LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2010

CORPORATE DIRECTORY

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

Company Secretary
Stacey Apostolou

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Auditor
Deloitte Touche Tohmatsu

Bankers
Bank of China - Beijing
National Australia Bank

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

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Australian Stock Exchange
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2 The Esplanade
Perth WA 6000

AIM and ASX Code
LRL

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Managing Director's Statement

The focus for the Financial Year 2009/10 has been the completion of the sale of the Zheng Guang gold project, the repatriation of funds to Australia and the generation and evaluation of new project investment opportunities.

The sale of the Zheng Guang project in December 2009 realised A$48 million, was achieved with the minimum of associated costs and realised approximately A$100 per ounce of gold in measured and indicated resources. The funds were repatriated within 22 days of the completion of the sale and have been held in Australian dollars on term deposit in Australia earning around 6% interest per annum.

In December 2009 the Company purchased 2.16 million ordinary shares at a price of around 17 cents per share as part of the share back buy programme. For much of the year the Company's share price has traded at or around, or above, net asset backing with good liquidity in both London and Australia and whilst it continues to do so there are no plans to make any further purchases

The Company currently has approximately A$46.6 million in cash, with A$1.4 million due in term deposit interest in early 2011, for a total of A$48.0 million, which is equivalent to 22.2 cents per share and 13.7 pence per share.

The Company continues to review investment proposals from many locations around the world and it actively considers each one in light of its competitive advantage of being located in Beijing and able to access the Chinese end user market.

The Company remains diligent in its assessment of assets at all times and is therefore prepared to commit significant expenditure on due diligence and other studies before committing to a transaction.

At all times the Company makes every effort to minimize exploration and evaluation costs and it has significantly reduced overheads particularly in the areas of travel and administration. It now has six full time employees based in Beijing, who work closely with a network of independent technical and corporate consultants in Beijing, Australia and London that it is able to draw on for project evaluation and other corporate matters.

The Company is firmly of the view that China's strong demand for minerals and metals will continue to grow due largely to the planned urbanisation of over 400 hundred million people in the coming decade.

China's latest Five Year Plan emphasizes Inclusive Growth which entails the planned urbanization of a large number of Western China's rural population into second and third tier cities. This will result in significant increases in coal fired power consumption and infrastructure spending such as railways and new city development in these regions.

The Company is planning to invest in high quality coal assets in Xinjiang and South West Mongolia which will sell into the escalating demand for thermal and metallurgical coal across China over the next ten years.

The Company has recently announced that as part of a broader strategy to target and acquire high quality coal assets located in Western China and Mongolia, it has made applications for a large area of exploration licenses in the Gobi Altai region of South West Mongolia.

A total of five licences (totaling 2,664 km2) have been applied for covering ground which the Company's geologists consider to be highly prospective for high quality coals including hard coking and semi soft coking coals as well as high energy thermal coals.

The licence applications lie between 35 to 100 kilometers from a recently re-established Mongolia/China border crossing at Laoyemiao, giving direct access to the rapidly expanding Bayi steel mill at Urumqi in the Chinese Province of Xinjiang and the major producing steel centres of Jiayuguan and Jiuquan and in the north west of the Chinese Province of Gansu.

The Company remains of the view that in light of the forecast increasing demand for all types of coal within China over the next ten years, high quality coal assets located close to infrastructure and within transport distance to market will become increasing valuable over time.

The licence applications are subject to Mongolian government approval (one application has been accepted the other four are located within a coal belt occurring within the government identified areas for tender). The tender process is scheduled to commence in Q4 2010.

In addition, the Company is in active discussions with a potential vendor of an interest in a large thermal coal project located in eastern Xinjiang. Due diligence is well advanced and the results suggest that the project has the potential to meet the Company's investment criteria.

In addition to the thermal and coking coal projects, the Company is actively reviewing epithermal gold and copper targets in the major metallogenic Tien Shan belt in northern Xinjiang.

The Company is currently undertaking a detailed due diligence exploration programme on a gold project located in a historic mining district in north-west Xinjiang. The programme has comprised extensive trenching and sampling over several kilometers, testing the surface expression of a potentially deep seated orogenic gold resources. Further detailed testwork and commercial negotiations continue.

The Company is seeking shareholder approval to adopt a Performance Rights Plan. The purpose of the plan is to retain and attract key personnel in the event of a significant acquisition and to create an incentive to participants to focus on superior performance. Whilst there is no current intention to issue rights pursuant to the plan, in the event that the Company successfully completes an acquisition, the Board may then seek to issue rights to eligible participants. Any proposed issue of rights to Directors pursuant to the plan will require shareholder approval.

Paul Atherley
Managing Director
Beijing October 2010

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 2010 ("Consolidated Entity").

DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this report:

John W S Fletcher
Paul C Atherley
Richard P Seville
Andrew Berry III

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 later 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"), the holding company for Somerley Limited (a specialist financial services company which has been operating for more than 25 years with a Beijing Representative Office), Somerley China Associates Limited, Somerley Asset Management Limited, Somerley Singapore Pte Limited, Somerley Investment Consulting (Shanghai) Limited and Somerley Australia Limited. Somerley also own 40% of Sydney based financial advisory firm Inteq Limited in which Mr Fletcher is a Somerley Director. Somerley advises both Chinese and international groups from its Hong Kong, Beijing, Shanghai, Sydney and Perth 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.

Mr Fletcher also sits on the Advisory Board of Ambienta SGR S.p.A a fund management company focusing on the environment based in Italy as well as Luxottica China Advisory Board.

During the three year period to the end of the financial year, Mr Fletcher has held directorships in Pacific Energy Limited (August 1996 – September 2007) and KTL Limited (December 2004 – December 2007).

Paul C Atherley
Managing Director from date of appointment 4 May 2004
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.

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

INFORMATION ON DIRECTORS (Cont'd)

Richard Seville
Non-Executive Director from date of appointment 1 February 2007
Member of the Audit Committee and 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) and Orocobre Limited (November 2007 – present)

Andrew Berry III
Non-Executive Director from date of appointment 10 October 2008
Chairman of the Audit Committee
Qualifications – BS Geological Engineering and MBA

Mr Berry has over 35 years experience in financing projects mainly with Chase Manhattan Bank in the Far East and Australia. During this period Mr Berry played an integral role in the completion of over US$25 billion in transactions for power generation, mining and petroleum companies in Australia and throughout the international arena.

