



## **ASX, AIM AND MEDIA RELEASE DECEMBER 2005 QUARTERLY REPORT**

Leyshon Resources Limited (“Leyshon” or “the Company”) (ASX : LRL) is pleased to present its Quarterly Report for the period ending 31 December 2005.

Final results from the 12,100 metre diamond drilling programme at the Zheng Guang gold project were received. The results included further high grade gold intersections and extremely encouraging results for zinc and silver.

Significant base metal (zinc, lead and copper) and silver associations have been encountered, highlighting a positive association with the strongly gold mineralized northwest- trending structures.

This association has the potential for significant economic benefit to the project, enhancing the potential for the economic recovery of gold, zinc and silver.

These final results have in the Directors’ view further enhanced the development potential of Zheng Guang which is the first resource project to be developed by a foreign company in the mineral rich province of Heilongjiang.

The Company was admitted onto the London Stock Exchange’s AIM market and trading in the Company’s securities commenced on 26 October.

Leyshon has its main operational office in Beijing and uses this base to review opportunities for exploration and potential project development elsewhere in China and neighbouring Mongolia.

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## DECEMBER 2005 QUARTERLY REPORT

### Zheng Guang Gold Project

The 12,100 metre diamond drilling programme at the Zheng Guang gold project was completed during the quarter. The programme was designed to infill drill mineralized blocks defined in the 2004 drill programme, test for extensions at depth and along strike and to gain a better understanding of the complex geometry of the mineralized system.

The programme, which had eight rigs in operation at its peak, was ahead of schedule with higher productivity than the previous year and reasonably good overall core recovery.

When it became clear that a large proportion of the mineralization comprised high grade, steeply east-dipping veins (ladder vein arrays) within the west-dipping faults, two additional rigs with shallow angle drilling and larger core capacity were mobilized to better test these mineralized blocks. The rigs were also used to collect representative core for metallurgical testwork.

The angled holes, drilled both across and down the dip of the primary west dipping faults, have confirmed a greater density of generally thin veins in some areas and in other areas have intersected zones of thick mineralisation.

**Table 1. Selected drilling results from Zheng Guang**

Hole ID	Co-Ord (Northing)	Co-Ord (Easting)	Sample Interval		Width (m)	Au gpt	Ag gpt	Pb %	Zn %
			From (m)	To (m)					
ZGD039	9840	49200	56	68	12	9.11	58	1.10	3.03
ZGD049	9780	49300	231	251	20	3.52	22	0.09	3.20
Incl.			240	242	2	8.15	46	0.40	7.24
Incl.			248	250	2	11.29	69	0.07	8.21
ZGD064	9810	49350	112	126	14	4.32	22	0.13	2.69
Incl.			116	118	2	10.11	59	0.42	7.33
Incl.			120	122	2	13.45	50	0.39	6.85
			137	145	8	7.84	45	0.61	4.25
			164	173	9	5.78	36	0.05	3.84
ZGD087	10038	49365	26	28	2	19.61	91	1.42	7.21
ZGD074	9970	49300	72	90	18	3.74	19	0.60	1.15
			103	120	17	4.45	13	0.31	0.66
ZGD100	9845	49250	66	72	6	23.76	33	0.63	1.56
			84	88	4	33.87	42	1.47	1.98

As expected with the mesothermal style of Zheng Guang mineralization, there are significant base metals associations and in this case there is a strong correlation between gold grades and the zinc and silver grades reported in the assays. Interpretation of the geology and geochemistry of the high grade zinc/silver mineralisation, which ranges up to 18% zinc and 150 g/t silver, has highlighted a positive association with the strongly gold mineralized northwest-trending structures.

Of considerable interest is the fact that the zinc and silver mineralization is strongly correlated with the high grade gold mineralization. The zinc occurs as sphalerite which is the most common economic zinc mineral and is readily amenable to recovery by flotation. An example of the close association of gold, zinc and silver is shown in the following table which represents a consecutive zone of 7 metres of core:

