
**QUARTERLY ACTIVITY REPORT
FOR THE PERIOD ENDED 30 JUNE 2006**

Highlights

- **Drilling continued at the Company's 100% owned Lefroy Goldfield Project Area, north east Tasmania, with approximately 6,340 metres of RC and 865 metres of diamond drilling completed during the current field season.**
- **Drilling successfully intersected near-surface remnant mineralisation close to the historical mine workings at Pinafore Reef, with RC drill hole LFC087 returning an outstanding 27m @ 4.27g/t Au from 71m (including 2m @ 28.21g/t Au).**
- **Orientation drilling at the newly located City of Launceston Reef, on the highly prospective Native Youth Reef line of workings, encountered high-grade gold mineralisation with LFC095 returning 2m @ 13.27g/t Au from 116m.**
- **Deep targeted drilling commenced at the Pinafore Reef, aimed at intersecting the Pinafore Lode at depths of approximately 380 to 420 metres. Historical research shows good evidence for gold mineralisation at these depths.**
- **A bulk sample of Pinafore Lode material was drilled to enable metallurgical testing to be carried out. LFC092 and LFC093 successfully intersected mineralised zones that will be tested to evaluate coarse-gold that may be contributing to an underestimation of grade at the Lefroy Goldfield.**
- **Preparations were completed to allow efficient drilling during the winter months, and a second drill-rig was mobilised in late June to support deep drilling activity.**
- **A predictive model for mineralisation, that will form the basis of a risk-based Exploration Strategy for the Company, was completed during the Quarter. This represents an important step forward in the development of the Lefroy Project's exploration potential.**
- **At the end of the June Quarter the Company had a cash balance of \$8.03 million.**

Drilling Continued at Lefroy Project Area

The 2006 drill programme continued into the June Quarter at three selected high-grade lode-style gold-bearing reef targets within the four kilometre mineralised corridor that makes up the Lefroy Goldfield. Preparations were completed to allow drilling to continue during the wet winter months and a second drill-rig was mobilised in late June to support the deep diamond drilling planned for the Pinafore Reef (below).

Since the Company commenced exploration at the Goldfield in 2004 approximately 15,000m of drilling has been completed, with approximately 6,340 metres of RC and 865 metres of diamond drilling completed at the Pinafore, Chum, Native Youth and Volunteer Reefs during the current field season.

Much of this drilling completed in the June Quarter targeted near surface remnant mineralisation proximal to the historical mine workings at Pinafore. In addition RC drilling designed to produce a bulk sample ore material suitable for metallurgical test work was completed at the Pinafore Project Area. Orientation drilling was also conducted at the Native Youth and Chum lines of Reef, and a single hole was drilled (and abandoned) at the Volunteer Reef.

Deep Drilling

Deep targeted drilling commenced at the Pinafore Reef in late June, aimed at intersecting the Pinafore Lode at depths of approximately 380 to 420 metres. This campaign will test the Company's predictive model for mineralisation - that mineralisation extends to depth well below the base of historic activity.

Results from this drilling are pending.

Pinafore Reef Prospect

The Pinafore Reef is one 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 completed by the Company reported a JORC Inferred Resource of 225,000oz Au (ASX Announcement November 7, 2005) at the Reef.

Assay results received from previous drilling has returned spectacular grades from shallow depths at the Pinafore Reef Prospect. Previous best results (reported March 2006 Quarterly Activity Report) for the Pinafore Reef include:

LFC018	6 metres @ 5.38g/t Au (incl. 1m @ 20.58g/t Au)
LFC018	7 metres @ 2.66g/t Au (incl. 1m @ 8.39g/t Au)
LFC023A	4 metres @ 12.0g/t Au (incl. 1m @ 42.36g/t Au)
LFC024	7 metres @ 3.58g/t Au (incl. 1m @ 10.17g/t Au)
LFC025	10 metres @ 1.72g/t Au (incl. 1m @ 2.83g/t Au)
LFC045	10 metres @ 2.41g/t Au (incl. 1m @ 8.39g/t Au)
LFC045	3 metres @ 3.45g/t Au (incl. 1m @ 7.94g/t Au)
LFC050	22 metres @ 6.60g/t Au (incl. 1m @ 82.13g/t Au)
LFC050	18 metres @ 6.74g/t Au (incl. 1m @ 20.63g/t Au)

Preliminary assay results reported in the March Quarter Activities Report are also presented here as final screen fire results:

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	7.92
LFD067	498625	5451225	-59/000	50	53	3	3.09
LFD068	498700	5451160	-59/000	107	110	3	2.63
				125	126	1	3.42
LFD069	498700	5451225	-59/000	58	62	4	2.02
LFD070	498600	5451170	-59/000	122.6	124.1	0.6	4.91
LFD083	498650	5451253	-58000	45.8	54	8.2	1.53

*Coordinates in GDA 94, UTM Zone 55

**Cut off grade 1.00g/t, max 2m consecutive internal dilution

**Analysis by screen fire assay

During the Quarter drilling was directed toward the delineation of near surface (up to 100m) gold mineralisation proximal to the historic activity recorded for the Pinafore Reef. These zones are outside the Company's 225,000oz Inferred Resource for the Prospect, demonstrating the potential for the resource to be increased through limited drilling.

