LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2007

CORPORATE DIRECTORY

Directors
John Fletcher – Non-Executive Chairman
Paul Atherley – Managing Director
Richard Seville – Non-Executive Director
Stacey Apostolou – Executive Director

Company Secretary
Stacey Apostolou

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Auditor
Deloitte Touche Tohmatsu

Bankers
Bank of China - Beijing
Bank of New Zealand

Share Register
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Solicitors
Jun He Law Offices - Beijing
Hardy Bowen Solicitors - Perth

Stock Exchange Listings
Alternative Investment Market
London Stock Exchange
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London EC4M 7LS

Australian Stock Exchange
Home Branch – Perth
2 The Esplanade
Perth WA 6000

AIM and ASX Code
LRL

Compliance with ASX Corporate Governance Recommendations

The Company's Corporate Governance Statement has been made publicly available on its website at www.leyshonresources.com.

During the 2007 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

Recommendation Ref	Notification of Departure	Explanation for Departure
2.1, 2.2	Only one independent director	The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic. There is one independent non-executive director and the Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent Non-Executive Directors. The Company's Chairman, Mr John Fletcher, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However the Board believes that the Chairman is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

DIRECTORS' REPORT

The Directors of Leyshon Resources Limited present their report on the Consolidated Entity consisting of Leyshon Resources Limited ("the Company" or "Leyshon Resources") and the entities it controlled at the end of, or during, the financial year ended 30 June 2007 ("Consolidated Entity").

DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this report. Where this position was not held for the whole of the financial period, the date of appointment is provided below:

John W S Fletcher
Paul C Atherley
Stacey Apostolou
Richard P Seville – appointed 1 February 2007

The following persons were Directors of the Company from the beginning of the financial year until the date of resignation provided below:

Robert Bigland – retired hurt 18 April 2007

INFORMATION ON DIRECTORS

John WS Fletcher CBE
Non-Executive Chairman from date of appointment 7 April 2006
Member of the Audit Committee and Chairman of the Remuneration Committee

Mr Fletcher served as an Executive and main Board Director of the Trafalgar Group ("Trafalgar") for more than 20 years, which at the time was one of the UK's largest industrial groups. Following the acquisition of Trafalgar by Kvaerner ASA ("Kvaerner"), he became Chairman and President of Kvaerner's engineering and construction worldwide operations.

In 1996, he was awarded the title of CBE (Commander of the British Empire) for his contribution to British industry. He was a member of the international advisory team to the Beijing Mayor in 1998 and has previously held the position of Executive Vice Chairman of the Construction Supervision Committee for the National Stadium for the Beijing 2008 Olympics.

Mr Fletcher is based in Hong Kong and is a director and shareholder of Somerley Group Limited ("Somerley"), a corporate advisory firm which has been operating for more than 20 years. Somerley advises both Chinese and international groups from its Hong Kong and Beijing offices on access to capital via the Hong Kong Stock Exchange and via foreign direct investment. Mr Fletcher continues to maintain his well-established industry, government and financial connections in London.

During the three year period to the end of the financial year, Mr Fletcher has held directorships in Pacific Energy Limited (August 1996 - present) and KTL Limited (December 2004 – present).

Paul C Atherley
Managing Director
Qualifications - BSc (Hons), MappSC, MBA, MAusIMM, ARSM

Mr Atherley graduated in mining engineering from the Royal School of Mines, Imperial College in 1982 and has over 25 years industry operating experience including periods with British Coal in the UK and Mount Isa Mines Ltd in Australia. He was an Executive Director of the Investment Bank arm of HSBC Australia where he undertook a range of advisory roles in the resources sector. In August 2004 he retired from the position of Managing Director of an ASX and AIM listed mining company, a position he held since the company's flotation in 1994. During this period he completed a number of acquisitions and financings of resource projects in Australia, South-East Asia, Africa and Western Europe.

Mr Atherley was appointed a Director of Leyshon Resources on 4 May 2004. During the three year period to the end of the financial year, Mr Atherley has held a directorship in Murchison United NL (September 1993 – August 2004).

Stacey Apostolou
Executive Director and Company Secretary from date of appointment 7 April 2006
Qualifications - B Bus, CPA

Ms Apostolou has been employed as the Company's Manager – Corporate since August 2005. She has previously acted as Finance Director to an ASX/AIM listed company, has held company secretarial roles for publicly listed companies within the mining and exploration industry and has over 18 years relevant industry experience. Ms Apostolou has been responsible for the corporate, treasury, finance, accounting and administration functions for these companies.

During the three year period to the end of the financial year, Ms Apostolou has not held a directorship in any other listed company.

Richard Seville
Non-Executive Director from date of appointment 1 February 2007
Chairman of the Audit Committee and Member of the Remuneration Committee
Qualifications – BSC (Hon), MEngSc, MAusIMM, MAICD, ARSM

Mr Seville is a mining geologist and geotechnical engineer with 25 years experience covering exploration, mine development and mine operations in gold, base metals and coal projects in Australia, Africa and Asia. Mr Seville also has significant corporate experience and held the roles of operations director and/or managing director for ASX/AIM listed companies since 1994.

During the three year period to the end of the financial year, Mr Seville has held directorships in Renison Consolidated Mines NL and Northern Energy Corporation Ltd (both of these roles ceasing in November 2006).

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year consisted of gold exploration. There was no significant change in the nature of those activities during the financial year.

CONSOLIDATED RESULTS

	2007 $	2006 $
Loss of the Consolidated Entity before income tax	**(10,081,813)**	**(7,172,707)**
Income tax	**-**	**-**
Net loss attributable to members of Leyshon Resources Limited	**(10,081,813)**	**(7,172,707)**

REVIEW OF OPERATIONS

Leyshon Resources' strategy is to build on its knowledge base and relationships to identify further opportunities in the under developed and rapidly emerging Dong Bei region of northern China.

The Company has no stated commodity orientation, but is heavily focused on gold, the high value base metals and coal.

The main focus are projects where the geological opportunity has been identified and it is believed that the project can be brought to development status through several rounds of drilling and the application of technical and commercial studies. Joint ventures with existing operators or acquisitions of undercapitalised operations will also be considered.

Whilst maintaining the paramount importance of Zheng Guang's rapid development, the strategy proposes that a growth profile is established through the identification of a pipeline of complimentary projects, capitalising on the Company's knowledge base, established first mover position and growing relationships within Dong Bei.

It is recognised that the merits of increasing the market capitalisation of the Company include a higher rating, increased institutional awareness and therefore liquidity and a greater acceptance within China as the authorities increasingly focus on larger, well established, foreign investors and exclude the juniors.

The Company will at all times be responsive to other growth or value creation opportunities which it believes are in shareholders' interest. In particular it will be responsive to corporate proposals which crystallize shareholder wealth.

During the financial year the Company focused the majority of its resources on the exploration and project development of the Zheng Guang gold project.

Following on from the successful 2006 drilling programme at the Zheng Guang project, independent consultancy Hellman and Schofield Pty Ltd of Australia estimated the following JORC compliant resources:

- 1.21 million ounces of gold
- 94,000 tonnes of zinc
- 3.72 million ounces of silver

The gold equivalent content of these metals has been estimated at 1.74 million ounces at the 0.5 g/t gold cut off based on an assumption that 1% zinc is equivalent to 1.5 g/t gold and 50 ounces of silver is equivalent to 1 ounce of gold.

In April, a 39,000 metre programme commenced with the objectives of upgrading the current resources into the Measured and Indicated categories, extending the known sulphide and oxide resources and to test the very promising extensions identified in the 2006 programme at Zheng Guang South and Zheng Guang North.

The programme follows the highly successful 2006 programme which increased the overall gold equivalent content by 43% and upgraded over 50% of the previous Inferred resource to the Indicated category at a cost of around US$5 per ounce.

Further Licence Applications

Three further exploration licences adjacent to the Zheng Guang project are at the final stage of a lengthy approval process. These licence applications cover an area of approximately 85 km2 and have been applied for directly by the joint venture company, Black Dragon Mining Limited. The area covered is considered to be prospective for high grade gold and porphyry copper mineralisation.

Project Status

Metallurgical consultancy Metallurg of Perth, Western Australia has developed carbon in leach and flotation process flow sheets based on laboratory testwork by AMMTEC of Western Australian. These treatment process routes provide for the production of gold and silver metal along with a high grade zinc concentrate.

Whittle pit optimisation studies on an open pit operation have been completed in Beijing by Micromine and are based on the Hellman and Schofield's March 2007 JORC compliant resource estimate.

Environmental base line studies, soil and water conservation, health and safety and other regulatory reports are well advanced. Geological reserve and feasibility studies completed by the joint venture in accordance with regulatory requirements have been completed and approved by the relevant authorities.

Changchun Design Institute has commenced engineering design for the project under the direction of a project construction team lead by Project Manager, Dr Ye Dong Ping.

The Company has entered into a cooperation agreement with the Municipal Government of AiHui District under which the project has been assigned a top priority status and will expedite approvals for land use, access road construction, water and electricity supply.

The project benefits from being located in a well established coal and copper mining community with excellent infrastructure including a rail connection to the national network, grid power, water and a range of mining contractor services.

The project is expected to benefit further from the recently announced US$8 billion planned infrastructure investment by the provincial government in the surrounding area. These improvements are expected to coincide with low energy costs resulting from the expansion of Heilongjiang's electricity generating capacity. The average price of electricity in Heilongjiang is reported to be half of that in southern provinces of China.

The Company remains fully engaged in China with its Managing Director and Chief Operating Officer based in the main operating office in Beijing. Its policy of full engagement with the local community is bearing fruit as negotiations with local farmers and other affected parties for land acquisition and access are well advanced and progressing well.

Corporate and Financial Position

A placement of 37,731,000 ordinary shares to raise £8.3 million was made to institutional clients of Mirabaud Securities Limited and Seymour Pierce Limited. Placees included a number of the largest funds in the UK and US resources sector and London institutional investors. This has provided the Consolidated Entity with sufficient funding to complete exploration activities and the design and procurement of long lead time items

Business Strategies and Prospects

The Consolidated Entity continues to evaluate acquisition and development opportunities both within China and its neighbouring countries, taking advantage of its operating base in Beijing and knowledge gained from working in that country over the past 3 years.

