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31 October 2012

SEPTEMBER 2012 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX:LRL) ("Leyshon" or the "Company") previously announced that the recently appointed management team at Pacific Asia Petroleum Limited (PAPL), which Leyshon acquired in August for US$ 2.5 million in cash and the issue of 10 million fully paid ordinary shares, has commenced drilling at the 708 km^2 Zijinshan block located on the Eastern flank of the prolific Ordos Basin, China's second largest and one of the world's major gas producing basins.

The new management team, which successfully drilled and appraised the recent multi-Tcf gas discoveries on the adjacent Sanjiaobei and Linxing blocks, has designed an initial three well programme to test for gas in similar formations over a 600 metre interval to a depth of approximately 2.4 kilometres.

The first of two wells are expected to be completed by the end of November with completion of the third expected in the new year. The total cost for drilling, logging, casing, fracking and flow testing the three wells is estimated at around US$ 5 million.

The wells are located within 10 kilometres of a tie in point on the 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.

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.

Xinjiang Coal

As previously advised the recent 30% fall in domestic thermal coal prices has materially impacted the near term economics and potential financing arrangements of the thermal coal project located in the Western Chinese province of Xinjiang that the Company has been pursuing over the past twelve months.

The project remains an important part of the country's energy plan and development is expected to commence shortly. Management continues to monitor developments and to assess whether there is an attractive entry point for the Company.

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As previously advised, the ball mill scats drilling and preliminary testwork programme has indicated that the project is viable but requires significant capital for a relatively modest return, even at current gold prices. Management's view is that in light of focus of the Company's strategy and given the scarcity of risk capital of this nature, the returns do not warrant the investment at this stage but will review the project's development in the event that the price of gold should continue to rise. The Company continues to review high quality gold investment opportunities in China and elsewhere.

Cash Reserves

At quarter end the Company had A$47.8 million in cash, and is due A$0.1 million in term deposit interest for a total of A$47.9 million (GPB 30.8 million). This is equivalent to A$ 19 cents per share (12 pence per share).

Buy Back

The Company announced that the Buy Back will be increased from 5.5 to 24 million shares to be purchased on market no later than 12 September 2013. During the quarter 2,954,171 shares were purchased under the on-market share buy-back with a further 1,900,000 shares purchased during October 2012.

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Background

http://www.leyshonresources.com

Leyshon Resources Limited (AIM & ASX:LRL) was on the ground in 2003 when China opened its mining sector to foreign investment. It has been fully engaged in China since then with its main operating office located in Beijing.

China's latest Five Year Plan emphasizes the planned urbanisation of a large number of Central China's rural population into second and third tier cities lifting the urbanisation rate to 51.5% of the overall population.

This will result in significant increases in infrastructure spending and energy demands. The Company is planning to invest in high quality energy assets in China to meet this growing demand.