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**LEFROY RESOURCES LIMITED**

**ACN 107 118 678**

**NOTICE OF GENERAL MEETING**

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**TIME:** 2.00 pm (WST)

**DATE:** 4 October 2007

**PLACE:** The Celtic Club  
48 Ord Street  
WEST PERTH WA 6005

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9382 8711.*

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**CONTENTS PAGE**

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Notice of General Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	6
Glossary	20
Schedule 1 – Pro Forma Balance Sheet	22
Schedule 2 – Terms and Conditions of Placement Options	23
Schedule 3 – King Vendors	24
Schedule 4 – Terms and Conditions of King Options	25
Schedule 5 – Terms and Conditions of Director Options	27
Schedule 6 – Valuation of Director Options	29
Proxy Form	31

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 2.00 pm (WST) on Thursday 4 October 2007 at:

The Celtic Club  
48 Ord Street  
WEST PERTH WA 6005

**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed proxy form and return by:

- (d) post to Lefroy Resources Limited, 278 Barker Road, Subiaco WA 6008; or
- (e) facsimile to the Company on facsimile number (+61 8) 9382 8722,

so that it is received not later than 2.00pm pm (WST) on 2 October 2007.

**Proxy forms received later than this time will be invalid.**

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## NOTICE OF GENERAL MEETING

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Notice is given that a General Meeting of Shareholders will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 2.00 pm (WST) on 4 October 2007.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 2 October 2007.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

### AGENDA

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of:*

*(a) 3,000,000 Shares at an issue price of \$0.20 per Share pursuant to a placement (**Placement**); and*

*(b) 3,000,000 Placement Options,*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons.

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#### 2. RESOLUTION 2 – ACQUISITION OF KING ENERGY PTY LTD

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue the following securities, on the terms and conditions and to the parties set out in the Explanatory Statement:*

*(a) as part consideration for the acquisition of all the issued capital of King Energy Pty Ltd:*

*(i) 7,000,000 Shares (Stage 1 Consideration); and*

*(ii) 14,000,000 Shares (Stage 2 Consideration),*

*to the vendors of King Energy Pty Ltd; and*

(b) *in consideration for the entry by the Company into the Joint Venture Agreement, 4,800,000 listed options to the parties nominated by King Energy Pty Ltd,*

*and otherwise on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed, and any associates of those persons.

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**3. RESOLUTION 3 – GRANT OF OPTIONS TO MR TOM KELLY**

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

*"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue 1,200,000 unlisted options to Mr Tom Kelly (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Tom Kelly (or his nominee) or any of his associates.

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**4. RESOLUTION 4 – GRANT OF OPTIONS TO MR CRAIG BROMLEY**

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

*"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue 1,200,000 unlisted options to Mr Craig Bromley (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Craig Bromley (or his nominee) or any of his associates.

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**5. RESOLUTION 5 – GRANT OF OPTIONS TO MR MALCOLM JAMES**

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

*"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue 250,000 unlisted options to Mr Malcolm James (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Malcolm James (or his nominee) or any of his associates.

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6. RESOLUTION 6 – ELECTION OF MR CARL SWENSSON

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

*“That, subject to the passing of Resolution 2, for the purposes of clause 80(1)(d) of the Constitution and for all other purposes, Mr Carl Swensson being eligible and having consented to act, be elected as a director of the Company.”*

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DATED: 3 SEPTEMBER 2007

BY ORDER OF THE BOARD



JONATHAN WHYTE  
LEFROY RESOURCES LIMITED  
COMPANY SECRETARY

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 2.00 pm (WST) on 4 October 2007.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. OVERVIEW OF ACQUISITION OF KING ENERGY PTY LTD

#### 1.1 Overview of the Transaction

As announced to ASX on 21 May 2007, the Company entered into an agreement that, upon completion, will give it full ownership of a package of uranium exploration projects situated in Chile and Peru.

Subsequently, as announced to ASX on 23 August 2007, the Company entered into two interrelated agreements, being:

- (a) a share sale agreement with the shareholders of King Energy Pty Ltd (**King Vendors**) to acquire 100% of the issued capital of King Energy Pty Ltd (**King**) (**Share Sale Agreement**); and
- (b) a joint venture agreement with King and the King Subsidiaries in relation to mineral assets held by King and the King Subsidiaries (**Joint Venture Agreement**).

The Share Sale Agreement and Joint Venture Agreement provide an interrelated procedure by which the Company can obtain full ownership of King, or revert to a 15% joint venture interest in King's Projects as set out in Section 1.4 of the Explanatory Statement.

#### 1.2 Summary of Share Sale Agreement

The material terms of the Share Sale Agreement are as follows:

- (a) completion of the Share Sale Agreement is conditional upon:
  - (i) Lefroy completing its due diligence investigations in respect of King and being satisfied with the outcome of those investigations in its sole and absolute discretion, and advising the King Vendors of this fact in writing by the date which is 6 weeks after the date of the Share Sale Agreement (**Due Diligence Condition**) (Lefroy has waived the benefit of this condition);
  - (ii) Lefroy being satisfied as at the "Completion Date" (as defined in the Share Sale Agreement) that:
    - (A) the King Vendors have not materially breached the Share Sale Agreement; and
    - (B) none of the warranties given by the "Warranting Vendors" (as defined in the Share Sale Agreement) under the Share Sale Agreement is or has become false, misleading or incorrect;