A total of 22 holes were completed for approximately 2,370 metres of RC and 400 metres of diamond drilling. Drilling successfully intersected near-surface remnant mineralisation proximal to the historical mine workings at Pinafore Reef (ASX Announcement February 28, 2006). Significant results include:

Hole ID	*Easting	*Northing	Dip/ Azimuth	From	To	Interval	**Au g/t
LFC084	498920	5451140	-60/000	155	157	2	1.75
LFC085	498557	5451230	-60/000	36	37	1	1.79
				40	41	1	2.34
LFC086	498401	5451184	-59/000	84	87	3	3.32
LFC087	498450	5451180	-59/000	71	98	27	4.27
			Incl.	84	86	2	28.21
LFC088	498500	5451155	-58/000	106	107	1	1.42
				110	116	6	1.81

*Coordinates in GDA 94, UTM Zone 55

**Cut off grade 1.00g/t, max 2m consecutive internal dilution

**Analysis by screen fire assay

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 spectacular grades (previously reported) from approximately 100 metres vertical depth:

LFC021	10 metres @ 3.03g/t Au (including 3 metres @ 4.99g/t Au)/t
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)

Drilling last Quarter was stepped to the east of known high-grade quartz-sulphide gold mineralisation at the Native Youth Reef line of workings. Drilling unexpectedly intersected extensive mine workings approximately 100 metres along strike, effectively doubling the strike-length of the highly prospective Native Youth line of workings and spatially locating the historic City of Launceston Workings. Preliminary assay results from this activity reported in the March Quarter are presented here as final screen fire results:

Hole ID	*Easting	*Northing	Dip/ Azimuth	From	To	Interval	**Au g/t
LFC055	498980	5450235	-55/180	102	106	4	4.22
Including				103	104	1	6.59
LFC056	498980	5450235	-60/180	117	118	1	7.48
FC058	498760	5450275	-60/175	127	131	4	1.83
LFC059	498684	5450275	-60/355	93	96	3	1.80
LFC060	498683	5450129	-57/358	124	127	3	1.50

*Coordinates in GDA 94, UTM Zone 55

**Cut off grade 1.00g/t, max 2m consecutive internal dilution

**Analysis by screen fire assay

During the Quarter follow up targeted drilling below the projected City of Launceston workings successfully intersected high-grade gold-bearing quartz-sulphide veining from one of two holes completed for a total of 320 metres. High-grade mineralisation is contained within an intensely sheared and altered host rock, beneath the previously mined stoped material:

Hole ID	*Easting	*Northing	Dip/ Azimuth	From	To	Interval	**Au g/t
LFD095	498955	5450130	-60/000	116	118	2	13.27

*Coordinates in GDA 94, UTM Zone 55

**Cut off grade 1.00g/t, max 2m consecutive internal dilution

**Analysis by screen fire assay

This result effectively doubles the strike-length of the prospective Native Youth area, previously restricted to the zones of recorded production around the Native Youth Reef main shaft. The unexpected discovery of unrecorded mine workings at depth at the City of Launceston highlights the potential for limited drilling at the Lefroy Prospect to increase the Company's resource base. The result also demonstrates that the recorded production for the Goldfield (200,000oz Au at approximately 30g/t Au) represents a minimum figure for gold actually produced from unrecorded historic mine development.

The City of Launceston represents an exciting new target, which the Company is planning to follow-up in the coming months.

Bulk Sample – Ore Evaluation

Drilling designed to allow bulk metallurgical test work was also completed. Holes are drilled “down-dip” of the “lode”, and are planned to have long intercepts into mineralized rock to allow sufficient material to evaluate the variability of grade through the mineralized structures.

RC drill hole LFC092 intersected potential mineralisation over 16 metres, whilst LFC093 intersected potential mineralisation several times within at least 81 metres of drilling. This information will be used to gain a better understanding of the gold department at Lefroy and to quantify the “nugget” or coarse-gold effect that may be contributing to an underestimation of grade at Lefroy.

Predictive Geological Model & Exploration Strategy

Geological modeling was completed in a collaborative effort with the Company’s technical team and consulting geologist, Dr John Baxter. The work involved detailed core logging, structural and stratigraphic work, and field observations.

This work was incorporated into a predictive geological model for mineralization that will be tested by a risk-based Exploration Strategy for the Company. The primary goal of the current Exploration Strategy is to realize the full potential of the Goldfields, by reclassifying as much of the 1.3Moz Exploration Potential into JORC-Compliant resource categories as possible.