The Consolidated Entity continues to progress the various studies and approvals required to enable it to proceed with construction at the Zheng Guang project in 2008. In addition, following the 2007 drilling programme, a revised resource estimate will be prepared.

DIVIDENDS

No interim or final dividend has been declared in respect to the financial year ended 30 June 2007 (2006: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed below, there were no significant changes in the state of affairs of the Company during the year.

- On 18 December 2006 a placement of 37,731,000 ordinary fully paid shares at 22 pence was made to institutional clients of Mirabaud Securities Limited and Seymour Pierce Limited to raise £8.3 million (before costs);
- A total of 18,700,000 ordinary fully paid shares were issued following the exercise of options; and
- 10,000,000 ordinary fully paid shares were issued following the conversion of 1,000 preference shares in accordance with their terms.

SUBSEQUENT EVENTS

Other than as disclosed below, as at the date of this report there are no matters or circumstances which have arisen since 30 June 2007 that have significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2007, of the Consolidated Entity constituted by Leyshon Resources Limited and the entities it controls from time to time;
b) the results of those operations; or
c) the state of affairs, in financial years subsequent to 30 June 2007, of the Consolidated Entity.

LIKELY DEVELOPMENTS

As discussed above, the Consolidated Entity is currently conducting a 39,000 metre drilling programme at the Zheng Guang Gold Project. In addition, it is making progress towards the development of Zheng Guang and is working through the necessary studies and approvals to achieve this.

The Consolidated Entity also intends to continue pursuing new business opportunities in China and surrounding areas.

All of the Consolidated Entity's current proposed activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be achieved. In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Consolidated Entity and the expected results of these operations in subsequent financial years may prejudice the interests of the Consolidated Entity and accordingly, has not been disclosed.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Consolidated Entity during the financial year. However, the Consolidated Entity has been advised by Newmont Australia Limited ("Newmont") that a potential breach of environmental regulations may have occurred during the year at the Mt Leyshon mine site. Pursuant to an agreement between Newmont and Leyshon Resources, Newmont is currently responsible for and must pay for the cost of the rehabilitation and management of environmental issues in respect to the Mt Leyshon mine site. The Environmental Protection Authority in Queensland has previously acknowledged the arrangement between Leyshon Resources and Newmont. As a result, Leyshon Resources has no liability in relation to the incident and as such there is no material risk to the Consolidated Entity.

PREFERENCE SHARES

During the year ended 30 June 2004, 1,000 Converting Preference Shares (CPS) were issued as part consideration for the acquisition of 100% of China Metals Pty Ltd.

In November 2006, the Board resolved to adopt the resolution of Black Dragon Mining Company Limited to develop and establish a mine at Zheng Guang based on a study which was completed for that purpose and therefore, in accordance with the terms of the CPS, they converted into 10,000,000 ordinary shares.

OPTIONS

On 12 December 2006, 1,900,000 options with an expiry date of 30 November 2009 and exercisable:

i) as to 1,025,000 options at $0.40; and
ii) as to 875,000 options at $0.55,

were issued. Of these options, 325,000 exerciseable at $0.40 and 325,000 exerciseable at $0.55 subsequently lapsed on 12 March 2007 in accordance with their terms.

Unissued ordinary shares of Leyshon Resources under option at the date of this report are as follows:

Unlisted Options
- 2,500,000 unlisted options at an exercise price of $0.35 each that expire on 31 December 2007;
- 600,000 unlisted options at an exercise price of 18 pence each that expire on 30 June 2008;
- 700,000 unlisted options at an exercise price of $0.40 each that expire on 30 November 2009; and
- 550,000 unlisted options at an exercise price of $0.55 each that expire on 30 November 2009.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

During the financial year 18,700,000 shares were issued as a result of the exercise of options. Since 30 June 2007, no shares have been issued as a result of the exercise of options.

INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or an auditor.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the financial year ended 30 June 2007, and the number of meetings attended by each director.

	Board Meetings		Audit Committee Meetings [1]		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Directors						
John WS Fletcher	7	7	-	-	1	1
Paul C Atherley	7	7	-	-	-	-
Stacey Apostolou	7	7	-	-	-	-
Richard Seville	1	1	-	-	1	1
Robert Bigland	6	6	-	-	-	-

[1] The Audit Committee was established on 9 May 2007 and no meetings were held between that date and 30 June 2007.

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF LEYSHON RESOURCES

	Interest in Securities at the date of this Report		
	Ordinary Shares [1]	Options	CPS [2]
John WS Fletcher	2,202,824	-	-
Paul C Atherley	30,000,000	-	-
Stacey Apostolou	800,000	-	-
Richard Seville	-	-	-

(1) "Shares" means fully paid ordinary shares in the capital of the Company.

(2) Following on from the conversion of the Converting Preference Shares in November 2006, 5,500,000 ordinary shares were issued by the Company to directors during the current financial year in accordance with their terms.

REMUNERATION REPORT

This report details the amount and nature of remuneration of each director and executive of the Company.

Director and Executive Details

The directors of Leyshon Resources Limited during the year were:

- John WS Fletcher *(Chairman)*
- Paul C Atherley *(Managing Director)*
- Stacey Apostolou *(Executive Director and Company Secretary)*
- Robert Bigland *(Non Executive Director) – ceased 18 April 2007*
- Richard Seville *(Non Executive Director) – appointed 1 February 2007*

The group executives of Leyshon Resources Limited during the year were:

- Vic McLaglen *Chief Operating Officer, Leyshon Resources Limited*
- Ye Dong Ping *Project Development Manager, China Metals Pty Ltd – appointed 7 May 2007*
- Malcom Wilson *Senior Exploration Geologist, China Metals Pty Ltd – ceased 12 March 2007*
- Jian Hua Sang *Chief Representative China, China Metals Pty Ltd – ceased 20 July 2006*

There were no other group executives or Company executives during the year.

Remuneration policies

Executive remuneration

The Company's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to the Company. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Executives receive a base remuneration which is market related, together with an element of performance based remuneration.

Overall remuneration policies are subject to the discretion of the Board and will be adapted to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so. Within this framework, the remuneration committee (established 9 May 2007) considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior executive management.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and expert advice.

The objective of any short term incentives is to link achievement of the Company's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

The committee's remuneration policies are designed to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policies are that:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executive management consists of the following:

- salary – executive directors and senior executives receive a fixed sum base salary payable monthly in cash;
- short term incentives – through eligibility to participate in performance bonus plans;

- long term incentives – executive directors are eligible to participate in share option schemes with the prior approval of shareholders. Senior executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to senior executives outside of approved employee option plans and in the event that no employee option plan exists; and
- other benefits - executive directors and senior executives, where applicable, are eligible to participate in superannuation schemes.

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, as appropriate. The maximum aggregate remuneration approved for directors is currently $250,000. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors are entitled to statutory superannuation benefits if applicable. At the current stage of the Company's development, non-executive directors may also be entitled to participate in equity based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Company.

Service Agreements

Non Executive Directors

Mr Fletcher

The Company has entered into a service agreement with Mr Fletcher whereby he is paid a fee of A$90,000 per annum in his capacity as Chairman. Mr Fletcher is entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement is for no fixed term, does not provide for the payment of termination benefits and may be terminated by either party by providing 90 days written notice.

Mr Seville

The Company has entered into a service agreement with Mr Seville whereby he is paid a fee of A$50,000 per annum in his capacity as Non-Executive Director. Mr Seville is entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement is for no fixed term, does not provide for the payment of termination benefits and may be terminated by either party by providing 90 days written notice.

In addition, the Company has entered into a consultancy arrangement with Richard Seville & Associates Pty Ltd in relation to the provision of technical services by Mr Seville at the rate of A$1,600 per day. The consultancy agreement is for an initial term to 31 December 2007 and thereafer until terminated. The consultancy can be terminated by either party providing three months written notice.

Executive Directors

Mr Atherley

The service agreement in place with Mr Atherley during the financial year contains the following key provisions:

- Entered into with effect from 1 July 2006 for a rolling twelve month term as Managing Director;
- May be terminated by the Company by providing no more than three months notice;
- May be terminated by Mr Atherley by providing at least six months notice;
- If Mr Atherley is removed as a director of the Company by shareholders, or as the managing director of the Company, then the Company will be deemed to have terminated the contract;

- Base salary of $350,000 per annum;
- A cash bonus of up to $500,000 per annum is payable based on, in the Board's view, the contribution of Mr Atherley toward's the Company's achievement of its overall objectives. Mr Atherley received a bonus of $150,000 on 9 May 2007;
- No amount is payable in the event of termination for neglect of duty or gross misconduct; and
- If Mr Atherley's contract is terminated, other than for neglect of duty or gross misconduct, then the Company shall pay to Mr Atherley a Termination Payment. The Termination Payment shall be the aggregate of the contract rate that would be payable for ther period commencing when the contract terminates and ending at the end of the contract term. In the event that the Termination Payment exceeds the amount calculated in accrodance with section 200F of the Coprorations Act or Chapter 10.19 of the ASX Listing Rules, then the Termination Payment will be reduced by such amount as is necessary so as to not exceed the amount permitted.

Ms Apostolou

The service agreement in place with Ms Apostolou during the financial year contains the following key provisions:

- Entered into with effect from 1 July 2006 for no defined period;
- May be terminated by the Company or Ms Apostolou by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of $160,000 per annum plus superannuation;
- A cash bonus is payable based on, in the Board's view, the contribution of Ms Apostolou toward's the Company's achievement of its overall objectives. Ms Apostolou received a bonus of $75,000 on 9 May 2007.

Key Management Personnel

Mr McLaglen

The service agreement in place with Mr McLaglen during the financial year contains the following key provisions:

- Entered into with effect from 16 January 2006 for no defined period;
- May be terminated by the Company or Mr McLaglen by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of $300,000 per annum;
- A cash bonus is payable based on, in the Board's view, the contribution of Mr McLaglen toward's the Company's achievement of its overall objectives. Mr McLaglen received a bonus of $75,000 on 9 May 2007.