- (iii) Lefroy obtaining all necessary Shareholder approvals to give effect to the Transaction including but not limited to Shareholder approval in accordance with ASX Listing Rule 7.1 (and any applicable waivers necessary to give effect to the Transaction);
- (iv) all necessary consents (if any) being obtained in respect of the Transaction including but not limited to any consents or approvals from Chilean or Peruvian Government Agencies for the Transaction (Lefroy and the King Vendors have waived the benefit of this condition);
- (v) neither the King Vendors nor Lefroy being prevented from completing the Transaction by virtue of receiving any notice (whether written or verbal) from any regulatory authority in relation to non-compliance with any relevant law by any aspect of the Transaction (Lefroy and the King Vendors have waived the benefit of this condition); and
- (vi) the King Vendors completing their due diligence investigations in respect of Lefroy and there being no material adverse change to the financial affairs of Lefroy in the opinion of King (acting reasonably) occurring during the period of 6 weeks from the date of the Share Sale Agreement (the King Vendors have waived the benefit of this condition).

(together, the **Conditions**);

- (b) the Conditions must be satisfied or waived by 5.00pm (WST) on the latter of:
  - (i) the date which is 18 months after the date of the Share Sale Agreement; and
  - (ii) the date which is 1 month after completion of the Stage 1 Program (as defined in the Joint Venture Agreement, **(End Date)**), otherwise the Share Sale Agreement will terminate;
- (c) the consideration payable by the Company to the King Vendors for the acquisition of King is the following:
  - (i) \$50,000 on execution of the Share Sale Agreement (this payment has been made by the Company);
  - (ii) \$200,000 on completion of the Transaction; and
  - (iii) the issue of:
    - (A) 7,000,000 Shares as soon as practicable after this General Meeting (if approved) (**Stage 1 Consideration**); and
    - (B) 14,000,000 Shares at "Completion" (**Stage 2 Consideration**);

Completion is to occur as soon as is practicable after satisfaction or waiver of the Conditions, completion of the "Stage 1 Program" under the Joint Venture Agreement (see Section 1.3(b) below), and in any event no later than the End Date, or any other time, date and place as Lefroy and the

King Vendors agree. Completion is conditional on Lefroy being satisfied (in its absolute discretion) with the results of the "Stage 1 Program" under the Joint Venture Agreement and notifying King of that fact prior to the End Date.

- (d) the King Vendors acknowledge that some or all of the Stage 1 and Stage 2 Consideration Shares may be deemed by ASX to be "restricted securities", and accordingly agree to enter into a restriction agreement pursuant to Chapter 9 of the ASX Listing Rules in respect of the restricted securities. If some or all of the Stage 1 and Stage 2 Consideration Shares are not deemed by ASX to be restricted securities, the King Vendors in any event agree to execute a voluntary restriction agreement in respect of all of the Stage 1 and Stage 2 Consideration Shares issued to them as follows:
- (i) in respect of the Stage 1 Consideration Shares, from their date of issue until the date which is 12 months thereafter, or until the completion of the Stage 1 Program, whichever is the sooner; and
  - (ii) in respect of the Stage 2 Consideration Shares:
    - (A) for 50% of the Stage 2 Consideration Shares issued, for a period of 6 months from the date of issue; and
    - (B) for the remaining 50% of the Stage 2 Consideration Shares issued, for a period of 12 months from the date of issue, subject to this date being no later than 24 months after the date of issue of Stage 1 Consideration Shares; and
- (e) the Share Sale Agreement contains representations and warranties pertaining to King, King Subsidiaries and the Projects which are typical for an agreement of this nature.

### 1.3 Joint Venture Agreement

The material terms of the Joint Venture Agreement are as follows:

- (a) with effect from the date of payment of the Stage 1 Consideration under the Share Sale Agreement (**Stage 1 Date**), King and Lefroy form and agree to engage in the Joint Venture, and King grants Lefroy a 51% "Joint Venture Interest" as defined in the Joint Venture Agreement, which includes the beneficial ownership as a tenant in common of an undivided share in the "Joint Venture Property". This includes the transfer of a 51% proprietary interest in the Tenements owned by the King Subsidiaries;
- (b) in consideration of the grant of the interest in paragraph (a) above, Lefroy agrees to provide the funding for the completion of exploration works (**Works**) on or before the date which is 18 months after the date of the Joint Venture Agreement (**End Date**) (**Stage 1 Program**). This funding includes payment of outgoings and all outstanding legal fees, government charges and other costs associated with the Tenements and incurred by King or the Joint Venture, including costs incurred by the Manager (King) and its consultants and employees in carrying out the obligations of the Manager. Lefroy must spend a minimum of \$600,000 and a maximum of \$1,000,000 on the Works, including approved travel and Joint Venture administration costs;
- (c) once the Works have been completed, Lefroy must give notice of this fact and provide a report setting out the results;

- For personal use only
- (d) if Lefroy fails to issue the Stage 2 Consideration under the Share Sale Agreement by the time required under the Share Sale Agreement, then Lefroy's Joint Venture interest will reduce to 15% and Lefroy and King agree to take all necessary steps as soon as is practicable thereafter to give effect to this change in interest;
  - (e) Lefroy is responsible for the costs of the administration of the Tenements during the period in which the Works are completed;
  - (f) upon the Stage 1 Date, Lefroy will issue 4,800,000 Options to certain parties associated with King. The issue of these Options is the subject of Resolution 2;
  - (g) during the term of the Joint Venture Agreement, King will act as Manager of all Joint Venture operations;
  - (h) a Joint Venture Operating Committee will be formed to which each party will appoint a member, with that Committee member having one vote for each percentage point of its Joint Venture interest. Decisions will be made by simple majority vote, except for certain prescribed significant decisions; and
  - (i) the Joint Venture Agreement contains representations and warranties pertaining to the Tenements, and other terms and conditions which are typical for an agreement of this nature.

