



31 October 2014

Quarterly Report September 2014

Leyshon Resources Limited (AIM/ASX: LRL) ("Leyshon" or the "Company") primary activities during the quarter included identifying new project opportunities and continuing the strategic review of the Mt Leyshon gold project in Queensland, Australia.

New Project Opportunities

During the quarter, the Company has been actively pursuing and studying potential investment opportunities in the resources sector which are in line with the Company's stated investing policy. The Company has a short list of potential investment opportunities and has been undertaking technical due diligence, site visits and negotiating terms with vendors. There is no indication whether these discussions will lead to a commercially binding transaction.

The Company's strategic objective is to identify mineral resource projects that have a clear pathway to production or monetisation and can generate high returns to shareholders. This will be achieved by leveraging the in-house expertise and track-record in identifying, acquiring, financing, developing and operating resource projects, and un-locking value. The Company's plan is to identify advanced or brown-field assets with existing cashflows or the potential for cashflows at relatively low capital expenditures.

The investment climate in the resources sector continues to be difficult. Resource equity and asset valuations are currently substantially discounted which we believe will provide an attractive entry opportunity for the Company at the bottom of the investment cycle.

The Company has a strong cash position with working capital of A\$2.8 million. Major shareholders are supportive of the Company's acquisition strategy.

Since the completion of the demerger, the Company has commenced preliminary discussions with prospective debt and equity financiers in regard to a number of investment opportunities and has been encouraged by the response regarding the level and types of funding that could be available.

Mt Leyshon Strategic Review

The Company is continuing its strategic review of the Mt Leyshon project and a number of potential opportunities to create value from the project have been identified, including:

- 1) Utilising the existing pit and other infrastructure for small-scale hydro power generation;
- 2) Reassessing the exploration potential of the ground in the vicinity of the old mine; and
- 3) The potential to recover the gold from the ball mill scat stockpiles. A previous economic study demonstrated only modest returns at a gold price of US\$780 per ounce, compared to the higher prices today.



1. Charters Towers Energy Project

The Company has continued with its strategy examining the feasibility of developing a pumped storage hydro ("PSH") power project at Mt Leyshon.

During the quarter, the Australian Energy Market Operator (AEMO) published the Electricity Statement of Opportunities for 2014. AEMO's market forecasts follow Powerlink's significant downward revision of forecast Queensland electricity demand from earlier this year. The forecast requirement for new capacity has now moved out beyond the AEMO ten year planning window. This is later than contemplated in the May 2014 Charters Towers PSH Concept Study which envisaged new demand by 2020. In this context, the Company believes the best prospects for the Leyshon PSH concept is as a network support project. The Company believes the project is a very suitable form of generation network support and the 20-40MW sizing fits well within the scale of the network limitations.

2. Further Exploration

The historical focus of the Leyshon mining operations was the Mt Leyshon Breccia, the main ore host, comprising a large pipe-like breccia, approximately 400 x 300 metres in plan, with a minimum vertical extent of 650 metres. A number of areas of brecciation and porphyry intrusion extend outside the main pit area. Historical surface sampling has identified areas of anomalous grades of gold, silver, lead and zinc. A study is currently underway to examine all the historical data to assess whether a new re-interpretation should be undertaken using modern day exploration methodologies including sampling and geophysics.

3. Recovery of Gold from the Mill Scats

In June 2012, the Company completed a drilling program and economic study on the potential recovery of gold from a large stock pile of between 12 and 15 million tonnes of ball mill scats from the historical operations. The study considered a number of different process routes to recover between 100,000 and 175,000 ounces of gold through the retreatment of the highly mineralised material. The material was stockpiled at a time when gold prices averaged around US\$300 per ounce, and the 2012 study was based on a gold price of US\$780 per ounce.

The results of the program indicated that the project was viable but required significant capital expenditure for a relatively modest return, and the project was put on hold. In light of the higher gold prices today, the directors are revisiting the project economics to test some of the original assumptions and whether a case to reprocess the scats can be established.

During the quarter, a private group completed a bulk sample of scats to test through a trial processing plant. The results of the trial should be available during the December 2014 quarter.

ASX Suspension Update

Australian Securities Exchange ("ASX") policy, in accordance with Chapter 12 of the Listing Rules, is to allow companies that have disposed of their main undertakings a six-month period within which to satisfy ASX that the company has a sufficient level of operations to justify continued quotation of the Company's securities on the ASX. With funds available for investment and the volume of opportunities being presented to Leyshon for consideration, the Board had expected to be in a position to implement a programme to create value from its existing Mt Leyshon assets or a suitable project acquisition in time to satisfy the ASX's continued operations policy.

Since the demerger and subsequent appointment of a new Managing Director in February 2014, the Company has been actively reviewing a number of project opportunities, including appropriate due



diligence enquiries, and entered into negotiations with several parties. Whilst the Company is currently evaluating a number of opportunities, there can be no certainty that a transaction will be concluded.

However, the Company was not able to satisfy the ASX that it was in compliance with Chapter 12 and was suspended from trading on 14 July 2014. Leyshon remains an ASX listed entity and provided it is able to recommence operations of a level that, in the opinion of the ASX, is sufficient to justify quotation of Leyshon securities in the future, the suspension of trading in the Company's shares will be lifted.

With our available cash reserves, Leyshon is well positioned to pursue quality projects in accordance with our investment strategy. Every effort will be made to ensure we secure assets that are most likely to achieve the corporate objectives and strategic aims of the Company.

In the interim, the Company will continue to evaluate suitable investment opportunities and will keep the market informed of any material developments as they occur.

The Company confirms that its securities continue to trade on the AIM Market and the Company remains subject to Rule 15 of the AIM Rules for Companies ("AIM Rules") whereby the Company will have to make an acquisition(s) which constitute a reverse takeover under AIM Rule 14 or otherwise implement its investing policy to the satisfaction of the London Stock Exchange within twelve months of the demerger of Leyshon Energy.

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Tenement Interests

Leyshon Resources Limited held the following interests in exploration tenements at the end of the quarter. There were no tenements acquired or disposed of during the quarter and no changes in the beneficial interests held by the Company.

PROJECT	BENEFICIAL INTEREST	TENEMENT	NAME
MOUNT LEYSHON	100%	ML 1546	Golden Star
	100%	ML 10144	Mt Leyshon
	100%	ML 10148	Puddler Creek
	100%	ML 10149	Water Dam Gap Creek
	100%	ML 10172	Eastern Star
	100%	ML 10173	Southern Star