



22 April 2013

MARCH 2013 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX:LRL) (“Leyshon” or the “Company”) is pleased to provide an update on the progress made during the first quarter of 2013.

The Company, through its wholly owned subsidiary Pacific Asia Petroleum Limited (PAPL), has commenced an accelerated exploration and appraisal programme for its Zijinshan Gas Project on the eastern fringe of the prolific Ordos Gas Basin in Central China.

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

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 a third party independent resource by the end of 2013 and to submit a Chinese Reserve Report (CRR) by mid 2014.

The main components of the programme comprise drilling up to six wells, conducting eight flow tests and acquiring 300 kilometres of 2D seismic data. Three of the wells are committed and the additional three are 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

Working closely with contractor Changqing Downhole Technology Company (CCDC), a subsidiary of CNPC, management has conducted a number of preparatory tests on previously identified potential pay zones in well ZJS6. A test procedure has now been developed. CCDC has mobilized crew and equipment and expects to commence flow testing during the current week. The overall test will take about four weeks. Once complete the crew and test equipment will be relocated to commence testing well ZJS5. Results will be reported as they come to hand.

Drilling

The location for well ZJS7 will be finalized based on interpretation of the recently obtained seismic data and the test results from well ZJS6.

Seismic

The field work for the 319 kilometer seismic programme, namely the surveying, drilling and recording has been completed. Initially the data is being interpreted to assist in identifying the locations of the next wells. Later it will be used to assist in resource assessment and is required as supporting data for the CRR submission.

Establishment

A number of new technical staff has been engaged, further strengthening the Beijing team which has a growing track record in the Ordos basin.

Health & Safety

A total of 179,272 man hours of incident-free field operations have been achieved to date.

Exploration Period Renewal

The PSC with CNPC is for 30 years and expires in 2038. The initial five year exploration period expires on 1st May 2013. An application for the renewal has been submitted and is expected to be received in due course.

Local Gas Prices

Wells ZJS5 and ZJS6 which were drilled by the Company in late 2012 are part of an initial programme designed to explore and test the potential for commercial gas production in a highly prospective and unexplored 380 km² central depression area that appears to show good continuity with the neighbouring Sanjiaobei discovery.

The wells are 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. Recent discussions with potential off-take partners suggest that there continues to be a shortage of locally sourced gas to feed the pipeline and as a result prices are continuing to rise. Locally based major industrial users are reportedly paying around U\$ 12 per mscf.

Cash Position

The Company is well placed to carry out its 2013 exploration and appraisal programme with a strong cash position of U\$45 million (unaudited). With 249 million ordinary shares on issue this represents approximately U\$18 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 current liabilities.

Energy and Gold

The Company is now actively looking at acquisition and investment opportunities in the oil and gas sector in locations and projects where it can bring its China advantages to bear.

It continues to review high quality gold investment opportunities. A new Environmental Authority has been awarded at the Mt Leyshon gold project in Queensland following satisfactory monitoring and rehabilitation activities.

It is also exploring the merits of whether to separate its energy and gold businesses and will make appropriate notifications in due course.

SETSqx

The Company continues to achieve excellent liquidity in its shares, especially on AIM. It has been upgraded to the SETSqx trading platform by the London Stock Exchange thereby providing institutional investors an alternative access to the stock other than via the market makers.

Managing Director Paul Atherley commented:

“The Company has a very healthy cash balance, more than sufficient to fund this year’s US\$20 million accelerated exploration and appraisal programme.

With up to six wells and eight tests we are going to be generating significant news flow over the coming weeks.

Additionally, we have established a very strong technical team with a growing track record in the Ordos basin, 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.”

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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 the Vice Chairman of the China Britain Business Council and serves on the European Union Chamber Energy Working Group.