#### 1.4 Overview of King and the Projects

##### Background on the Tenements

The portfolio of uranium mineral exploration properties held by King include six properties located in the Atacama region of northern Chile and a further property located in the Macusani district of southeastern Peru. The Chilean projects have all demonstrated uranium mineralisation whilst the Peruvian project is less advanced. The package covers over 30,000 hectares of land.

##### Summary of the Projects

The principal targets in Chile are shallow surficial style uranium deposits, which may be amenable to heap leach treatment. Almost all of the Chilean properties target surficial uranium deposits hosted by Quaternary to Recent evaporitic-clastic marginal salt lake sediments or Plio-Pleistocene age El Diablo Formation sediments or Plio-Pleistocene El Loa Formation sediments.

The concessions in Chile being offered to Lefroy consist of Pedimentos (**Exploration Licence applications**), Concesiones Exploracions (**Exploration Licences**) and Concesiones Explotacions (**Mining Licences**), which have which have been assigned 100% to S.L.M. Arauco Minerals Una De la Sierra Garin Viejo (**Arauco**), a Chilean registered company and wholly owned subsidiary of King. The concessions in Peru being offered to Lefroy have been assigned 100% to Sociedad Minera De Responsabilidad Limitada Rupac I (**Rupac**), a Peruvian registered company and further wholly owned subsidiary of King

## **Chilean Projects**

### *Pampa Project*

In the Pampa Project area Arauco holds priority over an area of 5,400 hectares. Uranium mineralisation and anomalous radiometric signatures hosted by a 15m thick sequence of sediments belonging to the Plio-Pleistocene age El Diablo Formation are located over an area of at least 2.5km<sup>2</sup>

### *Garin Viejo Project*

In the Garin Viejo Project area Arauco has priority over one single tenement with an area of 60 hectares. The Garin Viejo Project area displays indications of uranium mineralisation associated with copper porphyry style mineralisation hosted by Lower Cretaceous volcanics and volcaniclastics.

### *Salar Project*

In the Salare Project area Arauco holds priority to concessions over an area of 5,130 hectares. Work undertaken previously suggests uranium mineralisation extending over a strike length of approximately 17km with anomalous widths of 100-200m.

### *Llamaras Project*

In the Llamaras Project area Arauco holds priority to concessions over an area of 4,720 hectares. Uranium mineralisation is hosted by a sequence of sub-horizontally bedded diatomites, calcarenites and lutites, pumice beds and limestones, which form part of the upper member of the Plio-Pleistocene El Loa Formation.

### *Soledad Project*

In the Soledad Project area Arauco holds priority to concessions over an area of 8,400 hectares. Mineralisation is stratabound and hosted by a sequence of calcareous siltstones, limestones and diatomites with chert intercalations belonging to the Plio-Pleistocene El Loa Formation.

### *Cardones Project (formerly Manuel Jesus Project)*

Arauco holds priority to concessions over an area of 6,505 hectares. Anomalous radiometric signatures hosted by diatomites and siltstones belonging to the Plio-Pleistocene age El Diablo Formation are located over an area of at least 1km<sup>2</sup>.

With the exception of the Manuel Jesus project and the Garin Viejo project, all the properties in Chile have received limited previous exploration during the period 1977 - 1982. No recent uranium exploration activity is reported from any of the project areas. The project areas have demonstrated Uranium mineralisation and some of the anomalies extend over many kilometres offering the potential for economic deposits to be found. A recent field visit has confirmed the existence of Uranium mineralisation.

## **Peruvian Project**

### *Rupac Project*

The Rupac Project area is located in the Macusani district of southeastern Peru in the Province of Carabaya and the Department of Puno. The project area comprises seven contiguous mining licences with a combined area of 5,100 hectares. To the northeast of the Rupac Project area beyond the town of Macusani lies the Macusani uranium province.

## 1.5 Pro Forma Statement of Financial Position

Set out in Schedule 1 is an unaudited statement of financial position of the Company as at 30 June 2007, together with a pro forma statement of financial position following implementation of all of the Resolutions contained in this Notice.

## 1.6 Advantages and Disadvantages of the Transaction

The directors are of the view that the following non-exhaustive list of advantages and disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Transaction:

### *Advantages*

- (a) the Transaction provides Shareholders with exposure to uranium exploration tenements in Chile, a country with a well established mining and exploration industry;
- (b) uranium prices have doubled to more than \$US130 per pound in the last twelve months. These price increases, together with any continued price increases, justify exploration for uranium deposits such as those that may occur in northern Chile; and
- (c) the appointment of Mr Carl Swennson will bring to the Company significant expertise in the resources industry with experience in a wide range of countries and commodities.

### *Disadvantages*

- (a) the proposed Transaction will result in the issue of securities to King which will dilute the current holdings of Shareholders; and
- (b) the proposed Transaction will be subject to a number of risk factors, some of which are set out in section 1.7 below.

## 1.7 Risks

Shareholders should be aware that if the proposed Transaction is approved, the Company will be subject to various risk factors. Based on the information available, a non-exhaustive list of risk factors is set out below:

### (a) **Uranium Mining Risks**

The Company believes there is currently no Uranium being mined in Chile. There is no guarantee that Chilean government policy will not provide challenges or impediments to the mining and exploitation of Uranium should an economic deposit be discovered.

