

Lefroy Resources Limited

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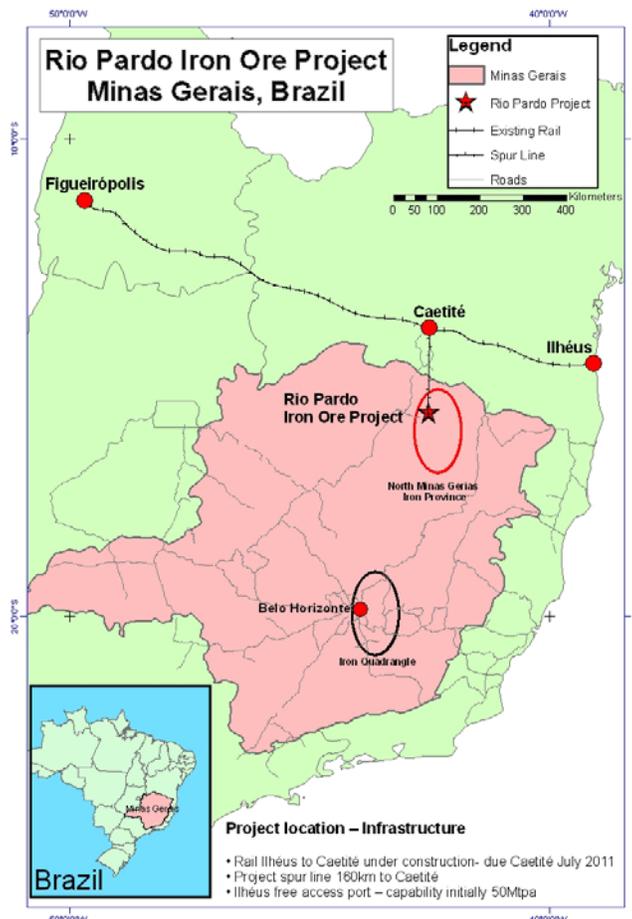
- Lefroy signs agreement to acquire the Rio Pardo Iron Ore Project in Brazil
- Project area is approximately 340 km²
- Located in multibillion tonne iron ore province

Lefroy Resources Limited (ASX: LEF; “Lefroy” or “the Company”) is pleased to announce that it has entered into a Heads of Agreement (“Agreement”) giving it the right to acquire a 100% interest in the Rio Pardo Iron Ore Project (“Project”) located in the North Minas Gerais State, Brazil.

Lefroy is excited by the Rio Pardo Iron Ore Project which provides the Company with entry into an emerging world class iron ore province via a project that has excellent potential for short term valuation uplift from early drilling.

Rio Pardo Project

The Project is located in the North Minas Gerais Iron Province in Brazil, close to the town of Rio Pardo de Minas.

