



31 January 2011

DECEMBER 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.

The Company remains alive to possibilities both internationally and within China. It is currently focusing on thermal and coking coal and gold opportunities in the north western Chinese Provinces of Inner Mongolia, Xinjiang and Southern Mongolia.

As previously announced, the Company has applied for five licences in South West Mongolia. The Mongolian government tender process, which involves a large number of licences and applications by other companies, did not commence in December 2010 as planned. The Company continues to monitor developments closely.

The Company is in active discussions with vendors of large thermal coal projects in Xinjiang and Inner Mongolia. Due diligence is well advanced and the results suggest that the projects have the potential to meet the Company's investment criteria. Commercial discussions and due diligence are ongoing and are expected to continue during the current quarter.

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

The Company has completed a detailed due diligence exploration programme on a gold project located in a historic mining district in north-west Xinjiang. Commercial negotiations have commenced and are expected to continue 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.

As previously advised the Company successfully completed its readmission to AIM and as part of the readmission placed 30,435,130 new ordinary fully paid ordinary shares at A\$0.23 and raised approximately A\$7 million before costs.

The shares were placed with a number of high profile institutional investors who are supportive of the Company's business plans. The placees include IDG-Accel China Growth Fund II L.P. and its affiliated entity (collectively, "IDG-Accel Funds"), as managed by IDG Capital Partners, which now becomes a major shareholder holding approximately 8% of the Company.

IDG Capital Partners is a China-focused investment firm with over US\$2.5 billion capital under management. It was one of the earliest foreign investment funds to enter the Chinese market and since 1992 it has invested in high quality companies with long-term growth potential.

The Company has also now achieved Wholly Owned Foreign Investor (WOFE) status for its activities and investments in China. This is an important step as it allows the Company to make investments and undertake its business activities in China within a regulatory framework that is much closer to that governing local companies than was previously the case.

The Company has also created and appointed four members to a Beijing based Advisory Board. The purpose of the Advisory Board is to provide guidance in relation to the Company's investments in China. The Advisory Board members will provide specific advice in relation to investments within China, provide introductions to relevant government bodies and where appropriate represent the Company at various levels of government.

The appointees are all senior officials who have held positions in the Ministry of Lands and Resources. The Advisory Board members are supportive of the Company's investment plans.

The Ministry of Lands and Resources is responsible for all exploration and mining activities and is one of the Chinese Government's most senior Ministries ranking alongside the National Development and Reform Commission and the Ministry of Commerce in terms of seniority.

The Company also continues to work closely with the Australian Government's Austrade office in Beijing. During the quarter Austrade's Minister (Commerce) hosted a delegation to the western Chinese province of Xinjiang in support of Leyshon's ongoing interest in investment in the province.

Subsequent to the end of the quarter the Company announced the end of the share buyback programme. In total the Company purchased 2,165,098 shares at an average of 17.4 A\$ cents and 10.8 pence per share. During the quarter the Company's share price has traded at or above net asset backing with good liquidity in both London and Australia.

At quarter end, the Company had A\$52.8 million in cash, and is due A\$1.4 million in term deposit interest for a total of A\$54.2 million. This is an increase on the funds held immediately following settlement on the sale of the Zheng Guang gold project in December 2009 and is equivalent to 22 A\$ cents per share and 13.7 pence per share.

For further information contact:

Leyshon Resources Limited

Paul Atherley - Managing Director

Tel: +86 137 1800 1914

[*patherley@leyshonresources.com*](mailto:patherley@leyshonresources.com)

Seymour Pierce

Jonathan Wright/John Cowie (Nominated adviser)

Richard Redmayne/Leti McManus (Corporate broking)

Tel: +44 (0)207 107 8000

<http://www.leyshonresources.com>

Background

Leyshon was on the ground in 2003 when China opened its mining sector to foreign investment. It has been fully engaged in China since then and has its main operating office located in Beijing.

China's latest Five Year Plan emphasizes Inclusive Growth which entails the planned urbanization of a large number of Western China's rural population into second and third tier cities. This will result in significant increases in power consumption and infrastructure spending.

The Company is planning to invest in high quality coal assets in Xinjiang and South West Mongolia which will sell into the escalating demand for thermal and metallurgical coal across China over the next ten years.