

**JUNE 2004 QUARTERLY REPORT TO THE  
AUSTRALIAN STOCK EXCHANGE**

*The Directors of Leyshon Resources Limited (Leyshon) ASX: LRL are pleased to report significant progress during the quarter with Leyshon becoming one of the first foreign mining companies to obtain a business licence to operate in the mineral rich province of Heilongjiang in northeast China through its 70% holding in Black Dragon Mining Limited (Black Dragon).*

*Black Dragon is a sino foreign joint venture company established with the Heilongjiang Bureau of Geology and Mineral Resources (HLJ-BGMR - 30%) to evaluate and potentially develop mining projects in the province. Leyshon has the opportunity to increase its interest in Black Dragon to 90% by funding the capital development costs of any project into production.*

*Significant drilling results have been received from the first six holes of a diamond drilling programme on the Zheng Guang gold project in the northwest of the province. The outcropping mineralisation has been intersected up to 120 metres below surface with significant intersections, including 44 metres @ 3.16 g/t Au and 16 metres @ 6.09 g/t Au providing substantive confirmation of the tenor of mineralisation of the Zheng Guang gold system.*

*Work has commenced on the compilation and evaluation of the large amount of drilling and other data on the Duoboashan porphyry copper project located eight kilometres north of Zheng Guang. The HLJ-BGMR has commenced two exploration shafts on the primary mineralisation to obtain representative bulk metallurgical samples and to assess the potentially understated gold grade.*

*Regional studies have identified that the province has been a very significant gold producer and is host to mineralisation styles similar to northeast Queensland that host the multi-million ounce Mount Leyshon, Kidston and Pajingo gold deposits. Leyshon will now be targeting this style of mineralisation in its exploration programmes.*

*In Australia, Leyshon has entered into a joint venture agreement with BHP Billiton Minerals Pty Ltd (BHP Billiton) whereby BHP Billiton has agreed to spend up to \$10,000,000 to earn an 80% interest in exploration licences and applications covering 800 square kilometres of the highly prospective Mount Isa region of northwest Queensland.*

## 1.0 China Metals Projects

Leyshon became one of the first foreign mining companies to establish a formal presence in the mineral rich province of Heilongjiang earlier this year when it established Black Dragon Mining Company Limited (Black Dragon) with the Heilongjiang Bureau of Geology and Mineral Resources (HLJ-BGMR). Black Dragon will evaluate and potentially develop mining projects within northeast China. Leyshon owns 70% of Black Dragon and has the right to increase its equity to 90%.

Black Dragon has commenced work on the first two projects: the Zheng Guang gold and the Duobaoshan porphyry copper projects. Both are located within the eastern extension of the Tien Shan mobile belt that hosts world-class gold and copper deposits.

During the quarter, considerable progress was made by Leyshon in establishing a corporate framework to operate in Heilongjiang, and in the commencement of work on both the Zheng Guang and Duobaoshan deposits. Two significant milestones were achieved:

- Obtaining the Black Dragon business licence which allowed it to commence exploration and potential mine development within the province.
- Commencement of exploration drilling and first drilling results on the Zheng Guang gold project.

### 1.1 Zheng Guang

During the quarter, Leyshon electronically captured, compiled and interpreted all available data and commenced an exploration programme to define the size and strike extent of the mineralisation (Figure 1). The initial program consists of approximately thirty diamond drill holes for 4,500 metres testing the deposit at 100 metre centres to a vertical depth of approximately 150 metres.

Zheng Guang was originally discovered by the HLJ-BGMR in 2000 through stream sediment sampling. Subsequent work included approximately 1,300 metres of underground development, 3,000 metres of diamond drilling and considerable trenching. This work defined gold mineralisation within faulted intrusive diorites and sediments over a strike length in excess of 500 metres and to a depth of over 350 metres. Numerous intersections were recorded by the HLJ-BGMR that included 11.0 metres @ 6.8 g/t Au (trench D600TC2) and 12.5 metres @ 3.1 g/t Au (drill hole ZK6002) clearly indicating the potential for an economic deposit at Zheng Guang.

