LEYSHON

31 July 2008

JUNE 2008 QUARTERLY REPORT

Moving 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 and wide ranging progress as it rapidly develops the Zheng Guang gold zinc project in Heilongjiang, northeast China.

Highlights

- Environmental approval awarded
- Upgraded resource estimate
- 30,000 metre step out drill programme to increase gold resources and test two large porphyry copper targets is well underway
- Capital cost estimate for project set at RMB 369 million (US$52.7 million)
- Forecast net operating costs at less than US$250 per ounce
- Construction of 8.6km main access road commenced
- Proposed secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited under consideration

Updated Capital and Operating Costs

Capital costs for the project have been updated from those provided by the Changchun Design Institute in January 2008 following the recent review of individual supply contracts by the project development team.

The operating costs have also been reviewed and are now estimated at US$238 per ounce of gold produced after silver and zinc credits over the first five years of operations. This equates to a unit operating cost of $21.60 per tonne of ore mined and milled which is achieved by the combination of a low strip ratio open cut mine, low power and labour inputs and a large scale highly productive processing plant. Final engineering studies are being undertaken this year and final operating cost estimates will be available after these have been completed.

The Board has introduced a comprehensive inflation cost management policy under which suppliers are being required to disaggregate and mitigate any proposed cost increases. Fixed price contracts are being entered into wherever possible, and where price increases cannot be avoided, quantity reductions, deferrals and/or productivity improvements are being sought to offset the increase in cost.

A summary of the updated project operating parameters over the first five years of the operation is provided below:

100%	2009	2010	2011	2012	2014	2015
tonnes mined and processed	Commissioning	1,500,000	1,750,000	2,250,000	2,250,000	2,250,000
gold ounces produced		76,000	88,000	114,000	114,000	114,000
silver ounces produced		214,000	280,000	360,000	360,000	360,000
zinc tonnes metal in concentrate produced		n/a	5,800	7,500	7,500	7,500
revenue (US$ millions)		68	92	118	118	118
operating cost (US$ millions)		29	39	48.5	48.5	48.5
cost per ounce gold equivalent US$/oz		330	255	238	238	238
operating cashflow (EBITDA) (US$ millions)		39.5	52.7	69.7	69.7	69.7
capex (US$ millions)	59.1	15.3	6.0	5.9	4.4	4.1
exploration (US$ millions)	3.0	5.0	5.0	5.0	5.0	5.0

Revenue is based on metal prices of US$850/ounce gold, US$18/ounce silver and US$2,000/tonne zinc. Cost per ounce of gold is the total cost of production net of silver and zinc revenues divided by the ounces of gold produced.

The project benefits from the excellent metallurgical response of the ore which permits whole of ore to be treated through a single circuit allowing an additional 20% of revenue to be generated from silver metal and zinc concentrate.

At current metal prices the project is expected to generate very strong cash flows from the starter pit over the first five years of the project’s life. Current studies indicate there are up to 15 years mine life from the Main Ore Zone alone.

The Board is of the view that these early cash flows should be applied to sustaining project capital, US$3-5 million per year in exploration and the balance distributed to shareholders by way of a high dividend payout policy as soon as positive cashflow and profitability has been established.

During the first five years, over US$25 million will be spent on exploration to delineate additional resources on the 130 km2 of highly prospective tenement holdings. These will be mined separately and blended with ore from the Main Ore Zone and are expected to result in a long mine life project with sustainable low operating costs.

Upgraded Resource Estimate.

Independent resource specialist Hellman and Schofield Pty Ltd (H&S) of Australia has reported a revised resource estimate incorporating the 43,500 metre 2007 drill programme. Resources were estimated by Multiple Indicator Kriging including block support correction to give tonnage and grade estimates at open pit mining selectivity, and are reported above gold equivalent cut-off grades.

The March 2007 resource estimate was reported at gold cut-off grades. Taking into account the different basis of cut-off grades used to report the 2007 estimates, the current estimate at a 0.5 g/t gold equivalent cut-off grade has:

- increased the overall resource by approximately 25% from 24 to 30 million tonnes,
- increased the Measured and Indicated resources by approximately 60% from 10 to 16 million tonnes,
- slightly decreased contained gold by approximately 4% from 1.2 to 1.16 million ounces,
- increased contained silver by approximately 20% from 3.7 to 4.5 million ounces, and
- increased zinc content by approximately 30% from 94,000 to 120,000 tonnes.

The following table presents the 2008 resource estimates at a range of cut-off grades. The figures in this table have been rounded and may exhibit rounding errors. Preliminary studies suggest that a 0.5 g/t gold equivalent is a likely approximate lower operating cut-off grade.

