



30 July 2010

## **JUNE 2010 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 stated, the Company remains alive to possibilities both internationally and within China. It is currently focusing on coking coal, iron ore, copper and gold opportunities in North Western China and Southern Mongolia.

The Company has completed the previously announced due diligence investigations into coal assets in the South Gobi district of Southern Mongolia. The announcement during the quarter by the President of Mongolia of the suspension of the issuance of new licences has created an uncertain investment climate and in light of the inability to gain certainty on title and future regulatory approvals the Company has decided to monitor the situation before proceeding with an investment.

The decision by the Mongolian Parliament to proceed with the construction of a railway line from the large undeveloped Tavan Tolgoi coal project 1500 kilometres north east to Russia during the period 2011 to 2014 rather than opting for the more immediate proposed 250 kilometre rail line due south to China reflects the ongoing uncertainty Mongolians have in opening up their Southern border to rail access.

From a coal project development perspective, this means that in the near term Mongolian coal will continue to be trucked to the Chinese border crossings. A 250 kilometre private toll road from Tavan Tolgoi due south to the Gangqimadao border crossing located 200 kilometres north-west of the major steel making centre of Baotao in Inner Mongolia is under construction for this purpose.

Based on Leyshon's understanding of the costs of accessing the toll road, utilizing the Chinese owned Gangqimadao crossing infrastructure and onforwarding coal via a privately owned Chinese rail line to access the northern Chinese steel and power markets only investments in those projects hosting higher quality coking coals are going to give the Company the return on investment it is looking to achieve.

The Company has researched the demand for specific coal types in Northern and Western China and notes that whilst there are relatively large quantities of semi soft coking coal available to steel mills from both Mongolia and within northern China itself, there is a structural shortage of specific types of hard coking coal.

The Company is actively exploring for these specific coal types in South Western Mongolia and China's most western province Xinjiang. It is actively undertaking sampling and undertaking other ground truthing programmes to determine whether the exploration projects under review have the potential to host these specific coal types.

In addition to the coking coal projects, the Company is actively reviewing epithermal gold and copper targets in the major metallogenic Tien Shan belt in northern Xinjiang.

The Company continues to receive investment proposals from many locations around the world and it actively considers each one in light of its competitive advantage of being able to access the Chinese end user market.

The Company remains diligent in its assessment of assets at all times and is therefore prepared to commit significant expenditure on due diligence and other studies before committing to a transaction. The Company can give no assurance that these due diligence investigations and/or discussions will successfully conclude in an acquisition.

During the quarter the Company made no purchases under the buy back programme. For much of the quarter the Company's share price has traded at or around net asset backing with good liquidity in both London and Australia and whilst it continues to do so there are no plans to make any further purchases in the near term.

At quarter end, the Company had \$46.2 million in cash, equivalent to 21.4 cents per share and 12.3 pence per share. Aside from those amounts required for immediate working capital purposes the cash is held on deposit in Australian dollars earning around 6% interest per annum.

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