



9 October 2007

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## **SEPTEMBER 2007 QUARTERLY REPORT**

### **Rapidly Bringing Heilongjiang's First Ever Sino Foreign Gold Mine into Production**

Leyshon Resources Limited (AIM/ASX: LRL) is pleased to report that during the quarter it continued to make substantial progress on a number of fronts in the rapid development of the Zheng Guang gold zinc project ("Zheng Guang") in Heilongjiang, northeast China.

#### **Drilling Programmes**

The diamond and reverse circulation drilling programmes continue to progress well ahead of schedule and both programmes have been extended to increase the infill drilling density in important areas and test additional targets.

The programmes have been designed to upgrade the bulk of the current 1.21 million ounces of gold, 3.72 million ounces of silver and 94,000 tonnes of zinc resource estimate to the Measured and Indicated categories ahead of project development in 2008 and to test exploration targets across the lease.

#### **Diamond Drilling Programme**

The diamond drilling programme has completed 90 holes for 17,480 metres, ahead of the planned 17,000 metre programme and is infilling the Main Ore Zone. The majority of holes drilled have, as expected, intersected strong mineralisation with broad cumulative widths demonstrating good continuity both down dip and between important sections in the centre of the Main Ore Zone.

#### **Reverse Circulation Drilling**

The reverse circulation drilling has completed 22,304 metres, ahead of the planned 22,000 metre programme and includes a sterilization programme over the proposed areas for the process plant, tailings dam and other surface facilities. These facilities are in the engineering design phase and scheduled for construction in early 2008.

The highlight of the results from the reverse circulation drilling programme, which are in line with previous drilling results, are the excellent intersected drill widths and grades of the near surface mineralisation.

Further encouraging results were received from reverse circulation drilling at the Zheng Guang North deposit with the mineralisation continuing to extend in all directions.

This deposit, located 750 metres to the north of the Main Ore Zone, was discovered in last year's drill programme and is showing good potential to be an immediate source of near surface oxide material.

## Regional Exploration

A regional geochemical programme designed to identify immediate drill targets has commenced on the recently acquired 80 km<sup>2</sup> exploration licence adjacent to the eastern boundary of the Zheng Guang licence.

The applications for three additional exploration licences to the east of Zheng Guang have reached the final approval stage and they are expected to be issued during October.

## Project Design

Independent metallurgical consultancy Metallurg Pty Ltd of Australia has reported on the latest testwork programme on the proposed gold and zinc flotation circuit undertaken by AMMTEC (Australian Metallurgical & Mineral Testing Consultants) of Western Australia.

Recovery of gold from sulphide ore has improved from 84% to 87% based on the leaching of gold and silver metal from a high grade concentrate produced from the proposed whole of ore flotation circuit. Further grinding and flotation of the same concentrate produced a saleable zinc concentrate grading 47% zinc at a recovery of 87% zinc.

The results confirm that there will be no requirement for mining and treating separate ore types; meaning that a single gold/zinc sulphide ore can be supplied to the plant. This will have considerable benefits in terms of grade control and lower mining costs as larger volumes of ore can be mined without incurring the difficulty of separating the ore types.

Metallurgical test work is ongoing to further refine the results achieved to date and confirm the proposed process design.

ZHENG GUANG GOLD ZINC PROJECT								
Zinc Circuit Stagewise Recoveries - Au/Zn Sulphide Ore Zone								
Stage	Grade				Recovery			
	Au (g/t)	Ag (g/t)	Zn (%)	Cu (%)	Au (%)	Ag (%)	Zn (%)	Cu (%)
Feed Grade (Calc.)	2.76	6.6	0.39	0.04				
Bulk Sulphide Float	23.2	55.0	3.27	0.29	94.41	93.31	95.04	87.77
Sulphide Con Leach					88.31	77.69	1.69	22.26
Float Tail Leach					74.89	81.6	4.04	19.59
Overall Gold Circuit					87.25	78.52		20.34
Overall Zinc Circuit	2.41	43.0	47.2	0.70	0.76	5.48	87.49	12.31

Whittle pit optimisation studies on an open pit operation have been completed in Beijing by Australian mining specialist Micromine and are based on the March 2007 JORC compliant resource estimate by Hellman and Schofield Pty Ltd of Australia.

