



LEYSHON

DECEMBER 2006 QUARTERLY REPORT

Developing Heilongjiang's first ever Sino Foreign Gold Mine

Leyshon Resources Limited (ASX/AIM: LRL) is pleased to report that during the quarter it announced its intention, in conjunction with joint venture partner, the Qiqiha'er brigade of the Heilongjiang Bureau of Mineral Resources, to develop the Zheng Guang gold zinc project as the first ever Sino Foreign owned gold mine in the mineral rich province of Heilongjiang, northeast China.

It is proposed to commence production in 2007 with trial mining of near surface gold ore followed by the rapid expansion of production to over 100,000 ounces of gold and 200,000 ounces of silver within three years.

The project's current design has an estimated initial capital cost of US\$27 million and an estimated production cost of US\$225 per ounce. Based on a gold price of US\$600/ounce, annual revenues are estimated at over US\$60 million, EBITDA US\$42 million and NPAT US\$28 million.

Revenue and earnings are expected to increase with the commissioning of a zinc flotation circuit in 2011, which is designed to lift gold recovery and allow a zinc concentrate to be produced for sale to Chinese smelters. Optimisation testwork is underway which upon completion in early 2007 will allow zinc production, operating costs and sales terms to be finalised.

Final design studies are underway and are being undertaken by Australian and Chinese consultants.

Following on from this year's drill programme, a revised resource is currently being prepared and will be reported in February 2007. It is expected that this resource estimate will upgrade and significantly increase the current JORC compliant inferred resource estimate of 930,000 ounces gold, 64,000 tonnes zinc and 2.6 million ounces silver.

This year's programme comprised 16,100 metres of reverse circulation drilling and 13,006 metres of diamond drilling and was one of the largest drilling programmes undertaken in Heilongjiang in recent years.

The reverse circulation programme comprised 588 thirty metre deep holes designed to extend and upgrade the inferred resource estimate of the oxide mineralisation to a higher level of confidence and test the exploration targets.

Results to date from the diamond drill programme have reported extensions of the Main Ore Zone to the North West and to the South and a thickening of the mineralisation as it extends down dip.

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.

Leyshon created the province's first Sino Foreign Mining Joint Venture in January 2004 and has earned a 70% interest in the project which was a greenfields discovery in 2000. In April, a 20 year agreement was entered into with Qiqiha'er Brigade which sets out the terms under which the joint venture company will explore, finance and develop the project.

Leyshon raised £8.3 million during the quarter through the issue of 37,731,000 ordinary shares at 22 pence per share (before issue costs). The placement occurred in two tranches with shareholder approval being received for the second tranche earlier this month.

Leyshon is continuing to evaluate gold project acquisition opportunities elsewhere in China and its neighbouring countries. It has its main operating office in Beijing and remains one of the very few foreign mining companies with its Chairman, Managing Director and Chief Operating Officer all based in China .

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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.

