



## **ASX AND MEDIA RELEASE JUNE 2005 QUARTERLY REPORT**

**Leyshon Resources Limited (“Leyshon”) (ASX : LRL) today reports that during and subsequent to the end of the quarter it has mobilised drill rigs and field crews for the imminent commencement of a major diamond drilling programme at the Zheng Guang gold project in Heilongjiang, northeast China.**

**Leyshon’s strategy is to target underexplored gold and other projects in Heilongjiang and elsewhere in the region with a view to building an inventory of resources through the application of the latest exploration techniques designed to fully test the potential of each project.**

**At the Zheng Guang project, the first to be tested under a Province wide agreement with the Heilongjiang Bureau of Geology and Mineral Resources (HLJ-BGMR), previous drilling has generated significant high grade gold results including bonanza grade intervals from a newly identified hydrothermal breccia unit.**

**A 10,000 metre diamond drilling programme has been designed for the 2005 field season which will enable a resource calculation on the Main Ore Zone and will test a number of additional targets. The results will be used as the basis for Feasibility Studies which are planned to commence towards the end of the drilling programme later in the year.**

**Applications have commenced for additional Exploration Licences which will substantially increase the licence areas held along strike from the Zheng Guang project. These new areas host epithermal and mesothermal targets in a highly mineralised structural corridor.**

**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.**

**The divestment of Leyshon’s Australian exploration interests, the listing of Echelon Resources Limited and the distribution of Echelon shares to Leyshon shareholders was completed during the quarter.**

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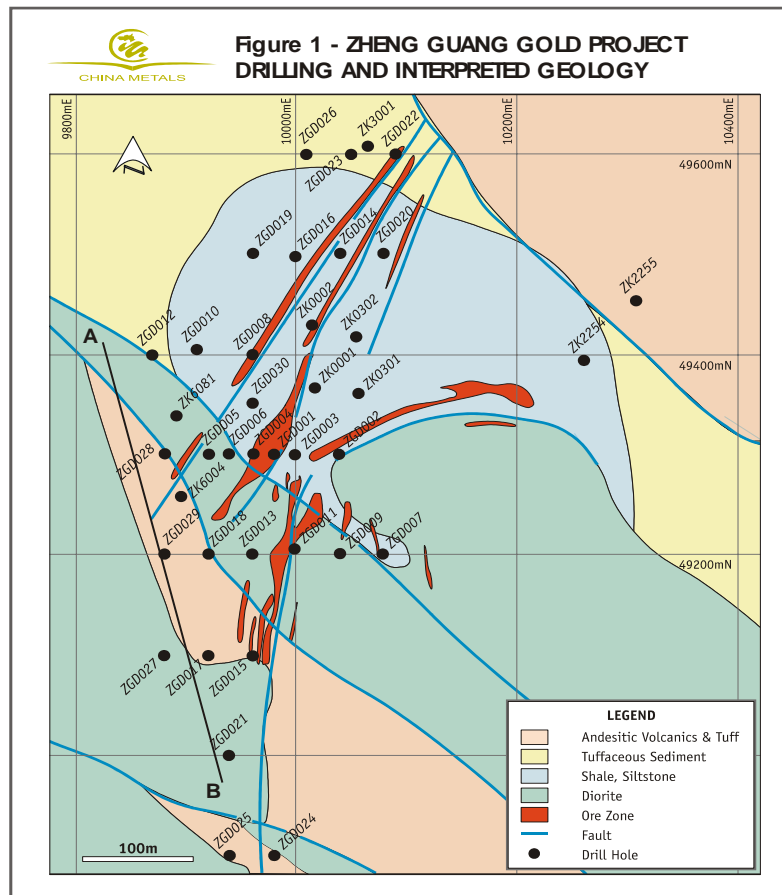
### ZHENG GUANG

Leyshon became one of the first foreign mining companies to establish a formal presence in the mineral rich province of Heilongjiang when it established the Sino foreign Joint Venture Company Black Dragon Mining Company Limited (Black Dragon) with the Heilongjiang Bureau of Geology and Mineral Resources (HLJ-BGMR). Leyshon is earning 70% of Black Dragon and has the right to increase its equity to 90%.

Work during the quarter focussed on preparation for the recommencement of exploration at Zheng Guang mid 2005. An extensive programme consisting of 10,000m of diamond drilling is planned to follow-up the excellent intersections recorded in the main deposit during last year's exploration programme.

