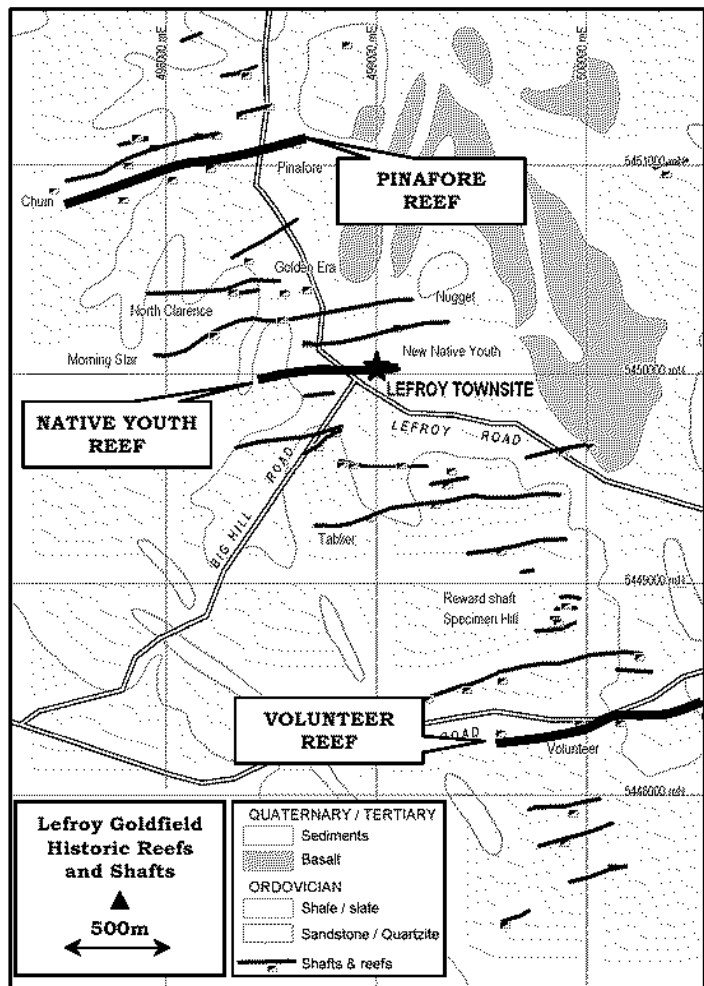


QUARTERLY ACTIVITY REPORT
FOR THE PERIOD ENDED 31 MARCH 2006

Highlights

- During the Quarter and immediately subsequent to the Quarter end the Company raised a total of \$5,809,375 through a placement of 5,300,000 new shares and the exercising of 17,937,500 options at \$0.25 per share.
- Drilling continued at the Lefroy Goldfield during the Quarter, targeting extensions to the Pinafore Inferred Resource and the Native Youth Reef, with spectacular grades encountered from shallow depths at the Pinafore Reef.
- New and previously unrecognised styles of mineralisation, occurring in addition to lode-style material, have been identified providing exciting new exploration targets.
- Unexpected mine workings were encountered during drilling at the Native Youth Reef, substantially extending areas of mineralisation beyond the recorded limits.
- Visible gold within quartz-veining was encountered at the Pinafore Reef and drilling commenced for the first time at the Volunteer Reef, which is historically the largest and highest-grade reef in the Goldfield.
- At the end of the Quarter the Company had a cash balance of \$7.66 million (excluding \$1,000,370 received pursuant to the underwriting agreement post Quarter end).



Drilling Continued at Lefroy Project Area

Since the start of the Company's second field season in November 2005, approximately 3,500 metres of RC and 1,500 metres of Diamond drilling have been completed at the Pinafore, Native Youth and Volunteer Reefs. Much of the drilling targeted the shallow, up-dip potential of known mineralisation not previously tested. The 2006 drill program is continuing, targeting at least 4 selected high-grade lode-style gold-bearing reef targets within the 4 kilometre mineralised corridor which makes up the Lefroy Goldfield (front cover map). Drilling is comprised of:

- Extensions to the Pinafore Reef 225,000oz Inferred Resource
- Orientation drilling the Native Youth Reef (26,000oz recorded production)
- Orientation drilling the Volunteer Reef (50,000oz recorded production)
- Scout drilling of newly defined soil anomaly north of the Pinafore Resource

Pinafore Reef Prospect

The Pinafore Reef is one of the largest historically mined reefs in the Lefroy Goldfield. It was mined prior to 1900 for approximately 60,000oz of gold at grades averaging approximately 25g/t. Resource estimation work by the Company reported a JORC Inferred Resource of 225,000oz Au (ASX Announcement November 7, 2005) at the Reef.