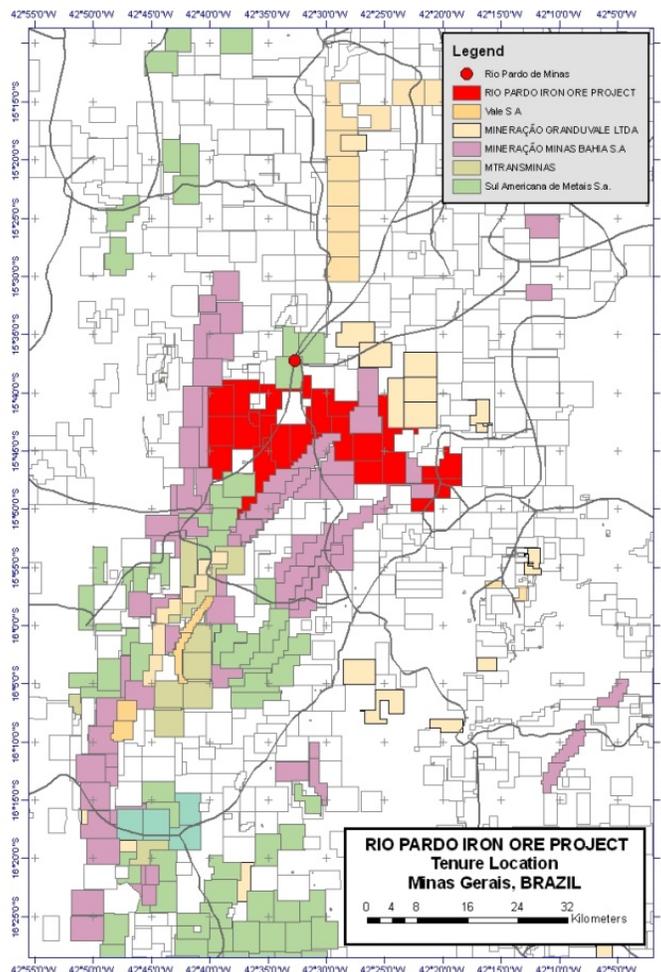


The Project is situated within an emerging world class iron ore province that rivals Brazil's Iron Quadrangle in potential. This province contains a number of multibillion tonne iron ore deposits owned by Mineração Minas Bahia S.A. ("MIBA"), Honbridge Ltd ("Salinas") and Vale do Rio Doce ("Vale").

There has been a lot of recent corporate activity with acquisitions of the MIBA and Salinas properties within this area including:

- Honbridge, a Hong Kong listed company (backed by Chinese State owned Xinwen and Shandong Iron & Steel Group Co) purchased the Salinas project with a JORC-compliant indicated and inferred resources of 239 million tonnes and non JORC mineralisation of 2.6 billion tonnes for US\$390 million in April 2010.
- Steel do Brasil announced in March 2010 that it had acquired an 80% interest in Mineração Minas Bahia S.A. ("MIBA") Jibovia project's "5 billion tonnes iron ore resources" for US\$190 million.

The Rio Pardo block of tenements covers 338.5 square kilometres just north and adjacent to ground held by MIBA and Salinas. Aeromagnetic surveys and ground traverses indicate that the MIBA ore zones continue into the Project ground. Initial work on the Project indicates a potential resource equivalent to that contained within the MIBA ground with the opportunity to add additional resources along a parallel trend. The magnetite-haematite diamictite ores in this area beneficiate easily to product grades in excess of 65% Fe with low impurities suitable for high grade pellet feed.



Infrastructure

The Project is 380kms from the port of Ilhéus and 160km from the town of Caetité. A major east west railway is currently being constructed by the Brazilian Federal Government between the port of Ilhéus and Figueirópolis with the section from Ilhéus to Caetité due for completion in mid 2011.

A rail spur of 160km will need to be completed to connect this iron ore province to the major railroad being built at Caetité. The opportunity exists to build a multi user rail line to service this area.

Proposed Programme

Upon completion of the acquisition Lefroy plans an immediate aeromagnetic and drilling programme to demonstrate the continuity of the deposit and define an initial JORC compliant resource. Following on from this further drilling will be completed to determine the size of the deposit together with additional metallurgical test work and capital and operating cost estimates and other studies to complete a scoping study designed to determine comparisons to those achieved on nearby projects.

Agreement Terms

Lefroy has entered into an agreement with Brilliant City Holdings Limited and Star Castle Holdings Limited (“the Acquisition Companies”) both Hong Kong incorporated companies which jointly hold the right to acquire 100% of the Project.

Under the agreement, Lefroy agrees to acquire the Acquisition Companies for the following consideration:

- the issue of 72,198,501 fully paid ordinary shares in the Company, post consolidation; and
- reimbursement of costs totaling \$250,000.

Furthermore, Lefroy has agreed to enter into a US\$1 million loan agreement (“Loan”) with the Acquisition Companies. The interest rate applicable to the Loan is 5% over the US Libor rate per annum calculated on the balance of the principal outstanding at the end of each calendar month. The proceeds of the loan will be used by the Acquisition Companies to make the initial payment for the Project, as detailed below.

Completion of the acquisition is conditional upon satisfaction (or waiver) of the following conditions precedent:

- completion of satisfactory due diligence;
- execution of a formal share sale agreement;
- all necessary shareholder and regulatory approvals; and
- shareholder approval for a consolidation of Lefroy’s share capital on a one for two basis.

