	(828)
Tax effect of permanent differences	-	-
Future income tax benefit/(expense) not brought to account	(3,864)	828
Income tax benefit/(expense) applicable	-	-
b) Tax Losses		
The Directors estimate that the tax losses available to the Company at 30 June 2005 which may be available to offset against taxable income in future years is \$1,348,976 (2004: \$174,315). The benefit of these losses has not been brought to account as realisation is not virtually certain. The availability of these losses is subject to satisfying Australian taxation legislation requirements and will only be available if:		
i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised		
ii) provisions relating to the deduction of losses from prior years imposed by tax legislation continues to be complied with		
iii) no changes in tax legislation adversely affect the Company in realising the benefit		
5. CASH ASSETS		
Cash at Bank	261,380	355,456
Commercial Bank Bills	3,656,364	4,453,178
	3,917,744	4,808,634

Notes to the Financial Statements

		2005 \$	2004 \$
6. RECEIVABLES (CURRENT)			
Goods and services taxation receivable	(i)	53,092	34,923
		53,092	34,923
Terms and conditions:			
(i) Goods and services taxation is non-interest bearing and generally on 14 day terms at the end of each quarter.			
7. OTHER (CURRENT)			
Withholding credits		-	1,953
		-	1,953
8. FINANCIAL ASSETS			
Bonds – Security over Exploration Licences		52,288	-
		52,288	-
9. PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment			
Office equipment at cost		42,929	22,274
Accumulated depreciation		(6,973)	(582)
		35,956	21,692
Reconciliation of the carrying amounts of property, plant and equipment:			
Plant and equipment			
Carrying amount at beginning of the period		21,692	-
Additions		21,237	22,274
Less depreciation expense for the period		(6,973)	(582)
		35,956	21,692
10. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE			
Exploration and evaluation expenditure carried forward in respect of mining areas of interest:			
Carrying amount at beginning of the period		652,338	-
Exploration expenditure incurred		1,187,540	652,338
		1,839,878	652,338

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation or sale of the respective mining areas.

Notes to the Financial Statements

		2005 \$	2004 \$
11. PAYABLES (CURRENT)			
Trade creditors	(i)	238,272	33,761
Other creditors		6,818	4,701
		245,090	38,462
Terms and conditions:			
(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.			
12. CONTRIBUTED EQUITY			
35,875,001 ordinary shares fully paid (2004: 35,875,001)		5,483,837	5,483,837
17,937,500 options (2004: nil)		159,911	-
		5,643,748	5,483,837
(a) Movements in shares on issue			
Balance at the beginning of the period		5,483,837	-
Issued during the period		-	5,842,051
Less: Transaction costs arising on share issue		-	(358,214)
Balance at the end of the period		5,483,837	5,483,837
(b) Movements in options on issue			
Balance at the beginning of the period		-	-
Issued during the period	(i)	179,375	-
Less: Transaction costs arising on share issue		(19,464)	-
Balance at the end of the period		159,911	-
(c) Terms and conditions of contributed equity			
<i>Ordinary shares</i>			
Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.			
13. RETAINED PROFITS			
Balance at the beginning of period		(2,759)	-
Net profit/(loss) attributable to members of Lefroy Resources Limited		12,879	(2,759)
Balance at the end of period		10,120	(2,759)

Notes to the Financial Statements

	2005 \$	2004 \$
14. STATEMENT OF CASH FLOWS		
(a) Reconciliation of the Net Profit/(Loss) After Tax to the Net Cash Flows from Operations		
Net profit/(loss)	12,879	(2,759)
Non-Cash Items:		
Depreciation of non-current assets	6,393	582
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(3,070)	(111)
(Decrease)/increase in payables	24,311	18,196
Net cash flow used in operating activities	40,513	15,908
(b) Reconciliation of Cash		
Cash balance comprises:		
- cash assets	3,917,744	4,808,634
Closing cash balance	3,917,744	4,808,634
(c) Non-Cash Investing Activities		
Acquisition of tenements by means of issuing shares as part of the consideration :	-	478,125
15. EXPENDITURE COMMITMENTS		
(a) Mineral Tenement Leases		
- not later than one year	779,310	64,250
- later than one year but not later than five years	5,049,170	78,000
This expenditure will only be incurred should the Company retain its existing level of interest in its various mineral tenement leases and includes tenements not yet granted.		
(b) Operating Lease		
Lease with respect to office premises - within 1 year	27,000	10,920

Notes to the Financial Statements

	2005	2004
	\$	\$

16. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit / (loss)	12,879	(2,759)
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	12,879	(2,759)

