

Lefroy Resources Limited

ACN 107 118 678

NOTICE OF ANNUAL GENERAL MEETING

**For the Annual General Meeting to be held on
Tuesday 28th November 2006
at The Celtic Club, 48 Ord Street, West Perth WA 6005
commencing at 11.30am (WST)**

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.
If you do not understand the matters set out in this document, please consult your
professional adviser.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of the shareholders of Lefroy Resources Limited (Company) will be held at The Celtic Club, 48 Ord Street, West Perth WA 6005 on Tuesday 28 November 2006 at 11.30am (WST) for the purpose of transacting the business referred to in this Notice of Annual General Meeting.

The Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting describes the various matters to be considered.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the Company's Financial Statements and the related Directors' Reports, Directors' Declarations and Auditors' Report for the year ended 30 June 2006.

Resolution 1 – Remuneration Report

To consider and, if thought fit, pass the following as a non-binding ordinary resolution:

“To approve the Remuneration Report as set out in the 2006 Financial Statements”

Resolution 2 - Re-election of Mr Craig Bromley as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Craig Bromley, being a Director who retires by rotation in accordance with clause 79(1) of the Company's Constitution, and being eligible for re-election, be re-elected as a Director of the Company”

SPECIAL BUSINESS

Resolution 3 – Ratification of the Allotment and Issue of Shares

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 5,300,000 fully paid ordinary shares at 25 cents per share to clients of Montagu Stockbrokers Pty Ltd for general working capital purposes.”

Note: Voting Exclusion Statement

The Company will disregard any votes cast in respect of Resolution 3 by any person who participated in the issue and any person who might obtain a benefit.

However, the Company need not disregard a vote if:

- the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on proxy form to vote as the proxy decides.

Resolution 4 – Grant of Incentive Options to Mr Malcolm James

To consider and if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001 and for all other purposes, the Company approves the allotment and issue of up to 500,000 unlisted options to Mr Malcolm James (or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Note: Voting Exclusion Statement

The Company will disregard any votes cast in respect of Resolution 4 by Mr Malcolm James, and any of his associates.

However, the Company need not disregard a vote if:

- the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on proxy form to vote as the proxy decides.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Company’s Constitution and the Corporations Act 2001.

VOTING ENTITLEMENT

For the purpose of determining voting entitlements at the AGM, all shares in the Company will be taken to be held by those members who are registered shareholders at the close of business on the 26th November 2006.

PROXIES

Members may vote by attending the AGM in person, by Proxy or authorised representative.

A member who is entitled to vote at the AGM is entitled to appoint not more than two proxies, to vote on their behalf. An appointed proxy need not be a member of the Company.

Where more than one proxy is appointed, the member needs to specify the proportion of votes appointed to each proxy. If voting proportions are not specified, then each proxy may exercise half of the members voting rights.

A proxy form accompanies this notice. To be effective, the duly completed proxy form, together with any relevant power of attorney, must be received by the Company by no later than 11.30am (WST) on Sunday 26th November 2006.

The proxy form must be signed by the member, or their duly authorised attorney, in writing or, if the member is a corporation, in a manner permitted by the Corporations Act.

Please direct proxy forms and any relevant power of attorney to the Company's office at:

The Company Secretary
Lefroy Resources Limited
PO Box 1417
Subiaco WA 6904

Alternatively, completed proxy forms and any relevant power of attorney can be lodged by facsimile on: (08) 9382 8722.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Malcolm James', with a large, stylized flourish extending from the end of the signature.

Malcolm James
Chairman

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of members of Lefroy Resources Limited in connection with the business to be conducted at the AGM of members, to be held on Tuesday 28 November 2006 at 11.30am (WST).

The purpose of this Explanatory Memorandum is to provide members with information that the Board believes to be material to shareholders in deciding whether or not to approve the above resolutions detailed in the Notice of Annual General Meeting.

