



29 July 2011

JUNE 2011 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 advised, the Company has completed a preliminary technical and legal due diligence review on a PRC entity that holds an exploration licence over a thermal coal project in the Western Chinese province of Xinjiang. More detailed review of the technical data collated during the June quarter has confirmed that the asset has the potential to meet the Company's investment criteria.

Also as previously advised the Company has commenced commercial discussions with the vendor and these are continuing.

The Company's main focus during the quarter has been on advancing the approvals necessary to facilitate the transaction. The Company has an experienced team based in the Provincial capital Urumqi whose task is to ensure the timely progression of each step of the lengthy approvals process. The recent changes to the PRC foreign ownership laws for the minerals and energy sector have been a factor in slowing this progress.

In addition, the Company and its advisors have commenced discussions and negotiations with a large state owned enterprise on joint venture arrangements which, in the event of a successful completion of the transaction, would become the Company's joint venture partner on the project.

Whilst the Company believes that the asset is attractive in that it has the potential to meet its demanding internal investment criteria, it can give no assurance that these due diligence investigations, approval processes and/or discussions will lead to the successful completion of the transaction.

The Board is aware that this particular process is taking some time to reach a conclusion. The Board notes that in the current competitive environment the acquisition of high quality assets can be expected to take time to complete.

The Company remains diligent in its assessment of project investment opportunities at all times and is therefore prepared to commit significant expenditure on due diligence and approvals and other studies before committing to a transaction.

Whilst ensuring that adequate resources are applied at all times in search of a positive outcome the Board is mindful of preserving cash reserves. At quarter end the Company had A\$52.9 million in cash, and is due A\$1.6 million in term deposit interest for a total of A\$54.5 million. This is equivalent to 22 A\$ cents per share and 15 pence per share.

The Company continues to generate investment proposals including a number of gold, copper and coal projects in China as well as 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.

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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 which will sell into the escalating demand for thermal and metallurgical coal across China over the next ten years.