Weighted average number of ordinary shares used in calculating basic earnings per share	35,875,001	15,760,212
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Weighted average number of ordinary shares used in calculating diluted earnings per share	35,875,001	15,760,212
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17. AUDITOR'S REMUNERATION

Audit fees for review of the financial report	6,793	-
Other services	3,784	-
Balance at the end of period	10,577	-

18. DIRECTOR AND EXECUTIVE DISCLOSURE

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

M. James	Chairman (non-executive)
C. Bromley	Director (non-executive)
T. Kelly	Director (non-executive)

(ii) Specified executives

J. Canaris	Chief Executive Officer
C. Lloyd	Senior Geologist

Pursuant to the Corporations Act, Directors and Executives remuneration is disclosed in the Directors Report.

Notes to the Financial Statements

(b) Equity holdings and transactions of Specified Directors and Specified Executives

(i) Ordinary Shares:

	Balance at 1 July 2004	Granted as remuneration	On exercise of options	Other	Balance at 30 June 2005
Specified Directors:					
Malcolm James	241,500	-	-	-	241,500
Craig Bromley	2,945,000	-	-	55,000	3,000,000
Thomas Kelly	2,957,501	-	-	105,000	3,062,501
Specified Executives:					
John Canaris	500,000	-	-	-	500,000
Colwyn Lloyd	-	-	-	-	-

(ii) Options expiring 31 March 2006:

	Balance at 1 July 2004	Granted as remuneration	On exercise of options	Other *	Balance at 30 June 2005
Specified Directors:					
Malcolm James	-	-	-	120,750	120,750
Craig Bromley	-	-	-	1,472,500	1,472,500
Thomas Kelly	-	-	-	1,478,751	1,478,751
Specified Executives:					
John Canaris	-	-	-	375,000	375,000
Colwyn Lloyd	-	-	-	-	-

* A rights issue to all shareholders in October 2004 on the basis of one option for every two share held resulted in the issue of options to specified directors and executives

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

19. RELATED PARTY DISCLOSURES

(a) Ultimate parent entity

The Company is a public company listed on the Australian Stock Exchange and does not have a parent company.

(b) Transactions with Specified Directors and Specified Executives Related Entities

Tracker Geoservices Pty Ltd (Tracker), an entity associated with Mr Canaris was paid an amount of \$116,666 in respect to the provision of executive management activities of Mr Canaris, with this amount being included in specified executives' remuneration.

Hopetoun Nominees Pty Ltd (Hopetoun), an entity associated with Mr Bromley was paid an amount of \$10,920 for rent at commercial rates in respect to the Company's principal place of business, in which Hopetoun has an ownership interest.

Notes to the Financial Statements

Resource and Capital Management Pty Ltd (RCM), an entity associated with Mr James was paid an amount of \$931 for reimbursement of costs incurred in regards to administration services.

All of the above transactions were entered into on normal commercial terms.

20. SEGMENT INFORMATION

The Company operates in one business and one geographic segment, being mineral exploration in Australia.

21. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

	Fixed Interest Rate Maturing in					Total carrying amount as per the statement of financial position	Weighted average effective interest rate
	Floating interest rate	1 year or less	1 year to 5 years	More than 5 years	Non-interest bearing		
	\$	\$	\$	\$	\$	\$	%
<i>Financial assets</i>							
Cash assets	261,380	3,656,365	-	-	-	3,917,744	5.17%
Receivables	-	-	-	-	53,092	53,092	n/a
Bonds	-	52,288	-	-	-	52,288	
	261,380	3,708,653	-	-	53,092	4,023,125	
<i>Financial liabilities</i>							
Payables	-	-	-	-	245,090	245,090	n/a
	-	-	-	-	245,090	245,090	
<i>Net Financial Assets</i>	313,668	3,656,365	-	-	(191,998)	3,778,035	

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables, trade creditors and dividends receivable: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

Notes to the Financial Statements

(c) Credit risk exposures

The Company's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the statement of financial performance. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

22. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the period ended 30 June 2005 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.

23. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the reporting period beginning on or after 1 January 2005, the Company must comply with the Australian equivalents to International Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB). The adoption of AIFRS will be reflected in the financial statements for the half-year ending 31 December 2005 and the financial year ended 30 June 2006.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP), applicable for reporting periods ended 30 June 2005.