Dr Dong Ping Ye – China Metals Pty Ltd

The service agreement in place with Dr Dong Ping Ye during the financial year contains the following key provisions:

- Entered into with effect from 7 May 2007 for no defined period;
- May be terminated by the Company or Dr Dong Ping Ye by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of $250,000 per annum;
- May become entitled to receive incentive options in the Company at a price to be determined by the Board at the time of issue; and
- A cash bonus is payable based on, in the Board's view, the contribution of Dr Dong Ping Ye toward's the Company's achievement of its overall objectives. No bonus was received by Dr Dong Ping Ye during the financial year.

Details of Remuneration

The emoluments (paid or payable) of each Director and the executive officers for the financial year ended 30 June 2007 are as follows:

	Short-term employee benefits			Post-employment	Termination Benefits	Share Based Payment	
	Salary & fees	Bonus	Other [6]	Super-annuation		Options issued	Total
	$	$	$	$	$	$	$
Directors							
John WS Fletcher	90,000	-	-	-	-	-	90,000
Paul C Atherley	350,000	150,000	-	-	-	-	500,000
Robert Bigland [4]	52,775	-	-	-	-	-	52,775
Stacey Apostolou	160,000	75,000	-	14,400	-	-	249,400
Richard Seville [3]	20,833	-	-	-	-	-	20,833
Group executives							
Vic McLaglen	300,000	75,000	-	-	-	325,921	700,921
Ye Dong Ping [2]	38,043	-	-	-	-	-	38,043
Malcom Wilson [1]	121,249	-	-	48,000	18,921	57,450	245,620
Jian Hua Sang [5]	16,129	-	15,000	-	-	-	31,129

(1) Ceased employment 12 March 2007.
(2) Commenced employment 7 May 2007.
(3) Commenced as a director 1 February 2007.
(4) Ceased as a director 18 April 2007.
(5) Ceased employment 20 July 2006.
(6) Represents relocation payment payable upon cessation of contract.

Share-based Compensation

Following shareholder approval, on 12 December 2006, 1,900,000 Options were issued as follows:

(i) 1,100,000 options of which 550,000 are exerciseable at $0.40 each on or before 30 November 2009 and 550,000 exerciseable at $0.55 on or before 30 November 2009 were granted to Vic McLaglen (Chief Operating Officer – Leyshon Resources Limited) as part of his remuneration package with a total value of $511,272. 550,000 of these options vested during the financial year ended 30 June 2007 and the remaining 550,000 will vest in the 2008 financial year. In the current financial year, 46% of Mr McLaglen's total remuneration was comprised of the value of options. The value of options allocated to remuneration for the year ended 30 June 2007 was $325,921 (2006: Nil). None of the options were exercised or lapsed during the year. Further details relating to these options are provided in Note 28(d) to the financial statements; and

(ii) 800,000 options of which 475,000 are exerciseable at $0.40 each on or before 30 November 2009 and 325,000 exerciseable at $0.55 on or before 30 November 2009 were granted to Malcolm Wilson (Senior Geologist – China Metals Pty Ltd) as part of his remuneration package with a total value of $389,294. Mr Wilson's employment with China Metals Pty Ltd ceased on 12 March 2007 and as a consequence 325,000 options exerciseable at $0.40 and 325,000 options exerciseable at $0.55 lapsed with the Board exercising its discretion to enable 150,000 options exerciseable at $0.40 to vest immediately. The total value therefore of those options granted to Mr Wilson and still outstanding at financial year end was $57,450. This represents 27% of Mr Wilson's total remuneration up until the date he ceased employment with China Metals. Other than the options referred to above, no other options lapsed or were exercised during the year. The value of options allocated to remuneration for the year ended 30 June 2007 was $57,450 (2006: Nil). Further details relating to these options are provided in Note 28(d) to the financial statements.

NON-AUDIT SERVICES

The auditor (Deloitte Touche Tohmatsu) has not provided any non-audit services during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of Leyshon Resources with an Independence Declaration in relation to the audit of the attached Financial Statements. This Independence Declaration is included in this Financial Report at page 14 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Paul Atherley
Managing Director

Perth, Western Australia
20 September 2007

The information in this report relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Richard Seville, a director and consultant of the Company, who is a member of the Australasian Institute of Mining and Metallurgy.

Mr Seville has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Seville consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Leyshon Resources Limited
Ground Floor
16 Ord Street
West Perth WA 6000

20 September 2007

Dear Board Members

Leyshon Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Leyshon Resources Limited.

As lead audit partner for the audit of the financial statements of Leyshon Resources Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

DIRECTORS' DECLARATION

The directors declare that:

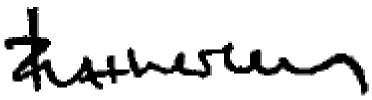
(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Paul Atherley
Managing Director

Perth, 20 September 2007

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Revenue	2	**628,530**	**349,677**	**627,227**	**343,925**
Other income	2	1,567,500	180,000	1,567,500	180,000
Exploration expenses		(7,807,002)	(5,069,701)	(445,887)	(120,336)
Corporate and administration expenses		(2,319,519)	(1,005,180)	(2,086,538)	(824,926)
Business development expenses		(417,587)	(1,542,461)	(421,157)	(1,037,255)
Finance costs		(2,958)	(1,077)	(2,958)	(493)
Foreign exchange losses		(1,347,406)	-	(1,349,122)	(5,675)
Share based payments		(383,371)	(83,965)	(383,371)	(83,965)
Write down to recoverable amount of non-current assets		-	-	(2,110)	(2,110)
Loss before income tax		**(10,081,813)**	**(7,172,707)**	**(2,496,416)**	**(1,550,835)**
Income tax	3	-	-	-	-
Loss attributable to members of Leyshon Resources Limited		**(10,081,813)**	**(7,172,707)**	**(2,496,416)**	**(1,550,835)**
Earnings Per Share					
Basic loss per share (cents per share)	18	(5.8)	(5.4)		
Diluted loss per share (cents per share)	18	(5.8)	(5.4)		

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
ASSETS					
Current Assets					
Cash and cash equivalents	26(a)	22,096,750	8,434,899	21,834,974	8,170,702
Trade and other receivables	6	103,703	119,476	96,349	113,453
Other	7	57,836	68,781	15,670	68,781
Total Current Assets		**22,258,289**	**8,623,156**	**21,946,993**	**8,352,936**
Non-Current Assets					
Trade and other receivables	6	-	-	18,128,832	9,202,981
Other financial assets at fair value through profit or loss	8	1	495,001	1	495,001
Other financial assets	9	703,658	31,000	9,149,628	9,165,629
Property, plant and equipment	10	16,618	9,786	4,426	5,828
Exploration and evaluation expenditure	11	-	12,722,473	-	-
Development properties	12	13,031,994	-	-	-
Total Non-Current Assets		**13,752,271**	**13,258,260**	**27,282,887**	**18,869,439**
TOTAL ASSETS		**36,010,560**	**21,881,416**	**49,229,880**	**27,222,375**
LIABILITIES					
Current Liabilities					
Trade and other payables	13	285,142	390,232	254,199	249,016
Provisions	14	63,929	40,241	59,024	27,078
Total Current Liabilities		**349,071**	**430,473**	**313,223**	**276,094**
Non-Current Liabilities					
Deferred tax liabilities	3	3,604,688	3,604,688	-	-
Total Non-Current Liabilities		**3,604,688**	**3,604,688**	**-**	**-**
TOTAL LIABILITIES		**3,953,759**	**4,035,161**	**313,223**	**276,094**
NET ASSETS		**32,056,801**	**17,846,255**	**48,916,657**	**26,946,281**
EQUITY					
Issued capital	15	63,139,928	34,866,587	63,139,928	34,866,587
Reserves	16	825,592	4,806,573	995,461	4,802,010
Accumulated losses	17	(31,908,718)	(21,826,905)	(15,218,732)	(12,722,316)
TOTAL EQUITY		**32,056,801**	**17,846,255**	**48,916,657**	**26,946,281**

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Issued Capital				
Issued and paid up capital - at the beginning of the year	**34,866,587**	28,689,432	**34,866,587**	28,689,432
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity	**24,083,421**	6,177,155	**24,083,421**	6,177,155
Transfer from employee benefits reserve	**464,920**	-	**464,920**	-
Transfer from option premium reserve	**3,725,000**	-	**3,725,000**	
	28,273,341	6,177,155	**28,273,341**	6,177,155
Issued and paid up capital - at the end of the year	**63,139,928**	34,866,587	**63,139,928**	34,866,587
Employee Benefit Reserve				
Balance at the beginning of the year	**964,169**	880,204	**964,169**	880,204
Employee benefit expense - Share options	**383,371**	83,965	**383,371**	83,965
Exercise of options	**(464,920)**	-	**(464,920)**	-
Balance at the end of the year	**882,620**	964,169	**882,620**	964,169
Foreign Currency Translation Reserve				
Balance at the beginning of the year	**4,563**	-	**-**	-
Exchange differences on translation of foreign operations attributable to members of Leyshon Resources Limited	**(174,432)**	4,563	**-**	-
Balance at the end of the year	**(169,869)**	4,563	**-**	-
Option Premium Reserve				
Balance at beginning of the year	**3,837,841**	3,725,000	**3,837,841**	3,725,000
Options issued during the year	**-**	112,841	**-**	112,841
Exercise of options	**(3,725,000)**	-	**(3,725,000)**	-
Balance at end of year	**112,841**	3,837,841	**112,841**	3,837,841

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Accumulated Losses				
Accumulated losses at the beginning of the year	**(21,826,905)**	(14,714,198)	**(12,722,316)**	(11,231,481)
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**-**	60,000	**-**	60,000
Restated balance after adoption of AASB 132 and AASB 139	**(21,826,905)**	(14,654,198)	**(12,722,316)**	(11,171,481)
Loss for the year attributable to members of Leyshon Resources Limited	**(10,081,813)**	(7,172,707)	**(2,496,416)**	(1,550,835)
Accumulated losses at the end of the year	**(31,908,718)**	(21,826,905)	**(15,218,732)**	(12,722,316)
Net income recognised directly in equity:				
Exchange differences on translation of foreign operations				
- Members of parent entity	**(174,432)**	4,563	-	-
	(174,432)	4,563	**-**	-
Loss for the year				
- Members of parent entity	**(10,081,813)**	(7,172,707)	(2,496,416)	(1,550,835)
Total recognised income and expense for the year attributable to members of parent entity	**(10,256,245)**	(7,168,144)	**(2,496,416)**	(1,550,835)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

