

LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2009

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
Facsimile: (61 8) 9322 4073

China

Room 1708, Building 17
Jianwai SOHO No. 39
East 3rd Ring Road
Chaoyang District
Beijing 100022
Telephone: (86 10) 5869 5430
Facsimile: (86 10) 5869 5435

Share Register

Computershare Investor Services Pty
Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Australia
Telephone: 1300 557 010
International: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033

Solicitors

Jun He Law Offices – Beijing
Hardy Bowen – Australia

Auditor

Deloitte Touche Tohmatsu

Bankers

Bank of China – Beijing
National Australia Bank

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 2009 ("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

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating profit after tax attributable to members of the Consolidated Entity for the half-year ended 31 December 2009 was \$27,202,335 (2008: Net operating loss after tax of \$2,950,192).

Operations

Leyshon Resources Limited (AIM/ASX: LRL) (Company) is pleased to report that during the half year it completed the sale of its interest in the Zheng Guang project. There were no advisory fees paid and legal and accountancy fees totalled \$44,500.

As a result the Company now has approximately \$48 million held in cash and on term deposit in Australia and RMB1.98 million in Beijing. At current exchange rates this equates to approximately \$0.22 per share.

Subsequent to the half year end, the Company announced its intention to commence an on market share buy-back of up to 21,800,000 fully paid ordinary shares. This equates to approximately 10% of the fully paid issued capital. Seymour Pierce in London and Blackswan Equities in Australia are handling the buy-back on the Company's behalf.

At the Annual General Meeting held in November, the Company received overwhelming support for the divestment of Zheng Guang and the proposed Investing Policy with approximately 25% of the issued capital being voted and of this 97% voting in favour of all resolutions.

The main thrust of the policy was that:

The Company proposes to draw on its six years experience in China and focus on acquiring and developing mineral and energy projects in those commodities and located in those countries which it believes will be of interest to Chinese mining and other groups for either offtake, partnership or sale.

The Company has received over 50 projects for review and is actively reviewing those that are considered to have the potential to meet the Company's investment criteria.

Whilst the Company remains alive to a wide range of opportunities that meet the investment guidelines both within China and elsewhere, the current focus is on a broad region encompassing Northern China and Southern Mongolia and specifically targeting primarily Coking Coal and Iron Ore.

The Company has quickly established excellent deal flow in these areas, building on existing long term relationships in some cases and in others creating the relationships and profile through introductions.

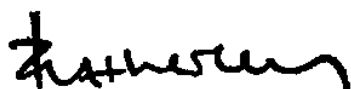
The Company has entered into a 51%:49% exploration and production joint venture with Qiqiha'r Tai Fu Trading Company Ltd on the QHD Iron Mountain project in the Tang Shan district of Hebei East China.

The Company is actively working on a number of other joint venture opportunities in Coking Coal and Iron Ore that have the potential to fit the criteria set out in the proposed investing policy.

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 16 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to be 'J. H. H. H.', written in a cursive style.

Director
Perth, 26 February 2010

DIRECTORS' DECLARATION

In accordance with a resolution of the directors on 26 February 2010 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

Perth, 26 February 2010

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Half-year Ended 31 Dec 2009 \$	Half-year Ended 31 Dec 2008 \$
Continuing operations			
Revenue	2	106,847	293,581
Other income		-	4,092
Exploration expenses		(146,218)	(641,244)
Administration expenses		(881,391)	(980,532)
Business development expenses		-	(172,743)
Foreign exchange gains/(losses)		(276,762)	148,234
Share based payments		-	(46,336)
Loss before tax		(1,197,524)	(1,394,948)
Income tax expense		-	-
Loss for the period from continuing operations		(1,197,524)	(1,394,948)
Discontinued operations			
Profit/(loss) for the period from discontinued operations	3	28,399,859	(1,555,244)
Profit/(Loss) attributable to members of Leyshon Resources Limited		27,202,335	(2,950,192)
Earnings Per Share			
From continuing and discontinued operations			
Basic (cents per share)		12.45	(1.35)
Diluted (cents per share)		12.13	(1.35)
From continuing operations			
Basic earnings per share (cents per share)		(0.55)	(0.64)
Diluted earnings per share (cents per share)		(0.55)	(0.64)

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

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	Half-year Ended 31 Dec 2009 \$	Half-year Ended 31 Dec 2008 \$
Profit/(loss) for the period		27,202,335	(2,950,192)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(488,917)	2,194,626
Other comprehensive income for the period net of tax		(488,917)	2,194,626
Total comprehensive income attributable to members of Leyshon Resources Limited		26,713,418	(755,566)