Results from the first six drill holes have been received and are encouraging, with strong intercepts (including 16 metres @ 6.09 g/t from 69 metres in hole ZGD006 and 44 metres @ 3.16 g/t Au from 50 metres) being recorded from the central section of known mineralisation. In this area, drilling has defined three steeply west dipping, fault bound zones of intense phyllic alteration (sericite and silica) and sulphidation hosting the auriferous intercepts (summarised in Table 1 and presented diagrammatically in Figure 2).

The drilling indicates that there are broad zones of mineralisation (up to 44 metres down hole) present and that encouraging widths of higher-grade material are still open at depth, to the west (Figure 2). High grade pyrite/galena veins grading up to 60 g/t Au have been intersected within the broader, lower-grade envelopes although their orientation and continuity is as yet unknown.

Initial geological interpretation and gold and base metal soil geochemistry (notably lead) indicates that mineralisation strikes north-east and is likely offset by at least one post-mineralisation fault cutting through the southern section of the deposit. In this area, previous work by the HLJ-BGMR defined additional mineralisation on an east-north-east oriented structure that has yet to be tested by Leyshon.

It is anticipated that the drilling program will be completed during the September quarter and will test over 700 metres of strike and down-dip potential of the mineralisation. Follow-up drilling, particularly to test the stronger intercepts at depth, will also be completed.

In addition, Leyshon plans to commence an evaluation of other targets within the region that have been generated from previous HLJ-BGMR work, particularly those proximal to Zheng Guang.

**Table 1. Zheng Guang Diamond Drilling Results – July 2004**

Hole No.	N	E	Azim. / Bearing	T.D. (m)	From (m)	To (m)	Interval * (m)	Grades (g/t)	
								Au	Ag
ZGD001	49300	9980	-87/090	110.0	41.0	46.0	5.0	6.90	
					50.0	56.0	7.0	2.96	
					73.0	77.0	4.0	4.53	
					87.0	88.0	1.0	5.38	
					91.0	92.0	1.0	23.0	
ZGD002	49300	10040	-87/090	80.2	1.0	2.0	1.0	2.02	
					7.0	11.0	4.0	8.10	
					14.0	17.0	3.0	2.55	
ZGD003	49300	10000	-87/090	113			- nsa -		
ZGD004	49300	9960	-87/090	133.0	10.0	12.0	2.0	1.64	2.50
					92.0	98.0	6.0	3.34	6.87
					102.0	112.0	10.0	2.59	9.95
ZGD005	49300	9920	-87/090	203.8	46.0	47.0	1.0	2.53	4.60
					50.0	94.0	44.0	3.16	8.09
				(Incl.	69.0	71.0	2.0	12.85	16.10)
				(Incl.	81.0	83.0	2.0	20.10	21.7)
					100.0	104.0	4.0	6.08	15.26
					115.0	126.0	11.0	1.09	3.34
ZGD006	49300	9940	-87/090	200	34.0	50.0	16.0	2.79	8.68
				(Incl.	39.0	40.0	1.0	11.35	17.3)
					54.0	58.0	4.0	2.31	4.90
					69.0	85.0	16.0	6.09	16.61
				(Incl.	70.0	72.0	2.0	36.60	77.4)
					96.0	97.0	4.0	1.41	9.3
					108.0	112.0	4.0	3.33	23.4
				(Incl.	111.0	112.0	1.0	12.05	48.8)
					152.0	153.0	1.0	2.43	
					165.0	169.0	4.0	1.47	

*\*Using a lower cut of 0.5 g/t Au with no more than 2 metres of internal waste*

*nsa – No significant assays*

*Note 1: Core recoveries for the results to date varied from 70-90% in the mineralised zones*

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## **1.2 Duobaoshan**

Duobaoshan is a large polymetallic porphyry copper, molybdenum, gold, silver project discovered in 1958. Drilled in various campaigns during the 1960's and 1970's, a resource has been delineated through 168 kilometres of diamond drilling, 250 metres of adits and 205 metres of exploration shafts.

Work completed on Duobaoshan during the quarter comprised the digital capture and compilation of a large amount of drilling and other data that has been generated since the deposit was discovered. Significant progress has been made, with the majority of the data now stored within a database. This work has been completed with a view to remodel the deposit and generate new resource estimates that will be used for an in-house scoping study on the deposit.

