



30 October 2009

SEPTEMBER 2009 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX: LRL) (“Leyshon” or “the Company”) reports that during the quarter it entered into a conditional agreement to sell its interest in the Zheng Guang Project (Project) following a competitive divestment process involving a number of Chinese and international companies.

The Company and its joint venture partner, the Qiqiha'er Brigade of the Heilongjiang BGMR, have reached agreement to sell their respective interests in the Sino Foreign Joint Venture company Black Dragon Mining Company Limited (Black Dragon), which owns the Project, to Heilongjiang Heilong Mining Company Limited (Heilong).

Under the agreements that Heilong has entered into with the Company's wholly owned subsidiary China Metals Pty Limited (China Metals) it will:

- pay RMB230 million (US\$34 million) for China Metals Limited's 70% interest (Sale Proceeds); and
- assume Black Dragon's liabilities currently estimated at RMB 10 million (US\$1.5 million); and
- be responsible for royalty payments estimated at RMB 20 million (US\$3 million).

In addition Heilong has paid RMB75 million (US\$11 million) to Black Dragon to enable it to repay a loan to China Metals which had previously been advanced for the development of the project (Shareholder Loan).

Subsequent to quarter end, this amount has been paid to China Metals in Australia. In addition the escrow account for the Sale Proceeds has been established and RMB 115 million has been paid into this account by Heilong.

Following completion of the proposed transaction, the Company will have no liabilities, cash and receivables of ~US\$47 million (ie ~£29 million and ~A\$ 54 million)(based on the exchange rate prevailing at the time that the transaction was announced) equivalent to 13 pence (A\$0.23) per share.

A notice of meeting has been sent to shareholders for consideration prior to the Annual General Meeting to be held on 30 November, which includes full details of the proposed transaction and the Company's proposed investing policy to be adopted following the disposal.

Pending the investment of the Company's available cash pursuant to the proposed investing policy and relevant regulations, the Company may embark on an on-market share buyback programme on AIM and ASX, if the Company's shares trade at a discount to net tangible assets.

The Board is of the view that this comparatively high valuation was achieved for a pre production resource due to the fact that Leyshon is based in China and was able to bring in Australian metallurgical and geological expertise to work side by side with the Chinese engineers inside the Changchun Gold Design Institute. The Project design met all the relevant Chinese standards and yet incorporated the latest Australian thinking on process route and geological interpretation.

Since its involvement in China, the Company has completed three raisings, one on ASX in December 2004 for A\$7 million and two on AIM in 2006 for £2.65 million (A\$6.6 million) and £8.3 million (A\$16.25 million) for a total of A\$29.6 million.

Following the sale and repayment of shareholder loans, in accordance with sale agreements, the Company will have no liabilities and cash of approximately A\$52 million after taxes and fees. In addition the Company will have a receivable in the form of a tax credit equal to the holding tax withheld of A\$3.4 million for a total of A\$55.3 million (these A\$ amounts are based on the prevailing exchange rates at the time the transaction was announced).

The Company is firmly of the view that China's strong demand for minerals and metals will continue to grow due largely to the planned urbanisation of over 400 million people in the coming decade. In the Company's view, based on its experience dealing with private and state owned resource groups, China's rapid growth metal and mineral production has to a large extent been based on known discoveries.

The challenge is going to be to fill the pipeline with new projects through generative exploration, which doesn't appear to be taking place now that state funding has been redirected away from the provincial geological bureau.

As a result, Chinese companies are seeking to acquire and develop known resources elsewhere in the world.

The Company proposes to draw on its 6 years experience in China and focus on acquiring and developing projects in those commodities and located in those countries which it believes will be of interest to Chinese mining and other groups for either offtake, partnership or sale.

Since announcing the proposed sale, the Company has received an increasing number of project investment proposals and is currently evaluating a number of these projects which meet its proposed investment criteria.

The Company plans to continue to operate from Beijing, taking advantage of the strong technical base it has established with the local design institutes, and is confident that it will be able to identify a project to which it can apply its technical, financial and development skills.

The Company had A\$3.0 million cash on hand at the end of the quarter and in addition has subsequently received repayment of the Shareholder Loan of RMB75 million (A\$12.0 million).

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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 km² strategic ground position on a major unexplored gold and copper belt and has delineated an initial JORC compliant Measured Resource of 361,400 ounces gold, 1.3 million ounces silver and 33,650 tonnes zinc and an Indicated Resource of 378,000 ounces gold, 1.3 million ounces silver and 36,500 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.

Geological Information

The information in this report relating to Mineral Resources 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' and as a Qualified Person as defined in the AIM Rules. 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.