### (b) **Exploration Risks**

Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. There can be no guarantee that planned exploration and evaluation programs will lead to positive exploration and evaluation results and the delineation of a commercial deposit or further, a commercial uranium mining operation.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and

technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon it having access to sufficient development capital, being able to maintain title to the mining tenements, and obtaining all required approvals for its activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of the mining tenements, a reduction in the potential size of the uranium deposits of the Company and possible relinquishment of the mining tenements.

(c) **Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(d) **Title Risk**

Interests in tenements in Chile and Peru are governed by applicable legislation and are evidenced by the granting of mining exploration and mining exploitation concessions. Mining exploration concessions are for a specific term and carry annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interest in, the tenements located in Chile or Peru if concession conditions are not met.

(e) **Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(f) **Environmental Risks**

The operations and proposed activities of the Company are subject to Chilean and Peruvian laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the

Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(g) **Operating and Technical Risks**

The current and future operations of the Company, including exploration, appraisal and possible production activities, may be affected by a range of factors, including:

- (i) start up risks;
- (ii) geological conditions;
- (iii) limitation on activities due to adverse seasonal weather conditions;
- (iv) unanticipated operational and technical difficulties encountered in sampling, drilling and production activities;
- (v) mechanical failure of operating plant and equipment;
- (vi) industrial and environmental accidents, industrial disputes and other force majeure events;
- (vii) unavailability of drilling equipment;
- (viii) unexpected shortages or increases in the cost of consumables, spare parts, plant and equipment;
- (ix) access to certain parts of the project area; and
- (x) contracting risk from third parties providing essential services.

(h) **Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs as the case may be.

**1.8 Effect on Capital Structure**

The capital structure of the Company following implementation of all of the Resolutions contained in this Notice is set out below.

Shares	Number
Shares on Issue at date of this Notice	62,198,501
Acquisition of King – Stage 1 Consideration Shares	7,000,000
Acquisition of King – Stage 2 Consideration Shares	14,000,000
<b>Total Shares on issue at completion of the Transaction</b>	<b>83,198,501</b>
<b>Options</b>	
Options on Issue at date of this Notice <sup>1</sup>	37,359,251
Joint Venture King - Consideration options	4,800,000
Director Options – Resolutions 3, 4 and 5	2,650,000
<b>Total Options on issue at completion of the Transaction</b>	<b>44,809,251</b>

**Notes:**

- As at date of this Notice the Company has on issue 34,099,251 listed options exercisable at 25 cents on or before 30 June 2009 and 3,260,000 unlisted options exercisable at various prices and expiring on various dates.

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**2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE**

**2.1 Background**

On 13 December 2006, the Company announced the completion of a placement of 3,000,000 Shares at an issue price of \$0.20 per Share and 3,000,000 free attaching Placement Options to raise \$600,000 before expenses (**Placement**).

None of the subscribers pursuant to this issue were related parties of the Company.

Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of those Shares and Placement Options (**Ratification**).

By obtaining the Ratification, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

**2.2 Technical Information Required by ASX Listing Rule 7.5**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- 3,000,000 Shares and 3,000,000 Placement Options were allotted and issued;
- the Shares were issued at \$0.20 per Share and the Placement Options were issued for nil consideration;
- the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- the full terms and conditions of the Placement Options are set out in Schedule 2;
- the Shares and Placement Options were allotted and issued to Corporate & Resource Consultants Pty Ltd, its Directors or nominees on 13 December 2006, none of whom were related parties of the Company; and
- the funds raised are being used to carry out specific project evaluation and due diligence of potential opportunities within the resources sector.

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### 3. RESOLUTION 2 – ACQUISITION OF KING ENERGY PTY LTD

#### 3.1 ASX Listing Rule 7.1

ASX Listing Rule 7.1 requires a listed company to obtain Shareholder approval prior to the issue of shares, or securities convertible into shares, representing more than 15% of the issued capital of that company in any 12 month period.

Resolution 2 seeks Shareholder approval for the allotment and issue of:

- (a) 7,000,000 Shares (Stage 1 Consideration); and
- (b) 14,000,000 Shares (Stage 2 Consideration),  
  
to the vendors of King Energy Pty Ltd as part consideration for the acquisition of all of the issued capital in King Energy Pty Ltd pursuant to the Share Sale Agreement (as summarised in Section 1 of the Explanatory Statement); and
- (c) 4,800,000 listed options to the parties nominated by King Energy Pty Ltd as consideration for the entry by the Company into the Joint Venture Agreement.

The effect of Resolution 2 will be to allow the Directors to issue the Shares pursuant to the Transaction during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity. ASX has granted the Company a waiver to enable the Company to issue the Stage 2 Consideration by no later than 23 March 2009.