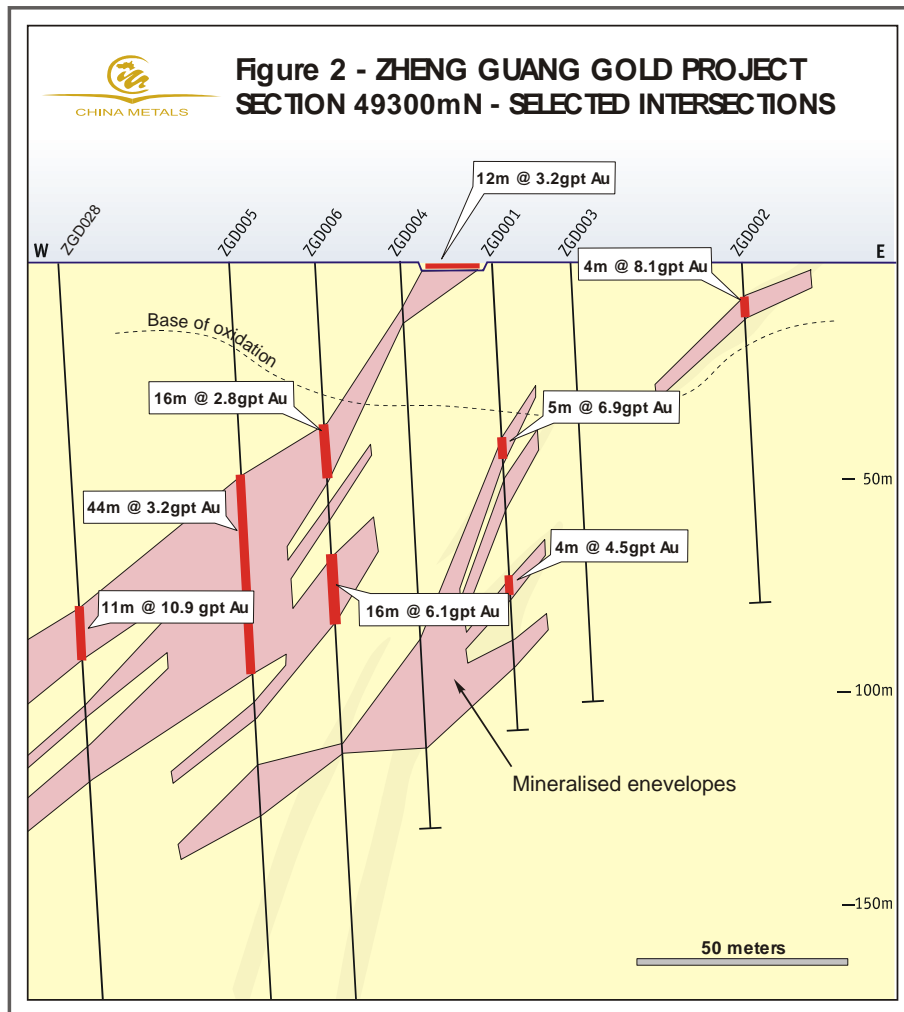
#### Main Ore Zone

As previously reported, a number of strong gold results were generated throughout 2004 from diamond drilling completed within the central mineralized area including ZGD028 (11 metres @ 10.9 g/t Au), ZGD005 (44 metres @ 3.2 g/t Au) (Figures 1 and 2) and ZGD006 (16m @ 6.09gpt Au). The results are very encouraging and indicate that mineralisation is higher-grade than first anticipated, with excellent potential to extend along strike and at depth.



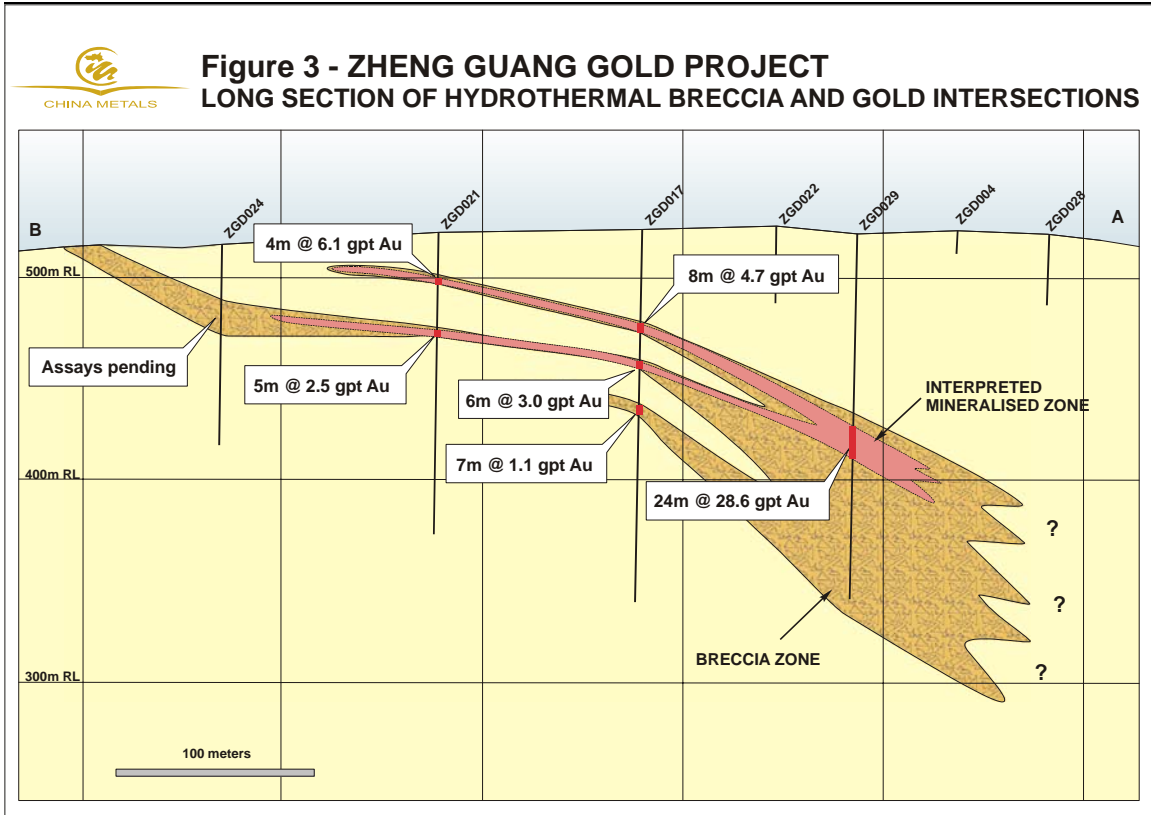
In addition, drilling in the west of the deposit also intersected a thick zone of intense hydrothermal brecciation containing abundant pyrite and base metal sulphides and reporting by far the highest grades seen to date.