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

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	31 Dec 2009 \$	30 June 2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents		48,300,493	3,918,963
Trade and other receivables		94,182	76,010
Other		35,861	14,078
		48,430,536	4,009,051
Assets classified as held for sale		-	24,328,083
Total Current Assets		48,430,536	28,337,134
Non-Current Assets			
Other financial assets at fair value through profit and loss		1	1
Other financial assets		14,999	14,999
Property, plant and equipment		11,613	2,771
Total Non-Current Assets		25,613	17,771
TOTAL ASSETS		48,457,149	28,354,905
LIABILITIES			
Current Liabilities			
Trade and other payables		323,769	1,567,699
Provisions		41,815	45,452
		365,584	1,613,151
Liabilities directly associated with assets held for sale		-	5,363,607
Total Current Liabilities		365,584	6,976,758
TOTAL LIABILITIES		365,854	6,976,758
NET ASSETS		48,091,565	21,378,147
EQUITY			
Issued capital		64,552,218	64,552,218
Reserves		1,373,173	2,430,810
Accumulated losses		(17,833,826)	(45,604,881)
TOTAL EQUITY		48,091,565	21,378,147

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

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-year Ended 31 Dec 2009 \$	Half-year Ended 31 Dec 2008 \$
<u>Issued Capital</u>		
Issued and paid up capital – at the beginning of the half-year	64,552,218	64,507,082
Transactions with equity holders in their capacity as equity holders:		
Issue of shares as part of employee benefits	-	46,336
Less share issue costs	-	(1,200)
	-	45,136
Issued and paid up capital – at the end of the half-year	64,552,218	64,552,218
<u>Employee Benefit Reserve</u>		
Balance at the beginning of the half-year	1,941,893	1,941,893
Transactions with equity holders in their capacity as equity holders:		
Expiry of options	(568,720)	-
Employee benefit reserve at the end of the half-year	1,373,173	1,941,893
<u>Option Premium Reserve</u>		
Option premium reserve at the beginning of the half-year	-	112,841
Option premium reserve at the end of the half-year	-	112,841
<u>Foreign Exchange Reserve</u>		
Foreign exchange reserve at the beginning of the half-year	488,917	(497,768)
Exchange differences on translation of foreign operations attributable to members of Leyshon Resources Limited	(488,917)	2,194,626
Total comprehensive income for the period	(488,917)	2,194,626
Foreign exchange reserve at the end of the half-year	-	1,696,858
Total reserves at the end of the half-year	1,373,173	3,751,592

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009 (CONTINUED)**

	Half-year Ended 31 Dec 2009 \$	Half-year Ended 31 Dec 2008 \$
<u>Accumulated Losses</u>		
Accumulated losses at the beginning of the half-year	(45,604,881)	(42,319,895)
Profit/(Loss) for the half-year attributable to members of Leyshon Resources Limited	27,202,335	(2,950,192)
Total comprehensive income for the period	27,202,335	(2,950,192)
Transactions with equity holders in their capacity as equity holders:		
Transfer from employee benefit reserve	568,720	-
Accumulated losses at the end of the half-year	(17,833,826)	(45,270,087)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-year ended 31 Dec 2009 \$	Half-year ended 31 Dec 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(882,145)	(2,808,354)
Interest received	57,886	194,716
	<hr/>	<hr/>
Net cash flows used in operating activities	(824,259)	(2,613,638)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(1,200)	(2,580)
Proceeds from sale of interest in jointly controlled entity	46,039,933	-
Loans to other entities	(50,276)	(475,549)
Development expenditure	(505,906)	(721,546)
	<hr/>	<hr/>
Net cash flows used in investing activities	45,482,551	(1,199,863)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	44,658,292	(3,813,501)
Cash and cash equivalents at the beginning of the half-year	3,918,963	9,399,324
Effects of exchange rate changes on cash and cash equivalents	(276,762)	148,234
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	48,300,493	5,734,057
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The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 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 2009 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 2009 annual financial report for the year ended 30 June 2009, unless otherwise indicated.

(b) Adoption of new and revised Accounting Standards

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009. The standards adopted are:

- AASB 3 : "Business Combinations"
- AASB 8 : "Operating Segments"
- AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8"
- AASB 101 : "Presentation of Financial Statements"
- AASB 127 : "Consolidated and Separate Financial Statements"
- AASB 2009-4 : "Amendments to Australian Accounting Standards arising from the Annual Improvements Project"

The adoption of these new and revised Standards and Interpretations has resulted in some disclosure changes being made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

2. REVENUE

	Half-year Ended 31 December 2009 \$	Half-year Ended 31 December 2008 \$
Interest received/receivable	<u>106,847</u>	<u>293,581</u>

3. GAIN ON DISPOSAL OF INTEREST IN JOINTLY CONTROLLED ENTITY

On 2 December 2009 the Company disposed of its 70% interest in the Sino Foreign Joint Venture company Black Dragon Mining Company Limited (Black Dragon), which owns the Zheng Guang Gold Project.