Financial Statements and Reports

The Financial Statements and the related Directors' Report, Directors' Declaration and Auditors' Report for the year ended 30 June 2006 will be laid before the meeting in accordance with the Corporations Act. Members will be given the opportunity to ask questions of the Board of Directors and the Auditors in relation to the Annual Report at the AGM.

Resolution 1 - Remuneration Report

Recent amendments to the Corporations Act have expanded the disclosure requirements for publicly listed companies in relation to the remuneration of directors and executives.

The Company's Remuneration Report is submitted to shareholders for consideration and adoption under a non-binding vote. The Directors' Report for the year ended 30 June 2006 contains the Remuneration Report, which sets out the policy for remuneration of the Directors and senior executives of Lefroy Resources Limited.

The Corporations Act requires that a listed company must propose a resolution that the Remuneration Report be adopted. The vote on this resolution is advisory only and does not bind the Directors or the Company.

Shareholders attending the AGM will be given a reasonable opportunity to ask questions regarding the remuneration report.

Resolution 2 - Re-election of Craig Bromley as a Director

Clause 79(1) of the Company's Constitution requires that at each AGM one-third of the Directors must retire from office.

In accordance with the constitution, Mr Craig Bromley retires from office and offers himself for re-election as a Director.

A profile of Mr Craig Bromley is contained in the Company's Annual Report for the year ended 30 June 2006.

Resolution 3 - Ratification of the Allotment and Issue of Shares

Resolution 3 seeks shareholder approval of the allotment and issue of 5,300,000 fully paid ordinary shares to clients of Montagu Stockbrokers Pty Ltd.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of the 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Ratification by the shareholders of the Company is now sought pursuant to ASX Listing Rule 7.4 in order to reinstate the Company's capacity to issue up to 15% of its issued capital, if required in the next 12 months without shareholder approval.

The following information is provided to shareholders for the purposes of obtaining shareholder approval pursuant to the ASX Listing Rules:

1. the number of Shares issued by the Company was 5,300,000 fully paid ordinary shares;
2. the Shares were issued at a price of 25 cents per Share;
3. the Shares were allotted to clients of Montagu Stockbrokers Pty Ltd. None of the allottees were related parties or associates of the Company;
4. the Shares allotted and issued rank equally in all aspects with the Company's existing Shares in issue;
5. \$1,325,000 was raised by the issue of the Share;
6. the funds raised (being \$1,325,000 before costs) will be utilised by the Company for general working capital purposes.

Resolution 4 – Grant of Incentive Options to a Director

a) Background

Resolution 4 seeks shareholder approval for the Company to grant a total of 500,000 incentive options over ordinary shares in the Company (Options) to Mr Malcolm James. The primary purpose of the Options is to recognise the effort and contribution of Mr James since the listing of the Company on the Australian Stock Exchange. The Board considers that the number of Options to be granted to Mr James is reasonable taking into account the directors' fees payable to the Non-executive Director. Further, the Board considers that the total value of the package, including the Options, is in line with the corporate remuneration of non-executive directors of similar companies.

b) ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the Company.

If resolution 4 is passed, securities will be issued to Mr Malcolm James (or nominee), who is a related party of the Company by virtue of the fact that he is a Director. Accordingly, approval for the issue of securities to Mr Malcolm James (or nominee) is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to Mr Malcolm James (or nominee) as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to Mr James (or his nominee) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to resolution 4:

- (i) the maximum number of Options to be issued by the Company to Mr James is 500,000;
- (ii) the allottees of the Options will be to Mr Malcolm James (or nominee);
- (iii) the terms of the Options are set out below in Section 4(d) of this Explanatory Memorandum;
- (iv) the Shares issued upon exercise of the Options will rank equally in all respects with the Company's existing issued shares;
- (v) the Options will be issued for no consideration;
- (vi) the Options will be issued not later than 1 month after the date of this Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Options will be issued on one date; and
- (vii) there will be no funds raised from the issue of the Options as they will be issued as recognition for the effort and contribution of Mr James to the long term performance and success of the Company. The Company acknowledges that the grant of Options is contrary to recommendation 9.2 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of Options to be reasonable in the circumstances given the necessity to attract the highest calibre of professionals to the role, whilst maintaining the Company's cash reserves.

c) Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities.