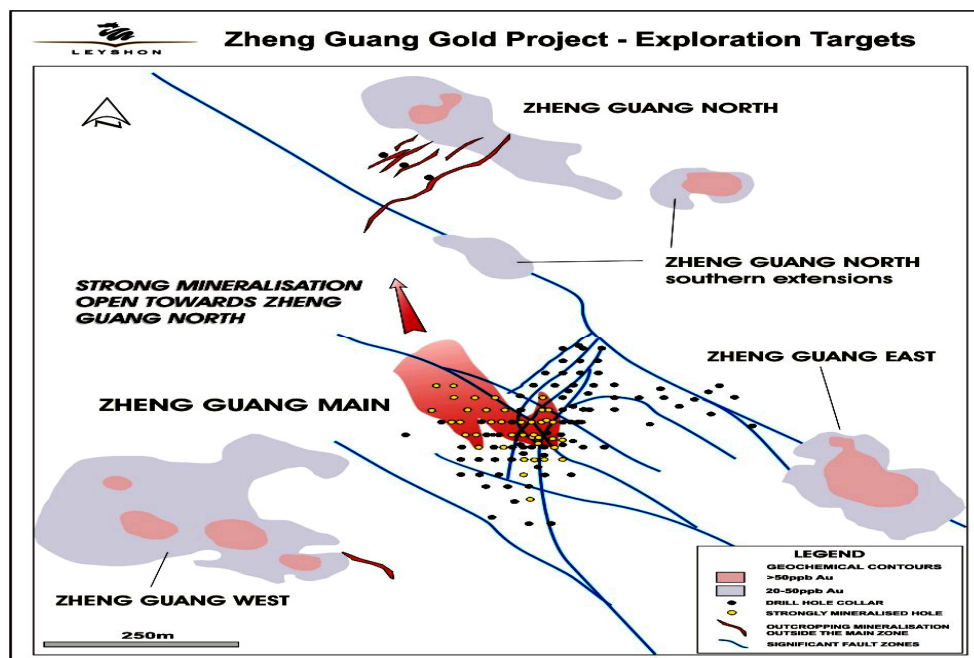
<b>Au (g/t)</b>	<b>Ag (g/t)</b>	<b>Zn (%)</b>
0.24	2.37	0.184
0.95	8.01	0.506
5.80	32.20	2.997
1.69	10.16	1.788
7.65	35.30	4.068
0.48	4.46	0.127
0.07	3.00	0.070

This association has the potential for significant economic benefit to the project, enhancing the potential for the economic recovery of gold, zinc and silver.

The resource potential of the project continues to grow within a 1.25 kilometre long mineralized corridor which is now viewed as having a substantial additional potential to host higher grade gold, zinc and silver mineralization.

The mineralized corridor has been interpreted as a series of northwest oriented strike-slip faults that now appear to extend from the Zheng Guang North prospect, 1.25 kilometres south to the Zheng Guang Main Ore Zone.

The corridor has only been partially tested by previous drilling and is the high priority target for the 2006 exploration programme that will commence as soon as field conditions allow. Additional targets include the large geochemical anomalies at Zheng Guang North – Southern extensions, West and East (refer below).



Assays have been prepared and reported by the Qiqihar Bureau of Geology and Mineral Resources (BGMR) laboratory in Qiqihar, Heilongjiang. Assay verification by SGS-CSTC Standards Technical Services (SGS) Tianjin on the BGMR repeat assays and the SGS check fire assays has not identified substantial variation in overall assay results generated from both laboratories.

The Directors are very encouraged by the final results from the highly successful 2005 drill programme which in their view have further enhanced the development potential of the project.

Zheng Guang is the first resource project to be developed by a Foreign Company in the mineral rich province of Heilongjiang and the excellent results and rapid progress to date will give all parties confidence in expanding the areas of cooperation.

Leyshon's strategy is to apply the latest exploration and development techniques to underexplored projects in China and its neighbouring countries with a view to identifying and developing high quality projects. It has an established presence in China and is one of the few resource companies with its main operational office in Beijing.

### **Duobaoshan Copper Project**

The Company is awaiting the outcome of a scoping study being undertaken by Ausenco to enable it to determine whether it wishes to proceed with a development proposal for this project.

### **New Business Opportunities**

The Company continues to evaluate a number of acquisition and development opportunities both within China and its neighbouring countries taking advantage of its operating base in Beijing and knowledge gained operating in the country over the past two years.

### **Corporate**

Trading in the Company's securities commenced on the London Stock Exchange's AIM market on 26 October.

### ***Geological Information***

*The information in this report relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Malcolm Wilson, a full time employee of the Company, who is a member of the Australasian Institute of Mining and Metallurgy.*

*Mr Wilson 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 Wilson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**LEYSHON RESOURCES LIMITED**

ABN

75 010 482 274

Quarter ended ("current quarter")

31 December 2005

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,035)	(2,446)
(b) development	-	-
(c) production	-	-
(d) administration	(527)	(914)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	92	204
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - Business development	(155)	(224)
<b>Net Operating Cash Flows</b>	<b>(1,625)</b>	<b>(3,380)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other		
- Security bonds	-	2
<b>Net investing cash flows</b>	<b>-</b>	<b>(1)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,625)</b>	<b>(3,381)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,625)	(3,381)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(1,625)	(3,381)
1.20	Cash at beginning of quarter/year to date	7,733	9,489
1.21	Exchange rate adjustments to item 1.20	18	18
1.22	<b>Cash at end of quarter</b>	6,126	6,126

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	154
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include executive remuneration, director's fees, company secretarial services and provision of a fully serviced office.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable.

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
<b>Total</b>	<b>300</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	618	1,209
5.2 Deposits at call	5,508	6,524
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,126</b>	<b>7,733</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	None	-	-	-
6.2 Interests in mining tenements acquired or increased	None	-	-	-

+ See chapter 19 for defined terms.

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	1,000	-	Not Applicable	Not Applicable
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	131,466,558	131,466,558	Not Applicable	Not Applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	10,000,000	-	<i>Exercise price</i> \$0.20 each	<i>Expiry date</i> 30 June 2007
	8,500,000	-	\$0.30 each	30 June 2007
	2,700,000	-	\$0.35 each	31 Dec 2007
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 January 2006  
(~~Director~~/Company secretary)

Print name: **MARK PEARCE**

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.