The Company has reviewed the transition to AIFRS. The project is the responsibility of the Company Secretary who reports to the board of Directors. The Company Secretary will be managing the transition to IFRS to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the change on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- a) ongoing work being undertaken by the Company with respect to AIFRS transition;
- b) potential amendments to AIFRSs and interpretations thereof being issued by the standard-setters and IFRIC; and
- c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

The rules for first time adoption of AIFRS are set out in AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards'. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

a) Exploration and Evaluation

AASB 6 'Exploration for and Evaluation of Mineral Resources' the treatment of exploration and evaluation expenditures will remain the same as that under AASB 1022 Accounting for the Extractive Industries. AASB 6 requires capitalised exploration and evaluation expenditures to be tested for impairment when circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, which is broadly consistent with factors used to determine whether or not an entity can continue to recognise its capitalised exploration and evaluation expenditures under AASB 1022.

Notes to the Financial Statements

No material change is expected from the implementation of this standard.

b) Impairment of Assets

Under AASB 136 'Impairment of Assets', the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The Company's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows.

AASB 136 identifies a set of asset impairment indicators, whereby the existence of one or more of these indicators obligates the entity to calculate an asset's recoverable amount. Where the recoverable amount is less than the asset's carrying amount, the carrying amount of the asset is reduced to its recoverable amount and that reduction is an impairment loss.

The application of this policy has no impact on the 30 June 2005 Financial Statements for the Company.

c) Income Tax

Under AASB 12 'Income Taxes', deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity. Under AIFRS deferred tax assets will be recognised for the carrying forward of unused tax losses to the extent that future taxable profit is probable rather than virtually certain.

There is no impact for this change on the Company as at 30 June 2005.

d) Share Based Payments

Under AASB 2 'Share Based Payments', the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration.

This will result in a change to the current accounting policy, under which no expense is recognised for equity based compensation. The fair value of options granted is recognised as an employee benefit with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the terms of the options, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Under AASB 2 Share Based Payments, the Company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payments are not recognised under Australian GAAP.

The impact of this change at the end of this year would be an additional expense of \$4,674, which would reduce both Net Profit and Retained Earnings.

Directors Declaration

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

1) 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 30 June 2005 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.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2005.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Tom Kelly', with a stylized, cursive script.

Thomas Kelly
Director

Perth, 30 September 2005

Independent Audit Report

1304 Hay Street
West Perth WA 6005
PO Box 709 West Perth WA 6872
Tel (08) 9322 4853
Fax (08) 9481 5645
Email admin@somesandcooke.com.au
www.somesandcooke.com.au



SomesandCooke

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LEFROY RESOURCES LTD

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Lefroy Resources Ltd ("the company") for the year ended 30 June 2005 as set out on pages 21 to 36.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with *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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent Audit Report

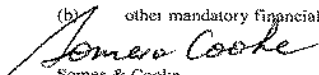
Independence

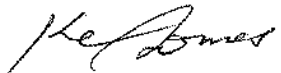
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*

Audit opinion

In our opinion, the financial report of Lefroy Resources Ltd is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Lefroy Resources Ltd at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia


Somes & Cooke
Chartered Accountants


K C Somes
Partner
Perth
Date: 30th September 2005

Partners
Kevin Somes FCA
John Cooke FCA ACIS

Associates
Julie Burns CA
Rachelle Rose CA CPF



Chartered Accountants, Business Consultants and Financial Advisers

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 September 2005.

(a) Distribution of equity securities as at 29 September 2005:

Listed Fully Paid Ordinary Shares	Number of Holders	Number of Shares
1 - 1,000	6	1,512
1,001 - 5,000	17	73,674
5,001 - 10,000	99	949,220
10,001 - 100,000	348	11,617,787
100,001 - and over	49	23,232,808
	519	35,875,001

Listed Options exercisable at 25 cents, expiring 31 March 2006	Number of Holders	Number of Shares
1 - 1,000	3	1,875
1,001 - 5,000	63	297,830
5,001 - 10,000	123	1,188,979
10,001 - 100,000	113	4,265,131
100,001 - and over	31	12,183,685
	333	17,937,500

- (b)** The number of shareholders holding less than a marketable parcel of ordinary shares is 10, totalling 11,306 ordinary shares.