#### 3.2 Technical Information Required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3 the following information is provided in relation to the Transaction:

- (a) the maximum number of securities to be issued is 21,000,000 Shares and 4,800,000 King Options;
- (b) the Shares and King Options will be issued for nil cash consideration as they are being issued in consideration for the acquisition by the Company of all of the issued capital of King and the entry by the Company into the Joint Venture Agreement;
- (c) the Shares issued pursuant to Resolution 2 will be issued to the King Vendors (as set out in Schedule 3), none of whom are related parties of the Company;
- (d) the King Options issued pursuant to Resolution 2 will be issued to the following persons (or their nominees), none of whom are related parties of the Company:

Party	Number of King Options
Julian Ludowici	1,200,000
Jose Bahamondes	1,200,000
Alan Humphris	1,200,000
Carl Swensson	1,200,000
<b>Total King Options</b>	<b>4,800,000</b>

- (e) 7,000,000 of the Shares (the Stage 1 Consideration) will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). Pursuant to a waiver granted by ASX in relation to ASX Listing Rule 7.3.2, 14,000,000 of the Shares (the Stage 2 Consideration) will be issued no later than 23 March 2009 and in accordance with the terms of the Share Sale Agreement;
- (f) the Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (g) the King Options will be issued on the terms set out in Schedule 4; and
- (h) no funds will be raised from the issue of the Shares and King Options as they are being issued by the Company in consideration for the acquisition by the Company of all of the King Shares pursuant to the Share Sale Agreement and the entry into the Joint Venture Agreement (as summarised in Section 1 of the Explanatory Statement).

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#### 4. RESOLUTIONS 3, 4 AND 5 – GRANT OF OPTIONS TO DIRECTORS

##### 4.1 Background

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 2,650,000 Director Options to Messrs Kelly, Bromley and James (**Participating Directors**) on the terms and conditions set out below. Each Participating Director is a related party of the Company by virtue of the fact that they are a Director. Accordingly, the grant of the Director Options requires shareholder approval under ASX Listing Rule 10.11 and Section 208 of the Corporations Act.

The primary purpose of the Director Options is to provide incentive to the Participating Directors to drive the Company's assets forward and also as a reward for their ongoing commitment and efforts over the previous 12 months. The Board has determined that the number of Director Options remain reasonable taking into account the Directors' Fees payable to the Participating Directors. Further, the Board consider that the total value of the package to the Participating Directors, including the Director Options, is in line with the corporate remuneration of non-executive directors of similar companies.

#### 4.2 Shareholder Approvals (Chapter 2E of the Corporations Act and ASX Listing Rule 10.11)

Shareholder approval is required under Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 for the grant of the Director Options to Messrs Kelly, Bromley and James because the grant of Director Options constitutes giving a financial benefit and as Directors, the Participating Directors are each a related party of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of financial benefits to related parties may not apply in the current circumstances. Accordingly, the grant of Director Options to the Participating Directors requires Shareholder approval.

In accordance with the requirements of sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed grant of Director Options:

- (a) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Participating Directors is:
  - (i) 1,200,000 Director Options to Mr Tom Kelly;
  - (ii) 1,200,000 Director Options to Mr Craig Bromley; and
  - (iii) 250,000 Director Options to Mr Malcolm James,
- (b) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (c) the value of the Director Options and the pricing methodology is set out in Schedule 6;
- (d) the trading history of the Shares on ASX in the 12 months before the date of this Notice is as follows:

Highest	31 cents on 21 May 2007
Lowest	13.5 cents on 16 August 2007
Last	15 cents on 21 August 2007

- (e) the Participating Directors currently have an interest in the following securities in the Company:

Participating Director	Shares	Options
Mr Tom Kelly	4,266,475	1,530,738 <sup>1</sup>
Mr Craig Bromley	4,500,000	2,000,000 <sup>2</sup>
Mr Malcolm James	659,280	704,640 <sup>3</sup>

<sup>1</sup> listed Options exercisable at \$0.25 each on or before 30 June 2009.

<sup>2</sup> listed Options exercisable at \$0.25 each on or before 30 June 2009.

<sup>3</sup> 204,640 listed Options exercisable at \$0.25 each on or before 30 June 2009 and 500,000 unlisted Options exercisable at \$0.25 each on or before 28 November 2009.

- (f) the Participating Directors currently receive the following remuneration and emoluments from the Company:
- (i) Mr Kelly currently receives remuneration of \$36,000 per year plus superannuation;
  - (ii) Mr Bromley currently receives remuneration of \$36,000 per year plus superannuation; and
  - (iii) Mr James currently receives remuneration of \$36,000 per year plus superannuation;

In the previous financial year Messrs Kelly, Bromley and James each received \$24,000 in remuneration from the Company;

- (g) if the Director Options granted to the Participating Directors are exercised, a total of 2,650,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 62,198,501 to 64,848,501 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Participating Director	Number of Director Options to be issued	Issued Shares as at the date of this Notice	Dilutionary effect if all Director Options issued to Participating Director are exercised
Tom Kelly	1,200,000	62,198,501	1.85%
Craig Bromley	1,200,000	62,198,501	1.85%
Malcolm James	250,000	62,198,501	0.39%
<b>Total effect if all Director Options are exercised</b>	<b>2,650,000</b>	<b>62,198,501</b>	<b>4.09%</b>

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

- (h) the terms and conditions of the Director Options are set out in Schedule 5;
- (i) the Director Options will be granted to the Participating Directors no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (j) the primary purpose for the issue of Director Options is to provide a market-linked incentive component in the remuneration package for the Participating Directors and for the future performance by the Participating Directors in managing the operations and strategic direction of the Company.