For the purposes of Chapter 2E of the Corporations Act, the Directors are related parties of the Company.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (i) obtain the approval of members in the way set out in Sections 217 to 227; and
- (ii) give the benefit within 15 months after the approval.

In accordance with the requirements of Chapter 2E of the Corporations Act and in particular, Section 219 of the Corporations Act, the following information is provided to allow shareholders to assess the proposed issue of Options:

- (i) the proposed financial benefit to be given to Mr Malcolm James (or nominee) is the grant of 500,000 Options;
- (ii) the Options will be issued free to Mr James as a reward for his efforts since the listing of the Company on the terms set out below in Section 4(d) of this Explanatory Memorandum;
- (iii) as at the date of this Notice, Mr Malcolm James is entitled to directors' fees of \$24,000 per annum. During the previous year, Mr Malcolm James received directors' fees of \$24,000. Other than as set out in this Section, Mr Malcolm James does not receive any other emoluments from the Company;
- (iv) Mr Malcolm James declines to make a recommendation to shareholders in relation to resolution 4, due to a material personal interest in the outcome of the resolution.

However, the other Directors Mr Thomas Kelly and Mr Craig Bromley, who do not have a material personal interest in the outcome of the resolution, consider the proposed issue of Options to be a cost effective and efficient incentive when compared to other forms of directors' remuneration incentive (e.g. cash, bonuses or increased remuneration);

- (v) over the last 12 months, the highest and lowest closing trading price of the Shares on ASX was 36.5 cents on 24 April 2006 and 13.5 cents on 17 October 2005. The closing price of the Shares on 16 October 2006 was 18.5 cents per Share;
- (vi) if shareholders approve the grant of Options to Mr Malcolm James and all or any of the Options are exercised, the effect will be to dilute the shareholding of existing shareholders. The market price for Shares during the term of the Options would normally determine whether or not Mr James exercises the Options. Subject to any adjustments arising from any rights issues or bonus issues of securities by the Company, if all the Options are exercised, a total of 500,000 Shares will be allotted and issued. This will increase the number of Shares on issue from 59,112,501 to 59,612,501 with the effect that the shareholding of existing shareholders will be diluted by approximately 0.85% (based on the Company's undiluted capital structure at the date of this Notice);
- (vii) the value of the Options and the pricing methodology is set out in Section e) of this Explanatory Memorandum; and
- (viii) the primary purpose of the issue of the Options is to recognise the effort and contribution of Mr James to the long term performance and success of the Company. Given this purpose and bearing in mind the exercise terms of the Options, the Directors Mr Thomas Kelly and Craig Bromley (apart from Mr Malcolm James who decline to comment on the resolution as they have a material personal interest in the outcome of the resolution) do not consider that there are any significant opportunity costs to the Company or benefits forgone by the Company in issuing the Options upon the terms proposed.
- (ix) the Directors are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution;

d) Terms of Options

The material terms and conditions of the Options are as follows:

- (i) Each Option entitles the holder to one fully paid ordinary share in the Company.
- (ii) The Options are exercisable on or before 3 years from the date of issue (Expiry Date) (it is intended that the Company will issue the Options within one month after the Meeting).
- (iii) Options shall lapse upon the earlier of:
 - (A) the Expiry Date; or
 - (B) two years of the issue date if the director ceases to be a director of the Company during that time.
- (iv) The Option exercise price is \$0.25 per Option.
- (v) The Options are not transferable.
- (vi) The Options may be exercised by completing an Option Exercise Form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.