The HLJ-BGMR commenced sinking two shallow shafts on the main deposit (#3 Deposit) to obtain representative bulk metallurgical samples and to assess the likely gold grade of primary mineralisation within this area. The gold grade will be of particular interest in light of the reported analytical techniques initially used as they have the potential to have been understated. The results from this work are anticipated later this year.

## **1.3 Heilongjiang / Inner Mongolia Regional Assessment Studies**

Leyshon's initial work highlighted that the Heilongjiang and Inner Mongolia geological environment hosts both porphyry and high-grade epithermal styles of gold mineralisation. These mineralisation styles are well recorded in northeast Queensland, at deposits such as Mount Leyshon, Kidston and Pajingo, all of which are multi-million ounce gold deposits. Leyshon believes that there are strong geological similarities between Heilongjiang and eastern Inner Mongolia to northeast Queensland and as part of its strategy to acquire and develop these styles of deposits, has commenced a detailed evaluation of the geology, metallogeny and mineral occurrences within these provinces.

To date the company has completed an initial geological review and a compilation and assessment of the key metallogenic characteristics and regional structural/geological controls on mineralisation. In addition, Leyshon has accessed some of the key regional geological and geochemical datasets generated by the Inner Mongolia BGMR. From this work and high level contacts with other exploration groups in the two provinces, Leyshon has been able to define key regions of interest and outlined a number of target areas and deposits/mines warranting further investigation. The Company is now assessing these opportunities in detail and has commenced discussions with groups over key deposits and exploration targets of interest.

## **2.0 Australian Projects**

### **2.1 BHP Billiton Joint Ventures (Leyshon diluting to 49%)**

#### **Eastern Succession JV (EPM9462, EPMA's 12458, 12514, 12516 and 12560)**

The Directors consider that this is another significant development for Leyshon, as it will allow it to further progress exploration in the Mount Isa region utilising the expertise of a global mining house. The key terms of the JV require a minimum expenditure by BHP Billiton of \$200,000, on the project as whole before withdrawal. Each licence will require expenditures of \$250,000 to earn 51%, an additional \$250,000 to advance to 70% and a further \$1,500,000 to secure 80% equity.

The JV will enhance the Company's extensive tenement portfolio in the Mount Isa region and operate in tandem with the current Selwyn Central JV and the Carpentaria JV with Xstrata Plc (formerly MIM) in the same region. If all three JV's are maintained in the future Leyshon will be gaining the benefit of over \$17,500,000 in joint venture expenditure in the Mount Isa region on its exploration portfolio whilst preserving shareholder funds.

BHP Billiton has identified the tenements as having the potential to host both lead-zinc-silver and iron oxide copper gold mineralisation as part of an in-house regional targeting initiative. The primary focus of their work will be on the former of these mineralisation styles. It is anticipated that a focused exploration program will commence quickly on the Tributary Creek EPM 9462, whilst concerted efforts are made to refine targets in the tenement applications as they are moved forward to grant.

### Selwyn Central JV (EPMA12499)

The Selwyn Central licence progressed toward grant during the period and it is anticipated that work will commence during the September Quarter.

### 2.2 Carpentaria Joint Venture Agreement ('JV' – Leyshon Diluting to 49%)

The momentum of the exploration campaign continued during the quarter with expenditure for the JV now totaling \$1,965,141. The principal activities during the quarter have included assessment of the soil sampling, a dipole-dipole IP survey and RC drilling on the Jasper prospect in the Mount Avarice EPM8588, situated on the outskirts of Cloncurry.

The soil sample assay results highlighted an area of greater than 500ppm Cu anomalism over approximately 100m x 100m. The northern fringe of this anomaly is broadly coincident with the intersection in hole JAS009RC (see below). Interpretation of the IP survey data revealed that the anomalism intersected in JAS009RC is greater than 100m in strike length.

A total of five RC holes were completed for 1007m (Table 2) of drilling. The holes were targeted on IP chargeability anomalism reported in the previous quarter. With the exception of the JAS009RC intercept (10m @ 1.41% Cu, 0.59 g/t Au from 152m) all anomalous copper intersections were low order.

