LEYSHON

25 January 2013

DECEMBER 2012 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX:LRL) ("Leyshon" or the "Company") is pleased to provide an update on the significant progress made during the fourth quarter of 2012 and details of the accelerated exploration and appraisal programme planned for 2013.

The Company previously announced that during the quarter its wholly owned subsidiary, Pacific Asia Petroleum Limited (PAPL), has completed the drilling and wire line logging of ZJS5 and ZJS6 wells, together with flow testing of ZJS5 on its newly acquired Zijinshan Gas Project on the eastern fringe of the prolific Ordos Gas Basin in Central China.

Drilling at both ZJS5 and ZJS6 intersected multiple potential pay zones, with initial results indicating that ZJS5 has encountered nine potential pay zones with a total thickness of 56 metres and ZJS6 has encountered 15 potential pay zones with a total thickness of 80 metres.

A flow test without stimulation was conducted on two potential pay zones totaling 17.6 metres in ZJS5 which confirmed that fracking will be required to produce commercial gas flows.

Further flow tests to determine whether commercial flow rates can be established from selected pay zones will be conducted on an ongoing basis as each well is completed. These tests are expected to commence in mid-March, following the spring festival and pending weather conditions.

ZJS5 is located seven kilometres from ZJS6 which is close to the southern boundary of the 708 km^2 Zijinshan Production Sharing Contract (PSC). Both wells ZJS5 and ZJS6 are part of an initial programme designed to explore and test the potential for commercial gas production in a highly prospective and unexplored 380 km^2 central depression area that appears to show good continuity with the neighbouring Sanjiaobei discovery.

Accelerated Exploration and Appraisal Programme for 2013

Following the strong progress made to date and the encouraging results from the programme, the PSC partner and PAPL have agreed to accelerate the exploration and appraisal programme for 2013 to further investigate the potential for commercial gas production at the Zijinshan Gas Project.

The main objective of the 2013 work programme, with a total estimated cost of up to US$20 million, is to define a resource sufficient to delineate and submit a Chinese Reserve Report (CRR).

This will be dependent on the outcome of the planned flow tests on the two wells drilled to-date and ongoing progress made with the drill programme.

In addition, the programme will further explore the gas resource potential in central PSC area and will generate a data set to allow third party independent resource reporting in addition to the CRR resource estimates.

The main components of the accelerated 2013 programme comprise:

- Drilling up to six wells. Three of which are committed wells and the additional three subject to results and PSC partner agreement. It should be noted that drilling of these additional wells will be dependent on favourable results from both the testing and seismic programmes.

- Flow testing of wells ZJS 5 & 6 and future wells as they are completed commencing mid-March. The duration of testing will be dependent on the success of the tests and in particular whether long term flow testing will be required. The first results are expected to be reported by the end of June, 2013.

- Acquisition of 300 km 2D seismic to identify additional well sites and generate data for the CRR report submission.

PAPL has a 100% interest in the exploration phase of the Production Sharing Contract (PSC) with PetroChina, which has the right to buy back a 40% interest at the development stage.

All three wells in the current programme are ideally located within approximately 10 kilometres of a tie-in point on the recently commissioned Lin-Lin pipeline which supplies the growing demand in Shanxi Province where well head contracts have recently been struck in the US$ 6 - 7.5 per mscf range. Recent discussions with potential off-take partners suggest that local well head prices are continuing to rise.

The Company is well placed to carry out its 2013 exploration and appraisal programme with a strong cash position of U$47 million (unaudited). With 249 million ordinary shares on issue this represents approximately U$19 cents per share, A$18 cents per share and 12 pence per share. It has a further 17 million shares available to be purchased in the current on-market share buy-back up to September 2013. The cash position does not take into account interest due nor all of the liabilities for the first two wells.

Monitoring and rehabilitation activities continued at the Mt Leyshon gold project in Queensland during the quarter. The Company continues to review high quality gold investment opportunities in China and elsewhere.

Managing Director Paul Atherley commented:

"*We are very encouraged by the positive progress we have made to date which has exceeded our initial expectations for the Zijinshan Gas Project.*

We have made the decision to accelerate the 2013 programme with plans to drill and test six wells, capture 300 kilometres of seismic data with the aim of delineating a resource by the end of the year.

The Company has a very healthy cash balance, sufficient to support our near and medium term requirements.

Additionally, we have established a very strong technical team with a growing track record in the region, which is more than capable of unlocking value from this rapidly developing project, located in the heart of the world's fastest growing market for gas."

For further information please contact:

Leyshon Resources Limited
Paul Atherley - Managing Director
Tel: +86 137 1800 1914
admin@leyshonresources.com

Seymour Pierce
David Porter/Stewart Dickson (Nominated adviser)
Richard Redmayne (Corporate broking)
Tel: +44 (0)207 107 8000

Pelham Bell Pottinger
Charles Vivian /James MacFarlane
Tel:+44 (0)20 7861 3232

Background

http://www.leyshonresources.com

Leyshon was on the ground in 2003 when China opened its mining sector to foreign investment. It has been fully engaged in China since then and has its main operating office located in Beijing.

China overtook the United States as the world's largest energy consumer in 2010, however on a per capita basis it still only consumes about 25% of the energy of the most developed nations. The government has recently described the country's increasing dependence on foreign energy sources as one of the "Grave challenges to energy security".

Its main policy response to this challenge is the rapid development of domestic unconventional gas resources, with a particularly focus on the Eastern Flank of the Ordos Basin. The aim is to rapidly increase the output of unconventional gas from the currently very low levels to an annual production of 6.5 billion cubic metres by 2015.

Leyshon, along with its partner PetroChina, is one of small number of companies exploring for and looking to develop unconventional gas production in the Eastern Flank of the Ordos Basin.

Managing Director Paul Atherley is an Executive Committee member of the China Britain Business Council and serves on the European Union Chamber Energy Working Group.