- (k) the Board believes that the grant of Director Options provides cost effective consideration to the Participating Directors for their ongoing commitment and contribution to the Company in their respective roles as Directors of the Company. Given this purpose, the Board does not consider that there are any opportunity costs to the Company or benefits foregone by the Company in granting the Director Options upon the terms proposed;
- (l) the Board acknowledges the grant of Director Options to Messrs Kelly, Bromley and James is contrary to Recommendation 9.3 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of Director Options to Messrs Kelly, Bromley and James is reasonable in the circumstances, given that it will assist the Company in achieving its goals by aligning the interests of Messrs Kelly, Bromley and James with the interests of Shareholders, whilst maintaining the Company's cash reserves; and
- (m) each of Messrs Kelly, Bromley and James decline to make a recommendation to Shareholders in relation to Resolutions 3, 4 and 5 respectively due to their respective material personal interest in the outcome of those Resolutions. 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 Resolutions 3, 4 and 5.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Director Options to the Participating Directors as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Director Options to the Participating Directors will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

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## 5. RESOLUTION 6 – ELECTION OF MR CARL SWENSSON

### 5.1 General

Resolution 6 seeks the election of Mr Carl Swensson as a director of the Company pursuant to clause 80(1)(d) of the Constitution.

### 5.2 Profile of Mr Carl Swensson

Mr Swensson was formerly Chief Exploration Geologist for Normandy Mining Limited/Newmont and has held senior exploration positions with Bendigo Gold Associates and CRA. His experience covers a wide range of countries and commodities including Uranium, Gold, Nickel, Copper, Zinc, Lead, Tin, Tungsten and Diamonds.

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## 6. ENQUIRIES

Shareholders are required to contact Company Secretary, Jonathan Whyte on (+ 61 8) 9382 8711 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Company** or **Lefroy** means Lefroy Resources Limited (ACN 107 118 678).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director Option** means an Option granted to the Participating Directors as described in Section 4 of the Explanatory Statement, with the terms and conditions set out in Schedule 5.

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Joint Venture** means the unincorporated joint venture between Lefroy and King for the purpose of exploring, developing and, if warranted, mining the Projects, on the terms and conditions set out in the Joint Venture Agreement.

**Joint Venture Agreement** means the Joint Venture agreement between the Company, King and the King Subsidiaries referred to in Section 1 of the Explanatory Statement.

**King** means King Energy Pty Ltd (ABN 82 117 472 803) of Suite 802, Level 8, 50 Clarence Street, Sydney, New South Wales.

**King Option** means an Option granted to the nominees of King as described in Section 3 of the Explanatory Statement, with the terms and conditions set out in Schedule 4.

**King Shares** means the fully paid shares in the capital of King.

**King Subsidiaries** means Arauco Minerals SLM (Company Number 76336490), a company incorporated in accordance with the laws applicable in the Republic of Chile, and Rupac SLM (Company Number 20131369396), a company incorporated in accordance with the laws applicable in the Republic of Peru.

**King Vendors** means the shareholders of King as set out in Schedule 3.

**Notice** or **Notice of Meeting** means this notice of general meeting including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Participating Directors** has the meaning attributed to it in Section 4.1 of the Explanatory Statement.

**Placement Option** means an Option granted to the parties and as described in Section 2 of the Explanatory Statement, with the terms and conditions set out in Schedule 2.

**Projects** means the uranium exploration projects held by the King Subsidiaries as set out in Section 1 of the Explanatory Statement.

**Regulatory Authority** means ASIC, ASX or the Takeovers Panel (as referred to in the Corporations Act 2001 (Cth)) or any other relevant regulatory body.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Share Sale Agreement** means the share sale agreement between the Company, King and the King Vendors pursuant to which the Company agrees to acquire all of the King Shares, as set out in Section 1 of the Explanatory Statement.

**Transaction** means the transaction contemplated by the Share Sale Agreement as summarised in Section 1 of the Explanatory Statement.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – PRO FORMA STATEMENT OF FINANCIAL POSITION

	Note	LEF 31 Dec 2006 Audit Reviewed	LEF 30 June 2007 Unaudited	KING 30 June 2007 Unaudited	LEF Pro Forma 30 June 2007 Unaudited – Stage 1	LEF Pro Forma 30 June 2007 Unaudited – Stage 2
<b>Current Assets</b>						
Cash and cash equivalents	1	7,494,872	7,369,616	29,227	7,398,843	7,198,843
Trade and other receivables		68,315	33,708	259	33,967	33,967
<b>Total Current Assets</b>		<b>7,563,187</b>	<b>7,403,324</b>	<b>29,486</b>	<b>7,432,810</b>	<b>7,232,810</b>
<b>Non Current Assets</b>						
Trade and other receivables		72,117	72,118	-	72,118	72,118
Other Financial assets		-	75,000	-	75,000	75,000
Property, Plant & Equipment		31,591	23,805	110,868	134,673	134,673
Exploration	3	4,401,367	4,808,740	56,620	6,297,954	9,297,954
<b>Total Non Current Assets</b>		<b>4,505,075</b>	<b>4,979,663</b>	<b>167,488</b>	<b>6,579,745</b>	<b>9,579,745</b>
<b>Total Assets</b>		<b>12,068,262</b>	<b>12,382,987</b>	<b>196,974</b>	<b>14,012,555</b>	<b>16,812,555</b>
<b>Current Liabilities</b>						
Trade and other payables		210,051	186,345	229,568	415,913	415,913
<b>Total Current Liabilities</b>		<b>210,051</b>	<b>186,345</b>	<b>229,568</b>	<b>415,913</b>	<b>415,913</b>
<b>Total Liabilities</b>		<b>210,051</b>	<b>186,345</b>	<b>229,568</b>	<b>415,913</b>	<b>415,913</b>
<b>Net Assets</b>		<b>11,858,211</b>	<b>12,196,642</b>	<b>(32,594)</b>	<b>13,596,642</b>	<b>16,396,642</b>
<b>Equity</b>						
Issued Capital	2	11,840,012	12,166,886	487	13,566,886	16,366,886
Reserves		68,860	68,860	-	68,860	68,860
Retained Loss		( 50,661)	( 39,104)	(33,081)	( 39,104)	( 39,104)
<b>Total Equity</b>		<b>11,858,211</b>	<b>12,196,642</b>	<b>(32,594)</b>	<b>13,596,642</b>	<b>16,396,642</b>