**TABLE 2 – SUMMARY OF DRILLING AND ASSAY DATA**

Hole ID	AMG East	AMG North	Azimuth (AMG)	Dip (°)	RC (m)	Total Depth	From (m)	To (m)	Interval (m)	Cu (%)	Au g/t	Total Depth
JAS007RC	449828	7711717	315	-60	252	252	24	28	4	0.40	0.43	252
JAS008RC	449805	7712022	315	-60	252	252	0	4	4	0.29	0.37	252
JAS008RC	449805	7712022	315	-60	252	252	164	198	34	0.18	0.07	252
JAS009RC	449956	7711864	315	-60	251	251	152	162	10	1.42	0.59	251
JAS010RC	449949	7712156	270	-60	252	252	138	142	4	0.15	0.06	252
<b>Totals:</b>					<b>1007</b>	<b>1007</b>						<b>1007</b>

### 2.3 Fenian Joint Venture (Leyshon diluting to 30%)

The Fenian JV was established in 2003 between Newcrest Operations Limited (Newcrest) and Leyshon and comprises the Fenian Exploration Permit for Minerals ('EPM') 10203. Under the terms of the JV agreement, Newcrest has agreed to expend up to \$2,500,000 to earn 70% equity in EPM10203.

During the Quarter, Newcrest extended diamond drill holes FEN005 and FEN006 (Table 3). FEN005 had previously ended in copper mineralisation (>0.1%); the extension has increased the mineralised intercept by a further 75 metres, making the total intercept to 194m @ 0.14% Cu. Gold mineralisation over this interval is generally just above detection, the exception being at 724 to 725 metres which contained 1.7 g/t Au. Further drilling is planned for the September Quarter.

**TABLE 3 – Drilling and Anomalous Interval Summary**

Hole No	Northing	Easting	Collar RL	Azimuth AMG	Dip	Total Depth	From	To	Downhole Intercept	Gold Grade	Copper Grade
	(grid)	(grid)	(m)	(grid)		(m)	(m)	(m)	(m)	(g/t Au)	%
FEN005	7759702	429566	321	165	-55	867.6	98	188	90	0.02	0.13%
							352	352.8	0.8	14	
							535	729	194	0.02	0.14%
						Incl	724	725	1	1.7	
FEN006	7760564	429999	310	160	-55	410.8				nsa	

***For further information please contact:***

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**Mobile:** +61 417 475 038

Information in this report relating to geological data has been compiled or reviewed by Mr Greg Jones who is a member of the Australasian Institute of Mining and Metallurgy and has sufficient relevant experience in the reported fields of activity. Mr Jones has consented to the release of this announcement.

