LEYSHON

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MARCH 2009 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX: LRL) is pleased to report that during the quarter substantial progress has been made in the development of the Zheng Guang project in Heilongjiang, northeast China.

As previously reported, late last year the Company deferred construction activity at the project due to the prevailing uncertainties in the capital markets and planned to recommence site works once permitting had been finalised and funding arrangements put in place.

Since then significant progress has been made on the permitting front and a clear pathway has now been established for the final Mining Licence approval.

The development strategy for the project has been revised to one which is more suited to local Chinese conditions and has a lower financing requirement.

The revised design provides for a lower initial throughput rate based on the existing single ball mill and crushing circuit and a ramp up to 750,000 tonnes per annum at a higher grade. The capital cost has been reduced from the previously reported US$59 million to around US$48 million and the operating margins improved.

An expansion to the previously planned 1.5 million tonnes per annum is to be assessed at later date.

The project's initial development at this lower rate has the full support of the influential Heilongjiang Bureau of Geology and Mineral Resources and the relevant local municipal and provincial authorities.

The capital market conditions for junior gold projects have improved dramatically of late and a revised Bankable Feasibility Study is currently underway which will facilitate the debt and equity funding of the project at the reduced throughput rate once the permitting has been completed.

Permitting

The lengthy approvals process is nearing completion. Approval for the Land Acquisition Plan has been received and the Business Licence has been renewed and extended for 15 years until 2024.

Documentation for the final approval, the Mining Licence, is currently being prepared and is expected to be lodged during the current quarter.

A meeting with Martin Ferguson, Australian Minister for Resources and Energy, and the Australian Ambassador to China was held at the Australian Embassy in Beijing to present Leyshon's case for support during the Minister's recent visit to Heilongjiang.

Austrade has reported back that following the visit the Provincial Governor and the relevant Director's General were now fully briefed on Leyshon's (and Sino Gold's) investments in the Province and of each company's progress in developing it's respective gold project in the Heihe Municipality.

In addition to the numerous coal and copper mining project developments that have taken place over the past few years in the area around Zheng Guang, Sino Gold's recently announced US$65 million Eastern Dragon project is one of two other significant new gold projects being developed in the region which at one time was one of China's largest gold producing areas.

The Company has been advised by the municipal authorities that these new gold projects are highly regarded as important future contributors to the local economy and are a key part of the regional development strategy. This very strong local support from the Heihe Municipality and the Heilongjiang Bureau of Geology and Mineral Resources is expected to assist in expediting the Mining Licence approval.

Capital Cost Reduction

Beijing based international mining consultants Minarco-MineConsult has commenced the preparation of a Bankable Feasibility Study (BFS) for debt financing purposes based on a revised throughput rate ramping up to 750,000 tonnes per annum in the first stage using the existing ball mill and crushing circuit.

The study will optimise the pit design and operating parameters at current metal prices and the strong demand for zinc concentrates in northern China.

Minarco-MineConsult has advised that:

"The study will take into account the likely initial Mining Licence approval of 175,000 tonnes per annum and a rapid ramp up to 750,000 tonnes per annum utilising the existing ball mill and crushing circuit.

The study will provide for an expansion at a later date to 1.5 million tonnes per annum, subject to approvals, further economic studies and the conversion of inferred resources to the measured and indicated category.

The main aim being a reduction in the upfront capital expenditure required to bring the project into production. Based on its initial review MMC believes that there is reasonable scope to reduce the upfront capital costs of the project.

Based on its review MMC believes that the information required to undertake a BFS is substantially complete and a large number of the existing studies, especially those relating to infrastructure, environment geotechnical and mineral processing, can be significantly relied on in their original form, as a basis for the BFS. MMC through the use internal and external consultants and associates believes that a BFS could be completed in a period of 2-3 months."