Hole ZGD029 recorded an exceptional 24 metres @ 28.6 g/t Au, including 6 metres @ 93.0 g/t Au towards the hanging-wall of the breccia unit at about 90 metres below the surface. The intersection is down-dip from thinner breccia hosted intercepts including 2 metres @ 18.4 g/t Au, indicating that the breccia unit is rapidly thickening to the north and at depth.



The breccia unit has been traced for over 300 metres and appears to form an irregular pipe-like to sheeted structure that plunges shallowly north. Drill hole ZGD018 (Figure 1), located 40 metres east of ZGD029 recorded a previously reported intercept of 2 metres @ 18.4 g/t Au from 73 metres depth in similarly altered breccias, and is now believed to be the up-dip extent of the high grade zone.

It appears that the breccia unit and mineralisation is thickening down plunge and that, even over short strike lengths, it has the potential to add substantial high-grade ounces to the deposit with further drilling.



The main ore zone at Zheng Guang has been tested over a strike length of 700 metres with results to date confirming the higher than expected tenor of the gold system and, with the recently defined breccia mineralisation, confirmed the potential to significantly increase high-grade mineralisation in the area and the overall grade of the deposit.

Drilling is planned to recommence shortly, with the initial focus on testing the dip and plunge potential of the breccia zone and the higher grade vein mineralization, to expand known mineralization and allow the calculation of a JORC compliant resource as a precursor to mine feasibility studies planned to commence later this year.

## **Zheng Guang North and Other Exploration Targets**

At the Zheng Guang North prospect (Figure 4), 1 kilometre north of the main deposit, highly encouraging results have been received from recent shallow trenching including 6 metres @ 6.2 g/t Au from three newly discovered zones of strongly altered material. The new zones are un-drilled and remain open and untested along strike. A series of holes are planned to test the geometry and strength of mineralization below and along strike from this trenching.

In addition, a number of strong targets have been identified elsewhere on the Zheng Guang licence area including Zheng Guang East and West, two strong gold, silver, lead coincident geochemical anomalies (Figure 4) on or adjacent to known structures or mineralization. These will be tested by a combination of shallow trenching and diamond drilling in the current programme.

Regionally, Leyshon has defined key target areas outside the current exploration licence that will that will shortly be covered by a number of new exploration licence applications, substantially increasing the Leyshon's tenement position around Zheng Guang and along this highly mineralised structural corridor.

## **Duobaoshan**

Following completion of an extensive database compilation on data from over 167 kilometres of diamond drilling Leyshon has commenced Scoping Studies based on initial resource estimates and pit optimization studies. Leyshon is now seeking agreement on the strategic direction for the project before embarking on extensive testwork programmes which will form the basis of Feasibility Studies. Discussions continue with both the joint venture partner Heilongjiang Bureau of Geology and Mineral Resources and the Heilongjiang Department of Land and Resources on the appropriate development strategy for this large undeveloped copper project.

## **Mongolia and New Business Opportunities**

Leyshon has to date reviewed over 50 projects in China and has a good understanding of the type of project it is looking for and the potential to secure and successfully create significant value in such a project. This experience gained has allowed the company to focus on those projects with this potential and as a result it is working actively on a small number of highly prospective projects.

