



22 September 2009

Zheng Guang Project Sale

Leyshon Resources Limited (AIM/ASX: LRL) (Leyshon or Company) is pleased to report that it has entered into a conditional agreement to sell its interest in the Zheng Guang 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 Zheng Guang 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).

Under the terms of the Equity Transfer Agreement (ETA), RMB115 million (US\$17 million) of the Sale Proceeds will be placed in a jointly controlled escrow account with Citibank within the next 30 days. The remaining RMB115 million will be paid into the escrow account within five business days after approval by the relevant authorities of the ETA.

These escrowed funds, totaling RMB230 million, will be released once final transaction related approvals have been received. Transfer of ownership by the Company of its 70% interest in Black Dragon will only take place once all funds have been received.

All liabilities between the Company, the Heilongjiang BGMR and related entities have been settled as part of the transaction. There will be 10% withholding tax of ~RMB23 million (US\$3 million) and other liabilities, fees and expenses totaling approximately RMB6 million (US\$1 million) will be deducted from the Sale Proceeds.

The transaction is conditional upon:

- receipt of the relevant approvals by Heilong relating to the acquisition of the Company's and Qiqiha'er Brigade's shareholding in Black Dragon;
- transfer of the relevant business licences by the provincial authorities; and
- foreign exchange approvals.

The transaction is not conditional on any project related approvals. It is estimated that the transaction approvals could take up to six months to complete.

In the event that the ETA does not complete within six months, the parties have the right to terminate the agreement and the Shareholder Loan will become liable to be repaid by China Metals to Heilong.

In the event that there are significant delays - the Board has identified this as the most significant risk in relation to the completion of the transaction - it is expected that the parties would negotiate to extend the term or otherwise amend the terms of the agreement such that it could be finalized.

Heilong is an emerging local mining company that in recent years has acquired the nearby Duobaoshan and Tong Shan Copper Projects and holds large exploration holdings surrounding the Zheng Guang Project.

The transaction is subject to Leyshon shareholder approval. A notice of meeting is currently being prepared which will include full details of the proposed transaction and the Company's proposed investing policy to be adopted following the disposal. The circular will be sent to shareholders for consideration prior to the Annual General Meeting scheduled for mid November.

The Board has considered the value of this transaction compared with the continued development of the project and has concluded that due to the very significant impact of dilution when equity funding the project, even when allowing for a proportion of debt, the proposed divestment represents a better return to shareholders on a per share basis.

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) equivalent to 13 pence per share and 24 A\$ cents per share.

The Company will take the opportunity to discuss with shareholders the proposed divestment ahead of the AGM and will take into account their views on the proposed future strategy for the Company.

Managing Director Paul Atherley commented: "Following completion of the proposed sale we will have cash reserves in excess of US\$44 million which will enable us to draw on our six years' experience in China and focus on acquiring and developing projects located in those countries and commodities which are of interest to Chinese groups for either offtake, partnership or sale."

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