Assay results received during the Quarter returned spectacular grades from shallow depths at the Pinafore Reef (LFC050 below). A "twin" diamond hole (LFD064) was drilled approximately 5 metres from LFC050, to gain important geological and structural information. Investigation of the core identified two new and previously unrecognised styles of mineralisation, occurring in addition to the lode-style material that is the source of historic production from the Goldfield, providing promising new target for the Company (ASX Announcements January 17 and February 28, 2006). Previous best results (reported) for the Pinafore Reef include:

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)
LFC023A	4 metres @ 12.0g/t Au (including 1 metre @ 42.36g/t Au)
LFC024	7 metres @ 3.58g/t Au (including 1 metre @ 10.17g/t Au)
LFC025	10 metres @ 1.72g/t Au (including 1 metre @ 2.83g/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)
LFC050	22 metres @ 6.60g/t Au (including 1 metre @ 82.13g/t Au)
LFC050	18 metres @ 6.74g/t Au (including 1 metre @ 20.63g/t Au)

During the March Quarter a total of eleven holes were completed for 1,315 metres of RC and 747 metres of diamond drilling at the Pinafore Reef. Drilling successfully targeted the near surface footwall "halo" mineralisation that has been shown to exist around the previously mined area (ASX Announcement February 28, 2006). As expected drilling encountered difficulties when passing through mine workings, however all holes intersected gold mineralisation, with significant (preliminary) results received in the following holes:

Hole ID	*Easting	*Northing	Dip/ Azimuth	From	To	Interval	**Au g/t
LFD064	498650	5451220	-60/000	56.7	60.5	7.3	2.3
LFC065	498650	5451200	-60/000	36	37	1	7.36
LFD068	498700	5451160	-59/000	125	126	1	4.64
LFD070	498600	5451170	-59/000	123.5	124.1	0.6	4.91

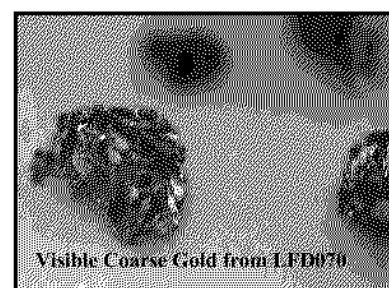
Note: Assay Results presented here (**Au) are Fire Assay only, with final Screen Fire Assay analysis in progress. Due to the presence of coarse gold, Screen Fire Assay often results in assay upgrades at Lefroy, with the same factor possibly contributing to an underestimation of gold grade in diamond holes (LFD064, 68 and 70 above). *Coordinates in GDA 94, UTM Zone 55.

Interpretation of Results

Preliminary assay results from “twin” diamond hole LFD064 reaffirmed the presence of significant gold mineralisation correlating to footwall “halo” mineralisation immediately below historic stoping, but failed to confirm grades encountered in the lower part of LFC050; the hole unfortunately suffered core loss and deviated substantially beneath the stoping (56.6 metres) and as a result is projected to have been up to 20 metres away from LFC050 at 100 metres depth. Detailed geological analysis of the core has shown a complex relationship between the stratigraphy and structural controls of mineralisation. Further drilling is in progress.

Drill holes LFC065 and LFD068 targeted the “halo” or “footwall mineralisation” that has been defined at RC drill hole LFC050, along-strike. These drill holes successfully intercepted mineralisation associated with high-grade quartz-sulphide gold. Preliminary results indicate however, that footwall mineralisation, although present may not be as extensive as initially interpreted.