- (vii) All the Company's shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued shares. The Company will apply for official quotation by Australian Stock Exchange Limited (ASX) of all shares issued upon exercise of the Options.
- (viii) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give the Option holder the opportunity to exercise his Options prior to the date for determining entitlements to participate in any such issue.
- (ix) An Option does not confer the right to a change in the exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (x) If at any time the issued capital of the Company is reconstructed, all rights of the Option holder are to be changed in a manner consistent with the ASX Listing Rules.

e) Details concerning Value of Options

The assessment has been undertaken using the Black-Scholes Option Pricing Model ("B&S Model"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the B&S Model is a function of a number of variables. The assessment of the value of the Options has been undertaken adopting the following variables:

Assumption	
Risk free interest rate (1)	5.75%
Share price (2)	\$0.185
Dividend yield	0%
Forecast volatility (3)	50%
Option exercise price (2)	\$0.25
Marketability (4)	40%

- (1) The risk free rate adopted is the Australian Commonwealth Government Bond rate for a three year period as at the Option valuation date.
- (2) Market price of the Company's Shares at close on the valuation date.
- (3) The Company's share price has displayed a relatively high level of volatility. Consideration has been given to the historical volatilities of comparable ASX listed companies, having displayed longer-term volatilities in the range of 32% to 77%, as a basis to estimate the Company's future longer-term share price volatility. On this basis, the Company considers an assumed future share price volatility in the order of 50% for Lefroy Resources Limited not to be unreasonable for the purposes of this model.
- (4) The Black-Scholes Model assumes that the option being valued can be sold on a secondary market. Given that the Options will not be quoted on ASX, there remains to be a lack of marketability, therefore the Company has determined that with the lack of marketability a discount of 25% of the theoretical valuation of the Options be applied.

The B&S Model relies upon the following assumptions:

- the options being valued are European call options, in that they can only be exercised on the expiry date;
- there are no transaction costs, Options and Shares are infinitely divisible and information is available to all without cost;
- short selling is allowed without restriction or penalty;

- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying Shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Using the abovementioned variables, the B&S Model calculates the value of each Option at the valuation date as follows:

Valuation Date	Exercise Price \$	Option Value \$
16 October 2006	0.25	0.0325

An estimate of the value of the Options proposed to be granted pursuant to Resolution 4 using the B&S Model has been calculated as follows:

Name of Director	Number of Options	Total Value of Options using the B&S Model
Malcolm James	500,000	\$16,265

In addition, the B&S Model does not take into account the following terms relevant to the Options:

- the Options, in the main have the characteristics of American options (i.e. not European) in that they can be exercised, after the relevant vesting periods, at any time up until the expiry date; and
- any Option which has not been exercised by the expiry of the exercise period will lapse.

f) Securities held by Directors

Mr Malcolm James currently holds 409,280 shares in the Company.

g) Directors' Remuneration

Mr Malcolm James is entitled to directors' fees of \$24,000 per annum.

To the year ended 30 June 2006, Mr Malcolm James has received \$24,000 in directors' fees.

PROXY FORM

**APPOINTMENT OF PROXY
LEFROY RESOURCES LIMITED
ACN 107 118 678**

GENERAL MEETING

I/We

being a Member of Lefroy Resources Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on Tuesday, 28 November 2006 at 11.30am (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

FOR AGAINST ABSTAIN

Resolution 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Craig Bromley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of the Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Grant of Incentive Options to Mr Malcolm James	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

In relation to the Resolutions, if the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote on these Resolutions, please place a mark in this box

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on the Resolutions and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chairman intends to vote in favour of these Resolutions.

IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO THE RESOLUTIONS YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO THE RESOLUTIONS WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Signed this _____ day of _____ 2006 _____ %

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature

Director

Signature

Director/Company Secretary

Signature

Sole Director and Sole Company Secretary

LEFROY RESOURCES LIMITED
ACN 107 118 678

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.