



29 October 2013

SEPTEMBER 2013 QUARTERLY REPORT

Leyshon Resources Limited (AIM/ASX:LRL) (“Leyshon” or the “Company”) is pleased to provide an update on its activities undertaken during the third quarter of 2013.

Zijinshan Gas Project

The Company, through its wholly owned subsidiary Pacific Asia Petroleum Limited (PAPL), is progressing an early stage exploration and appraisal programme on its Zijinshan Gas Project located on the eastern fringe of the prolific Ordos Gas Basin in Central China.

The main objective of the 2013 work programme 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.

In an announcement of 17 September 2013 on the completion of drilling of well ZJS7, the Company advised that the exploration and appraisal programme remains at a relatively early stage and accordingly each well will be fully evaluated before proceeding with the subsequent well.

The Company also notified that this would likely result in slower progress in the overall programme than originally planned (and as announced on 25 February 2013) and that an assessment of the rate of progress of the ongoing programme will be undertaken once the full results from the latest well are known and once it has been agreed with its partner.

Subject to finalizing plans for the new programme with its partner, and dependent on results, the Company and its partner are considering a programme with a total expenditure of approximately US\$17 million pursuant to the 2013/14 exploration and appraisal programme for the Zijinshan Gas Project, comprising inter alia, drilling three wells, and fracking/testing two wells, with the remainder comprising principally PSC maintenance costs and geology studies.

It should be noted that drilling of these additional wells will be dependent on favourable results from both the testing and seismic programmes. It should also be noted that the programme remains at an early stage in the exploration and appraisal phase of de-risking the project and accordingly each well will be fully evaluated before proceeding with the subsequent well.

Results of Well ZJS7

Well ZJS7 is located approximately three kilometres to the northeast of well ZJS5, in the central part of the 380 square kilometre central depression area. The well was drilled without safety incident to a total depth of 2,266 metres targeting the same potential pay zones as those intersected in well ZJS5.

The analysis of logs and side core samples is largely complete and the results are consistent with those previously announced from the wireline logging. Multiple potential pay zones have been encountered with cumulative intervals of around 48 metres, as well as 24 metres of coal seams.

The main target intervals have reported good porosity and in some cases very high permeability but with low resistivity, indicating the potential to flow water. In addition the gas saturation levels are lower, and the water saturation higher, than for the same zones elsewhere in the field. A detailed review is underway to understand which zones will be flow tested.

The potential pay zones intersected included deeper zones which are the main production horizons elsewhere in the Ordos Basin. These zones are yet to be evaluated in this area of the field.

Overall the initial results have so far calibrated well with the recently acquired seismic data. The interpretation of the central depression area has been confirmed as relatively flat, bounded between the outline of a large magmatic intrusion in the west and regional scale faulting in the east, and rising slightly to the north.

Exploration Period Renewal

As previously announced agreement has been reached between Company's wholly owned subsidiary Pacific Asia Petroleum Limited (PAPL) and its partner on the Zijinshan Production Sharing Contract (PSC) to extend the exploration period of the PSC to the end of 2017. The PSC is valid for 30 years and expires in 2038.

PAPL has met all the requirements for the extension and an application was submitted well ahead of the required date. The preparation for the extension commenced late last year and is expected to take several months to complete. An announcement will be made once the process has completed.

It is common for extension applications, once agreed between the PSC partners, to extend beyond the date of expiry whilst the various regulatory approvals are achieved and for exploration activities to continue as normal during this period; the Company intends to continue as such.

Separation of Energy and Mineral Assets

Work continued on the demerger of the Company's energy assets into Leyshon Energy Limited along with cash reserves of approximately US\$35 million. The Company now anticipates that the requisite shareholder meeting to approve the demerger will be held in late November or early December 2013. A notice of meeting will be posted to shareholders in due course.

As previously announced, it is now intended that Leyshon Energy Limited will only apply for admission to trading on AIM, and not on both ASX and AIM.

The rationale for this and details of the risks associated with the demerger will be included in the notice of meeting. A key factor is that the Company now has approximately 86% of its shares held outside Australia and over the past twelve months approximately 89% of the liquidity has been on AIM.

The proposed demerger will involve an in-specie distribution of shares in Leyshon Energy Limited to eligible shareholders of the Company. For those shareholders who are deemed by the Company to be ineligible because they reside in jurisdictions where the distribution is prohibited or would in the Company's opinion impose undue burdens on the Company, the corresponding Leyshon Energy Limited shares will be sold by the Company and the net proceeds returned to the shareholder. Further details will be included in the notice of meeting.

Energy and Minerals Acquisitions

As previously announced, over the past several months, Leyshon Resources has been actively pursuing acquisition and investment opportunities in both the minerals and the oil and gas sectors, in particular those which draw on the Company's China advantages.

There are a number of divestment processes underway for assets in the region for which the Company has advanced its interest in the normal course of business. A number of these acquisition opportunities have been reviewed by the proposed directors of Leyshon Energy Limited and they have determined that they could be of interest to Leyshon Energy Limited.

In addition preliminary discussions have been held with prospective debt and equity financiers with respect to these potential acquisitions and a positive response has been received regarding the level and types of funding which could be available to Leyshon Energy Limited.

The Company has been invited by CNOOC to participate in the forthcoming tender for one of twenty five offshore China Exploration Blocks which are being made available for Foreign Cooperation.

Leyshon Energy Limited intends to continue to actively pursue these opportunities, a number of which have the potential to be advanced quite rapidly following the demerger although there can be no certainty any of these opportunities will be completed.

The Company continues to review acquisition opportunities in the minerals sector as well as opportunities specifically related to Mt Leyshon and intends to actively pursue these following the demerger.

Cash and Liquidity

The Company has a strong cash position of US\$38 million (unaudited), held mainly in US dollars. With 249 million ordinary shares on issue this represents approximately US\$15 cents per share, A\$16 cents per share and 9 pence per share.

Liquidity in the Company's shares has declined significantly during the period leading up to the proposed demerger. It is anticipated that following the demerger investor relation activities will be restarted with each of the Company and Leyshon Energy Limited.

For further information please contact:

Leyshon Resources Limited

Paul Atherley - Managing Director

Tel: +86 137 1800 1914

admin@leyshonresources.com

Cantor Fitzgerald Europe

David Porter/Rick Thompson (Nominated Adviser)

Richard Redmayne (Corporate broking)

Tel: +44 (0)207 107 8000

<http://www.leyshonresources.com>

The qualified person, Frank Fu, who has reviewed this update, has 21 years' experience in the oil & gas industry and is a member of the Society of Petroleum Engineers.

Frank is currently the Chief Operations Officer for the Company based in the Beijing office. He holds a BS Geology and Exploration in Shanxi Mining College in Taiyuan, Shanxi. He joined the Company in 2012, having spent the majority of his career at ConocoPhillips in China and on its overseas gas and oil projects.