



31 July 2009

JUNE 2009 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX: LRL) (“Leyshon” or “the Company”) is pleased to report on the progress made during the quarter on the twin strategy of progressing the necessary approvals and funding for the Zheng Guang Project whilst at the same time advancing the interest of a number of parties seeking to acquire the Company’s interest in the project.

Development

As previously reported, late last year the Company deferred construction activity at the project due to the prevailing uncertainties in the capital markets and planned to recommence site works once permitting had been finalised and funding arrangements put in place.

The Bankable Feasibility Study on the revised lower initial throughput development strategy being prepared by Minarco-MineConsult has proceeded satisfactorily and has reached a stage where all major elements of the project have been confirmed with no major issues.

The Minarco-MineConsult resource estimate is expected to confirm that of the Geology Report prepared by Qiqiha’er Brigade. This provides for the first time a direct correlation between the resource estimates reported under the two systems.

The study is currently on hold pending the outcome of negotiations with the most advanced potential acquirers.

Permitting

The lengthy approvals process continues.

The Heilongjiang Development and Reform Commission has advised that Project Registration is now at the final approval stage and is expected to be issued within the next few weeks. The Changchun Design Institute’s preparation of the necessary documentation (comprising a revised design, develop and utilization plan and its safety chapters and a revised feasibility study) for the revised throughput capacity for the Mining Licence application is nearing completion and formal submission of the Mining Licence is expected in August.

The submission is conditional on the filing of the revised Geology Report with the Ministry of Lands and Resources in Beijing and the finalisation of the compensation funding arrangements with the Provincial Department of Lands and Resources in Harbin.

The Geology Report has been released by Qiqiha'er Brigade. The report will be submitted for a panelist's review, scheduled for next week in Harbin, and if favourably received will then be submitted to the Ministry of Lands and Resources in Beijing with a filing statement. This is expected to be obtained during August and will allow the Mining Licence application to proceed.

The joint venture has established a Harbin-based approvals team comprising several experienced and high ranking ex Gold Army Officers to facilitate the lengthy and complex provincial Mining Licence approvals process.

The approvals team has completed a detailed review of the Mining Licence approvals process on behalf of the joint venture company and has reported that, whilst timing cannot be accurately predicted, the pathway is clear and unambiguous.

The approvals team is liaising closely with the Department of Land and Resources regarding the amount and timing of compensation payments and other aspects of the process.

The Ministry of Lands and Resources has advised that renewal of the Exploration Licence immediately surrounding the Mining Licence area was accepted on 17 July and that approval is expected within one month from that date.

Divestment

The Company is in discussions with a number interested parties who are sufficiently advanced to be considered as potential purchasers of the Company's interest in the project. All discussions are confidential and incomplete at this stage.

Any commentary on the level of the expected offers would be premature at this point. However at all times management is mindful of making any comparison of the value of any offer it may receive with the assessed value of the development option on a per share basis in order that the full impact of dilution of existing shareholder is fully taken into account.

Joint venture partner Qiqiha'er Brigade and the Leadership Group of the Heilongjiang Bureau of Geology and Mineral Resources are fully informed with regularly briefings on all aspects of the proposed transactions.

The Company had A\$3.9 million cash on hand at the end of the quarter and continues to minimise expenditure wherever possible.

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Background

Leyshon Resources Limited (AIM & ASX:LRL) was on the ground in 2003 when China opened its gold sector to foreign investment and is developing the Zheng Guang gold zinc project as one of the first Sino Foreign owned gold mines in the mineral rich province of Heilongjiang, north east China.

The joint venture has established a 135 km² strategic ground position on a major unexplored gold and copper belt and has delineated an initial JORC compliant Measured Resource of 361,400 ounces gold, 1.3 million ounces silver and 33,650 tonnes zinc and an Indicated Resource of 378,000 ounces gold, 1.3 million ounces silver and 36,500 tonnes zinc.

A ground breaking ceremony on 2nd August 2008 saw commencement of civil engineering, site clearing and bulk earthworks works at the mine site. Work completed included an 8.6 kilometre access road that connects the project with the residential town of Heibaoshan and the national rail network.

In addition the necessary approvals and land compensation arrangements were put in place for the 16 kilometre 35 Kv power line which will connect the project to the state grid.

An engineering design by the Changchun Design Institute is currently being reviewed by international mining consultants Minarco-Mineconsult with a view to reducing the upfront capital requirements and optimising the pit design and operating parameters.

The project has received its formal Environmental approval, the necessary Land acquisition agreements have been finalised and the Project Registration documentation lodged. The final Mining Licence approval is currently being prepared and is expected to be lodged shortly.

The Company is fully engaged in China with its main operating office in Beijing and is jointly developing the project with the Qiqiha'er Brigade of the Heilongjiang BGMR, one of the largest geological bureaus in China.