He is currently the Chairman of Viridis Investment Management Limited which is the Responsible Entity of the ASX listed Viridis Clean Energy Group and a Non-Executive Director of the unlisted Corporative Fund Limited. Previously Mr. Berry was a Non-Executive Director of several listed and unlisted Australian resource focused companies including the ASX and Port Moresby Stock Exchange listed Highlands Pacific Limited. Mr. Berry is a citizen of the United States and Australia.

During the three year period to the end of the financial year, Mr Berry has held directorships in CorporActive Fund Limited (September 2007 - Present), Viridis Investment Management Limited (July 2005 - Present) and Highlands Pacific Limited (August 1998 – role ceased May 2008).

Company Secretary

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

Ms Apostolou has been employed with the Company since August 2005. She has previously acted as Finance Director to the Company and another ASX/AIM listed company, has held company secretarial roles for publicly listed companies within the mining and exploration industry and has over 20 years relevant industry experience. Ms Apostolou has been responsible for the corporate, treasury, finance, accounting and administration functions for these companies.

PRINCIPAL ACTIVITIES

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

CONSOLIDATED RESULTS

	2010 $	2009 $
Profit/(loss) of the Consolidated Entity before income tax	**26,655,096**	**(3,397,827)**
Income tax	**(158,261)**	**-**
Net profit/(loss) attributable to members of Leyshon Resources Limited	**26,496,835**	**(3,397,827)**

REVIEW OF OPERATIONS

During the 2010 financial year, the Company completed the sale of its 70% interest in the Zheng Guang Project in China. The sale was achieved with minimal associated costs and represents a gain of $28.4 million.

Business Strategies and Prospects

With the support of its shareholders, the Company adopted an investment policy that aims to capitalise on its extensive experience in China. The policy focuses 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 continues to review, and in some cases carry out due diligence, on a number of possible projects both internationally and within China, with a focus on opportunities in North Western China and Southern Mongolia including coking coal, iron ore, copper and gold projects.

DIVIDENDS

No interim or final dividend has been declared in respect to the financial year ended 30 June 2010 (2009: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2010 financial year, the Company completed the sale of its 70% interest in the Zheng Guang Project in China. The Company also undertook an on-market buy back of 2,165,098 fully paid ordinary shares. There were no other significant changes in the state of affairs of the Company during the year.

SUBSEQUENT EVENTS

As at the date of this report there are no matters or circumstances which have arisen since 30 June 2010 that have significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2010, 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 2010, of the Consolidated Entity.

LIKELY DEVELOPMENTS

The Company continues to receive investment proposals from many locations around the world and it actively considers each one in light of its competitive advantage of being able to access the Chinese end user market.

The Company remains diligent in its assessment of assets at all times and is therefore prepared to commit significant expenditure on due diligence and other studies before committing to a transaction. The Company can give no assurance that these due diligence investigations and/or discussions will successfully conclude in an acquisition.

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.

Pursuant to an agreement between the Company and Newmont Australia Limited ("Newmont"), Newmont is responsible for all environmental obligations in respect of the Mt Leyshon leases in perpetuity regardless of changes to those obligations arising from changes to regulatory requirements and has indemnified the Company to that effect.

SHARES

During the year:

- there were no shares issued; and
- 2,165,098 fully paid ordinary shares were acquired at an average cost of 17.4 cents per share and subsequently cancelled under a share buy back programme.

OPTIONS

During the year the following options were issued/expired:

- on 30 November 2009, 700,000 unlisted options at an exercise price of $0.40 each lapsed in accordance with their terms and conditions; and
- on 30 November 2009, 550,000 unlisted options at an exercise price of $0.55 each lapsed in accordance with their terms and conditions.

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

Unlisted Options
- 4,000,000 options at an exercise price of $0.70 each that expire on 30 November 2010; and
- 750,000 options at an exercise price of $0.70 each that expire on 30 June 2011.

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

During the financial year no shares were issued as a result of the exercise of options. Since 30 June 2010, 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 2010, and the number of meetings attended by each director.

	Board Meetings		**Audit Committee Meetings**		**Remuneration Committee Meetings**	
	Held	Attended	Held	Attended	Held	Attended
Directors						
John WS Fletcher	9	9	2	2	1	1
Paul C Atherley	9	9	N/A	N/A	N/A	N/A
Richard Seville	9	9	2	2	1	1
Andrew Berry III	9	8	2	2	N/A	N/A

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF LEYSHON RESOURCES

	Interest in Securities at the date of this Report	
	Ordinary Shares	**Options**
John WS Fletcher	2,316,324	1,000,000
Paul C Atherley	29,530,000	-
Richard Seville	750,000	1,000,000
Andrew Berry III	-	-

REMUNERATION REPORT (AUDITED)

This remuneration report which forms part of the directors' report, sets out information about the remuneration of Leyshon Resources Limited's directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below.

Director and Senior Management Details

The following persons acted as directors of Leyshon Resources Limited during or since the end of the financial year:

- John WS Fletcher *(Chairman)*
- Paul C Atherley *(Managing Director)*
- Richard P Seville *(Non Executive Director)*
- Andrew J Berry III *(Non Executive Director)*

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Peter Niu - *Financial Controller, Leyshon Resources Limited (Appointed 17 March 2008)*
- Stacey Apostolou – *Company Secretary (Ceased as a Director 10 October 2008)*
- Henry Tebar – *Exploration Manager (Appointed 16 November 2009)*

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.

REMUNERATION REPORT (Cont'd)

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 management 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 shares or options to senior management outside of approved employee option plans and in the event that no employee option plan exists; and
- Other benefits - executive directors and senior management, 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 management 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 non-executive directors is currently $250,000 which does not include any share based payments. 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.

Relationship between the remuneration policy and Company performance

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2009:

	30 June 2010 $	**30 June 2009 $**	**30 June 2008 $**	**30 June 2007 $**	**30 June 2006 $**
Revenue	29,913,031	518,802	1,048,631	628,530	349,677
Net profit/(loss) before tax	26,655,096	(3,397,827)	(10,411,177)	(10,081,813)	(7,172,707)
Net profit/(loss) after tax	26,496,835	(3,397,827)	(10,411,177)	(10,081,813)	(7,172,707)
Share price at start of year	0.1000	0.5000	0.6250	0.3150	0.2600
Share price at end of year	0.2000	0.1000	0.5000	0.6250	0.3150
Dividend paid	-	-	-	-	-
Diluted profit/(loss) per share (cents)	12.2	(1.6)	(4.8)	(5.8)	(5.4)

There is no relationship between the remuneration for key management personnel and the Company's financial performance.

REMUNERATION REPORT (Cont'd)

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 $66,000 per annum in his capacity as Chairman with effect from 1 January 2009 ($90,000 prior to 1 January 2009). 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 $45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 January 2009 ($50,000 prior to 1 January 2009). 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 $1,600 per day. The consultancy agreement can be terminated by either party providing three months written notice.

Mr Berry

The Company has entered into a service agreement with Mr Berry whereby he is paid a fee of $45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 January 2009 ($50,000 prior to 1 January 2009). Mr Berry 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.

Executive Director

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 $300,000 per annum with effect from 1 September 2008 ($450,000 prior to 1 September 2008);
- An expatriate allowance of $75,000 per annum with effect from 1 January 2010;
- A discretionary cash bonus of up to $500,000 per annum is payable based on, in the Board's view, the contribution of Mr Atherley towards the Company's achievement of its overall objectives. A cash bonus of $250,000 was granted during 2010 (2009: Nil);
- 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 the 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 accordance with section 200F of the Corporations 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.

Senior Management

Mr Niu

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

- Entered into with effect from 17 March 2008 for no defined period;
- May be terminated by the Company or Mr Niu by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of RMB1,200,000 per annum;
- An expatriate allowance of $75,000 per annum with effect from 1 January 2010
- 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
- May become entitled to receive a cash bonus of up to 100% of his base salary at the discretion of the Board. A cash bonus of $200,000 was granted during 2010 (2009: Nil)

Ms Apostolou

The consultancy arrangement in place during the financial year with Apostman Holdings Pty Ltd in relation to the provision of company secretarial and corporate services by Ms Apostolou, contains the following key provisions:

- Entered into with effect from 10 October 2008 for no defined period;
- May be terminated by the Company by providing three months notice or by Ms Apostolou by providing one month notice. No payment, other than for notice, is payable upon termination;
- Consultancy fee of $12,500 per month ($5,000 per month prior to 1 February 2010);
- 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
- May become entitled to receive a cash bonus at the discretion of the Board. A cash bonus of $75,000 was granted during 2010 (2009: Nil).

Mr Tebar

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

- Entered into with effect from 16 November 2009 for no defined period;
- May be terminated by the Company or Mr Tebar by providing one month notice. Payment of two months remuneration is payable upon termination;
- Base salary of $150,000 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
- May become entitled to receive a cash bonus of up to 50% of his base salary at the discretion of the Board. No cash bonus was granted during 2010.

REMUNERATION REPORT (Cont'd)

Details of Remuneration

The emoluments (paid or payable) of each Director and the executive officers for the financial year ended 30 June 2010 are as follows:

	Short-term employee benefits			Post-employment	Termination Benefits	Share Based Payment	
	Salary & fees	Bonus	Other[1]	Super-annuation		Shares issued	Total
	$	$	$	$	$	$	$
Directors							
John WS Fletcher	66,000	-	-	-	-	-	66,000
Paul C Atherley	300,000	250,000	37,500	-	-	-	587,500
Richard Seville	43,142	-	-	1,858	-	-	45,000
Andrew Berry III	41,284	-	-	3,716	-	-	45,000
Group executives							
Peter Niu	214,969	200,000	37,500	-	-	-	452,469
Stacey Apostolou	90,000	75,000	-	-	-	-	165,000
Henry Tebar[2]	100,478	-	-	-	-	-	100,478

(1) Expatriate allowance.
(2) Commenced as Exploration Manager 16 November 2009.

The emoluments (paid or payable) of each Director and the executive officers for the financial year ended 30 June 2009 are as follows:

	Short-term employee benefits			Post-employment	Termination Benefits	Share Based Payment	
	Salary & fees	Bonus	Other	Super-annuation		Shares issued	Total
	$	$	$	$	$	$	$
Directors							
John WS Fletcher	78,000	-	-	-	-	-	78,000
Paul C Atherley	325,000	-	-	-	-	-	325,000
Richard Seville	48,620	-	-	-	-	-	48,620
Andrew Berry III[1]	31,000	-	-	1,861	-	-	32,861
Stacey Apostolou [2]	132,832	-	-	3,440	-	-	136,271
Group executives							
Vic McLaglen [3]	282,932	-	-	-	-	37,368 [5]	320,300
Dong Ping Ye [4]	75,000	-	-	-	-	-	75,000
Peter Niu	244,628	-	-	-	-	8,968 [6]	253,596

(1) Commenced as a director 10 October 2008.
(2) Ceased as a director 10 October 2008.
(3) Ceased employment 30 April 2009.
(4) Ceased employment 12 September 2008.
(5) Represents 116,775 shares issued at $0.32 in consideration for Mr McLaglen taking a reduction in his salary. 11% of Mr McLaglen's total remuneration was comprised of the value of shares (2008: nil). Fair value was determined based on the volume weighted average share price on the ASX for the previous 10 trading days before they were issued.
(6) Represents 28,026 shares issued at $0.32 in consideration for Mr Niu taking a reduction in his salary. 4% of Mr Niu's total remuneration was comprised of the value of shares (2008: nil). Fair value was determined based on the volume weighted average share price on the ASX for the previous 10 trading days before they were issued.

REMUNERATION REPORT (Cont'd)

Share-based Compensation

No options were granted, vested, exercised or lapsed in relation to Directors and executive officers during the year. Details of options held by Directors and executive offers during the year are as follows:

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2010							
Mr John Fletcher	1,000,000	-	-	-	1,000,000	-	1,000,000
Mr Richard Seville	1,000,000	-	-	-	1,000,000	-	1,000,000

Note 1 - All options exercisable @ $0.70 each on or before 30 November 2010.

The grant of share options is not directly linked to previously determined performance milestones or hurdles as the current stage of the Group's activities make it difficult to determine effective and appropriate key performance indicators and milestones. No options were forfeited during the year.

There is currently no Board policy in relation to the person granted the option limiting his or her exposure to risk in relation to the securities as the options are issued in addition to their separate remuneration package.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Audit Committee assesses the provision of non-audit services by the auditors to ensure that the auditor independence requirements of the Corporations Act 2001 in relation to the audit are met.

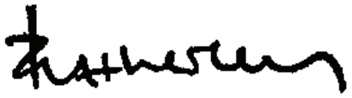
Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 5 to the financial statements.

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

Beijing, China
10 September 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Leyshon Resources Limited
36 Outram Street
West Perth
Perth WA, 6005

10 September 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 audit of the financial statements of Leyshon Resources Limited for the financial year ended 30 June 2010, 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

Leanne Karamfiles
Partner
Chartered Accountants

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 Company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1; and

(d) 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

Beijing, China
10 September 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
Continuing operations			
Revenue	2	**1,468,472**	518,802
Other income		6,230	4,093
Exploration expenses		(185,839)	(967,422)
Corporate and administration expenses		(2,500,831)	(1,400,665)
Project evaluation expenses		(293,849)	-
Business development expenses		-	(181,181)
Foreign exchange gains/(losses)		(283,646)	138,765
Share based payments		-	(46,336)
Loss before tax		**(1,789,463)**	(1,933,944)
Income tax expense	4	(158,261)	-
Loss for the year from continuing operations		**(1,947,724)**	(1,933,944)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	3	28,444,569	(1,463,883)
Profit/(Loss) attributable to members of Leyshon Resources Limited		**26,496,835**	(3,397,827)
Earnings Per Share			
From continuing and discontinued operations			
Basic (cents per share)	19	12.2	(1.6)
Diluted (cents per share)	19	12.2	(1.6)
From continuing operations			
Basic earnings per share (cents per share)	19	(0.9)	(0.9)
Diluted earnings per share (cents per share)	19	(0.9)	(0.9)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
Profit/(loss) for the year		26,496,835	(3,397,827)
Other comprehensive income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year		(876,170)	986,685
Reclassification adjustment relating to foreign operations disposed of in the year (Note 3)		393,389	-
Other comprehensive income for the year net of tax		(482,781)	986,685
Total comprehensive income attributable to members of Leyshon Resources Limited		**26,014,054**	(2,411,142)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	30 June 2010 $	30 June 2009 $
ASSETS			
Current Assets			
Cash and bank balances	27(a)	46,193,725	3,918,963
Trade and other receivables	6	1,145,616	76,010
Other assets	7	13,260	14,078
		47,352,601	4,009,051
Non-Current Assets held for sale	8	**-**	24,328,083
Total Current Assets		**47,352,601**	28,337,134
Non-Current Assets			
Other financial assets at fair value through profit and loss	9	1	1
Other financial assets	10	14,999	14,999
Property, plant and equipment	11	28,938	2,771
Total Non-Current Assets		**43,938**	17,771
TOTAL ASSETS		**47,396,539**	28,354,905
LIABILITIES			
Current Liabilities			
Trade and other payables	13	158,455	1,567,699
Current tax liabilities	4	158,261	-
Provisions	14	64,112	45,452
		380,828	1,613,151
Non-Current Liabilities held for sale	15	-	5,363,607
Total Current Liabilities		**380,828**	6,976,758
TOTAL LIABILITIES		**380,828**	6,976,758
NET ASSETS		**47,015,711**	21,378,147
EQUITY			
Issued capital	16	64,175,728	64,552,218
Reserves	17	1,379,309	2,430,810
Accumulated losses	18	(18,539,326)	(45,604,881)
TOTAL EQUITY		**47,015,711**	21,378,147

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
<u>**Issued Capital**</u>		
Issued and paid up capital – at the beginning of the 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 transaction costs	**-**	(1,200)
Buy back of shares	**(374,284)**	-
Share transaction costs	**(2,206)**	-
	(376,490)	45,136
Issued and paid up capital – at the end of the year	**64,175,728**	64,552,218
<u>**Employee Benefit Reserve**</u>		
Balance at the beginning of the 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 year	**1,373,173**	1,941,893
<u>**Option Premium Reserve**</u>		
Option premium reserve at the beginning of the year	**-**	112,841
Expiry of options	**-**	(112,841)
Option premium reserve at the end of the year	**-**	-
<u>**Foreign Exchange Reserve**</u>		
Foreign exchange reserve at the beginning of the year	**488,917**	(497,768)
Exchange differences arising during the year on translation of foreign operations attributable to members of Leyshon Resources Limited	**(876,170)**	986,685
Transfer to Income Statement on sale of foreign operations as stated in Note 3	**393,389**	-
Total comprehensive income for the year	**(482,781)**	986,685
Foreign exchange reserve at the end of the year	**6,136**	488,917
Total reserves at the end of the year	**1,379,309**	2,430,810

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
<u>**Accumulated Losses**</u>		
Accumulated losses at the beginning of the year	**(45,604,881)**	(42,319,895)
Profit/(Loss) for the year attributable to members of Leyshon Resources Limited	**26,496,835**	(3,397,827)
Other comprehensive income	**-**	-
Total comprehensive income for the year	**26,496,835**	(3,397,827)
Transactions with equity holders in their capacity as equity holders:		
Transfer from employee benefit reserve	**568,720**	-
Transfer from option premium reserve	**-**	112,841
Accumulated losses at the end of the year	**(18,539,326)**	(45,604,881)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,206,459)	(3,687,184)
Interest received		398,823	272,207
Net cash flows used in operating activities		(2,807,636)	(3,414,977)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(26,461)	(2,580)
Proceeds from sale of interest in jointly controlled entity	3	46,039,933	-
Loans to other entities		(50,276)	(702,176)
Development expenditure	3	(458,097)	(1,324,435)
Net cash flows provided by/(used in) investing activities		45,505,099	(2,029,191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Share issue costs		-	(1,200)
Payment for buy-back of shares		(374,284)	-
Share buy-back costs		(2,206)	-
Net cash flows provided by/(used in) investing activities		(376,490)	(1,200)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		42,320,973	(5,445,368)
Cash and cash equivalents at the beginning of the year		3,918,963	9,399,324
Effects of exchange rate changes on cash and cash equivalents		(46,211)	(34,993)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		46,193,725	3,918,963

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

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 Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 10 September 2010.

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

In the current year, 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.

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard / Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9.* AASB 9 introduces new requirements for classifying and measuring.	1 January 2013	30 June 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

Initial application of the following standards is not expected to have any material impact on the financial report of the Group and Company.

Standard / Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 124 *Related Party Disclosures* (2009), AASB 2009-12 *Amendments to Australian Accounting Standards* Amends the requirements of the previous version of AASB 124.	1 January 2011	30 June 2011
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'.	1 January 2010	30 June 2011
AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions* Amends AASB 2 *Share-based Payment* to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 January 2010	30 June 2011
AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues* Amends AASB 132 *Financial Instruments: Presentation* to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.	1 February 2010	30 June 2011
AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters.	1 July 2010	30 June 2011

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

Standard / Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements.	1 January 2011	30 June 2011
AASB Interpretation 19 *Extinguishing Liabilities with Equity Instruments* Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions.	1 July 2010	30 June 2011

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, the Directors' are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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

There are no 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.

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

Significant accounting policies

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

(a) Going Concern Basis

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(b) Basis 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 2010 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 23.

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

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and statement of financial position respectively.

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

(c) Interests in Joint Ventures

The Group accounts for its interests in jointly controlled entities with 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 with reliable and relevant information.

(d) 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.

(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.

(e) 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.

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

(f) 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.

(g) 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.

(h) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(i) 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).

(j) 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 statement of financial position.

(k) 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.

(l) 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.

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.

(m) 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.

(n) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(o) 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.

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

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(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) 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.

(q) 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.

(r) 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.

(s) Dividends

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

(t) 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.

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

(u) 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) 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.

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 until it is determined that expenditures are expected to be recouped and an asset is recognised.

(v) Development Expenditure

Development expenditure represents the costs incurred in preparing mines for production. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's mining properties and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Development expenditure is reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the development expenditure 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.

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

(w) 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.

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.

(x) Share Based Payments

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

For shares issued as payment, the fair value of the shares issued is recognised as an expense with a corresponding increase in equity. The fair value of the shares issued is based on the volume weighted average share price on the ASX for the previous 10 trading days before they are issued.

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.

2. LOSS FROM OPERATIONS	Continuing 2010 $	Continuing 2009 $	Discontinued 2010	Discontinued 2009	Total 2010 $	Total 2009 $
(a) Revenue						
Revenue consisted of the following items:						
Interest received/receivable	1,468,472	518,802	-	-	1,468,472	518,802
Total revenue	1,468,472	518,802	-	-	1,468,472	518,802
(b) Loss before income tax						
Loss before income tax has been arrived at after crediting the following gains:						
Sundry income	6,230	4,093	-	-	6,230	4,093
Total other income	6,230	4,093	-	-	6,230	4,093
Loss before income tax has been arrived at after charging the following losses and expenses:						
Depreciation and amortisation - plant and equipment	13,046	13,408	-	-	13,046	13,408
Net movement in provisions for - employee entitlements	18,660	(75,495)	-	-	18,660	(75,495)
Exploration expenses	185,839	527,682	156,714	1,463,883	342,553	1,991,565
Project evaluation expenses	293,849	-	-	-	293,849	-
Foreign exchange (gain)/loss	283,646	(138,765)	-	-	283,646	(138,765)
Rental expense relating to operating leases (minimum lease payments)	54,327	126,669	-	-	54,327	126,669
Equity settled share based payments	-	46,336	-	-	-	46,336
Post-employment benefits	9,540	12,798	-	-	9,540	12,798

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 $	Year Ended 30 June 2009 $
Exploration loss for the period	(156,714)	(1,463,883)
Gain on disposal of interest in Black Dragon	28,601,273	-
	28,444,559	(1,463,883)

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

Revenue	-	-
Operating expenses	(156,714)	(1,463,883)
Loss before income tax	**(156,714)**	(1,463,883)
Income tax expense	-	-
Loss after income tax	**(156,714)**	(1,463,883)

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

The following cash flows for the Consolidated Entity's interest in Black Dragon for the period have been included in the Consolidated Entity's Statement of Cash Flows:

	***Period from 1 July 2009 to 2 December 2009 $**	**Year Ended 30 June 2009 $**
Net cash outflows from operating activities	-	-
Net cash inflows/(outflows) from investing activities	45,581,836	(1,486,355)
Net cash outflows from financing activities	-	-
Net cash inflows/(outflows)	**45,581,836**	(1,486,355)

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	
Current assets	
Cash and cash equivalents	5,699
Trade and other receivables	852,471
Non-current assets	
Development properties	23,918,553
Other financial assets	3,560,518
Exchange differences transferred from foreign exchange reserve	393,389
Current liabilities	
Trade and other payables	(872,195)
Non-current liabilities	
Deferred tax liabilities	(3,604,688)
Net assets disposed	24,253,747
Less withholding tax for equity transfer	(3,077,876)
	21,175,871
Gain on disposal	28,601,273
Total consideration	**49,777,144**
Consideration	
Cash and cash equivalents	46,039,933
Liabilities assumed by purchaser	3,737,211
	49,777,144

A gain of $28,444,559 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. INCOME TAX

		2010 $	2009 $
Income tax expense			
Current tax		**158,261**	**-**
Deferred tax		-	-
		158,261	-
Numerical reconciliation of income tax expense to prima facie tax payable			
Loss from continuing operations before income tax expense		(1,789,463)	(3,397,827)
Tax at the Australian tax rate of 30% (2009: 30%)		(536,839)	(1,019,348)
Tax effect of amounts which are not deductible in calculating taxable income:			
Share based payments		-	13,901
Other non-deductible expenditure		325,013	623,695
		(211,826)	(381,752)
Tax losses not brought to account		370,087	381,752
Income tax expense		158,261	-

Current tax and income tax expense relate to assessable income in China Metals Pty Ltd as this entity is not included in the tax consolidated group.

Deferred tax liabilities

		2010 $	2009 $
The balance comprises temporary differences attributable to:			
Fair value adjustments on acquisition of subsidiary (i)		**-**	-
		-	-

(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 since been transferred to development properties which has been carried forward in respect of this asset. The deferred tax liability has now been transferred to Non-Current Liabilities held for resale following the Company entering into an equity transfer agreement with respect to the sale of its Zheng Guang gold project in China.

		2010 $	2009 $
Movements			
Opening balance at 1 July		-	3,604,688
Charged/(credited) to the income statement		-	-
Transferred to Non-Current Liabilities held for sale	Note 15	-	(3,604,688)
Closing balance at 30 June		-	-

Unrecognised Deferred Tax Balances

		2010 $	2009 $
The following deferred tax assets have not been brought to account as assets:			
Tax losses – revenue		9,895,628	9,525,541
		9,895,628	9,525,541

4. INCOME TAX (continued)

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.

5. REMUNERATION OF AUDITORS	2010 $	2009 $
Auditor of the parent entity		
Audit Services		
Fees paid to Deloitte Touche Tohmatsu		
- Audit and review of the financial reports and other audit work	49,000	47,215
Other non-audit services		
- Taxation advice	15,450	6,690
Total remuneration	64,450	53,905

6. TRADE AND OTHER RECEIVABLES

Current		
Amounts relating to:		
- interest receivable	1,089,765	-
- other persons	55,851	76,010
	1,145,616	76,010

7. OTHER ASSETS

Current		
Prepayments	13,260	14,078

8. NON-CURRENT ASSETS HELD FOR SALE

Zheng Guang assets and liabilities were recognised as held for sale. The Group completed the sale of its interest in Black Dragon Mining Company Limited (BDM) on 2 December 2009 (Note 3).

Transferred from:			
Property, plant and equipment	11	-	12,752
Other financial assets	10	-	4,026,976
Development properties	12	-	20,288,355
		-	24,328,083

Additions to development properties of $3,630,198 during 2010 are included in the net value of assets sold (Note 3).

9. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2010 $	2009 $
Non-current		
Shares in other entities	**1**	1

10. OTHER FINANCIAL ASSETS

Non-current		
Security deposits	14,999	14,999
Loans to other entities [1]	-	4,026,976
Transferred to Non-current assets held for sale	-	(4,026,976)
Total Loans to other entities	-	-
	14,999	14,999

[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 was repaid during the settlement of the sale of the Zheng Guang project that was completed 2 December 2009.

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.

	Note	2010 $	2009 $

11. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 $	2009 $
Plant & equipment			
At cost		100,677	20,714
Accumulated depreciation		(71,739)	(17,943)
Total plant and equipment (Note 11(a))		28,938	2,771

(a) Reconciliation

	Note	2010 $	2009 $
Plant and Equipment			
Carrying amount at beginning of year		2,771	26,352
Additions		26,461	2,580
Disposals		-	-
Depreciation expense		(11,346)	(13,408)
Transferred to Non-Current Assets held for sale		-	(12,752)
Adjustment to Non-Current Assets held for sale (1)		11,052	-
Total plant & equipment		28,938	2,771

(1) The decision was made not to sell the previously identified plant and equipment and therefore the adjustment includes depreciation of $1,700 for the period to 2 December 2009.

12. DEVELOPMENT PROPERTIES

	Note	2010 $	2009 $
Balance brought forward		-	16,324,326
Development expenditure incurred		3,630,198	3,964,029
Subtotal		3,630,198	20,288,355
Transferred to Non-Current Assets held for sale	8	(3,630,198)	(20,288,355)
Closing balance		-	-

Development expenditure in 2010 includes $3,289,484 for liabilities assumed by the purchaser.

13. TRADE AND OTHER PAYABLES

	Note	2010 $	2009 $
Current			
Trade creditors and accruals (unsecured)		158,455	1,567,699
Non-current			
Trade creditors and accruals (unsecured)		-	1,758,919
Transferred to Non-Current Liabilities held for sale	15	-	(1,758,919)
		-	-

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 non-interest bearing with average payment terms of 30 days.

14. PROVISIONS

	Note	2010 $	2009 $
Employee benefits		64,112	45,452

	Note	2010 $	2009 $

15. NON-CURRENT LIABILITIES HELD FOR SALE

Zheng Guang assets and liabilities were recognised as held for sale. The Group completed the sale of its interest in Black Dragon Mining Company Limited (BDM) on 2 December 2009 (Note 3).

	Note	2010 $	2009 $
Transferred from:			
- Trade and other payables	13	-	1,758,919
- Deferred tax liabilities	4	-	3,604,688
		-	5,363,607

16. ISSUED CAPITAL

(a) Issued and paid up capital

	2010 $	2009 $
216,090,594 (2009: 218,255,692) fully paid ordinary shares	64,175,728	64,552,218

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.

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

Date	Details	Ordinary Shares (Number)	Ordinary Shares ($)	Total ($)
1/07/08	**Opening Balance**	**218,110,891**	**64,507,082**	**64,507,082**
8/10/08	Issue of shares (i)	144,801	46,336	64,553,418
	Share issue costs	-	(1,200)	64,552,218
30/06/09	**Closing Balance**	**218,255,692**	**64,552,218**	**64,552,218**
21/01/10	Buy-back of shares (ii)	(2,165,098)	(374,284)	64,177,934
	Share buy-back costs	-	(2,206)	64,175,728
30/06/10	**Closing Balance**	**216,090,594**	**64,175,728**	**64,175,728**

Note

(i) On 8 October 2008, the Company issued 144,801 fully paid ordinary shares at $0.32 as part of employee benefits, fair value was determined based on the volume weighted average share price on the ASX for the previous 10 trading days before they were issued.

(ii) On 21 January 2010, the Company cancelled 2,165,098 fully paid ordinary shares that were acquired in an on market share buy-back at an average price of 17.4 cents per share.

(iii) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

17. RESERVES

	2010 $	2009 $
Employee benefits reserve	1,373,173	1,941,893
Foreign currency translation reserve	6,135	488,917
	1,379,308	2,430,810

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 who are paid through the issue of options in the Company.

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

Nil (2009: 700,000) $0.40 options	-	268,100
Nil (2009: 550,000) $0.55 options	-	300,620
4,750,000 (2009: 4,750,000) $0.70 options	1,373,173	1,373,173
	1,373,173	1,941,893

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(e). The accumulated exchange difference is recognised in profit and loss when the net investment is disposed of.

18. ACCUMULATED LOSSES

Balance at the beginning of the financial year	(45,604,881)	(42,319,895)
Net profit/(loss) attributable to members of Leyshon Resources	26,496,835	(3,397,827)
Transfer from Employee Benefits Reserve	568,720	-
Transfer from Option Premium Reserve	-	112,841
Balance at the end of the financial year	(18,539,236)	(45,604,881)
Adjusted franking account balance (tax paid basis)	6,913,764	6,913,764

19. EARNINGS PER SHARE

	2010 $	2009 $
From continuing and discontinued operations		
Basic profit/(loss) per share (cents per share)	12.2	(1.6)
Dilutive profit/(loss) per share (cents per share)	12.2	(1.6)
From continuing operations:		
Basic loss per share (cents per share)	(0.9)	(0.9)
Diluted loss per share (cents per share)	(0.9)	(0.9)

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:

	2010 $	2009 $
Net profit/(loss) used in calculating basic earnings per share	26,496,835	(3,397,827)
Adjustment to exclude profit from discontinued operations	28,444,559	1,433,879
Earnings used in calculating basic and diluted earnings per share from continuing operations	(1,947,724)	(1,963,948)

	Number of Shares 2010	Number of shares 2009
Weighted average number of ordinary shares used in calculating basic earnings per share	217,306,608	218,216,417
Effect of dilutive securities		
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	217,306,608	218,216,417

(a) Conversions, calls, subscriptions or issues after 30 June 2010

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.

(b) Non-dilutive securities

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share from continuing and discontinued operations:

	Number of potential shares 2010	Number of potential shares 2009
Options – 40 cents exercise price	-	700,000
Options – 55 cents exercise price	-	550,000
Options – 70 cents exercise price	4,750,000	4,750,000

20. DIVIDENDS PAID OR PROVIDED FOR

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

21. COMMITMENTS FOR EXPENDITURE

	2010 $	2009 $
Development Expenditure		
Not longer than 1 year (i)	-	1,888,944
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
Total Development Commitment	-	1,888,944
Total Commitments	-	1,888,944

(i) Following the sale of the consolidated entity's interest in Black Dragon Mining Company Limited and the Zheng Guang projects, the consolidated entity no longer has these commitments.

22. LEASE COMMITMENTS

Operating leases

Leasing arrangements

The operating leases relate to the lease of an office in China and an office in Mongolia. The current lease in China is for a period of two years commencing 28 March 2009 and the lease in Mongolia is for a period of six months commencing 27 April 2010. The Consolidated Entity does not have an option to acquire the leased assets at the expiry of the lease period.

Non-cancellable operating leases

	2010 $	2009 $
Not longer than 1 year	94,746	22,057
Longer than 1 year and not longer than 5 years	87,696	-
Longer than 5 years	-	-
	182,442	22,057

23. SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2010 %	Equity Holding 2009 %
Parent Entity				
Leyshon Resources Limited	Australia			
Controlled Entities				
China Metals Pty Ltd	Australia	Ordinary	100	100
Ikh Zuchi Resources LLC	Mongolia	Ordinary	100	-
South Gobi Coal Company Limited	Cayman Islands	Ordinary	100	-

24. 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.

25. 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 23 to the financial statements.

(b) Key management personnel compensation

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

- John WS Fletcher (Chairman)
- Paul C Atherley (Managing Director)
- Richard Seville (Non Executive Director)
- Andrew J Berry III (Non Executive Director)
- Peter Niu - Financial Controller, Leyshon Resources Limited
- Stacey Apostolou – Company Secretary
- Henry Tebar – Exploration Manager – Appointed 16 November 2009

25. RELATED PARTY DISCLOSURES (cont'd)

The aggregate compensation made to key management personnel of the Company and the Group is set out below:

	2010 $	2009 $
Short-term employee benefits	1,455,873	1,158,012
Post-employment benefits	5,574	5,302
Termination benefits	-	-
Share-based payment	-	46,336 (i)
	1,461,447	1,209,650

(i) Represents 144,801 fully paid ordinary shares issued at $0.32 in consideration of a reduction in the cash component of the individual's remuneration during the 2009 financial year.

Details of individual key management personnel compensation are disclosed in the Remuneration Report.

(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 (1)	Disposals	Balance at the end of the year
2010						
Mr Paul Atherley	29,000,000	530,000	-	-	-	29,530,000
Mr John Fletcher	2,202,824	113,500	-	-	-	2,316,324
Mr Richard Seville	-	750,000	-	-	-	750,000
Mr Andrew Berry III	-	-	-	-	-	-
Mr Peter Niu	28,026	-	-	-	-	28,026
Ms Stacey Apostolou	100,000	-	-	-	-	100,000
Mr Henry Tebar	-	-	-	-	-	-
2009						
Mr Paul Atherley	29,000,000	-	-	-	-	29,000,000
Mr John Fletcher	2,202,824	-	-	-	-	2,202,824
Mr Richard Seville	-	-	-	-	-	-
Mr Andrew Berry III	-	-	-	-	-	-
Ms Stacey Apostolou	100,000	-	-	-	-	100,000
Mr Vic McLaglen (2)	-	-	-	116,775	-	116,775
Mr Peter Niu	-	-	-	28,026	-	28,026

(1) 2009 – shares issued in return for accepting a reduction in cash remuneration
(2) 2009 – Mr Vic McLaglen ceased employment during the year

25. RELATED PARTY DISCLOSURES (cont'd)

Options exercisable @ $0.70 each on or before 30 November 2010 or 30 June 2011 (as appropriate)

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2010							
Mr John Fletcher – 2010 Options	1,000,000	-	-	-	1,000,000	-	1,000,000
Mr Richard Seville - 2010 Options	1,000,000	-	-	-	1,000,000	-	1,000,000
Ms Stacey Apostolou – 2010 Options	2,000,000	-	-	-	2,000,000	-	2,000,000

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2009							
Mr John Fletcher – 2010 Options	1,000,000	-	-	-	1,000,000	-	1,000,000
Mr Richard Seville - 2010 Options	1,000,000	-	-	-	1,000,000	-	1,000,000
Ms Stacey Apostolou – 2010 Options	2,000,000	-	-	-	2,000,000	-	2,000,000
Dong Ping Ye – [1] 2011 Options	750,000	-	-	-	750,000	-	750,000

[1] 2009 – Mr Dong Ping Ye ceased employment during the year

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	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2010							
Mr Vic McLaglen - $0.40 Options	550,000	-	-	(550,000)	-	-	-
Mr Vic McLaglen- $0.55 Options	550,000	-	-	(550,000)	-	-	-
2009							
Mr Vic McLaglen - $0.40 Options	550,000	-	-	-	550,000	-	550,000
Mr Vic McLaglen- $0.55 Options	550,000	-	-	-	550,000	-	550,000

(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 nil (2009: $4,752) for the provision of technical services. This amount is included in exploration expenses for the year.

25. RELATED PARTY DISCLOSURES (cont'd)

(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 2010 consisted of:

(i) Working capital advanced by Leyshon;
(ii) Working capital repaid to Leyshon; and

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 $440,518 (2009: $31,392,366).