In addition Leyshon has completed a comprehensive review of the resource potential in neighbouring Mongolia. Mongolia has a similar geological environment to western Heilongjiang and as such is highly prospect for a wide range of minerals. Mongolia does not have the same infrastructure benefits as northern China. It has similar limitations due to weather but has a considerably lower population density, an excellent mining title system and a considerably more streamlined bureaucracy.

Leyshon is actively working on a large early stage project which it hopes to be in a position to report on in the September quarter.

## **Main Operating Office in Beijing**

Leyshon now manages all its operations and the majority of its administrative functions from its office in Beijing. Managing Director Paul Atherley has relocated to Beijing from where operations in Heilongjiang, elsewhere in China and Mongolia are managed. The intention is for the Company to continue to build a local profile allowing it to rapidly respond to investment opportunities and to take full advantage of low Chinese operating costs in the majority of its activities.

## **Echelon Resources Limited**

During the quarter Leyshon completed the divestment of its Australian Exploration interests to Echelon Resources Limited which successfully listed on the ASX on 3 May 2005. The distribution in specie of Echelon Shares to Leyshon shareholders was completed on 26 April 2005. The divestment allows Leyshon to focus exclusively on the development of its interests in China and elsewhere in the region.

## ***Geological Information***

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

*Mr Jones 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 Jones 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")

30 June 2005

### Consolidated statement of cash flows

| Cash flows related to operating activities   | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--|----------------------------|--|
| 1.1 Receipts from product sales and related debtors  |                            | 18                                     |
| 1.2 Payments for (a) exploration and evaluation<br>(b) development<br>(c) production<br>(d) administration                   | (444)                      | (1,518)                                |
| 1.3 Dividends received   |                            |  |
| 1.4 Interest and other items of a similar nature received  | 134                        | 465                                    |
| 1.5 Interest and other costs of finance paid   |                            |  |
| 1.6 Income taxes paid  |                            |  |
| 1.7 Other - Business development   | (106)                      | (287)                                  |
| <b>Net Operating Cash Flows</b>  | <b>(863)</b>               | <b>(2,605)</b>                         |
| <b>Cash flows related to investing activities</b>  |                            |  |
| 1.8 Payment for purchases of:<br>(a) prospects<br>(b) equity investments<br>(c) other fixed assets                           |                            | (8)                                    |
| 1.9 Proceeds from sale of:<br>(a) prospects<br>(b) equity investments<br>(c) other fixed assets                              |                            |  |
| 1.10 Loans to other entities   |                            |  |
| 1.11 Loans repaid by other entities  | 107                        | 107                                    |
| 1.12 Other<br>- Performance deposit / security bonds<br>- Cash relinquished on demerger of subsidiary<br>(Echelon Resources) | 406                        | -                                      |
|  | (2,000)                    | (2,000)                                |
| <b>Net investing cash flows</b>  | <b>(1,487)</b>             | <b>(1,901)</b>                         |
| 1.13 Total operating and investing cash flows<br>(carried forward)   | <b>(2,350)</b>             | <b>(4,506)</b>                         |

+ See chapter 19 for defined terms.

|      |  |         |         |
|------|--|---------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (2,350) | (4,506) |
|      | <b>Cash flows related to financing activities</b>          |         |         |
| 1.14 | Proceeds from issues of shares, options, etc.              |         | 7,203   |
| 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                              |         | (171)   |
|      | <b>Net financing cash flows</b>                            | -       | 7,032   |
|      | <b>Net increase (decrease) in cash held</b>                | (2,350) | 2,526   |
| 1.20 | Cash at beginning of quarter/year to date                  | 11,839  | 6,963   |
| 1.21 | Exchange rate adjustments to item 1.20                     |         |         |
| 1.22 | <b>Cash at end of quarter</b>                              | 9,489   | 9,489   |

**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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 190                        |
| 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<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

### Estimated cash outflows for next quarter

|                                | \$A'000    |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 700        |
| 4.2 Development                | -          |
| <b>Total</b>                   | <b>700</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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 1,571                      | 2,546                       |
| 5.2 Deposits at call                             | 7,918                      | 9,293                       |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)                      | -                          | -                           |
| <b>Total: cash at end of quarter</b> (item 1.22) | <b>9,489</b>               | <b>11,839</b>               |

### Changes in interests in mining tenements

|   | Tenement reference | Nature of interest<br>(note (2)) | Interest at<br>beginning of<br>quarter | Interest at<br>end of<br>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><br><i>(description)</i>  | 1,000        | -             | Not Applicable                                | Not Applicable                                   |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(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<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |              |               |   |  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  |              |               |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |              |               |   |  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 10,000,000   | -             | <i>Exercise price</i><br>\$0.20 each          | <i>Expiry date</i><br>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><br><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: 29 July 2005  
(~~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.