		Consolidated		Company	
	Note	2007 $	2006 $	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(10,640,178)	(7,797,354)	(2,767,205)	(2,011,807)
Receipts from customers		-	48,458	-	48,458
Interest received		540,898	349,677	540,898	343,925
Interest paid		(2,958)	(1,077)	(2,958)	(493)
Net cash flows used in operating activities	26(b)	(10,102,238)	(7,400,296)	(2,229,265)	(1,619,917)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(17,269)	(7,584)	(2,219)	(7,584)
Amounts advanced to related parties		-	-	(8,925,851)	(5,488,048)
Loan to joint venture partner		(732,444)	-	-	-
Acquisition costs of controlled entities		-	-	-	(2,110)
Development expenditure		(309,521)	-	-	-
Refund of security bonds		16,000	51,501	16,000	51,501
Net proceeds on sale of investment		2,062,500	-	2,062,500	-
Net cash flows from/(used in) investing activities		1,019,266	43,917	(6,849,570)	(5,446,241)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of shares		25,185,571	6,630,896	25,185,571	6,630,896
Share issue costs		(1,093,342)	(331,545)	(1,093,342)	(331,545)
Net cash flows from financing activities		24,092,229	6,299,351	24,092,229	6,299,351
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		15,009,257	(1,057,028)	15,013,394	(766,807)
Cash and cash equivalents at the beginning of the year		8,434,899	9,488,951	8,170,702	8,943,184
Effects of exchange rate changes on cash and cash equivalents		(1,347,406)	2,976	(1,349,122)	(5,675)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26(a)	22,096,750	8,434,899	21,834,974	8,170,702

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (‘A-IFRS’). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (‘IFRS’). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 ‘Financial Instruments: Disclosure and Presentation’ as the Australian equivalent Accounting Standard, AASB 132 ‘Financial Instruments: Disclosure and Presentation’ does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 20 September 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Adoption of new and revised Accounting Standards

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue, but not yet effective:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 7 ‘Financial Instruments: Disclosures’ and consequential amendments to other accounting standards resulting from its issue	1 January 2007	30 June 2008
AASB 8 ‘Operating Segments‘	1 January 2009	30 June 2010
AASB 101 ‘Presentation of Financial Statements’ – revised standard	1 January 2007	30 June 2008
AASB 123 ‘Borrowing Costs’ – revised standard	1 January 2009	30 June 2010
AASB 2007-1 “Amendments to Australian Accounting Standards arising from AASB Interpretation 11’	1 March 2007	30 June 2008
AASB 2007-2 ‘Amendments to Australian Accounting Standards arising from AASB Interpretation 12’	1 January 2008	30 June 2009
AASB 2007-4 ‘Amendments to Australian Accounting Standards arising from ED 151 and other amendements’	1 July 2007	30 June 2008
AASB 2007-6 ‘Amendments to	1 January 2009	30 June 2010

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Australian Acccounting Standards arising from AASB 123'		
AASB 2007-7 'Amendments to Australian Accounting Standards'	1 July 2007	30 June 2008
AASB Interpretation 10 'Interim Financial Reporting and Impairment'	1 November 2006	30 June 2008
AASB Interpretation 11 'AASB 2 – Group and Treasury Share Transactions'	1 March 2007	30 June 2008
AASB Interpretation 12 'Service Concession Arrangements'	1 January 2008	30 June 2009
AASB Intepretation 13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
AASB Interpretation 14 'AASB 19 - TheLimit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009

The directors of the Company have elected under s.334(5) of the Corporations Act 2001 to apply AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* and the amendments specified by that Accounting Standard to various Accounting Standards, even though the Standard is not required to be applied until reporting periods beginning on or after 1 July 2007.

As permitted under the amendments introduced by AASB 2007-4, the Group has changed its accounting policy for accounting for its interests in jointly controlled entities from equity accounting to proportionate consolidation. Proportionate consolidation is a method of accounting whereby the Group's share of each of the assets, liabilities, income and expenses of its jointly controlled entities is reported on a line-by-line basis in the consolidated entity's financial statements. The Group considers that proportionate consolidation provides users of the financial report reliable and more relevant information than equity accounting.

Given that the Group's main asset is its 70% interest in Black Dragon Mining Company Limited, Proportionate consolidation enables the Group to present its share of the assets, liabilities, income and expenses on the face of the balance sheet and income statement, thereby making the financial information more meaningful than a one line entry dealing with the Group's investment.

The change in accounting policy affects only the consolidated financial statements. Under proportionate consolidation, the opening balance sheet for the Group has not changed. Further, there has been no change to the income statement, balance sheet, statement of changes in equity, cashflow statement, earnings per share and diluted earning per share as a result of the change in accounting policy.

The directors note that the impact of the initial application of the other Standards and Interpretations not adopted is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Development Properties

Development properties represent those costs which are either directly incurred or have been transferred from Exploration and Evaluation expenditure following a decision to develop. These costs will then be amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of Development properties is dependent on successful development and commercial exploitation, or alternatively, sale of the areas of interest.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 30 June 2007 and the results of all subsidiaries for the year then ended. Leyshon Resources Limited and its subsidiaries together are referred to as the Group or the Consolidated Entity. A list of subsidiaries is provided in Note 22.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)). Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intercompany transactions and balances, and unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(b) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Foreign Currency Translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. Refer to note 1(c)(iv) for details of a change in the functional currency of a subsidiary.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

Where a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(iv) Change in functional currency of Black Dragon Mining Company Limited
Following receipt of the necessary approvals during 2006, the operations of Black Dragon have been separated from China Metals and conducted in China, through bank accounts held in United States dollars and Chinese Renminbi, with payments being made primarily in Chinese Renminbi. Accordingly, the functional currency of Black Dragon has been changed to Chinese Renminbi and the accounts of Black Dragon are now being prepared in this currency.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest
Interest is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Income Tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Leyshon Resources Limited and its wholly owned Australian controlled entities have not implemented the tax consolidation legislation.

(f) Operating Leased Assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leased assets, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are not capitalised and rental payments are expensed to the income statement over the lease term on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment where an asset does not generate cash flows that are independent from other assets, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Cash and Cash Equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

(k) Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables
Trade receivables, loans and other receivables are recorded at amortised costs less impairment.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

(m) Property, Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated at rates based upon their expected useful lives as follows.

	Life	**Method**
Plant and Equipment	2 - 15 years	Diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and long service leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave not expected to be settled within 12 months is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to the defined contribution superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(p) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(r) Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the consolidated profit/(loss) attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Exploration and evaluation expenditure

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

(1) the rights to tenure of the area of interest are current; and
(2) at least one of the following conditions is also met:
   (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and/or
   (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred.

Capitalised exploration costs are reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(t) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash flows are included in the Cash Flow Statement on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Share Based Payments

Share based payments may be provided to directors, employees, consultants and other advisors.

For share options granted after 7 November 2002 and vested after 1 January 2005, the following treatment is adopted:

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the holders become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Consolidated		Company	
	2007	2006	2007	2006
2. LOSS FROM OPERATIONS	$	$	$	$
(a) Revenue				
Revenue from continuing operations consisted of the following items:				
Interest received/receivable	628,530	349,677	627,227	343,925
Total revenue from continuing operations	628,530	349,677	627,227	343,925
(b) Loss before income tax				
Loss before income tax has been arrived at after crediting the following gains from continuing operations:				
Fair value gains/(losses) on other financial assets at fair value through profit or loss	(495,000)	180,000	(495,000)	180,000
Gain on disposal of investments	2,062,500	-	2,062,500	-
Total other income	1,567,500	180,000	1,567,500	180,000
Loss before income tax has been arrived at after charging the following losses and expenses:				
Depreciation and amortisation				
- plant and equipment	9,168	9,245	3,912	5,779
Net movement in provisions for				
- employee entitlements	23,688	11,938	31,946	27,078
- write-down to recoverable amount of investments	-	-	2,120	2,110
- doubtful debt	-	46,131	-	-
Foreign exchange loss	1,347,406	31,205	1,349,122	5,675
Rental expense relating to operating leases (minimum lease payments)	68,902	64,353	-	-
Loss on write down of plant and equipment	1,269	-	1,269	-
Equity settled share based payments	383,371	83,965	383,371	83,965
Interest expense	2,958	1,077	2,958	493
Post-employment benefits – defined contribution plans	75,091	31,911	25,650	8,286

3. INCOME TAX

Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Consolidated		Company	
	2007	2006	2007	2006
3. INCOME TAX (cont'd)	$	$	$	$
Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(10,081,813)	(7,172,707)	(2,496,416)	(1,550,835)
Tax at the Australian tax rate of 30% (2006: 30%)	(3,024,544)	(2,151,812)	(748,925)	(465,250)
Tax effect of amounts which are not deductible in calculating taxable income:				
Share based payments	115,011	25,190	115,011	25,190
Provisions against investments	-	-	633	633
Other non-deductible expenditure	2,871,599	1,836,875	553,883	315,965
	(37,935)	(289,747)	(79,398)	(123,462)
Tax losses not brought to account	37,935	289,747	79,398	123,462
Income tax expense	-	-	-	-

Deferred tax liabilities

The balance comprises temporary differences attributable to:				
Fair value adjustments on acquisition of subsidiary [i]	3,604,688	3,604,688	-	-
	3,604,688	3,604,688	-	-

[i] The deferred tax liability arises upon adoption of the balance sheet method required by AASB 112 *Income Taxes.* Although this does not represent a cash liability payable by the controlled entity, nonetheless the adoption of AASB 112 requires that it be brought to account. On the basis that the controlled entity receives revenue in the future from its operations in China, it will receive an income tax benefit to its Income Statement representing the amortization of the deferred tax liability in line with the amortization of the Exploration and Evaluation expenditure which has been carried forward in respect of this asset.