Zheng Guang April 2008 Resource Estimates					
Cut-off Au Equiv. g/t	**Resource Category**	**Tonnes (Million)**	**Au (g/t)**	**Zn (%)**	**Ag (g/t)**
0.3	Measured	9.25	1.28	0.39	4.84
	Indicated	12.2	1.04	0.33	3.96
	Measured + Indicated	**21.5**	**1.14**	**0.36**	**4.34**
	Inferred	23	0.7	0.2	3.2
	Total	**44**	**0.9**	**0.3**	**3.7**
0.5	Measured	7.16	1.57	0.47	5.70
	Indicated	8.91	1.32	0.41	4.78
	Measured + Indicated	**16.1**	**1.43**	**0.44**	**5.19**
	Inferred	14	1.0	0.3	4.2
	Total	**30**	**1.2**	**0.4**	**4.7**
0.7	Measured	5.73	1.86	0.54	6.49
	Indicated	6.81	1.59	0.48	5.52
	Measured + Indicated	**12.5**	**1.71**	**0.51**	**5.96**
	Inferred	9.7	1.2	0.4	5.1
	Total	**22**	**1.5**	**0.5**	**5.6**
0.9	Measured	4.70	2.15	0.60	7.23
	Indicated	5.36	1.87	0.55	6.22
	Measured + Indicated	**10.1**	**2.00**	**0.57**	**6.69**
	Inferred	6.9	1.5	0.4	5.9
	Total	**17**	**1.8**	**0.5**	**6.4**

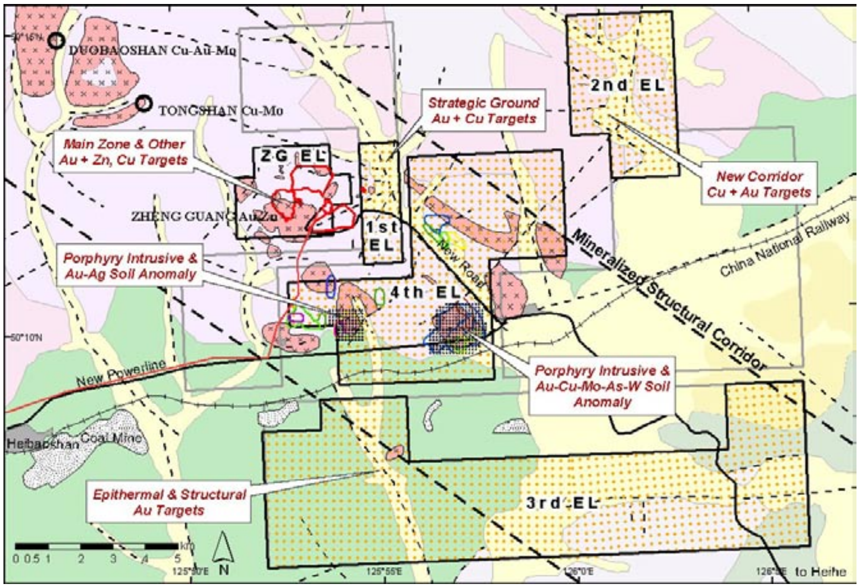
Gold equivalent cut-offs were used to allow the value of zinc and silver to be taken into account as part of the estimation process. This was based on 1% Zn and 1g/t Ag being equivalent to 0.67 g/t Au and 0.018g/t Au respectively. These ratios were calculated at a gold price of $930/oz and metallurgical recovery of 87.3%, and silver price of $US17/oz and metallurgical recovery of 84%, and zinc price of US$2250/tonne and recovery of 84% with payments at 47.5% of recovered zinc metal to allow for smelting, refining and transport charges.

Site Activities

Project development has commenced with the 8.6km access road nearing completion, crushing circuit fabrication complete and first ball mill fabrication well advanced. It is anticipated that there will not be any delay arising from long lead time items not being delivered on time.

Exploration

The 2008 exploration programme targeting strike extensions to the Main Ore Zone and identifying drill targets on two large copper gold anomalies is well under way with over 4,100 metres of diamond drilling and 5,400 metres of reverse circulation drilling completed. First drilling results are expected in August.



The joint venture has been successful in limiting drilling costs to 9% increase in 4 years by offsetting rising input costs with productivity improvements. The joint venture has the advantage of available diamond drill rigs at rates that are substantially below equivalent rates in Australia and elsewhere.

Corporate

The Company is considering a proposed secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK").

Hong Kong, being part of Mainland China, is a natural choice for companies with substantial businesses and operations in China seeking a listing on an internationally recognised market. The Directors are of the view that the proposed listing of Leyshon on the SEHK, an internationally recognized stock exchange with a strong legal system, sound regulatory framework and high liquidity, will enable it to expand its shareholder base and fund raising opportunities, in particular in the rapidly growing Asian market.

The Company has 218,110,891 ordinary fully paid shares on issue and 5.95 million options. Cash on hand at the end of the quarter was $9.4 million.

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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. Over 80% of employees 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 immediately available.

The recently reviewed capital cost estimate for the 2.25 million tonne per annum combined carbon in leach and flotation circuit process plant is RMB369 million (US$52.6 million).Orders have been placed for two 4.6 metre diameter ball mills at a cost of RMB15.2 million (USD 2.1 million) and a RMB12.1 million (USD 1.7 million) order has also been placed for the supply of a 700 tonne per hour Nordberg crushing circuit.

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.

Competent Persons Statements

The information in this report that relates mineral resource estimation is based on work completed by Mr Jonathon Abbott who is a full time employee of Hellman and Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Abbott 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' and as a Qualified Person as defined in the AIM Rules. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The exploration data on which the Mineral Resource estimate is based has been compiled by Mr Irvine Hay who is a member of the Australian Institute of Mining and Metallurgy. Mr Hay is a fulltime employee of CSA Australia Pty Ltd a consultancy which provides geological services to Leyshon and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Hay consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Calculation of metal equivalents have been compiled by Mr Richard Seville who is a member of the Australian Institute of Mining and Metallurgy. Mr Seville is a Director of Leyshon Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Seville consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.