

LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2008

CORPORATE DIRECTORY

Directors

John Fletcher – Non-Executive Chairman
Paul C Atherley – Managing Director
Andrew Berry – Non-Executive Director
Richard Seville – Non-Executive Director

Company Secretary

Stacey Apostolou

Registered and Principal Offices

Australia

36 Outram Street
West Perth WA 6005
Telephone: (61 8) 9321 0077
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China

Suite 2502, Tower D
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6A Jianguomenwai Avenue
Chaoyang District
Beijing 100022
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Share Register

Computershare Investor Services Pty
Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
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Australia
Telephone: 1300 557 010
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Solicitors

Jun He Law Offices – Beijing
Hardy Bowen – Australia

Auditor

Deloitte Touche Tohmatsu

Bankers

Bank of China – Beijing
Bank of New Zealand

Stock Exchange Listing

Alternative Investment Market
London Stock Exchange
10 Paternoster Square
London EC4M 7LS

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

AIM and ASX Code – LRL

DIRECTORS' REPORT

The Board of Directors of Leyshon Resources Limited present their report on the consolidated entity of Leyshon Resources Limited ("the Company" or "Leyshon Resources") and its subsidiaries during the half-year ended 31 December 2008 ("Consolidated Entity").

DIRECTORS

The names of the Directors of Leyshon Resources in office during the half-year and until the date of this report are:

John Fletcher
Paul C Atherley
Richard Seville
Andrew Berry (Appointed 10 October 2008)
Stacey Apostolou (Resigned 10 October 2008)

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax attributable to members of the Consolidated Entity for the half-year ended 31 December 2008 was \$2,950,192 (2007: Net operating loss after tax of \$5,751,338).

Operations

Zheng Guang Gold Project

The Company completed a 6,840 metre diamond drilling programme during the half-year. The 31 hole programme targeted shallow extensions to the Main Ore Zone to the South, deeper extensions to the North and further testing of the Zheng Guang North prospect.

Whilst a number of significant intersections were made in each of these target areas further drilling is required before the existing resource estimates can be expected to be increased.

During the half-year, the 8.6km access road was completed and site predevelopment earthworks commenced. The Company's engineering team has worked closely with the Changchun Design Institute on a review of the detailed engineering design aimed at substantially reducing the capital costs of bringing the project into cash flow. As previously reported, the Company has deferred all major expenditure on the project until after the Chinese winter. Planned resumption of site-based activities in April 2009 is subject to receiving the necessary approvals and funding arrangements.

The Company's policy of full engagement with the local community has facilitated the completion of negotiations with local farmers and other affected parties for land acquisition. The Land Acquisition Plan is now awaiting approval from the Department of Land and Resources. This is the final approval required before Project Registration and the issue of the Mining Licence, both of which are expected in 2009.

Corporate

The Company is considering various options to fund the development of the Zheng Guang Gold Project. Whilst there remains interest to fund the Project once all necessary approvals have been completed, there can be no guarantee in the current environment that financing can be finalised on terms that would be attractive to the Company. Accordingly the Company is investigating other avenues to realise value from the Project.

The Company has received a number of approaches regarding the potential sale of its interest in the Project and has progressed discussions with these parties under confidentiality agreements.

In addition to the deferment of all project expenditure, the Company has undertaken a review of all expenditure resulting in a considerable reduction in its monthly outgoings.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the Directors of Leyshon Resources Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 15 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'Paul Atherley', written in a cursive style.

PAUL ATHERLEY
Director
Beijing, 14 March 2009


DIRECTORS' DECLARATION

In accordance with a resolution of the directors on 13 March 2009 of Leyshon Resources Limited, the Directors declare that:

In the opinion of the Directors:

- (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 305 (true and fair view); and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



PAUL ATHERLEY
Director

Beijing, 14 March 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	Half-year Ended 31 Dec 2008 \$	Half-year Ended 31 Dec 2007 \$
Revenue	2	293,581	549,916
Other income		4,092	7,172
Exploration expenses		(2,196,488)	(3,250,064)
Administration expenses		(980,532)	(904,635)
Business development expenses		(172,743)	(292,620)
Foreign exchange gains/(losses)		148,234	(455,757)
Share based payments		(46,336)	(1,405,350)
Loss before income tax		(2,950,192)	(5,751,338)
Income tax expense		-	-
Loss attributable to members of Leyshon Resources Limited		(2,950,192)	(5,751,338)
Loss Per Share			
Basic loss per share (cents per share)		(1.35)	(2.66)
Diluted loss per share (cents per share)		(1.35)	(2.66)