- Cash at bank assumes payment of \$200,000 consideration upon completion of the Transaction pursuant to the Share Sale Agreement.
- The increase in Issued Capital assumes the allotment and issue of 7,000,000 Shares (Stage 1 Consideration) at a deemed issue price of \$0.20 per Share (\$1,400,000) to the vendors of King as part consideration for the acquisition of all of the issued capital of King pursuant the Share Sale Agreement; and the allotment and issue of 14,000,000 Shares at a deemed price of \$0.20 per Shares (\$2,800,000) at the completion of the Stage 1 Program as defined in the Joint Venture Agreement.
- The increase in exploration assets takes into account the fair value of the assets acquired and also the additional \$200,000 paid to King at the completion of the Transaction pursuant to the Share Sale Agreement.

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## SCHEDULE 2 – TERMS AND CONDITIONS OF PLACEMENT OPTIONS

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The Placement Options issued in relation to the approval sought in Resolution 1 entitle the holder to subscribe for ordinary fully paid shares in the capital of the Company on the following terms and conditions:

- (a) the Options will be exercisable at any time prior to 5.00pm WST on 30 June 2009 (**Expiry Date**). Options not exercised on or before the Option Expiry Date will automatically lapse;
- (b) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- (c) each Option will entitle the holder to subscribe (in respect of each Option held) for a Share with an exercise price of 25 cents;
- (d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation;
- (e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
- (f) any Notice of Exercise received by the Company's share registry on or prior to the Expiry Date will be deemed to be a Notice of Exercise as at the last Business Day of the month in which such notice is received;
- (g) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of Options will be notified by the Company and will be afforded 7 Business Days before the record date (to determine entitlements to the issue), to exercise Options;
- (h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Option Holder are to be changed in a manner consistent with the ASX Listing Rules. Subject to the Corporations Act, the ASX Listing Rules and the Constitution, the Options may be transferred at any time prior to the Expiry Date; and
- (i) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

## SCHEDULE 3 – KING VENDORS

	Vendor	Address	Shares held	% of shares	Consideration Shares – Stage 1	Consideration Shares – Stage 2
1	Alan John Humphris & Elizabeth Ann Humphris ATF Alan J Humphris Superannuation Fund	7 Lempriere Avenue MOUNT MARTHA VIC 3934	74	15.2%	1,063,655	2,127,310
2	Ludowici, Bettina Margarete	16 Sloane Street NEWTOWN NSW 2042	5	1.0%	71,869	143,737
3	Ludowici, Beatrice Kinneer	16 Sloane Street NEWTOWN NSW 2042	4	0.8%	57,495	114,990
4	Ludowici, Maximilian Francis Olaf	16 Sloane Street NEWTOWN NSW 2042	4	0.8%	57,495	114,990
5	JBBM Pty Ltd ATF Ludowici Family Super Fund	Suite 802, Level 8 50 Clarence Street SYDNEY NSW 2000	85	17.4%	1,221,766	2,443,532
6	Bahamondes, John Paul	Unit 1, 27/29 The Strand ROCKDALE NSW 2216	10	2.1%	143,737	287,474
7	Bahamondes, Jose Augustin	San Sebastian 2730 Las Condos Santiago Chile	144	29.6%	2,069,815	4,139,630
8	Humphris, James Crighton John	75A Princes Street SANDY BAY TAS 7005	11	2.3%	158,111	316,222
9	Humphris, Sally Elizabeth Jane	Unit 3, 1502 High Street GLEN IRIS VIC 3146	2	0.4%	28,747	57,495
10	Preston, Bruce Clement	11 Rosedale Avenue FAIRLIGHT NSW 2094	57	11.7%	819,302	1,638,604
11	Cooper Timothy James	PO Box H165 AUSTRALIA SQUARE NSW 1215	34	7.0%	488,706	977,413
12	Unaval Nominees Pty Ltd	PO Box H165 AUSTRALIA SQUARE NSW 1215	16	3.3%	229,979	459,959
13	Quezada, Carlos	San Sebastian 2730 Dept 31 Las Condos Santiago Chile	5	1.0%	71,869	143,737
14	Sani Ghinan M	21 Plantation Avenue Singapore	23	4.7%	330,595	661,191
15	Swensson Carl Gerald	3136 Tathra-Bermagui Road MURRAH NSW 2546	13	2.7%	186,859	373,716
	<b>TOTAL</b>		<b>487</b>	<b>100%</b>	<b>7,000,000</b>	<b>14,000,000</b>

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#### SCHEDULE 4 – TERMS AND CONDITIONS OF KING OPTIONS

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The King Options issued under Resolution 2 entitle the holder to subscribe for ordinary fully paid shares in the capital of the Company on the following terms and conditions:

