LEYSHON

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Second Well Encounters Multiple Pay Zones

Leyshon Resources Limited (AIM/ASX:LRL) ("Leyshon" or the "Company") is pleased to announce that its wholly owned subsidiary Pacific Asia Petroleum Limited (PAPL) has completed the drilling and wire line logging of well ZJS6, the Company's second well on its Zijinshan Gas Project on the eastern fringe of the prolific Ordos Gas Basin in Central China.

The analysis of the logs and the samples is ongoing, however positive initial results have indicated that about 80 metres of cumulative potential pay interval has been intersected across 15 potential pay zones.

A production casing string has been installed which will provide multiple opportunities to conduct flow tests on selected potential pay zones.

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

ZJS6 was drilled, without safety incident, in 25 days to total a depth of 2,105 metres making up much of the time lost due to an unscheduled rig change, which caused the delayed spud date.

Target formations were intersected at shallower depths than predicted and as a result the total depth was less than the design 2,320 metres. Wire line logging and the collection of 57 side wall core samples was undertaken by China Oilfield Services Limited.

In consultation with the PSC partner, PetroChina, one of China's major oil and gas companies, and the Company's technical advisor, RISC, analysis of the side wall core samples and other information will be used to select which of the zones in each of the wells ZJS5 and ZJS6 will be frack tested and if warranted, flow tested.

The purpose of these tests, which are expected to commence in mid-March and continue until late April or early May, is to determine whether commercial flow rates can be established from one or more potential pay zones in each well.

As in the case of ZJS5 some intervals may be tested for flow without stimulation ie: without fracking. Whilst it is obviously beneficial for zones to flow initially without stimulation it is expected that eventually all zones will require some stimulation over the course of their production life.

Fracking crews will be mobilized following the two week Spring Festival Holiday (Chinese New Year) and testing will commence once weather conditions allow.

Significant results will be reported as they come to hand, however, depending on whether flows are achieved and if so whether long term flow testing is required, it is possible that the overall results will not be available until June.

Planning has significantly advanced for the 2013 exploration programme, scheduled to commence in mid-February. This will initially focus on identifying the optimum location for the Company's third well, through the acquisition of further seismic data and from information from the first two wells.

The 2013 programme is also expected to include a number of wells in addition to the current three well programme. It should be noted however that drilling of these additional wells will be dependent on favorable results from the current testing and seismic programmes.

Full details of the 2013 programme will be released once it is finalized and approved, expected to be by the end of January 2013.

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.

PAPL is the operator of the PSC and has a 100% interest during the exploration stage. PetroChina has the right to buy back a 40% interest at the development stage.

The Company has a strong cash position with US$ 47 million (A$ 45 million) in cash and 249 million ordinary shares on issue (approximately US$ 19 cents, A$18 cents and 12 pence, respectively, 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 the liabilities for the first two wells.

Managing Director Paul Atherley Commented:

"This is about the best outcome we could have hoped for with the first two wells encountering over 135 metres of cumulative pay intervals within the targeted formations. The exploration programme to date has exceeded our initial expectations and as a result we now have multiple zones within these intervals to test for commercial gas flows."

"We continue to see significant potential in the Zijinshan Project, which underpins the expanded exploration and appraisal programme for 2013."

"With a healthy cash balance and an excellent technical team with a growing track record in the region, we are well placed to unlock value from this emerging opportunity, located in the heart of China, one of the fastest growing markets for gas in the world."

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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".

It's 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.

Great Wall Drilling Company

The Great Wall Drilling Company, which has been contracted by PAPL to undertake the drilling programme, is a subsidiary of PetroChina and employs over 30,000 people in 28 countries, providing services to more than 100 companies all over the world including many international companies.

It owns a fleet of more than 430 drilling rigs with a rated drilling capacity up to 9,000 metres and provides integrated solutions from well design to completion in various surface and subsurface conditions.

China Oilfield Services Limited

China Oilfield Services Limited, which has been engaged to provide technical services to the programme, is the leading integrated oilfield services provider in the China market. Its services cover each phase of oil and gas exploration, development and production.

CCDC Downhole Services

CCDC is a subsidiary of PetroChina with 55,000 employees, including 31 fracking crews. It has extensive experience in, and owns the technology for, the exploration and development of low permeability gas fields.

Resource Investment Strategy Consultants (RISC)

The technical content of this announcement has been reviewed and approved by the Company's oil and gas consultants RISC Operations Pty Ltd.

RISC is an advisory firm which works in partnership with oil and gas companies around the world providing technical and commercial advice based on years of experience and an in-depth understanding of the industry.

RISC has extensive experience in the Ordos Basin having been the advisor to the previous owner of the Zijinshan PSC and has been advisor to the operators of the adjacent Production Sharing Contract since the Sanjiaobei and Linxing discoveries.