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CHINA METALS

# Zheng Guang Gold Geochemistry with Interpreted Mineralised Zones Projected To Surface

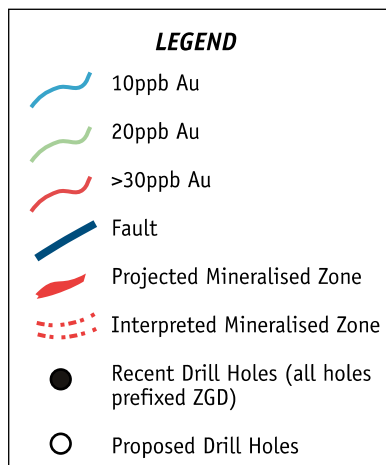
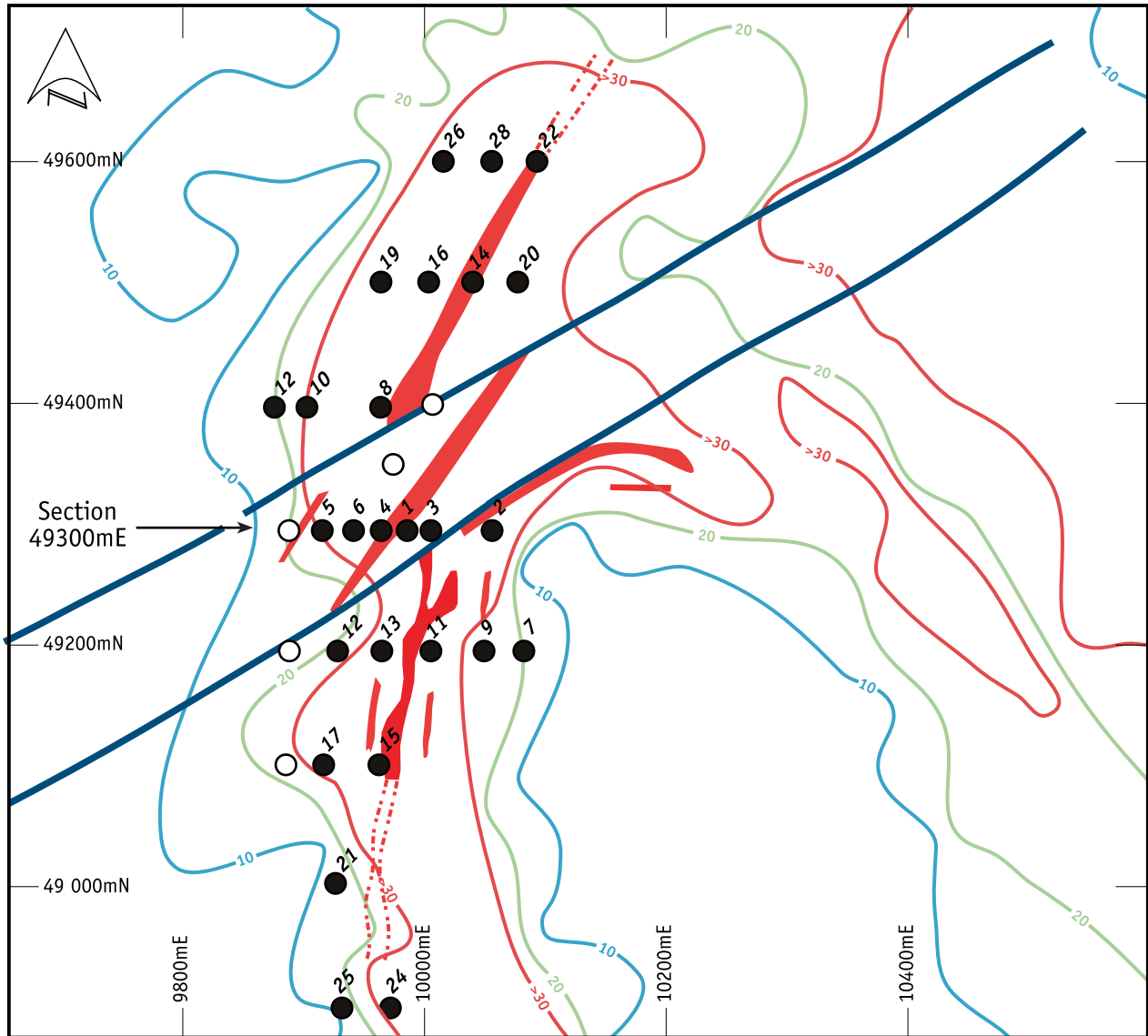
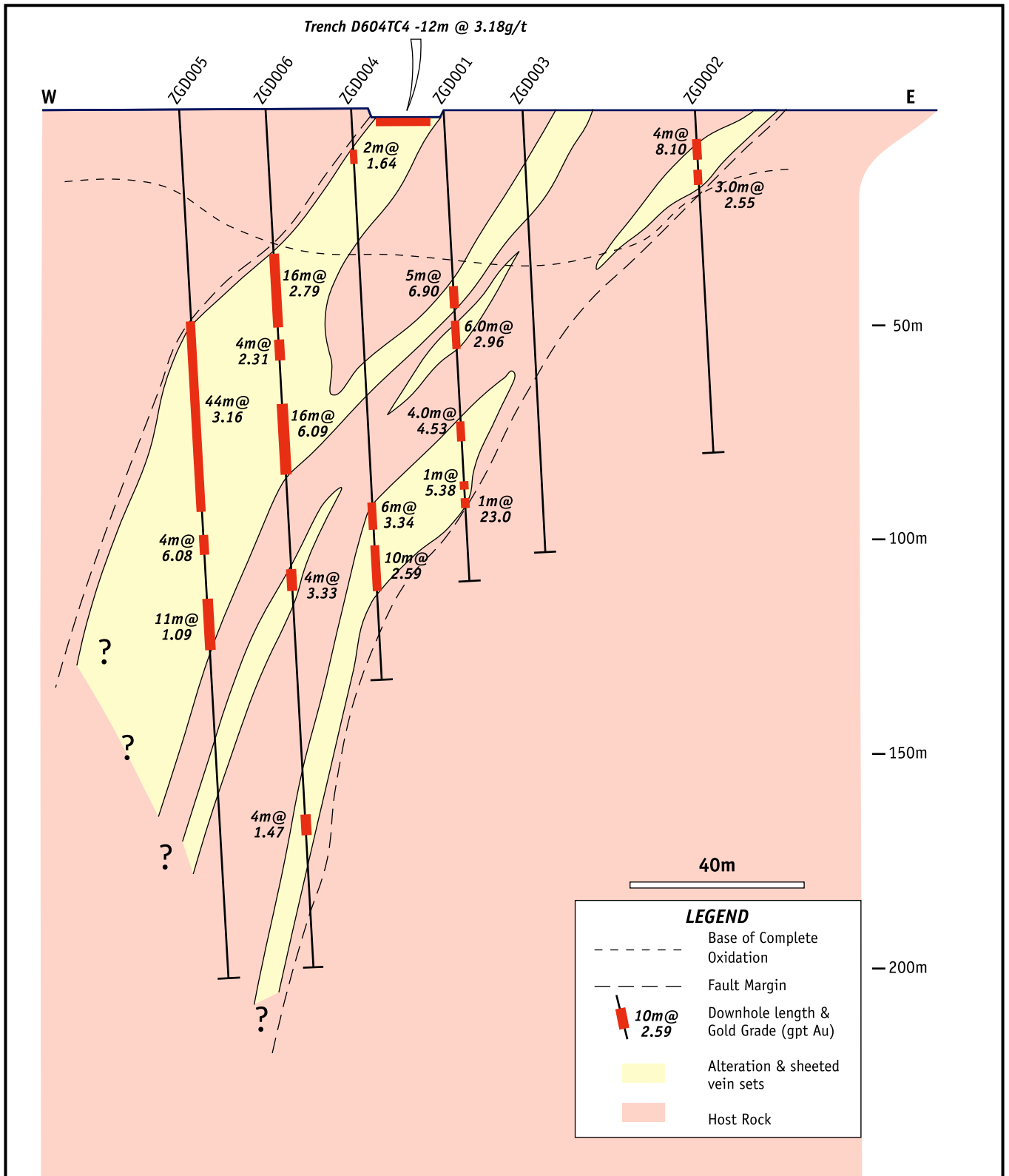