- (a) The King Options will expire at 5:00 pm (WST) on 30 June 2009 (**Expiry Date**). Any King Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
  - (b) Each King Option gives the optionholder the right to subscribe for one Share. To obtain the right given by each King Option, the optionholder must exercise the King Options in accordance with the terms and conditions of the King Options.
  - (c) The exercise price payable upon exercise of each King Option will be \$0.25 (**Exercise Price**).
  - (d) All or part of the King Options may be exercised at any time prior to the Expiry Date, from time to time.
  - (e) An optionholder may exercise their King Options by lodging with the Company, before the Expiry Date:
    - (i) a written notice of exercise of King Options specifying the number of King Options being exercised; and
    - (ii) cheque or electronic funds transfer for the Exercise Price for the number of King Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - (g) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of King Options specified in the Exercise Notice.
  - (h) All Shares allotted upon the exercise of King Options will upon allotment rank pari passu in all respects with other Shares.
  - (i) The Company will apply for quotation of the King Options on ASX.
  - (j) The Company will also apply for quotation by ASX of all Shares allotted pursuant to the exercise of King Options within 10 Business Days after the date of allotment of those Shares.
  - (k) In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any King Options, the number of King Options to which an optionholder is entitled or the Exercise Price of the King Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules.
  - (l) A King Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the King Option can be exercised.

- (m) There are no participating rights or entitlements inherent in the King Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the King Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders at least seven (7) business days before the record date. This will give optionholders the opportunity to exercise their King Options prior to the date for determining entitlements to participate in any such issue.

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## SCHEDULE 5 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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The Director Options issued under Resolutions 3, 4 and 5 entitle the holder to subscribe for ordinary fully paid shares in the capital of the Company on the following terms and conditions:

- (a) The Director Options will expire at 5:00 pm (WST) on 30 June 2010 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
  - (b) Each Director Option gives the optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
  - (c) The exercise price payable upon exercise of each Director Option will be \$0.25 (**Exercise Price**).
  - (d) All or part of the Director Options may be exercised at any time prior to the Expiry Date, from time to time.
  - (e) An optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
    - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
    - (ii) cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - (g) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
  - (h) All Shares allotted upon the exercise of Director Options will upon allotment rank *pari passu* in all respects with other Shares.
  - (i) The Company will not apply for quotation of the Director Options on ASX.
  - (j) The Company will apply for quotation by ASX of all Shares allotted pursuant to the exercise of Director Options within 10 Business Days after the date of allotment of those Shares.
  - (k) In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any Director Options, the number of Director Options to which an optionholder is entitled or the Exercise Price of the Director Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules.
  - (l) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

- (m) There are no participating rights or entitlements inherent in the Director Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders at least seven (7) business days before the record date. This will give optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

## SCHEDULE 6 – VALUATION OF DIRECTOR OPTIONS

### Valuation of Director 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. Based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

	Director Options		
<b>Number of Options</b>	2,650,000	2,650,000	2,650,000
<b>Indicative value per option (cents)</b>	<b>2.09</b>	<b>3.59</b>	<b>4.92</b>
Value of Director Options: Tom Kelly	\$25,080	\$43,080	\$59,040
Value of Director Options: Craig Bromley	\$25,080	\$43,080	\$59,040
Value of Director Options: Malcolm James	\$5,225	\$8,975	\$12,300
<b>Total Value of Director Options</b>	<b>\$55,385</b>	<b>\$95,135</b>	<b>\$130,380</b>
<b>Assumptions(1):</b>			
Valuation date	21 August 2007	21 August 2007	21 August 2007
Share price (2)	15 cents	15 cents	15 cents
Exercise price	25 cents	25 cents	25 cents
Expiry date	30 June 2010	30 June 2010	30 June 2010
Volatility	50%	75%	100%
Risk free interest rate (1)	6.4%	6.4%	6.4%
Marketability Discount (3)	40%	40%	40%

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

- (1) The risk free interest 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 Black Scholes Model assumes that the option being valued can be sold on a secondary market. Given that the Director Options will not be quoted on the ASX and various conditions apply, there remains a lack of marketability. Therefore the Company has determined that with the lack of marketability a discount of 40% of the theoretical valuation of the Director 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.

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

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

• 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 general meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chair of the general meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the meeting or the Chair'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 2.00 pm (WST), on 4 October 2007 at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the resolutions.

**Voting on Business of the General Meeting**

	FOR	AGAINST	ABSTAIN
Resolution 1 – Ratification of Prior Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Acquisition of King Energy Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Grant of Options to Mr Tom Kelly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Grant of Options to Mr Craig Bromley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Grant of Options to Mr Malcolm James	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Election of Mr Carl Swensson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If the Chair of the meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in this box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by the Chair of the meeting for those resolutions 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 Chair will not cast your votes on Resolutions 1 to 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 6.

**IF THE CHAIR IS TO BE YOUR PROXY IN RELATION TO RESOLUTIONS 1 TO 6 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 RESOLUTIONS 1 TO 6 WILL BE DISREGARDED.**

If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a show of hands or on a poll and your votes will 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 \_\_\_\_\_ 2007 \_\_\_\_\_ %

By:

**Individuals and joint holders**




**Companies (affix common seal if appropriate)**




For personal use only

**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.
6. To vote by proxy, please complete and sign the enclosed proxy form and return by:
  - (a) post to Lefroy Resources Limited, 278 Barker Road, Subiaco WA 6008; or
  - (b) facsimile to the Company on facsimile number +61 8 9382 8722,

so that it is received not later than 2.00 pm (WST) on 2 October 2007.

**Proxy forms received later than this time will be invalid.**