Movements

Opening balance at 1 July	3,604,688	3,604,688	-	-
Charged/(credited) to the income statement	-	-	-	-
Closing balance at 30 June	3,604,688	3,604,688	-	-

Unrecognised Deferred Tax Balances

The following deferred tax assets have not been brought to account as assets:

Tax losses – revenue	7,432,185	7,300,212	7,297,071	6,629,468
	7,432,185	7,300,212	7,297,071	6,629,468

Tax Consolidations

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation.

The Board has not yet resolved to consolidate eligible entities within the Consolidated Entity for tax purposes. The Board will review this position annually, before lodging of that year's income tax return.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

4. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of Key Management Personnel and Compensation

The directors' and key management personnel of the Consolidated Entity during the year were as follows. Unless otherwise specified each person has held their position for the full financial year.

- John WS Fletcher *(Chairman, Non-executive)*
- Paul C Atherley *(Managing Director)*
- Stacey Apostolou *(Executive Director and Company Secretary)*
- Robert Bigland *(Non-executive Director) – ceased 18 April 2007*
- Richard Seville *(Non-executive Director)* – commenced 1 February 2007
- Vic McLaglen *Chief Operating Officer, Leyshon Resources Limited*
- Ye Dong Ping *Project Development Manager, China Metals Pty Ltd – appointed 7 May 2007*
- Malcom Wilson *Senior Exploration Geologist, China Metals Pty Ltd – ceased 12 March 2007*
- Jian Hua Sang *Chief Representative China, China Metals Pty Ltd – ceased 20 July 2006*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

4. KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

Details of the compensation of key management personnel of the Consolidated Entity and Company are set out below.

		Short term employee benefits			Post employment benefits	Termin-ation benefits	Share based payments	
		Cash salary & fees $	Bonus $	Other $	Super-annuation benefits $	$	Equity settled options $	Total $
Mr John Fletcher	**2007**	**90,000**	**-**	**-**	**-**	**-**	**-**	**90,000**
	2006	22,500	-	-	-	-	-	22,500
Mr Paul Atherley	**2007**	**350,000**	**150,000**	**-**	**-**	**-**	**-**	**500,000**
	2006	250,000	50,000	40,526	-	-	-	340,526
Mr Robert Bigland	**2007**	**52,775**	**-**	**-**	**-**	**-**	**-**	**52,775**
	2006	11,614	-	-	-	-	-	11,614
Mr Richard Seville	**2007**	**20,833**	**-**	**-**	**-**	**-**	**-**	**20,833**
Ms Stacey Apostolou	**2007**	**160,000**	**75,000**	**-**	**14,400**	**-**	**-**	**249,400**
	2006	84,278	-	-	7,585	-	-	91,863
Mr Ian Middlemas	**2007**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2006	25,000	-	-	-	-	-	25,000
Mr Gary Pearce	**2007**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2006	3,750	-	-	337	-	-	4,087
Mr Mark Pearce	**2006**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2006	11,250	-	-	-	-	-	11,250
Mr Vic McLaglen	**2007**	**300,000**	**75,000**	**-**	**-**	**-**	**325,921**	**700,921**
	2006	135,447	-	-	-	-	-	135,447
Mr Malcolm Wilson	**2007**	**121,249**	**-**	**-**	**48,000**	**18,921**	**57,450**	**245,620**
	2006	137,500	-	-	12,375	-	-	149,875
Dr Ye Dong Ping	**2007**	**38,043**	**-**	**-**	**-**	**-**	**-**	**38,043**
Mr Jian Hua Sang	**2007**	**16,129**	**-**	**15,000**	**-**	**-**	**-**	**31,129**
	2006	300,000	-	15,157	-	-	-	315,157
Mr Greg Jones	**2007**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2006	125,000		-	11,250	-	39,299	175,549
Total Remuneration – Key Management Personnel	**2007**	**1,149,029**	**300,000**	**15,000**	**62,400**	**18,921**	**383,371**	**1,928,721**
Total Remuneration – Key Management Personnel	2006	1,106,339	50,000	55,683	31,547	-	39,299	1,282,868

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

4. KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

Remuneration policies

Executive remuneration

The Company's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to the Company. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Executives receive a base remuneration which is market related, together with an element of performance based remuneration.

Overall remuneration policies are subject to the discretion of the Board and will be adapted to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so. Within this framework, the remuneration committee (established 9 May 2007) considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior executive management.

Executive remuneration and other terms of employment will be reviewed annually by the committee having regard to performance, relevant comparative information and expert advice.

The objective of any short term incentives is to link achievement of the Company's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

The committee's remuneration policies are designed to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policies are that:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executive management consists of the following:

- salary – executive directors and senior executives receive a fixed sum base salary payable monthly in cash;
- short term incentives – through eligibility to participate in performance bonus plans;
- long term incentives – executive directors are eligible to participate in share option schemes with the prior approval of shareholders. Senior executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to senior executives outside of approved employee option plans and in the event that no employee option plan exists; and
- other benefits - executive directors and senior executives, where applicable, are eligible to participate in superannuation schemes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, as appropriate. The maximum aggregate remuneration approved for directors is currently $250,000. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors are entitled to statutory superannuation benefits if applicable. At the current stage of the Company's development, non-executive directors may also be entitled to participate in equity based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Company.

Service Agreements

Non Executive Directors

Mr Fletcher

The Company has entered into a service agreement with Mr Fletcher whereby he is paid a fee of A$90,000 per annum in his capacity as Chairman. Mr Fletcher is entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement is for no fixed term, does not provide for the payment of termination benefits and may be terminated by either party by providing 90 days written notice.

Mr Seville

The Company has entered into a service agreement with Mr Seville whereby he is paid a fee of A$50,000 per annum in his capacity as Non-Executive Director. Mr Seville is entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement is for no fixed term, does not provide for the payment of termination benefits and may be terminated by either party by providing 90 days written notice.

In addition, the Company has entered into a consultancy arrangement with Richard Seville & Associates Pty Ltd in relation to the provision of technical services by Mr Seville at the rate of A$1,600 per day. The consultancy agreement is for an initial term to 31 December 2007 and thereafer until terminated. The consultancy can be terminated by either party providing three months written notice.

Executive Directors

Mr Atherley

The service agreement in place with Mr Atherley during the financial year contains the following key provisions:

- Entered into with effect from 1 July 2006 for a rolling twelve month term as Managing Director;
- May be terminated by the Company by providing no more than three months notice;
- May be terminated by Mr Atherley by providing at least six months notice;
- If Mr Atherley is removed as a director of the Company by shareholders, or as the managing director of the Company, then the Company will be deemed to have terminated the contract;
- Base salary of $350,000 per annum;
- A cash bonus of up to $500,000 per annum is payable based on, in the Board's view, the contribution of Mr Atherley toward's the Company's achievement of its overall objectives. Mr Atherley received a bonus of $150,000 on 9 May 2007;
- No amount is payable in the event of termination for neglect of duty or gross misconduct; and

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

- If Mr Atherley's contract is terminated, other than for neglect of duty or gross misconduct, then the Company shall pay to Mr Atherley a Termination Payment. The Termination Payment shall be the aggregate of the contract rate that would be payable for ther period commencing when the contract terminates and ending at the end of the contract term. In the event that the Termination Payment exceeds the amount calculated in accrodance with section 200F of the Coprorations Act or Chapter 10.19 of the ASX Listing Rules, then the Termination Payment will be reduced by such amount as is necessary so as to not exceed the amount permitted.

Ms Apostolou

The service agreement in place with Ms Apostolou during the financial year contains the following key provisions:

- Entered into with effect from 1 July 2006 for no defined period;
- May be terminated by the Company or Ms Apostolou by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of $160,000 per annum plus superannuation;
- A cash bonus is payable based on, in the Board's view, the contribution of Ms Apostolou toward's the Company's achievement of its overall objectives. Ms Apostolou received a bonus of $75,000 on 9 May 2007.

Key Management Personnel

Mr McLaglen

The service agreement in place with Mr McLaglen during the financial year contains the following key provisions:

- Entered into with effect from 16 January 2006 for no defined period;
- May be terminated by the Company or Mr McLaglen by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of $300,000 per annum;
- A cash bonus is payable based on, in the Board's view, the contribution of Mr McLaglen toward's the Company's achievement of its overall objectives. Mr McLaglen received a bonus of $75,000 on 9 May 2007.

Dr Dong Ping Ye – China Metals Pty Ltd

The service agreement in place with Dr Dong Ping Ye during the financial year contains the following key provisions:

- Entered into with effect from 7 May 2007 for no defined period;
- May be terminated by the Company or Dr Dong Ping Ye by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of $250,000 per annum;
- May become entitled to receive incentive options in the Company at a price to be determined by the Board at the time of issue; and
- A cash bonus is payable based on, in the Board's view, the contribution of Dr Dong Ping Ye toward's the Company's achievement of its overall objectives. No bonus was received by Dr Dong Ping Ye during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Share-based Compensation

Following shareholder approval, on 12 December 2006, 1,900,000 Options were issued as follows:

(i) 1,100,000 options of which 550,000 are exerciseable at $0.40 each on or before 30 November 2009 and 550,000 exerciseable at $0.55 on or before 30 November 2009 were granted to Vic McLaglen (Chief Operating Officer – Leyshon Resources Limited) as part of his remuneration package with a total value of $511,272. 550,000 of these options vested during the financial year ended 30 June 2007 and the remaining 550,000 will vest in the 2008 financial year. In the current financial year, 46% of Mr McLaglen's total remuneration was comprised of the value of options. The value of options allocated to remuneration for the year ended 30 June 2007 was $325,921 (2006: Nil). None of the options were exercised or lapsed during the year. Further details relating to these options are provided in Note 28(d) to the financial statements; and

(ii) 800,000 options of which 475,000 are exerciseable at $0.40 each on or before 30 November 2009 and 325,000 exerciseable at $0.55 on or before 30 November 2009 were granted to Malcolm Wilson (Senior Geologist – China Metals Pty Ltd) as part of his remuneration package with a total value of $389,294. Mr Wilson's employment with China Metals Pty Ltd ceased on 12 March 2007 and as a consequence 325,000 options exerciseable at $0.40 and 325,000 options exerciseable at $0.55 lapsed with the Board exercising its discretion to enable 150,000 options exerciseable at $0.40 to vest immediately. The total value therefore of those options granted to Mr Wilson and still outstanding at financial year end was $57,450. This represents 27% of Mr Wilson's total remuneration up until the date he ceased employment with China Metals. Other than the options referred to above, no other options lapsed or were exercised during the year. The value of options allocated to remuneration for the year ended 30 June 2007 was $57,450 (2006: Nil). Further details relating to these options are provided in Note 28(d) to the financial statements.