Right to Acquire Project

The Acquisition Companies have an agreement with Dacal Mineração Ltd (“Dacal”), a Brazilian incorporated entity to acquire 100% of the Rio Pardo Iron Ore Project. Under this agreement the Acquisition Companies elected on 1 July 2010 to proceed with the acquisition of the Project and intend to enter into a Definitive Agreement with Dacal by 16 July 2010. Upon executing the Definitive Agreement and making the initial payment of US\$1 million, Dacal will transfer full title of

the tenements to a newly incorporated Brazilian company which will be 100% owned by the Acquisition Companies.

The Acquisition Companies can withdraw from ongoing obligations in relation to the Project at any time by transferring the tenements back to Dacal. If the Acquisition Companies do not withdraw they must pay a royalty of US\$1.00 per tonne of iron pellets produced over the life of mining on the Project and make the following scheduled payments (totalling US\$55 million) over five and a half years as follows:

Scheduled Payment (\$USD)	Due Date from 16 July 2010
\$5 million	12 months
\$5 million	18 months
\$10 million	30 months
\$10 million	42 months
\$10 million	54 months
\$15 million	66 months

General Meeting of Lefroy Shareholders

Lefroy will convene a general meeting of shareholders to approve, inter alia:

- A change in activities via the acquisition of Brilliant City Holdings Limited and Star Castle Holdings Limited to acquire the Project.
- The issue of shares to the vendors of Brilliant City Holdings Limited and Star Castle Holdings Limited to satisfy the consideration to be paid.
- Consolidation of capital on a 1:2 basis.
- Any other necessary resolutions to give effect to the acquisition of the Rio Pardo Iron Ore Project.

Change of Activities

As the proposed Project acquisition constitutes a change in the nature and scale of the Company as contemplated by Chapter 11 of the ASX Listing Rules, Lefroy requested a trading halt and subsequent suspension on its securities on ASX prior to this market release.

As such, the transaction will need to be approved by shareholders of Lefroy and the requirements of Chapters 1 and 2 of the ASX Listing Rules will need to be complied with.

As soon as the due diligence has been completed, Lefroy will make a further announcement to the market and will convene a general meeting to approve the necessary aspects of the transaction. Lefroy will also issue a prospectus for a capital raising which will also detail the acquisition terms, proposed drilling program and Company development strategy.

If the transaction is approved by shareholders of Lefroy, the Company's securities will be suspended following shareholder approval until the requirements of Chapters 1 and 2 have been satisfied.

Indicative Timetable

Event	Date
- Finalise and dispatch notice of meeting and any expert reports - Lodge Prospectus	mid August 2010
- General meeting of Lefroy	end September 2010
- Settle acquisition of Rio Pardo Iron Ore Project - Reinstatement of quotation of LEF securities	mid October 2010

Post Transaction

Upon completion of the transaction Lefroy will offer a pro rata rights issue of options to all Lefroy shareholders on a one for one basis at an issue price of \$0.001 per option. Application will be made by the Company to have the options quoted on the ASX.

Capital Structure

	Shares	Options
Current Issued Capital	72,198,501	5,500,000 @ 10c, exp 31/10/11 4,000,000 @ 10c, exp 30/11/12
Post Consolidation (Proposed 1:2)	36,099,250	2,750,000 @ 20c, exp 31/10/11 2,000,000 @ 20c, exp 30/11/12
Proposed Vendor Shares	72,198,501	
Total Post Acquisition	108,297,751	2,750,000 @ 20c, exp 31/10/11 2,000,000 @ 20c, exp 30/11/12
Issue of Options - Post Acquisition (Proposed 1:1)		108,297,751 @ 20c, exp 30/06/13
Total Securities (Post Issue of Options)	108,297,751	2,750,000 @ 20c, exp 31/10/11 2,000,000 @ 20c, exp 30/11/12 108,297,751 @ 20c, exp 30/06/13

Summary

The acquisition provides an exciting opportunity for Lefroy to acquire an excellent project within a developing world class iron ore province. Proximity to shared infrastructure, which is under construction, will allow the Project to develop quickly at a lower capital cost than competitors with large infrastructure requirements.

A program is planned to quickly define a JORC compliant resource and quickly determine the size and scope of the Project.

For further information please contact:

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Castle is a minority shareholder in Brilliant City Holdings Limited and Star Castle Holdings Limited. He has sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.