Diamond drill hole LFD070 successfully targeted the up-dip continuity of gold mineralisation, beneath historically mined stope at the Pinafore Reef, displaying visible gold within quartz-veining (ASX Announcement, March 15, 2006). The hole was successful in first passing through approximately 6 metres of predicted stope (historically mined) from the Pinafore main lode. Characteristically, the footwall material showed associated quartz stockwork veining and sulphide related mineralisation.



Drilling is continuing at the Pinafore Reef and final assay results are pending.

Native Youth Reef Prospect

Located near the centre of the Lefroy Township, the Native Youth Reef was historically mined for approximately 25,000oz from 2.4 metre wide “lode-splay”, striking over 400 metres with grades ranging around 30g/t. The Native Youth is located approximately 1,000 metres south of the Pinafore Reef and has returned the spectacular grades (previously reported) from approximately 100 metres vertical depth:

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)

During the December Quarter a total of nine holes were completed for 1,210 metres of RC and 150 metres of Diamond drilling at the Prospect. Holes targeted strike extensions from known high-grade quartz-sulphide gold mineralisation identified in the 2005 season. Of the nine holes drilled three were abandoned prior to their target depth due to difficulties associated with drilling through old stopes. Despite this all but two holes encountered gold mineralisation with the most significant results summarised as follows:

Hole ID	*Easting	*Northing	Dip/ Azimuth	From	To	Interval	**Au g/t
LFC055	498980	5450235	-55/180	88	89	1	4.28
LFC055	498980	5450235	-55/180	102	106	4	4.73
LFC056	498980	5450235	-60/180	117	118	1	6.63

Note: Assay Results presented here (**Au) are Fire Assay only, with final Screen Fire Assay analysis in progress. Due to the presence of coarse gold, Screen Fire Assay often results in assay upgrades at Lefroy. *Coordinates in GDA 94, UTM Zone 55.

Interpretation of Results

Drilling was stepped to the east of known high-grade quartz-sulphide gold mineralisation at the Native Youth Mine. Drilling unexpectedly intersected extensive mine workings along a 100 metre strike length, beneath the present day Lefroy Township. These stopes are interpreted as to represent unrecorded production from the Reef prior to 1880, and if so this discovery could effectively double the strike length of highly prospective Native Youth line of mineralisation.

The unexpected mine workings, and associated drilling difficulties encountered, resulted in the majority of holes being abandoned before target depths were achieved. Despite this encouraging results were returned (above) from several parts of the Native Youth Reef and its extensions, and drilling successfully accurately defined the spatial location of the City of Launceston Workings, which form part of the historic Native Youth Reef system. In addition limited drilling to the west of Native Youth intersected several zones of lower grade mineralisation (not reported).

Additional drilling is being planned at the Native Youth Reef and final assay results are pending.

Volunteer Reef Prospect

During the March Quarter the drill rig was mobilized for the first time to Volunteer Reef, at the southern end of the Lefroy Goldfield. A total of five drill holes have been completed for 610 metres of RC and 74 metres of Diamond drilling. The Volunteer Reef, located at the southern end of the Lefroy Goldfield, is the single largest historically mined reef in the Goldfield having produced approximately 50,000 ounces of gold at an astounding 100g/t from stopes consistently much wider than elsewhere in the Goldfield. Despite this the Volunteer Reef remains largely untested and is a high priority target for the Company.

Assay results from the Volunteer Reef are pending.

Assay Evaluation

A review of the current assay techniques being used at Lefroy was completed, due to concerns that “nuggetty” gold could be contributing to an underestimation of grade. Approximately 80 samples were sent for analysis to determine the suitability and

optimisation of the assay processes being applied. As a result refinements have been made to the Screen Fire analytical techniques which should improve the reliability and accuracy of final results. This test work and other operational delays at the assay laboratory have resulted in final assay results for the Quarter not being received.

Follow Up on Soil Geochemistry

Follow up RC drilling and infill geochemistry has been conducted at the two geochemical survey areas reported last Quarter: Geochemical sampling was conducted at the Perpetual and Volley Survey Areas by auger-drilling material on a nominal 20 x 100 metre grid.