Figure 1



# ZHENG GUANG - DRILL SECTION 49300MN





# 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 2004

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 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	(515)	(1,102)
(b) development	-	-
(c) production	-	-
(d) administration	(166)	(365)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	97	487
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(584)</b>	<b>(980)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	(224)	(765)
(c) other fixed assets	(6)	(9)
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	18	54
<b>Net investing cash flows</b>	<b>(212)</b>	<b>(720)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(796)</b>	<b>(1,700)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(796)	(1,700)
	<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 (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(796)	(1,700)
1.20	Cash at beginning of quarter/year to date	7,759	8,663
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	6,963	6,963

**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	172
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 consulting fees, 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

Acquisition of China Metals Limited (see 7.1-7.12).

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	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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	537	524
5.2 Deposits at call	6,426	7,235
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,963</b>	<b>7,759</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	-	-	-	-
6.2 Interests in mining tenements acquired or increased	Zheng Guang EP 2300000330026	30 % joint venture partner free carried to bankable feasibility and to retain no less than a 10% free carried interest.	-	70%

+ 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>				
7.2 Changes during quarter				
(a) Increases through issues	1,000	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	111,467,398	111,467,398	Not Applicable	Not Applicable
7.4 Changes during quarter				
(a) Increases through issues	20,000,000	20,000,000	-	-
(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>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	10,000,000	-	\$0.20 each	30 June 2007
	5,000,000	-	\$0.30 each	30 June 2007
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: 29 July 2004  
(~~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.