

19th December 2006

Via electronic lodgement

ENTITLEMENT ISSUE

On 22 November 2006 Lefroy Resources Limited ("the Company") announced that it will be offering its shareholders a non-renounceable entitlement issue of one (1) Option for every two (2) Shares held by Shareholders registered at 5.00pm (WST) on 2 January 2007 at an issue price of 1 cent per Option ("**Entitlement Issue**"). The options are exercisable at 25 cents per option on or before 30 June 2009.

The Company today lodged a Prospectus with the Australian Securities and Investments Commission setting out the details of the Entitlement Issue. A copy of the Prospectus was also lodged with the Australian Stock Exchange ("**ASX**") and is available on their website.

It is anticipated that the Prospectus will be sent to shareholders in Australia and New Zealand on 4 January 2007.

The timetable in respect of the Entitlement Issue is as follows:

Lodgement of Prospectus with ASIC and ASX	19 December 2006
Notice in relation to Entitlement Issue despatched to Shareholders	21 December 2006
Ex Date	22 December 2006
Record Date for determining entitlements	2 January 2007
Prospectus despatched to Shareholders	4 January 2007
Closing Date of Offer	18 January 2007
Despatch date / Options entered into shareholders security holdings	29 January 2007

Please note that these dates have been determined based upon current expectations of the Directors and may be changed without notice.

The Company will make an application to the Australian Stock Exchange ("**ASX**") for official quotation of the options.

The Company advises that the record date for the Entitlement Issue will be 2 January 2007 and the Company's shares will trade on the ASX on an "ex entitlement" basis on 22 December 2006. It is noted that "ex entitlement" basis means that the Company's shares purchased on or after 22

December 2006 will not be included in the Company's share register for determining the shareholders entitled to the Rights Issue as at the record date

For further information please do not hesitate to contact our office on (08) 93828711 or else contact your stockbroker or the Company's share registrar.

**On behalf of the Board of
Lefroy Resources Limited**

A handwritten signature in black ink, appearing to read 'Tom Kelly', written in a cursive style.

**Tom Kelly
Director**

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Lefroy Resources Limited

ACN

107 118 678

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 31,056,251

3,000,000 (options previously unquoted as part of placement, refer Appendix 3B dated 13/12/06) |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options are exercisable at 25 cents on or before 30 June 2009 |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	New class								
5 Issue price or consideration	\$0.01								
6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Funds Raised under the placement to be used to carry out specific project evaluation and due diligence of potential opportunities within the resources sector.								
7 Dates of entering +securities into uncertificated holdings or despatch of certificates	29 January 2007								
8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>62,112,501</td> <td>Ordinary Fully Paid Shares</td> </tr> <tr> <td>31,056,251</td> <td>Options exercisable at 25 cents on or before 30 June 2009</td> </tr> <tr> <td>3,000,000</td> <td>Options exercisable at 25 cents on or before 30 June 2009</td> </tr> </tbody> </table>	Number	+Class	62,112,501	Ordinary Fully Paid Shares	31,056,251	Options exercisable at 25 cents on or before 30 June 2009	3,000,000	Options exercisable at 25 cents on or before 30 June 2009
Number	+Class								
62,112,501	Ordinary Fully Paid Shares								
31,056,251	Options exercisable at 25 cents on or before 30 June 2009								
3,000,000	Options exercisable at 25 cents on or before 30 June 2009								

+ See chapter 19 for defined terms.

	Number	*Class
9 Number and *class of all *securities not quoted on ASX (including the securities in clause 2 if applicable)	500,000	Options expiring 31 December 2007 exercisable at \$0.25
	1,500,000	Options expiring 30 June 2008, various exercise prices
	246,000	Options expiring 30 June 2008, various exercise prices
	500,000	Options expiring 28 November 2009 exercisable at \$0.25
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	No
12 Is the issue renounceable or non-renounceable?	Non-renounceable
13 Ratio in which the *securities will be offered	One (1) option for every two (2) fully paid ordinary shares held
14 *Class of *securities to which the offer relates	Options exercisable at 25c on or before 30 June 2009
15 *Record date to determine entitlements	2 January 2007
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17 Policy for deciding entitlements in relation to fractions	Rounded up to the nearest whole option

* See chapter 19 for defined terms.

Appendix 3B
New issue announcement

- | | |
|--|---|
| <p>18 Names of countries in which the entity has ⁺security holders who will not be sent new issue documents</p> <p>Note: Security holders must be told how their entitlements are to be dealt with.</p> <p>Cross reference: rule 7.7.</p> | <p>Only issued to Australian and New Zealand shareholders</p> |
| <p>19 Closing date for receipt of acceptances or renunciations</p> | <p>18 January 2007</p> |

⁺ See chapter 19 for defined terms.

20	Names of any underwriters	Corporate and Resource Consultants Pty Ltd
21	Amount of any underwriting fee or commission	Nil
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of *security holders	N/A
25	If the issue is contingent on *security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	4 January 2007
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	18 December 2006
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do *security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do *security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

* See chapter 19 for defined terms.

- 32 How do +security holders dispose of their entitlements (except by sale through a broker)? N/A
- 33 +Despatch date 29 January 2007

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	N/A					
39	Class of +securities for which quotation is sought	N/A					
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	N/A					
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)	N/A					
42	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">Number</th> <th style="text-align: left;">+Class</th> </tr> <tr> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> </table>	Number	+Class	N/A	N/A	N/A
Number	+Class						
N/A	N/A						

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:

Date: 19 December 2006



(Company Secretary)

Print name: Jonathan Whyte

=====

+ See chapter 19 for defined terms.