	*Period from 1 July 2009 to 2 December 2009 \$	Half-year Ended 31 December 2008 \$
Exploration loss for the period	(156,714)	(1,555,244)
Gain on disposal of interest in Black Dragon	<u>28,556,573</u>	-
	<u>28,399,859</u>	<u>(1,555,244)</u>

The following were the results for the Consolidated Entity's interest in Black Dragon for the period:

Revenue	-	-
Operating expenses	<u>(156,714)</u>	<u>(1,555,244)</u>
Loss before income tax	(156,714)	(1,555,244)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax	<u>(156,714)</u>	<u>(1,555,244)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3. GAIN ON DISPOSAL OF INTEREST IN JOINTLY CONTROLLED ENTITY (Continued)

The Consolidated Entity's interest in the net assets of Black Dragon at the date of disposal was as follows:

	2 December 2009 \$
Book value of net assets sold	
<u>Current assets</u>	
Cash and cash equivalents	5,699
Trade and other receivables	1,245,860
<u>Non-current assets</u>	
Development properties	23,918,553
Other financial assets	3,560,518
<u>Current liabilities</u>	
Trade and other payables	(827,495)
<u>Non-current liabilities</u>	
Deferred tax liabilities	<u>(3,604,688)</u>
Net assets disposed	24,298,447
Less withholding tax for equity transfer	<u>(3,077,876)</u>
	21,220,571
Gain on disposal	<u>28,556,573</u>
Total consideration	<u>49,777,144</u>
Consideration	
Cash and cash equivalents	46,039,933
Liabilities assumed by purchaser	<u>3,737,211</u>
	<u>49,777,144</u>

A gain of \$28,556,573 was recognised on the disposal of the Consolidated Entity's interest in Black Dragon. People's Republic of China withholding tax of \$3,077,876 was withheld from the sale proceeds. No other tax charge or credit arose on the transaction.

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 2009

5. SEGMENT INFORMATION

The Consolidated Entity has adopted AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Consolidated Entity's reportable segments has changed.

In previous years, segment information reported externally was analysed on the basis of the geographical areas in which it operated its business of exploration of gold and other minerals. However, information reported to the Consolidated Entity's Managing Director for the purposes of resource allocation and assessment of performance is more specifically focused on one operating segment, being the exploration of gold and other minerals.

The accounting policies of the new reportable segment are the same as those of the Consolidated Entity. As the Consolidated Entity has only one operating segment, all the necessary reporting disclosures are disclosed elsewhere in the notes to the financial statements.

On 2 December 2009 the Consolidated Entity sold its interest in the Zheng Guang Gold Project in China and is actively seeking other projects in the China region to invest in that meet its investment guidelines.

6. SUBSEQUENT EVENTS AFTER BALANCE DATE

On 19 January 2010 the Company commenced an on-market share buy-back of up to 21,800,000 fully paid ordinary shares, approximately 10% of the Company's fully paid share capital.

The Company also announced that it has entered into a 51%:49% exploration and production joint venture with Qiqiha'r Tai Fu Trading Company Ltd on the QHD Iron Mountain project in the Tang Shan district of Hebei East China.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

7. COMMITMENTS AND CONTINGENCIES

Commitments

COMMITMENTS FOR EXPENDITURE	Half-year Ended 31 December 2009 \$	Half-year Ended 31 December 2008 \$
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>-</u>	<u>2,197,980</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

There were no movements in ordinary share capital or other issued share capital of the Company during the current half-year reporting period (2008: The Company issued 144,801 ordinary shares for a total value before issue costs of \$46,336).

During the half-year reporting period, 1,250,000 options over ordinary shares expired (2008: No movement in options over ordinary shares).

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

26 February 2010

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.

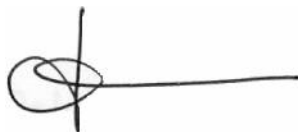
As lead audit partner for the review of the financial statements of Leyshon Resources Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Leanne Karamfiles
Partner
Chartered Accountants

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 condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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 15.

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 Interim and Other Financial Reports 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 Leyshon Resources Limited's financial position as at 31 December 2009 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.

Deloitte.

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

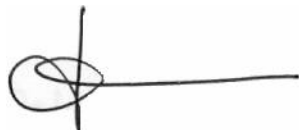
In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

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 2009 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, 26 February 2010