



31 October 2008

## SEPTEMBER 2008 QUARTERLY REPORT

### Continuing Development of the Zheng Guang Gold Project

#### Operational Update

Leyshon Resources Limited (AIM/ASX: LRL) is pleased to announce that during the quarter the Company continued to advance the Zheng Guang Project to development status. The 8.6 km access road was completed and bulk earthworks and civils contractors were mobilised to site and predevelopment works commenced.

As previously reported, a number of key approvals for Zheng Guang have now been received, with Environmental Approval being awarded in late June. Project Registration and issue of the Mining Licence are both expected in 2009.

The detailed engineering design, being undertaken by the Changchun Design Institute, is largely complete and is undergoing a final design review. Final engineering design is scheduled for completion in February 2009.

The Company's policy of full engagement with the local community is bearing fruit as negotiations with local farmers and other affected parties for land acquisition and access are well advanced and progressing well.

The exploration programme was completed during the quarter with 31 diamond drill holes completed for 6,840 metres targeting shallow extensions to the Main Ore Zone to the south, deeper extensions to the North and further testing of the Zheng Guang North prospect.

Whilst a number of significant intersections were made in each of these target areas further drilling is required before the existing resource estimates can be expected to be increased.

#### Corporate Update

In light of the current period of uncertainty and volatility in the capital markets, the Company is undertaking a detailed review with a view to substantially reducing the capital costs of bringing the project into cash flow.

This review and re-engineering is expected to be complete by February 2009.

In light of this review, the Company has deferred all major expenditure until after the winter and expects to recommence site based activities in April 2009. The consultant geological and project engineering teams have been demobilised and the review work is continuing on an in house basis.

The Company is considering various options for funding the Company going forward. It is in advanced discussions with three banks, which to date have been largely unaffected by the current financial uncertainties and are actively lending to the resources sector in emerging markets.

The Company is also in discussion with potential equity providers who see investment opportunities in the current environment.

The bulk of the funding will be required by April 2009 and in line with this it is not expected that a facility will be finalised until the first quarter 2009.

The Company has deferred its plans to obtain a secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited during the current period of financial uncertainty.

Whilst there remains strong interest to fund the project when all necessary engineering and approvals have been completed, there can be no guarantee in the current environment that financing can be finalised. Accordingly the Company is also investigating other avenues to fund or otherwise realise value from the project.

Leyshon had \$7.47 million cash on hand at the end of the quarter and has reduced its monthly outgoings to less than A\$200,000 per month. Further reductions in administrative and recurring expenditure are underway.

For further information contact:

**Leyshon Resources Limited**

*Paul Atherley - Managing Director*

*Tel: +86 137 1800 1914*

*Mob: +61 417 475 038*

**Pelham Public Relations**

*Charles Vivian*

*Tel: +44 (0)207 743 6672*

*Mob: +44 (0)7977 297 903*

*John McLeod*

*Tel: +44 (0)207 743 5508*

*Mob: +44(0)788 692 0436*

**Seymour Pierce**

*Jonathan Wright*

*Tel: +44 (0)207 107 8000*

<http://www.leyshonresources.com>

**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. Over 80% of employees 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 the first ever Sino Foreign owned mine in the mineral rich province of Heilongjiang 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.*

*The recently reviewed capital cost estimate for the 2.25 million tonne per annum combined carbon in leach and flotation circuit process plant is RMB369 million (US\$52.6 million). Orders have been placed for two 4.6 metre diameter ball mills at a cost of RMB15.2 million (USD 2.1 million) and a RMB12.1 million (USD 1.7 million) order has also been placed for the supply of a 700 tonne per hour Nordberg crushing circuit.*

*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.*