ASX Additional Information

(c) Top twenty equity holders at 29 September 2005:

	Listed Fully Paid Ordinary Shares	Number of Shares	Percentage of Shares
1	Apnea Holdings Pty Ltd <The Kelly Family A/C>	2,500,001	6.97%
2	Ms Susan Jacqueline Bromley	2,000,000	5.57%
3	Mr Daniel Paul Wise	1,945,000	5.42%
4	Sapphire Trading Ltd	1,400,000	3.90%
5	ANZ Nominees Limited	1,235,000	3.44%
6	Dr Hendrik Nappbellevue	1,200,000	3.34%
7	Flue Holdings Pty Ltd <Bromley Superannuation A/C>	945,000	2.63%
8	Chimaera Capital Limited	940,000	2.62%
9	Topspeed Pty Ltd <Skinner No 1 Super A/C>	700,000	1.95%
10	Mr James Bremner Skinner & Mrs Janice Ivy Skinner <Topspeed Pty Ltd No 2 A/C>	600,000	1.67%
11	Mr John Pano Canaris	500,000	1.39%
12	Ms Bianca Lia Wise	500,000	1.39%
13	Mr Daniel Paul Wise <Superannuation Fund A/C>	500,000	1.39%
14	Syzygy Holdings Pty Ltd <Tom Kelly Super A/C>	447,500	1.25%
15	Mr Greg Lear	437,500	1.22%
16	Mr Bernhard Ackermann	400,000	1.11%
17	Mr Mark Kennard Connell	400,000	1.11%
18	Andrea Graf Le Millefiori	400,000	1.11%
19	Sassey Pty Ltd <Sassey A/C>	390,000	1.09%
20	Ramsa Pty Ltd <The Bailey Superfund A/C>	316,000	0.88%
		17,756,001	49.49%

ASX Additional Information

	Listed Options exercisable at 25 cents, expiring 31 March 2006	Number of Shares	Percentage of Shares
1	Mr James Bremner Skinner & Mrs Janice Ivy Skinner <Topspeed Pty Ltd No 2 A/C>	1,750,000	9.76%
2	Apnea Holdings Pty Ltd <The Kelly Family A/C>	1,250,001	6.97%
3	Ms Susan Jacqueline Bromley	1,000,000	5.57%
4	Chimaera Capital Limited	970,000	5.41%
5	Mr Daniel Paul Wise	720,522	4.02%
6	Sapphire Trading Ltd	700,000	3.90%
7	Ramsa Pty Ltd <The Bailey Superfund A/C>	483,000	2.69%
8	Flue Holdings Pty Ltd <Bromley Superannuation A/C>	472,500	2.63%
9	Ramsa Pty Ltd <Bailey Super Fund A/C>	400,000	2.23%
10	Mr John Pano Canaris	375,000	2.09%
11	Mr Gary Phillip Grey	312,125	1.74%
12	Archfield Pty Ltd	303,500	1.69%
13	Mr John Wilson Fraser	300,000	1.67%
14	Topspeed Pty Ltd <Skinner No 1 Super A/C>	250,000	1.39%
15	Mr Daniel Paul Wise <Superannuation Fund A/C>	250,000	1.39%
16	Syzygy Holdings Pty Ltd <Tom Kelly Super A/C>	223,750	1.25%
17	Mr Greg Lear	218,750	1.22%
18	Mrs Milly Elkington	213,910	1.19%
19	TTF Maintenance Co Pty Ltd	213,449	1.19%
20	Foundation Superannuation Fund Pty Ltd <Foundation Super Fund A/C>	210,000	1.17%
		10,616,557	59.19%

ASX Additional Information

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares	Percentage of Ordinary Shares
Thomas Kelly	3,062,501	8.54%
Craig Bromley	3,000,000	8.36%
Daniel Paul Wise	2,945,000	8.21%

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(f) Escrowed Securities

Securities	Number	Escrow Period
Ordinary Fully Paid Shares	9,552,000	12 May 2006

(g) Unlisted Options

There are 500,000 unlisted options over unissued shares on issue, in the class exercisable at 25 cents per share on or before 31 March 2006. There is 1 holder of this class of option.

(h) Cash Usage

Since the time of listing on the ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of the ASX in a manner which is consistent with its business objectives.

(i) Schedule of Mining Tenements

All tenements are situated in north eastern region of Tasmania, Australia:

Tenement ID	Area (Km2)	Prospect Area Name	Status
ML16M/91	0.31	Lefroy Mining Lease	Granted (to Nov 2005)
EL35/2001	42	Lefroy Project Area	Granted (to Oct 2008)
EL2/2002	55	Pipers River Project Area	Granted (to Oct 2008)
EL43/2003	139	Den Ranges Project Area	Granted (to Oct 2009)
EL44/2003	239	Lebrina Project Area	Granted (to Oct 2009)
EL45/2003	186	Nabowla Project Area	Granted (to Oct 2009)
EL12/2005	8	Denison Project Area	Granted (to Sep 2009)
EL39/2004	52	Ferny Hill Project Area	Granted (to Sep 2009)
EL28/2003	58	Bangor Project Area	Application

Key: ML = Mining Lease
EL = Exploration Licence