Perpetual Geochemical Survey

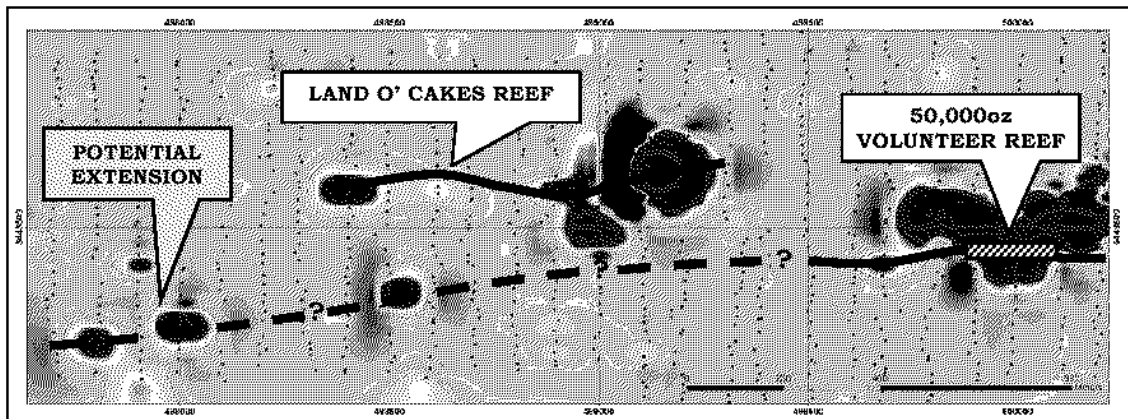
An east-west trending gold-in-soil anomaly was defined within the Perpetual Geochemical prospect (LEF December Quarterly Report, 2006). Compilation of historical mine data for the Pinafore and nearby Chum mines showed mine development extending to the postulated down-dip projection of the soil anomaly, providing evidence that the surface expression of this potential new reef continues at depth. Two out of four planned RC holes were completed during the March Quarter, with the remainder of the drilling scheduled for May. No significant results have been returned from the holes drilled.

The historic Chum Reef, located less than 150 metres north of the Pinafore Reef (front cover) and included in the Perpetual geochemical survey, represents an important target having produced approximately 46,000 ounces of gold at similar grades to the Pinafore Reef. The close proximity of the Chum to the Pinafore Reef suggests there is potential for the Company to produce multiple economic deposits that could be exploited in a single mining campaign. The Chum Reef is scheduled to be tested by RC drilling.

Volley Geochemical Survey

Soil geochemical sampling also successfully tested the potential long-strike extension of the Volunteer Reef, located at the southern end of the Lefroy Goldfield. An east-west trending gold-in-soil anomaly was identified, striking for approximately 400 metres, to the west of the Volunteer Reef (LEF December Quarterly Report, 2006).

Infill soil geochemical sampling was carried out during the Quarter, aiming to define the source of the highest grade material encountered during the first pass. A total of 264 samples were collected which successfully reconfirmed the anomaly, with the highest grade result returning 5.35 g/t. The anomaly will be further tested by costean sampling, and statutory applications have been lodged to undertake this work. Approvals are pending.



Gridded gold-in-soil data, anomalous Au zones >0.1g/t Au (red) and sample points (.) .

Lone Star Prospect ERA Application

The Company continues to expand and consolidate its extensive landholding in the northeast of Tasmania with its application for Exploration Release Area 661, covering approximately 37 square kilometres known as the “Lone Star” Prospect. The area has been explored by Comalco, CRAE, BP Minerals, Argyle Minerals, Billiton Minerals, Macmin NL, and most recently by TasGold Limited which, after being relinquished, became available through the ERA process.

ERA 661 adjoins the Company’s south-eastern most tenement holdings, about 30 kilometres northeast of Launceston. The area contains several alluvial and hard rock prospects and numerous old, abandoned gold workings. Gold is known to occur as steeply dipping quartz veins, sheeted veins and quartz stockworks. Stratabound gold mineralisation of silicified sandstone beds has also been reported within the area. Most of the approximately 10 tonnes of gold produced from the ERA and adjoining areas has been won from alluvial deposits, however the area has very high potential for orogenic gold deposits, disseminated, stockwork and other styles of gold mineralisation.