	Consolidated		Company	
	2007	2006	2007	2006
5. REMUNERATION OF AUDITORS	$	$	$	$
Auditor of the parent entity				
Audit Services				
Fees paid to Deloitte Touche Tohmatsu				
- Audit and review of the financial reports and other audit work	40,750	33,000	40,750	33,000
Total remuneration for audit services	40,750	33,000	40,750	33,000
Other auditors of subsidiaries				
Audit of financial reports	-	680	-	-
	-	680	-	-

6. TRADE AND OTHER RECEIVABLES

Current				
Amounts owing by				
- other persons	103,703	165,607	96,349	113,453
	103,703	165,607	96,349	113,453
Allowance for doubtful debts				
- other persons	-	(46,131)	-	-
	103,703	119,476	96,349	113,453
Non-Current				
Amounts owing by				
- controlled entities (a)	-	-	18,128,832	9,202,98 1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(a) Recovery of the non-current amount owing by controlled entities is dependent upon the discovery of commercially viable reserves and the successful development or alternatively sale, of the respective tenements which comprise the underlying assets of the controlled entity. Refer to note 11 and 12 for further details regarding the tenements and recoverability.

7. OTHER ASSETS

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Prepayments	57,836	68,781	15,670	68,781

8. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current				
Shares in other entities	1	1	1	1
Unlisted options in other entities (i)	-	495,000	-	495,000
	1	495,001	1	495,001

(i) This represents the value of 2,500,000 options (exercise price of $0.20 each which expire on 31 December 2007) received from Echelon Resources Limited ("Echelon") as consideration for assets sold to Echelon. These options were exercised and the shares subsequently sold on 21 May 2007 for $1.025 per share.

9. OTHER FINANCIAL ASSETS

Non-current				
Investments - controlled entities (Note 22)				
- At cost	-	-	11,947,474	11,945,356
- Recoverable amount write down provision	-	-	(2,812,845)	(2,810,727)
Total Investments – controlled entities	-	-	9,134,629	9,134,629
Security deposits	14,999	31,000	14,999	31,000
Loans to other entities [1]	688,659	-	-	-
	703,658	31,000	9,149,628	9,165,629

[1] This represents money paid on behalf of the Consolidated Entity's joint venture partner, Qiqiha'er Brigade ("Qiqiha'er Brigade") of the Heilongjiang Bureau of Geology and Mineral Resources, in accordance with the joint venture agreement entered into in April 2006. The loan to the Qiqiha'er Brigade commenced accruing in September 2006 when the Consolidated Entity had satisfied its expenditure commitment for a 70% interest in Black Dragon Mining Company Limited. The loan is to be interest bearing and repayable from surplus cashflow from the Zheng Guang project once it is in operation. At financial year end the interest rate applicable to the loan is still to be finalised.

Each reporting period, the recoverable amount of all non-current assets is assessed. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of the asset has been based on its fair value less costs to sell. The recoverable amount write down represents the excess of the carrying amount over the recoverable amount as determined by the directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Plant & equipment				
At cost	44,192	29,922	15,502	14,722
Accumulated depreciation	(27,574)	(20,136)	(11,076)	(8,894)
Total plant and equipment (Note10(a))	16,618	9,786	4,426	5,828

(a) Reconciliation

Plant and Equipment				
Carrying amount at beginning of year	9,786	11,447	5,828	4,023
Additions	17,269	7,584	3,779	7,584
Disposals	(1,269)	-	(1,269)	-
Depreciation expense	(9,168)	(9,245)	(3,912)	(5,779)
Total plant & equipment	16,618	9,786	4,426	5,828

11. EXPLORATION AND EVALUATION EXPENDITURE

Balance brought forward	12,722,473	12,722,473	-	-
Transferred to development properties	(12,722,473)	-	-	-
Closing balance	-	12,722,473	-	-

12. DEVELOPMENT PROPERTIES

Balance brought forward	-	-	-	-
Transferred from exploration and evaluation expenditure	12,722,473	-	-	-
Development expenditure incurred	309,521	-	-	-
Closing balance (i)	13,031,994	-	-	-

(i) The value of the development properties is dependent upon the successful development or alternatively sale, of the respective tenements.

13. TRADE AND OTHER PAYABLES

Trade creditors and accruals (unsecured)	285,142	390,232	254,199	249,016

14. PROVISIONS

Employee benefits	63,929	40,241	59,024	27,078

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

15. ISSUED CAPITAL

	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
(a) Issued and paid up capital				
215,610,891 (2006: 149,179,891) fully paid ordinary shares	63,139,928	34,666,587	63,139,928	34,666,587
Nil (2006: 1,000) fully paid preference shares [1]	-	200,000	-	200,000
Total	63,139,928	34,866,587	63,139,928	34,866,587

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

[1] The preference shares converted into ordinary shares in accordance with their terms on 14 December 2006 (see note 15(b)(ii)).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(b) Movements in share capital during the past two years were as follows (Consolidated Entity and Company):-

Date	Details	Ordinary Shares (Number)	Preference Shares (Number)	Ordinary Shares ($)	Preference Shares ($)	Total ($)
1/07/05	**Opening Balance**	**131,466,558**	**1,000**	**28,489,432**	**200,000**	**28,689,432**
21/06/06	Issues of shares (i)	17,713,333	-	6,630,896	-	6,630,896
	Share issue costs	-	-	(453,741)	-	(453,741)
30/06/06	**Closing Balance**	**149,179,891**	**1,000**	**34,666,587**	**200,000**	**34,866,587**
14/12/06	Conversion of preference shares (ii)	10,000,000	(1,000)	200,000	(200,000)	34,866,587
18/12/06	Issue of shares (iii)	23,786,984	-	13,081,860	-	47,948,447
	Share issue costs	-	-	(673,900)	-	47,274,547
4/1/07	Exercise of options (v)	500,000	-	142,400	-	47,416,947
	Share issue costs	-	-	(1,412)	-	47,415,535
29/1/07	Issue of shares (iv)	13,944,016	-	7,764,911	-	55,180,446
	Share issue costs	-	-	(411,557)	-	54,768,889
19/3/07	Exercise of options (v)	100,000	-	35,000	-	54,803,889
	Transfer from employee benefits reserve	-	-	16,210	-	54,820,099
26/3/07	Exercise of options (v)	1,000,000	-	284,800	-	55,104,899
	Transfer from employee benefits reserve	-	-	173,000	-	55,277,899
	Share issue costs	-	-	(2,199)	-	55,275,700
8/5/07	Exercise of options (v)	1,500,000	-	427,200	-	55,702,900
	Transfer from employee benefits reserve	-		259,500	-	55,962,400
11/5/07	Exercise of options (v)	500,000	-	142,400	-	56,104,800
21/5/07	Exercise of options (v)	100,000	-	35,000	-	56,139,800
	Transfer from employee benefits reserve	-	-	16,210	-	56,156,010
	Share issue costs	-		(4,272)	-	56,151,738
29/6/07	Exercise of options (v)	15,000,000	-	3,272,000	-	59,423,738
	Transfer from option premium reserve	-	-	3,725,000	-	63,148,738
	Share issue costs	-		(8,810)	-	63,139,928
30/06/07	**Closing Balance**	**215,610,891**	**-**	**63,139,928**	**-**	**63,139,928**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note

(i) On 21 June 2006, the Company issued 17,713,333 shares at 15 pence per share at an exchange rate of 0.4007;

(ii) On 14 December 2006, 1,000 preference shares converted into 10,000,000 ordinary shares in accordance with their terms.

(iii) On 18 December 2006, the Company issued 23,786,984 shares at 22 pence per share at an exchange rate of 0.40;

(iv) On 29 January 2007, the Company issued 13,944,016 shares at 22 pence per share at an exchange rate of 0.395.

(v) The Company issued shares resulting from the exercise of options as follows:

Date	Number	Exercise Price
4/1/07	500,000	$0.2848
19/3/07	100,000	$0.35
26/3/07	1,000,000	$0.2848
8/5/07	1,500,000	$0.2848
11/5/07	500,000	$0.2848
21/5/07	100,000	$0.35
29/6/07	10,000,000	$0.1848
29/6/07	5,000,000	$0.2848

	Consolidated		Company	
	2007	2006	2007	2006
16. RESERVES	$	$	$	$
Employee benefits reserve	882,620	964,169	882,620	964,169
Foreign currency translation reserve	(169,869)	4,563	-	-
Option premium reserve	112,841	3,837,841	112,841	3,837,841
	825,592	4,806,573	995,461	4,802,010

Movement in reserves

The movement in each of the reserves has been set out in the Statement of Changes in Equity**.**

Nature and purpose of reserves

Employee benefits reserve
The employee benefits reserve is used to recognise the fair value of services provided to the Company by employees which are paid through the issue of options in the Company.

Details of the options that comprise the employee benefits reserve are as follows:

700,000 (2006: Nil) $0.40 options	268,100	-	268,100	-
550,000 (2006: Nil) $0.55 options	115,271	-	115,271	-
Nil (2006: 3,500,000) $0.2848 options	-	432,500	-	432,500
2,500,000 (2006: 2,700,000) $0.35 options	499,249	531,669	499,249	531,669
	882,620	964,169	882,620	964,169

Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve as described in note 1(c). The accumulated exchange difference is recognised in profit and loss when the net investment is disposed of.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Option premium reserve

The option premium reserve is used to recognise the fair value of options issued in connection with acquisitions or services provided to the Company by individuals other than employees.

Details of the options that comprise the option premium reserve are as follows:

Nil (2006: 10,000,000) $0.1848 options (i)	-	2,630,000	-	2,630,000
Nil (2006: 5,000,000) $0.2848 options (i)	-	1,095,000	-	1,095,000
600,000 (2006: 600,000) 18 pence options (ii)	112,841	112,841	112,841	112,841
	112,841	3,837,841	112,841	3,837,841

i) Following shareholder approval on 4 May 2004 the Company completed the acquisition of a 100% interest in China Metals Pty Ltd. Options issued comprised 10,000,000 $0.20 options and 5,000,000 $0.30 options. The exercise price of these options was later reduced by 1.52 cents following the return of capital resulting from the demerger of Echelon Resources. These options were converted on 29 June 2007 and accordingly the amounts carried as part of the option premium reserve transferred to Issued Capital; and

ii) 600,000 options were issued to Mirabaud Securities with an exercise price of 18 pence as part consideration for undertaking the share placement undertaken by the Company in June 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

17. ACCUMULATED LOSSES	**Consolidated** 2007 $	2006 $	**Company** 2007 $	2006 $
Balance at the beginning of the financial year	(21,826,905)	(14,714,198)	(12,722,316)	(11,231,481)
Adjustments on adoption of accounting policies specified by AASB 132 and AASB 139	-	60,000	-	60,000
Restated balance at beginning of financial year	(21,826,905)	(14,654,198)	(12,722,316)	(11,171,481)
Net loss attributable to members of Leyshon Resources	(10,081,813)	(7,172,707)	(2,496,416)	(1,550,835)
Balance at the end of the financial year	(31,908,718)	(21,826,905)	(15,218,732)	(12,722,316)
Adjusted franking account balance (tax paid basis)	6,913,764	6,913,764	6,913,764	6,913,764

18. EARNINGS PER SHARE

The following reflects the earnings and average number of ordinary shares and potential ordinary shares used in the calculations of basic and diluted earnings per share:

	Consolidated Entity **2007** **$**	**2006** **$**
Net loss used in calculating basic earnings per share	(10,081,813)	(7,172,707)
Earnings used in calculating basic and diluted earnings per share	(10,081,813)	(7,172,707)
	Number of Shares 2007	**Number of shares 2006**
Weighted average number of ordinary shares used in calculating basic earnings per share	174,108,374	131,951,855
Effect of dilutive securities	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	174,108,374	131,951,855

(a) Conversions, calls, subscriptions or issues after 30 June 2007

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

18. EARNINGS PER SHARE (cont'd)

(b) Non-dilutive securities

The following potential ordinary shares are not dilutive as they would decrease the loss per share and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share:

	Number of securities 2007	Number of securities 2006	Number of potential shares 2007	Number of potential shares 2006
Converting Preference Shares	-	1,000	-	10,000,000
Options – 18.48 cents exercise price	-	10,000,000	-	10,000,000
Options – 28.48 cents exercise price	-	8,500,000	-	8,500,000
Options – 35 cents exercise price	2,500,000	2,700,000	2,500,000	2,700,000
Options – 18 pence exercise price	600,000	-	600,000	-
Options – 40 cents exercise price	700,000	-	700,000	-
Options – 55 cents exercise price	550,000	-	550,000	-

19. DIVIDENDS PAID OR PROVIDED FOR

No dividends have been paid or provided for during the year.

	Consolidated		Company	
	2007	2006	2007	2006
20. COMMITMENTS FOR EXPENDITURE	$	$	$	$
Exploration Expenditure				
Not longer than 1 year	1,033,478	4,202,975	-	-
Longer than 1 year and not longer than 5 years	-	1,143,827	-	-
Longer than 5 years	-	-	-	-
	1,033,478	5,346,802	-	-

21. LEASE COMMITMENTS

Operating leases

Leasing arrangements

The operating lease relates to the lease of an office in China. The current lease was entered into on 20 March 2007 for a period of three years with effect from 1 April 2007. The Consolidated Entity does not have an option to acquire the leased asset at the expiry of the lease period.

Non-cancellable operating leases				
Not longer than 1 year	136,838	27,873	-	-
Longer than 1 year and not longer than 5 years	228,063	23,228	-	-
Longer than 5 years	-	-	-	-
	364,901	51,101	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

22. SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2007	2006
Parent Entity			%	%
Leyshon Resources Limited	Australia			
Controlled Entities				
China Metals Pty Ltd (i)	Australia	Ordinary	100	100
Leyshon Red Dragon Limited (ii)	British Virgin Islands	Ordinary	100	100
Leyshon Resources (Coal) Pty Ltd (i)	Australia	Ordinary	100	100
Leyshon Coal Limited (iii)	British Virgin Islands	Ordinary	100	100
Leyshon JDK plc (i)	United Kingdom	Ordinary	100	100

Note

(i) Interest held by Leyshon Resources;
(ii) Interest held by China Metals Pty Ltd; and
(iii) Interest held by Leyshon Resources (Coal) Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

23. SEGMENT INFORMATION

The Consolidated Entity operates in one business segment, being the exploration of gold and other minerals, in the following geographical segments:

Geographical Segment	Australia		China		Consolidated	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
Revenue						
Other revenue/income	627,227	523,925	1,303	5,752	628,530	529,677
Total segment revenue/income	627,227	523,925	1,303	5,752	628,530	529,677
Unallocated revenue						-
Total consolidated revenue/income					628,530	529,677
Results						
Segment result	(2,496,416)	(1,550,835)	(7,585,397)	(5,621,872)	(10,081,813)	(7,172,707)
Unallocated expenses					-	-
Loss before income tax					(10,081,813)	(7,172,707)
Income tax (expense)/benefit					-	-
Net loss					(10,081,813)	(7,172,707)
Assets						
Segment assets	21,951,419	8,389,764	14,059,141	13,491,652	36,010,560	21,881,416
Unallocated assets					-	-
Total assets					36,010,560	21,881,416
Liabilities						
Segment liabilities	313,223	276,093	3,640,536	3,759,068	3,953,759	4,035,161
Unallocated liabilities					-	-
Total liabilities					3,953,759	4,035,161
Other						
Acquisition of non-current assets	2,219	7,584	15,051	-	17,270	7,584
Depreciation of segment assets	3,912	5,779	5,256	3,466	9,168	9,245
Share based payments	383,371	83,965	-	-	383,371	83,965

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

24. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 22 to the financial statements.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 4 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Leyshon Resources

	Balance at the start of the year	Purchases	Received on exercise of options	Other changes (i)	Sales	Balance at the end of the year
2007						
Mr Paul Atherley	**10,000,000**	**-**	**15,000,000**	**5,000,000**	**-**	**30,000,000**
Mr John Fletcher	**1,202,824**	**1,000,000**	**-**	**-**	**-**	**2,202,824**
Mr Robert Bigland	**411,000**	**-**	**-**	**(411,000)**	**-**	**-**
Ms Stacey Apostolou	**300,000**	**-**	**-**	**500,000**	**-**	**800,000**
Mr Richard Seville	**-**	**-**	**-**	**-**	**-**	**-**
2006						
Mr Ian Middlemas	42,291,611	-	-	(42,291,611)	-	-
Mr Paul Atherley	10,000,000	-	-	-	-	10,000,000
Mr Gary Pearce	1,000,000	-	-	(1,000,000)	-	-
Mr Mark Pearce	200,000	-	-	(200,000)	-	-
Mr John Fletcher	-	-	-	1,202,824	-	1,202,824
Mr Robert Bigland	-	-	-	411,000	-	411,000
Ms Stacey Apostolou	-	-	-	300,000	-	300,000

(i) 2007 – This includes, with respect to Mr Atherley and Ms Apostolou, the shares issued following conversion of the converting preference shares and with respect to Mr Bigland, the adjustment following his ceasing to be a director.
2006 – This includes an adjustment in the balance for key management personnel who have resigned or were appointed during the financial year.

Options exercisable @ $0.1848 or $0.2848 (as appropriate) each on or before 30 June 2007

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes (i)	Balance at the end of the year (ii)	Vested during the year	Vested and exercisable at the end of the year
2007							
Mr Paul Atherley - $0.1848 Options	**10,000,000**	**-**	**(10,000,000)**	**-**	**-**	**-**	**-**
Mr Paul Atherley - $0.2848 Options	**5,000,000**	**-**	**(5,000,000)**	**-**	**-**	**-**	**-**
2006							
Mr Paul Atherley - $0.1848 Options	10,000,000	-	-	-	10,000,000	-	10,000,000
Mr Paul Atherley - $0.2848 Options	5,000,000	-	-	-	5,000,000	-	5,000,000
Mr Greg Jones - $0.2848 Options	2,500,000	-	-	(2,500,000)	-	1,500,000	-

(i) Includes reduction in balance for key management personnel who have resigned during the financial year.
(ii) All options referred to had vested and were exerciseable at 1 July 2005.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

24. RELATED PARTY DISCLOSURES (cont'd)

Options exercisable @ $0.40 or $0.55 (as appropriate) each on or before 30 November 2009

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes (i)	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2007							
Mr Vic McLaglen - $0.40 Options	**-**	**550,000**	**-**	**-**	**550,000**	**275,000**	**275,000**
Mr Vic McLaglen- $0.55 Options	**-**	**550,000**	**-**	**-**	**550,000**	**275,000**	**275,000**
Mr Malcolm Wilson - $0.40 Options	**-**	**475,000**	**-**	**(475,000)**	**-**	**150,000**	**150,000**
Mr Malcolm Wilson - $0.55 Options	**-**	**325,000**	**-**	**(325,000)**	**-**	**-**	**-**

(i) Includes reduction in balance for key management personnel who have resigned during the financial year and those options which lapsed due to the vesting conditions not having been satisfied. The board exercised its discretion on 19 January 2007 to allow 150,000 options exerciseable at $0.40 to vest immediately.

Preference shares convertible into 10,000 ordinary fully paid shares each

	Balance at the start of the year	Purchases	Received on exercise of options	Other changes (i)	Sales	Balance at the end of the year
2007						
Mr Paul Atherley	**500**	**-**	**-**	**(500)**	**-**	**-**
Ms Stacey Apostolou	**50**	**-**	**-**	**(50)**	**-**	**-**
Mr Jian Hua Sang	**450**	**-**	**-**	**(450)**	**-**	**-**
2006						
Mr Paul Atherley	500	-	-	-	-	500
Ms Stacey Apostolou	-	-	-	50	-	50
Mr Jian Hua Sang	-	-	-	450	-	450

(i) Includes adjustment in balance for key management personnel who have resigned during the financial year and for the conversion of preference shares.

(d) Other transactions with key management personnel (and their related parties) of Leyshon Resources

Richard Seville & Associates Pty Ltd, a company of which Mr Richard Seville is a director and beneficial shareholder, was paid $41,900 (2006: Nil) for the provision of technical services. This amount is included in exploration expenses for the year.

(e) Transactions with other related parties

Transactions between Leyshon and its subsidiaries

Inter-company Account
Leyshon provides working capital to its controlled entities. Transactions between Leyshon and other controlled entities in the wholly owned group during the financial year ended 30 June 2007 consisted of:

- (i) Working capital advanced by Leyshon;
- (ii) Working capital repaid to Leyshon; and
- (iii) Provision of services by Leyshon to its controlled entities.

The above transactions were made interest free with no fixed terms for the repayment of principal on the working capital advanced by Leyshon.

At balance date amounts receivable from controlled entities totalled $18,128,832 (2006: $9,202,981).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(f) Parent entities

The parent entity in the consolidated entity and the ultimate parent entity is Leyshon Resources Limited.

25. SUBSEQUENT EVENTS AFTER BALANCE DATE

There were no significant events occurring after balance date requiring disclosure in the financial statements.

26. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Cash and cash equivalents	22,096,750	8,434,899	21,834,974	8,170,702

(b) Reconciliation of loss for the year to net cash provided (used) by operating activities

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Loss for the year	(10,081,813)	(7,172,707)	(2,496,416)	(1,550,835)
Depreciation and amortisation	9,168	9,245	3,912	5,779
Increase in provision for doubtful debt	-	46,131	-	-
Increase in provision for employee entitlements	23,688	11,938	31,946	27,078
Write down to recoverable amount of investments	-	-	2,120	2,110
Loss on write down of non-current assets	1,269	-	1,269	-
Exchange differences	1,347,406	(2,976)	1,349,122	5,675
Fair value (gain)/loss on financial instruments	495,000	(180,000)	495,000	(180,000)
Gain on sale of financial instruments	(2,062,500)	-	(2,062,500)	-
Share based payment expense	383,371	83,965	383,371	83,965
(Increase)/decrease in other assets	(103,926)	(169,264)	70,215	(175,181)
(Decrease)/increase in payables	(113,901)	(26,628)	(7,304)	161,492
Net cash provided (used) by operating activities	(10,102,238)	(7,400,296)	(2,229,265)	(1,619,917)

(c) Non cash transactions

30 June 2007

During the financial year:

a) 1,000 converting preference shares converted into 10,000,000 ordinary shares in accordance with their terms. The converting preference shares had been carried at $200,000 as part of issued capital and as a result, there was no change to issued capital following their conversion;
b) On each of 19 March and 21 May, 100,000 options with an exercise date of 31 December 2007 were exercised. An amount of $32,420 relating to these 200,000 options exercised had previously been credited to the employee benefit reserve. Following exercise, issued capital has been increased by this amount with a similar reduction to the employee benefit reserve;
c) On 26 March and 8 May, 1,000,000 options and 1,500,000 options with an exercise date of 30 June 2007 were exercised. An amount of $432,500 relating to these 2,500,000 options exercised had previously been credited to the employee benefit reserve. Following exercise, issued capital has been increased by this amount with a similar reduction to the employee benefit reserve;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

26. NOTES TO THE CASH FLOW STATEMENT (cont'd)

d) On 29 June, the 15,000,000 options that had been issued as part consideration for the acquisition of China Metals Pty Ltd were exercised. The value originally attributed to these options of $3,725,000 had been carried as part of the option premium reserve. Subsequent to exercise, issued capital has been increased by this amount with a similar reduction to the option premium reserve; and

e) Grant of options – refer to note 16.

30 June 2006

Grant of options

During the financial year ended 30 June 2006, the Company entered into an agreement for and completed a share placement. Consideration provided to the placement company included a cash component and the grant of 600,000 options in the Company which have an exercise price of 18 pence and an expiry date of 30 June 2008. The Directors have sought advice on the value of these options and based on that advice have determined the value of each option to be GBP0.075 (refer Note 28(d)), resulting in total consideration arising from the options of $112,841. The option premium reserve has been increased by this value and the transaction has been recorded as a share issue cost in share capital.

27. JOINTLY CONTROLLED ENTITY

The Group is a venturer in the following jointly controlled entity:

		Interest	
		2007	**2006**
Name of venture	**Principal activity**	**%**	**%**
Black Dragon Mining Company Limited	Exploration and development	70	-

The Group's interest in assets employed in the above jointly controlled entity is detailed below. The amounts are included in the consolidated financial statements under their respective assets categories:

	Consolidated	
	2007	**2006**
	$	**$**
Current assets		
Cash	234,618	-
Other	42,166	-
Total current assets	**276,784**	**-**
Total assets	**276,784**	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

28. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which revenues and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The Consolidated Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Consolidated Entity does not enter into derivative financial instruments.

(a) Interest rate risk

The Consolidated Entity is exposed to floating interest rates on the cash balance and other financial assets. The effective weighted average interest rate for each class of financial assets and liabilities is set out below.

			Fixed Interest Maturing			
	Weighted Average Effective Interest Rate	**Variable Interest Rate**	**1 Year or Less**	**From 1 to 5 Years**	**Non-Interest Bearing**	**Total**
2007		**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash and cash equivalents	5.3%	22,096,750	-	-	-	22,096,750
Receivables		-	-	-	118,702	118,702
Other financial assets		-	-	-	688,660	688,660
		22,096,750	-	-	807,362	22,904,112
Financial Liabilities						
Payables		-	-	-	285,142	285,142
Employee benefits		-	-	-	63,929	63,929
		-	-	-	349,071	349,071

			Fixed Interest Maturing			
	Weighted Average Effective Interest Rate	**Variable Interest Rate**	**1 Year or Less**	**From 1 to 5 Years**	**Non-Interest Bearing**	**Total**
2006		**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash and cash equivalents	4.8%	8,434,899	-	-	-	8,434,899
Receivables	5.8%	16,000	-	-	134,476	150,476
Other financial assets		-	-	-	495,001	495,001
		8,450,899	-	-	629,477	9,080,376
Financial Liabilities						
Payables		-	-	-	390,232	390,232
Employee benefits		-	-	-	40,241	40,241
		-	-	-	430,473	430,473

(b) Credit risk

The Consolidated Entity is exposed to credit related losses in the event of non-performance by counter parties (banks) with respect to the financial instruments, however exposures to individual counter parties are limited in accordance with policy set by the Board.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

28. FINANCIAL INSTRUMENTS (cont'd)

The credit risk on financial assets which have been recognised on the balance sheet is generally the carrying amount of the asset.

(c) Net fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities of the Consolidated Entity approximates their net fair value.

Options over unissued shares in Echelon Resources Limited at 1 July 2005 and 30 June 2006.

The fair value of each option was estimated on the date of grant using the Black Scholes Option Valuation Model with the following assumptions:

Assumption	Options - $0.20
Underlying Security spot price	$0.35
Exercise price	$0.20
Dividend rate	Nil
Standard deviation of returns (annualised)	75%
Risk free rate	5.8%
Expiration date	31 December 2007
Valuation date	30 June 2006

The directors again sought advice in respect to the value of the options over unissued Echelon shares at 30 June 2006, and based on that advice determined the value of each option as at that date to be $0.198, for a total net fair value of $495,000. This value has been reflected in the financial statements resulting in a net gain on revaluation recorded in the income statement during the financial year of $180,000.

The options in Echelon Resources Limited were exercised during the financial year and the shares subsequently sold on 21 May 2007 for $1.025 per share (refer note 8(i)).

(d) Valuation of Securities

<u>30 June 2007</u>

Advice was sought by the Company in relation to the value of options granted during the year. Based on this advice, the value of the securities was calculated as follows:

The fair value of the options was estimated on the date of grant using the Binomial Option Valuation Model with the following assumptions:

	$0.40 Options	$0.55 Options
Dividend yield	-	-
Volatility	75%	75%
Risk-free interest rate	5.97%	5.97%
Expected life of option	3 years	3 years
Underlying security spot price	$0.605	$0.605

The dividend yield reflects the assumption that the current dividend payout will remain unchanged. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

28. FINANCIAL INSTRUMENTS (cont'd)

The resulting fair values per option for the options granted are:

Number of Options	Exercise price	Grant date	Vesting dates	Fair value
1,025,000	$0.40	15 Nov 2006	50% on each of 15 May 2007 and 15 Nov 2007	$0.383
875,000	$0.55	15 Nov 2006	50% on each of 15 May 2007 and 15 Nov 2007	$0.337

30 June 2006

Advice was sought by the Company in relation to the value of options granted during the year. Based on this advice, the value of the securities was calculated as follows:

The fair value of the options was estimated on the date of grant using the Black-Scholes Option Valuation Model with the following assumptions:

	18 pence Options
Dividend yield	-
Volatility	75%
Risk-free interest rate	4.66%
Expected life of option	2.06 years

The dividend yield reflects the assumption that the current dividend payout will remain unchanged. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The resulting fair value per option for the options granted is:

Number of Options	Exercise price	Grant date	Vesting date	Fair value	Fair value in $A
600,000	18 pence	7 June 2006	7 June 2006	7.5 pence	$0.188

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Independent Auditor's Report to the Members of Leyshon Resources Limited

We have audited the accompanying financial report of Leyshon Resources Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 15 to 55.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Leyshon Resources Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 20 September 2007