Follow Up on Soil Geochemistry

Geochemical sampling was conducted at the Perpetual and Volunteer Extension Survey Areas by auger-drilling material on a nominal 20 x 100 metre grid. Follow up RC drilling and infill geochemistry has been completed at the two geochemical survey areas reported last Quarter. An east–west trending gold-in-soil anomaly was defined within the Perpetual Geochemical prospect (LEF Second Quarter Activities Report, 2006). Two out of four planned RC holes were completed during the Third Quarter, with the remainder of the drilling completed in May. No significant results were returned, however detailed analysis of the results is yet to be completed.

The historic Chum Reef, located less than 150 metres north of the Pinafore Reef 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 that 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 next Quarter.

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). Follow-up infill sampling was carried out which further defined the source of the highest grade material. The anomaly was further tested by costean sampling during the Quarter. Results are pending.

Programme Summary

Background

The North East 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.

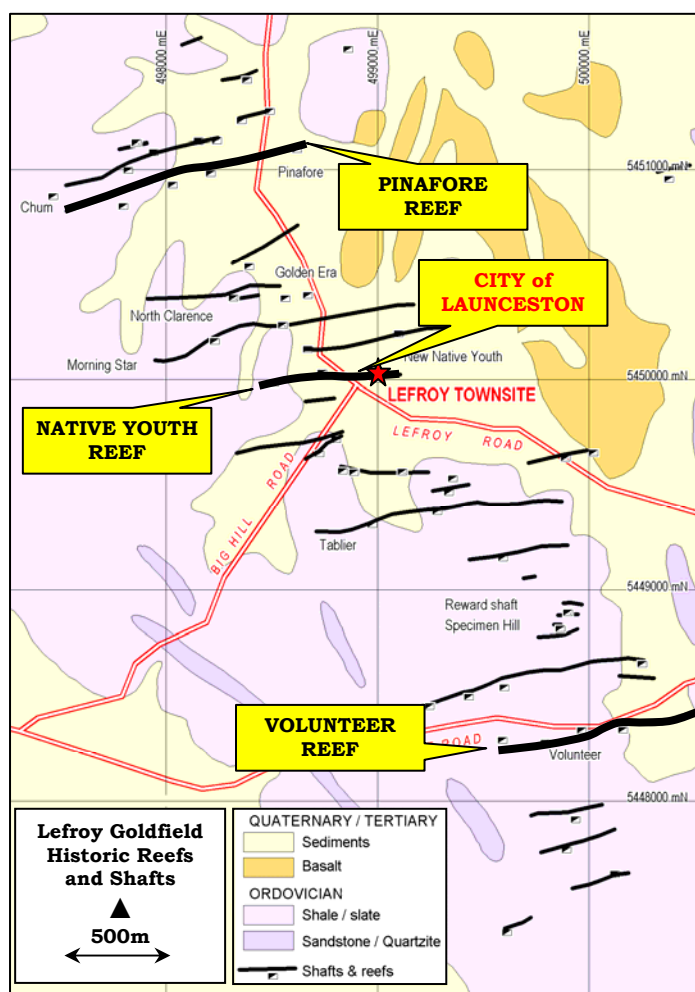
The Lefroy Goldfield recorded approximately 200,000oz of gold at spectacular grades (30-60g/t) in the late 19th century. As the Goldfield was in production for some time before any gold was recorded, actual production is thought to be higher. The Company's initial orientation drilling programme, commenced 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.

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. Unfortunately the Company's application for Exploration Release Area 661 (reported last Quarter), covering "Lone Star" Prospect was unsuccessful. The Company will continue to aggressively pursue opportunities to increase its strategic position in the north-east gold province as they arise.

2006 Field Season

Since the start of the Company's second field season in November 2005, approximately 6340 metres of RC and 865 metres of diamond drilling have been completed at the Pinafore, Native Youth and Volunteer Reefs. Drilling has been highly successful at the Pinafore and Native Youth Reefs (summarised below). Follow up drilling of mineralised structures located at the Volunteer Reef was unfortunately abandoned due to drill-hole failure however this target remains inadequately tested and will be revisited in the near future.

Drilling at the Pinafore Prospect been successful in identifying more high-grade remnant near-surface, and potentially "open-pittable" material. This mineralisation is occurring in part as disseminated and narrow vein array mineralisation, previously unrecognised at the Goldfield, representing a new target for the Company, the importance of which will be determined through further drilling.



A new target area was also identified along the Native Youth line of workings, where the unrecorded mine development at the City of Launceston Reef was encountered. Follow up drilling during the Quarter returned high-grade gold bearing quartz-sulphide veining returning excellent assay results from 116 metres (above). This result effectively extends the Native Youth's prospective strike length over 100 metres to the east. The Native Youth Reef remains inadequately tested and will be further drilled in 2006.

Corporate

Financial Position

In the previous quarter the Company advised that 13,936,021 of a total 17,937,500 \$0.25 options were exercised by option holders prior to expiry date on 31 March 2006, totalling \$3.484m in cash receipts for the quarter. In the current quarter the Company received net proceeds of \$875,375, being the residual cash pursuant to the underwriting agreement to take up the shortfall of 4,001,479 options.

At the end of the Quarter the Company had a cash balance of \$8.03M.

For further details contact

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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.