



31 October 2011

SEPTEMBER 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.

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 majority of the Provincial level approvals have now been obtained.

The focus is now on obtaining the necessary approvals at the Beijing level. The recent changes to the PRC foreign ownership laws for the minerals and energy sector and uncertainties over the pace of rail development and access to it have both been factors in slowing the overall approval process.

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

Management is firmly of the view that notwithstanding the current slowing of the growth in China's economy, the demand for energy minerals and metals will continue to be underpinned by the urbanization of over 400 million people in the coming decade. 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 is resulting in significant increases in coal fired power consumption and infrastructure spending such as railways and new city development in these regions. Thermal coal prices have remained strong despite the recent falls in prices for other commodities.

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 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.

Management continues to review 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.

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\$52.5 million in cash, and is due A\$1.3 million in term deposit interest for a total of A\$53.8 million. This is equivalent to 22 A\$ cents per share and 15 pence per share.

The Company has announced an on-market share buy-back of up to 5.5 million ordinary fully paid shares which commenced on 18 October 2011 and will have a maximum duration of 12 months.

Whilst the main focus during the year will be to progress the approvals for the proposed Xinjiang coal acquisition, the Company will remain very active in evaluating other investment opportunities both in China and elsewhere that have the potential to meet its investment criteria.

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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.