## **Approvals**

The approval processes are well underway and are being led by Project Manager, Dr Ye Dong Ping working closely with ex Ministry of Lands and Resources official Professor Zhang who has been coordinating the joint venture's applications over the past 12 months. The approval processes are well advanced with various reports submitted and meetings attended with a view to having all necessary approvals in place to enable construction to commence in early 2008. Geological reserve and feasibility studies completed by the joint venture in accordance with regulatory requirements have been completed and approved by the relevant authorities.

## **Engineering**

Chanchung Design Institute (CGDI) continues with basic engineering design under the direction of a highly experienced project construction team lead by Project Manager, Dr Ye Dong Ping with a view to having the design complete early in 2008.

Procurement of long delivery items continues by CGDI and the Black Dragon procurement team. Meeting and presentations with two major ball mill suppliers have been conducted and orders are expected to be placed shortly. The procurement team has built a suppliers information database for the equipment list provided by CGDI.

## **Site Work and Utilities**

The Qiqiha'er Institute has completed site surveys and water resource investigations. Environmental base line studies, soil and water conservation, health and safety and other regulatory reports are well advanced.

The project benefits from being located in a well established coal and copper mining community with excellent infrastructure including a rail connection to the national network, grid power, water and a range of mining contractor services.

The project is expected to benefit further from the recently announced US\$8 billion planned infrastructure investment by the provincial government in the surrounding area. This will coincide with low energy costs resulting from the expansion of Heilongjiang's electricity generating capacity. The average price of electricity in Heilongjiang is reported to be half of that in southern provinces of China.

The Company remains fully engaged in China with its Managing Director and Chief Operating Officer based in the main operating office in Beijing. Its policy of full engagement with the local community is bearing fruit as negotiations with local farmers and other affected parties for land acquisition and access are well advanced and progressing well.

## **Corporate**

The Company has 215,610,891 ordinary fully paid shares on issue and 4.35 million options. Cash on hand at the end of the quarter was \$18,223,487.

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**Background Information**

*Leyshon is fully engaged in China with its main operating office in Beijing, its Chairman, Managing Director and Chief Operating Officer all based in China and with over 80% of employees who are either native Chinese or Mandarin speaking.*

*The Company is rapidly progressing the Zheng Guang gold zinc project to production status and is aiming to jointly develop it as the first ever Sino-Foreign owned mine in the mineral rich province of Heilongjiang in 2008.*

*The project benefits from exceptional infrastructure as it is located within a well established coal and copper mining community with rail, power, water and mining contractor services available locally.*

*In March 2007, Hellman and Schofield Pty Ltd of Australia reported a JORC compliant recoverable resource estimate of 1.21 million ounces of gold, 3.72 million ounces of silver and 94,000 tonnes of zinc of which 50% was reported in the Measured and Indicated category.*

*The gold equivalent of this resource estimate is over 1.7 million ounces and the discovery cost to date has been less than US\$5 per ounce reflecting the lack of modern exploration in a major gold belt which has produced over 20 million ounces from mainly surface and alluvial methods.*

*Leyshon's partner, the Qiqiha'er Brigade of the Heilongjiang Bureau of Geology and Mineral Resources, one of the largest organizations of its kind in China, is providing a range of services to the joint venture from its complement of 4,000 technical staff, drill rigs, laboratory and other technical facilities. This valuable support is enabling the project to rapidly move ahead on an extremely cost effective basis.*

**Geological Information**

*The information in this report relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Richard Seville, a Director of the Company, who is a member of the Australasian Institute of Mining and Metallurgy.*

*Richard Seville has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Richard Seville consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

