



31 July 2007

JUNE 2007 QUARTERLY REPORT

Rapidly Bringing 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 has made substantial progress on a number of fronts in the rapid development of the Zheng Guang gold zinc project ("Zheng Guang") in Heilongjiang, northeast China.

Drill Programme

During the quarter, a major drill programme commenced at Zheng Guang. The 29,000 metre programme is designed to upgrade the current resources into the Measured and Indicated categories, extend the known sulphide and oxide resources and to test the very promising extensions identified in the 2006 programme at Zheng Guang South and Zheng Guang North.

In addition to exploration, infill and sterilization drilling is planned to provide additional mine design information required for the mine infrastructure.

The programme follows the highly successful 2006 programme which increased the overall gold equivalent content by 43% and upgraded over 50% of the previous Inferred resource to the Indicated category at a cost of around US\$5 per ounce.

The 2007 programme includes 22,000 metres of reverse circulation drilling on the highly promising Zheng Guang West anomaly and will test a total of seven previously identified highly prospective geochemical gold, silver and zinc anomalies across the exploration licence area.

In addition a 7,000 metre diamond drilling programme comprising four diamond drill rigs will test strike extensions and a possible easterly extension to the Main Ore Zone.

Early indications from the drill programme are positive with mineralisation being intersected in the infill holes as expected, but at potentially greater widths as the deeper holes have had to be extended beyond design target depths. This programme has been designed to raise the resource confidence levels to the Measured and Indicated categories and is on track to do so. In addition holes drilled on the two northernmost lines of the Main Ore Zone have intersected mineralisation to the west of previous shallow drilling confirming the potential for

the mineralization of the Main Ore Zone to extend northwards and potentially increase the overall near surface resource.

With the encouraging early indications that the programme will upgrade and extend the Main Ore Zone, the diamond drilling programme has now been extended by 10,000 metres increasing the programme from 29,000 to 39,000 metres.

One of the four rigs currently undertaking diamond drilling activities, will now be moved from the Main Ore Zone to test the gold zinc mineralisation discovered at Zheng Guang North in the 2006 reverse circulation programme.

Studies and Approvals

Mining and metallurgical and other studies were advanced during the quarter bringing the project close to Final Design. Engineering design and detailed budgeting has commenced which when complete in the current quarter will allow an overall picture of the project design and economics.

These final designs are being undertaken within the framework of the approval processes and are expected to result in a Final Design which will meet all local approvals and regulations.

The approval processes are well underway and are being led by Project Manager Ye Dong Ping working closely with ex Ministry of Lands and Resources official Professor Zhang who has been coordinating the joint venture's applications over the past 12 months. The first of the major approvals are expected to be granted during the current quarter.

New Exploration Licence

The Company acquired the first of four additional exploration licences which will substantially increase the land holdings adjacent to Zheng Guang.

During the quarter, Leyshon executed an agreement with its joint venture partner, the Qiqiha'er Brigade of the Heilongjiang Bureau of Geology and Mineral Resources, to acquire a recently issued exploration licence for a consideration of ¥ 6 million (approx US\$780,000). The 84 km² exploration licence lies to the south-east of the Zheng Guang project and covers an area which hosts possible mesothermal extensions of the existing estimated 1.7 million ounce gold equivalent resource at Zheng Guang and also additional epithermal targets.

In particular, the new licence area is considered to be highly prospective for near surface gold mineralisation as it has been successfully worked for surface gold by large scale mechanical dredging and other surface methods for many years.

The licence area has been subjected to very limited modern exploration techniques to date and the Company is not aware of any recorded exploration drilling on the licence area itself.

Qiqiha'er Brigade has been contracted to immediately commence an exploration programme on the new licence area. This is aimed at identifying high priority drilling targets which can be tested during the current drill season.

The licence will be transferred into the sino foreign joint venture company Black Dragon Mining Limited (Black Dragon) and will form part of the overall joint venture arrangements between the parties.

Zheng Guang Development

Black Dragon has entered into a cooperation agreement with the Municipal Government of AiHui District for the rapid development of Zheng Guang.

The agreement provides for Zheng Guang to be ranked as a top priority project by the AiHui government thereby facilitating its rapid development. Under the agreement the local government will expedite approvals for land use, access road construction, water and electricity supply.

The agreement was signed with the Mayor of the City of Heihe, the Municipal centre of AiHui district, at the 18th China Harbin Fair for Trade and Economic Cooperation. The high-profile ceremony was televised and attended by local leaders of the communist party together with the most senior local government representatives.

At the fair, officials announced an US\$8 billion infrastructure investment in the Harbin-Daqing-Qiqiha'er industrial corridor and the connection of the Russia to China gas pipeline to Daqing, China's largest oil and gas field. Heilongjiang is rich in energy resources and currently supplies half of China's crude oil and has more than 22 billion tonnes of coal reserves.

Zheng Guang, which has its joint venture office at Qiqiha'er, is located 250 kilometres to the north of this major development zone and is already benefiting from improved road, rail and air transport connections.

The expansion of the province's electricity generating capacity which is expected to increase to more than 2.2 million megawatts by 2010 will further enhance the province's competitive advantage for resource project development.

The average price of electricity per kilowatt hour in Heilongjiang is reported to be half of that in China's Southern provinces.

Board

The Board was saddened to announce the passing of Non-Executive Director, Mr Robert Bigland.

Corporate

A total of A\$3.88 million was raised through the conversion of 17,100,000 options which predominantly expired on 30 June 2007. All options expiring 30 June were exercised prior to their expiry. The Company now has 215,601,891 ordinary fully paid shares on issue and 4.35 million options.

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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 and with over 80% of employees who 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 first ever Sino Foreign owned mine in the mineral rich province of Heilongjiang's 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.

In March 2007 Hellman and Schofield Pty Ltd of Australia reported a recoverable resource estimate of 1.21 million ounces of gold, 3.72 million ounces of silver and 94,000 tonnes of zinc of which 50% was reported in the Measured and Indicated category.

The gold equivalent of this resource estimate is over 1.7 million ounces and the discovery cost to date has been less than US\$5 per ounce reflecting the lack of modern exploration in a major gold belt which has produced over 20 million ounces from mainly surface and alluvial methods.

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.

Geological Information

The information in this report relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Richard Seville, a Director of the Company, who is a member of the Australasian Institute of Mining and Metallurgy.

Richard Seville 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'. Richard Seville consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.