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	31 Dec 2008 \$	30 June 2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents		5,734,057	9,399,324
Trade and other receivables		53,234	116,140
Other		95,357	65,127
Total Current Assets		5,882,648	9,580,591
Non-Current Assets			
Other financial assets at fair value through profit and loss		1	1
Other financial assets		4,274,771	2,613,103
Property, plant and equipment		22,228	26,352
Development properties	3	21,144,643	16,324,326
Total Non-Current Assets		25,441,643	18,963,782
TOTAL ASSETS		31,324,291	28,544,373
LIABILITIES			
Current Liabilities			
Trade and other payables		4,631,125	1,074,585
Provisions		54,755	120,947
Total Current Liabilities		4,685,880	1,195,532
Non-Current Liabilities			
Deferred tax liabilities		3,604,688	3,604,688
Total Non-Current Liabilities		3,604,688	3,604,688
TOTAL LIABILITIES		8,290,568	4,800,220
NET ASSETS		23,033,723	23,744,153
EQUITY			
Issued capital		64,552,218	64,507,082
Reserves		3,751,592	1,556,966
Accumulated losses		(45,270,087)	(42,319,895)
TOTAL EQUITY		23,033,723	23,744,153

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

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year Ended 31 Dec 2008 \$	Half-year Ended 31 Dec 2007 \$
<u>Issued Capital</u>		
Issued and paid up capital – at the beginning of the half-year	64,507,082	63,139,928
Transactions with equity holders in their capacity as equity holders:		
Issue of shares as part of employee benefits	46,336	-
Contributions of equity	-	875,000
Less share issue costs	(1,200)	(2,423)
Transfer from employee benefit reserve	-	499,250
	45,136	1,371,827
Issued and paid up capital – at the end of the half-year	64,552,218	64,511,755
<u>Employee Benefit Reserve</u>		
Balance at the beginning of the half-year	1,941,893	882,620
Employee benefit expense – Share options	-	1,405,350
Exercise of options	-	(499,250)
Employee benefit reserve at the end of the half-year	1,941,893	1,788,720
<u>Option Premium Reserve</u>		
Option premium reserve at the beginning of the half-year	112,841	112,841
Share options	-	-
Option premium reserve at the end of the half-year	112,841	112,841
<u>Foreign Exchange Reserve</u>		
Foreign exchange reserve at the beginning of the half-year	(497,768)	(169,869)
Exchange differences on translation of foreign operations attributable to members of Leyshon Resources Limited	2,194,626	(451,765)
Foreign exchange reserve at the end of the half-year	1,696,858	(621,634)
Total reserves at the end of the half-year	3,751,592	1,279,927

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

	Half-year Ended 31 Dec 2008 \$	Half-year Ended 31 Dec 2007 \$
<u>Accumulated Losses</u>		
Accumulated losses at the beginning of the half-year	(42,319,895)	(31,908,718)
Loss for the half-year attributable to members of Leyshon Resources Limited	(2,950,192)	(5,751,338)
Accumulated losses at the end of the half-year	(45,270,087)	(37,660,056)
Net income recognised directly in equity:		
Exchange differences on translation of foreign operations		
- Members of parent entity	2,194,626	(451,765)
	2,194,626	(451,765)
Loss for the half-year		
- Members of parent entity	(2,950,192)	(5,751,338)
Total recognised income and expense for the year attributable to members of the parent entity	(755,556)	(6,203,103)

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year ended 31 Dec 2008 \$	Half-year ended 31 Dec 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(2,808,542)	(4,783,314)
Interest received	194,716	615,782
	<hr/>	<hr/>
Net cash flows used in operating activities	(2,613,826)	(4,167,532)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(2,580)	(215,369)
Loans to other entities	(475,549)	(1,323,049)
Development expenditure	(721,546)	(1,315,030)
	<hr/>	<hr/>
Net cash flows used in investing activities	(1,199,675)	(2,853,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	875,000
Share issue expenses paid	-	(11,234)
	<hr/>	<hr/>
Net cash flows from financing activities	-	863,766
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(3,813,501)	(6,157,214)
Cash and cash equivalents at the beginning of the half-year	9,399,324	22,096,750
Effects of exchange rate changes on cash and cash equivalents	148,234	(455,757)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	5,734,057	15,483,779

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Leyshon Resources Limited for the year ended 30 June 2008 and any public announcements made by Leyshon Resources Limited and its subsidiaries during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation of half-year financial report

The condensed consolidated financial statements have 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2008 annual financial report for the year ended 30 June 2008, unless otherwise indicated.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity is currently in a positive net current asset position.