Previous work has identified over 50 anomalous areas from more than 2,500 soil geochemical samples within the area. The best drilling intersection is 1 metre at 1.3 g/t Au. Should the Company be successful in its application for this ERA, a systematic exploration program, initially comprising of detailed desktop data compilation and field work would be carried out.

New Government Initiative over Northeast Tasmania

During the March Quarter the Tasmanian Government announced its decision to spend more than \$5 million over four years, to encourage mining activity in an area of the State encompassing the Lefroy Goldfield and Company tenements. The \$5 million will be provided to the Mineral Resources Tasmania (MRT) to acquire and promote new geological data. Data will likely be comprised of airborne geophysical and other remotely sensed information and is expected to provide an invaluable new source of exploration information (10th of March Government Media Statement, and Tasmanian Minerals Council newsletter).

Program Summary

Background

The NE Gold Province of Tasmania has produced more than 600 gold deposits and occurrences from which there has been historical production in excess of 1.7Moz of gold. The Company’s exploration land package consolidates at least three separate mineralised structures. The Lefroy Goldfield, located 20 kilometres from Beaconsfield, occupies the western most mineralised structure and remains the Company’s most important Prospect by way of historic production.

The Company’s extensive land package extends east to cover the Denison Goldfield and potential northern strike extensions from the Lisle/Golconda Goldfield, and follows the long-strike continuation of prospective geology south-east into the Bangor Prospect.

The Lefroy Goldfield recorded approximately 200,000oz of gold at spectacular grades (30-60g/t) in the late 19th century. As the Goldfield was in production for some time before any gold was recorded, actual production is thought to be higher. The Company’s initial orientation drilling program, commenced in 2005, has been highly successful in delineating significant mineralisation at three high-grade reef targets, below historically

mined gold “lodes”, confirming that high-grade gold continues beneath the old workings at the Lefroy Goldfields.

2006 Field Season

Since the start of the Company’s second field season in November 2005, approximately 3,500 metres of RC and 1,500 metres of Diamond drilling have been completed at the Pinafore, Native Youth and Volunteer Reefs. Much of the drilling targeted the shallow, up-dip potential of known mineralisation, not previously tested. Many of these holes contacted historically stoped mine causing drilling difficulties that resulted in many holes not achieving target depths. Despite this the Goldfield continues to yield promising results including the single best intersection at Lefroy (LFC050) and visible gold for the first time at hole LFD070. Results are pending for the Company’s largest historic reef, the Volunteer, which was drilled for the first time during the March Quarter.

Furthermore drilling has identified two new and previously unrecognised styles of mineralisation at Lefroy, occurring in addition to the lode-style material that was thought to be the only source of gold at the Goldfield. This disseminated and narrow vein array mineralisation provides new targets for the Company, the importance of which will be determined through further drilling. New target areas were also identified at the Native Youth line of workings where unrecorded mines were encountered along-strike from the Native Youth Reef, effectively extending its prospective distance over 100 metres. The Native Youth Reef remains inadequately tested and will be further drilled in 2006.

Corporate

Financial Position

During the Quarter the Company announced a placement of \$5,300,000 new fully paid shares at \$0.25 per share to raise \$1,325,000 (less associated costs). In addition 17,937,500 options were exercised at \$0.25 per share, raising a total of \$4,484,375. The total number of ordinary shares on issue following the placement and exercise of options is 59,112,501, of which 49,560,501 are quoted on the ASX. It is noted that the 17,937,500 shares associated with the exercising of the options were allotted post Quarter end.

At the end of the Quarter the Company had a cash balance of \$7.66 million.

For further details contact

John Canaris
Chief Executive Officer
Lefroy Resources Limited
ACN 107 118 678
278 Barker Road
Subiaco WA 6008
Ph: (08) 9382 8711
Fax: (08) 9382 8722

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by John Canaris who is a Member of the Australian Institute of Geoscientists. Mr. John Canaris is a full-time employee of the Company. Mr. Canaris has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Canaris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.