Changchun Gold Design Institute has completed a study at the revised throughput rate of 750,000 tonnes per annum, based on the sulphide ore only, and has reported key technical and financial parameters as follows:

- Mine and treat 750,000 tonnes per annum of open pit ore with mine diluted grades of 2.66 g/t Au, 10.41 g/t Ag and 1.06% Zn.
- Annual production 48,000 ounces gold, 160,000 ounces of silver and 6,800 tonnes of zinc in concentrate.
- Capital cost of RMB 300 million (US$43.92 million) including government imposts and an estimate of working capital of RMB 30 million (US$ 4.4 million).
- Total operating cost of RMB 180 per tonne (US$26.35 per tonne) made up of RMB 75 per tonne mining, RMB 80 per tonne treatment and RMB 25 per tonne overhead.
- Annual revenue is estimated at RMB 362 million (US$52.92 million) at current metal prices.
- The study has not evaluated the mining and treatment of oxide, lower grade ore or extensions to the Main Ore Zone which collectively have the potential to significantly extend the initial mine life beyond the initial 7.2 years.

In addition to the capital cost reductions being reviewed by Minarco-MineConsult, recent discussions with the relevant provincial authorities have indicated that it may be possible to further reduce the upfront capital requirements by negotiating deferred payments for the major government imposts.

The recently announced Environmental and Safety bond amounts have been estimated at less than RMB 2 million and will form part of the upfront capital requirement.

The project continues to benefit from the major infrastructure developments in the region. Following the completion of the upgrade of road to the south to the town of Nenjiang late last year, the upgrade of the 120 kilometre road to the major regional centre of Heihe is well advanced and will be completed later this year. This will bring the project within 90 minutes travelling time of Heihe international airport with daily flights to and from Beijing.

Funding

The Company has received an Indicative Term Sheet for a Secured Term Loan Facility for up to US$30 million from a major international bank.

Whilst the terms are highly conditional until the revised project studies and final permitting have been completed and have been provided for discussion purposes only, they have proved very useful in gaining an understanding of the likely requirements of a debt financing in the current market conditions.

As previously reported the Company has received a number of approaches regarding the potential sale of its interest in the project and is currently progressing these parties under confidentiality agreement. These commercial discussions are at a preliminary stage and are incomplete.

The Company had A$4.6 million cash on hand at the end of the quarter and has further reduced its monthly outgoings to less than A$150,000 per month.

Managing Director Paul Atherley commented: *"The reduced capital cost of the project at the lower initial throughput rate combined with the recent improvement in the capital market conditions for junior gold companies has given us every confidence that the Company will be able to finalise funding when permitting has been completed later in the year."*

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Background

Leyshon Resources Limited (AIM & ASX:LRL) was on the ground in 2003 when China opened its gold sector to foreign investment and is developing the Zheng Guang gold zinc project as one of the first Sino Foreign owned gold mines in the mineral rich province of Heilongjiang, north east China.

The joint venture has established a 135 km^2 strategic ground position on a major unexplored gold and copper belt and has delineated an initial JORC compliant Measured and Indicated resource of 740,000 ounces gold, 2.7 million ounces silver and 71,000 tonnes zinc.

A ground breaking ceremony on 2nd August 2008 saw commencement of civil engineering, site clearing and bulk earthworks works at the mine site. Work completed included an 8.6 kilometre access road that connects the project with the residential town of Heibaoshan and the national rail network.

In addition the necessary approvals and land compensation arrangements were put in place for the 16 kilometre 35 Kv power line which will connect the project to the state grid.

An engineering design by the Changchun Design Institute is currently being reviewed by international mining consultants Minarco-Mineconsult with a view to reducing the upfront capital requirements and optimising the pit design and operating parameters.

The project has received its formal Environmental approval, the necessary Land acquisition agreements have been finalised and the Project Registration documentation lodged. The final Mining Licence approval is currently being prepared and is expected to be lodged shortly.

The Company is fully engaged in China with its main operating office in Beijing and is jointly developing the project with the Qiqiha'er Brigade of the Heilongjiang BGMR, one of the largest geological bureaus in China.