The Directors believe the going concern assumption is appropriate for the following reasons:

- The Consolidated Entity has been able to significantly reduce its monthly fixed expenditures.
- The Consolidated Entity has been able to defer approximately \$2 million of creditors which are owed by Black Dragon Mining Co. Ltd to JV partner Qiqiha'er Brigade. These amounts are to be netted off against outstanding contributions owed by Qiqiha'er Brigade and or future proceeds from the potential sale of the project.
- The Consolidated Entity has received an indicative offer of finance from a finance provider.
- Several parties have identified their interest in acquiring the Consolidated Entity's interest in the project. The Directors are currently pursuing these opportunities and are confident that a favourable outcome will be negotiated for the Consolidated Entity.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Should the Consolidated Entity at anytime be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Consolidated Entity be unable to continue as a going concern.

	Half-year Ended 31 December 2008 \$	Half-year Ended 31 December 2007 \$
2. REVENUE		
Interest received/receivable	293,581	549,916

3. DEVELOPMENT PROPERTIES

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

4. DIVIDENDS PAID OR PROVIDED FOR

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

5. 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	
	Half-year 2008 \$	Half-year 2007 \$	Half-year 2008 \$	Half-year 2007 \$	Half-year 2008 \$	Half-year 2007 \$
Revenue						
Other revenue/income	4,060	6,169	32	1,003	4,092	7,172
Total segment revenue/income	4,060	6,169	32	1,003	4,092	7,172
Unallocated revenue					293,581	549,916
Total consolidated revenue/income					297,673	557,088
Results						
Segment result	(1,151,920)	(2,077,501)	(2,091,853)	(4,223,753)	(3,243,773)	(6,301,254)
Unallocated expenses					-	-
Unallocated interest revenue					293,581	549,916
Loss before income tax					(2,950,192)	(5,751,338)
Income tax (expense)/benefit					-	-
Net loss					(2,950,192)	(5,751,338)
Assets						
Segment assets	5,652,048	15,453,916	25,672,243	16,716,718	31,324,291	32,170,634
Unallocated assets					-	-
Total assets					31,324,291	32,170,634
Liabilities						
Segment liabilities	241,329	210,967	8,049,239	3,828,041	8,290,568	4,039,008
Unallocated liabilities					-	-
Total liabilities					8,290,568	4,039,008
Other						
Acquisition of non-current assets	375	-	2,205	19,921	2,580	19,921
Development properties	-	-	21,144,643	14,367,126	21,144,643	14,367,126
Depreciation of segment assets	1,573	1,403	5,131	6,482	6,704	7,885
Share based payments	46,336	1,405,350	-	-	46,336	1,405,350

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

6. SUBSEQUENT EVENTS AFTER BALANCE DATE

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

7. COMMITMENTS AND CONTINGENCIES

Commitments

COMMITMENTS FOR EXPENDITURE	Half-year Ended 31 December 2008 \$	Half-year Ended 31 December 2007 \$
Development Expenditure		
Not longer than 1 year	2,197,980	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
Total Commitments	<u>2,197,980</u>	<u>-</u>

There were no changes to the operating leases commitment during the half-year reporting period.

Contingencies

There has been no material change in the contingent assets or liabilities of the Consolidated Entity during the half-year.

8. ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

During the half-year reporting period, Leyshon Resources Limited issued 144,801 ordinary shares for a total value before issue costs of \$46,336. There were no other movements in ordinary share capital or other issued share capital of the Company during the current or prior half-year reporting period.

There were no movements in share options of the Company during the current half-year reporting period (2007: Grant of 4,000,000 options over ordinary shares).

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

We have reviewed the accompanying half-year financial report of Leyshon Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Leyshon Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Leyshon Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants
Perth, 14 March 2009

The Board of Directors
Leyshon Resources Limited
36 Outram Street
West Perth WA 6005

14 March 2009

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 review of the financial statements of Leyshon Resources Limited for the half-year ended 31 December 2008, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants