



LEYSHON RESOURCES

14 April 2014

MT LEYSHON PROJECT STRATEGIC REVIEW

Leyshon Resources Limited (AIM/ASX: LRL) ("Leyshon" or the "Company") is pleased to announce that it has commenced a strategic review of the Mt Leyshon Project in Queensland, Australia.

Strategic Review

The Mt Leyshon Project is currently on care and maintenance. The Company is going to undertake a strategic review to assess its options in relation to the project. A number of potential opportunities to create value from the project have been identified, including:

- 1) The potential to recover the gold from the ball mill scats stockpiles. A previous economic study demonstrated only modest returns at a gold price of US\$780 per ounce, compared to the current price of US\$1300 per ounce;
- 2) Utilising the existing pit and other infrastructure for small-scale hydro power generation; and
- 3) Reassessing the exploration potential of the ground in the vicinity of the old mine.

Project Background

The Mt Leyshon Project comprises five Mining Licenses with a total area of 2,546 hectares, 24 kilometres south of Charters Towers in northern Queensland. The Mt Leyshon Gold Project was a large-scale, open-cut mine operated from 1987 to 2002, producing over 2.5 million ounces of gold and 2.3 million ounces of silver during its mine life.

The Mt Leyshon mine site has been significantly rehabilitated. A "Closure and Rehabilitation Plan" was submitted to the Department of Environment and Resources Management (QLD) in 2012. A number of potential opportunities have been identified that could create value for shareholders, including:

1. Recovery of Gold from 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. Given the recent increase in the gold price to US\$1300 per ounce, the Directors have decided to revisit the economics of the project.



Figure 1 Mt Leyshon mill scats stockpile

2. Hydro Power Generation

The Company has commenced a desktop concept study to examine the commercial viability of utilising the flooded mine pit and water reservoir at Mt Leyshon to develop a pumped storage hydro project.

The site has a number of key attributes that make it amenable to pumped storage hydro power generation, including:

- an upper water reservoir of approximately 1,250ML capacity;
- a lower reservoir (the flooded mine pit) of approximately 138,000ML capacity;
- average head between the upper and lower reservoirs of approximately 315 metres;
- access to an existing 66kV transmission line and substation inside the project site and an existing 132kV transmission line within 24 kilometres of the site at Charters Towers;
- access to roads and other infrastructure such as water from the Burdekin Dam system; and
- A number of projections indicating a future shortage of peaking power availability in northern Queensland.



Figures 2-4 Mt Leyshon mine, the upper reservoir and the Charters Towers 128kv sub-station



3. 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. The Company will study the historical data to assess whether a new re-interpretation should be undertaken using modern day exploration methodologies including sampling and geophysics.

Next Steps

We look forward to updating Shareholders on the path forward for the project. The Company is also continuing to actively review other project opportunities and is in discussions with a number of parties with respect to possible transactions.

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