



19 October 2010

SEPTEMBER 2010 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX: LRL) (Company) announces that during the quarter it continued to review, and is continuing to undertake due diligence, on a number of project investment opportunities, some of which have the potential to meet the Company's investment criteria.

As previously stated, the Company remains alive to possibilities both internationally and within China. It is currently focusing on thermal and coking coal and gold opportunities in North Western China and Southern Mongolia.

During the quarter the Company announced that as part of a broader strategy to target and acquire high quality coal assets located in Western China and Mongolia, it has made applications for a large area of exploration licenses in the Gobi Altai region of South West Mongolia.

A total of five licences (totaling 2,664 km²) have been applied for covering ground which the Company's geologists consider to be highly prospective for high quality coals including hard coking and semi soft coking coals as well as high energy thermal coals.

The licence applications lie between 35 to 100 kilometers from a recently re-established Mongolia/China border crossing at Laoyemiao, giving direct access to the rapidly expanding Bayi steel mill at Urumqi in the Chinese Province of Xinjiang and the major producing steel centres of Jiayuguan and Jiuquan and in the north west of the Chinese Province of Gansu.

The Company remains of the view that in light of the forecast increasing demand for all types of coal within China over the next ten years, high quality coal assets located close to infrastructure and within transport distance to market will become increasing valuable over time.

The licence applications are subject to Mongolian government approval (one application has been accepted the other four are located within a coal belt occurring within the government identified areas for tender). The tender process is scheduled to commence during the December quarter.

In addition, the Company is in active discussions with a potential vendor of an interest in a large thermal coal project located in eastern Xinjiang. Due diligence is well advanced and the results suggest that the project has the potential to meet the Company's investment criteria. Further discussions are expected during the current quarter.

In addition to the thermal and coking coal projects, the Company is actively reviewing epithermal gold and copper targets in the major metallogenic Tien Shan belt in northern Xinjiang.

The Company is currently undertaking a detailed due diligence exploration programme on a gold project located in a historic mining district in north west Xinjiang. The programme has comprised extensive trenching and sampling over several kilometers, testing the surface expression of a potentially deep seated orogenic gold resources. Further detailed testwork and commercial negotiations are expected during the current quarter.

The Company continues to generate investment proposals from many locations around the world and it actively considers each one in light of its competitive advantage of being located in Beijing and able to access the Chinese end user market.

The Company remains diligent in its assessment of assets at all times and is therefore prepared to commit significant expenditure on due diligence and other studies before committing to a transaction. The Company can give no assurance that these due diligence investigations and/or discussions will successfully conclude in an acquisition.

During the quarter the Company made no purchases under the buy back programme. For much of the quarter the Company's share price has traded at or around net asset backing with good liquidity in both London and Australia and whilst it continues to do so there are no plans to make any further purchases in the near term.

At quarter end, the Company had A\$46.6 million in cash, and is due A\$1.4 million in term deposit interest for a total of A\$48.0 million. This is an increase on the funds held immediately following settlement on the sale of the Zheng Gung gold project in December 2009 and is equivalent to 22.2 cents per share and 13.7 pence per share.

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