(f) Parent entities

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

26. SUBSEQUENT EVENTS AFTER BALANCE DATE

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

27. 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:

	2010 $	2009 $
Cash and cash equivalents	46,193,725	3,918,963

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

Profit/(loss) for the year	26,496,835	(3,397,827)
Depreciation and amortisation	13,046	13,408
Increase in provision for employee entitlements	18,660	(75,495)
Interest on loan to joint venture partner	-	(270,418)
Unrealised foreign exchange differences	283,646	(138,765)
(Gain)/loss from sale of interest in Black Dragon Mining	(28,444,559)	-
Share based payment expense	-	46,336
(Increase)/decrease in trade and other receivables and other assets	(1,075,367)	(85,330)
(Decrease)/increase in payables	(99,897)	493,114
Net cash provided (used) by operating activities	(2,807,636)	(3,414,977)

27. NOTES TO THE CASH FLOW STATEMENT

(c) Non cash transactions

30 June 2010

During the financial year:

a) On 30 November 2009, 700,000 options with an exercise price of 40 cents expired.
b) On 30 November 2009, 550,000 options with an exercise price of 55 cents expired.
c) Grant of options – there were no options granted by the Company during the year.

30 June 2009

During the financial year:

a) On 8 October 2008, 144,801 shares valued at $46,336 were issued to employees as consideration for negotiated reductions in cash remuneration;

28. JOINTLY CONTROLLED ENTITY

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

		Interest	
		2010	**2009**
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:

	2010	**2009**
	$	**$**
Current assets		
Cash	-	51,387
Other	-	6,579
Total current assets	**-**	**57,966**
Non current assets		
Other	-	-
Development properties	-	6,475,892
Total non current assets	**-**	**6,475,892**
Total assets	**-**	**6,533,858**

As disclosed in note 3, the Group completed the sale of its interest in Black Dragon Mining Company Limited on 2 December 2009.

During the year, the Company announced that it was entering into a 51% joint venture interest in the QHD Iron Mountain project. After completing its assessment, the Company decided to withdraw from the project.

29. FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Company's and Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring risk, and management of capital.

The Company and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of 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.

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counter-party.

29. FINANCIAL RISK MANAGEMENT (cont'd)

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other equivalents

As the Group operates primarily in exploration activities, it does not have trade receivable and therefore is not exposed to credit risk in relation to trade receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables (mainly relates to staff advances and security bonds) and investments. The management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2010 $	2009 $
Loans and receivables	1,145,616	4,093,650
Cash and cash equivalents	46,193,725	3,918,963
	47,339,342	8,012,613

Impairment losses
None of the Groups' other receivables are past due (2009: Nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

On 2 December 2009 the Company completed the sale of the Group's interests in Black Dragon Mining Company Limited which holds the Zheng Guang development project. As part of the sale, an amount of more than A$34 million cash and cash equivalents was received. Accordingly it is unlikely that the Group will need to raise additional capital in the next 12 months to meet its currently known obligations.

29. FINANCIAL RISK MANAGEMENT (cont'd)

The following are the maturities of financial assets including estimated interest receipts and excluding the impact of netting agreements of the Group:

	2010 $	2009 $
Less than 6 months	47,339,342	8,012,613
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	47,339,342	8,012,613

The following are the maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	2010 $	2009 $
Less than 6 months	158,455	286,745
6 months to 1 year	-	726,150
1 to 5 years	-	2,313,723 (i)
Over 5 years	-	-
	158,455	3,326,618

(i) Consists of $1,758,919 of Non-Current Liabilities Held for Sale that were settled or assumed by the purchaser and $554,804 of Non-Current liabilities which have been classed as Current given that they were dealt with as part of the overall sale process.

All financial liabilities of the Group and Company are non-interest bearing.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, whilst optimising the return. The Group manages market risk by ensuring it only holds short-term, predominantly fixed interest financial instruments with maturities of less than three months.

Currency Risk

The Group is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, which is primarily the Australian Dollar (AUD). The currencies in which these transactions primarily are denominated are USD, GBP and RMB.

The Group has not entered into any derivative financial instruments to hedge such transactions.

The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

29. FINANCIAL RISK MANAGEMENT (cont'd)

Exposure to Currency Risk

The Group's exposure to foreign currency risk at balance date based on notional amounts was as follows:

	A$			
	RMB	USD	GBP	**Total**
30 June 2010				
Financial Assets				
Cash and cash equivalents	43,159	120,563	1,162	**164,884**
Financial Liabilities				
Amortised cost	(39,314)	(9,800)	(3,360)	**(52,474)**
Net balance sheet exposure	3,845	110,763	(2,198)	**112,410**
30 June 2009				
Financial Assets				
Cash and cash equivalents	69,817	1,427	295,794	**367,038**
Loans and receivables	4,057,739	-	-	**4,057,739**
Financial Liabilities				
Amortised cost	(2,377,709)	(117,383)	(14,621)	**(2,509,713)**
Net balance sheet exposure	1,749,847	(115,956)	281,173	**1,915,064**

Sensitivity analysis

A 20 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

30 June 2010	**Other Equity A$**	**Profit or loss A$**
RMB	-	769
USD	-	22,153
GBP	-	440
	-	22,482

30 June 2009	**Other Equity A$**	**Profit or loss A$**
RMB	-	349,970
USD	-	(23,191)
GBP	-	56,234
	-	383,013

29. FINANCIAL RISK MANAGEMENT (cont'd)

A 20 percent weakening of the Australian dollar against the above currencies at 30 June would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 90 day rolling periods.

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate	Total
	%	$	$	$
2010				
Financial Assets				
Cash and cash equivalents	6.0%	46,193,725	-	46,193,725
Financial Liabilities				
Financial liabilities		-	-	-
		46,193,725	-	46,193,725
2009				
Financial Assets				
Cash and cash equivalents	3.4%	3,918,963	-	3,918,963
Other financial assets	5.8%	4,026,976	-	4,026,976
Financial Liabilities				
Financial liabilities		-	-	-
		7,945,939	-	7,945,939

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Other Equity A$	Profit or loss A$
30 June 2010		
Variable rate instruments	-	461,937
30 June 2009		
Variable rate instruments	-	78,611

29. FINANCIAL RISK MANAGEMENT (cont'd)

Commodity Price Risk

The Group is still operating primarily in the evaluation and development phase and accordingly the Group's financial assets and liabilities are not yet subject to commodity price risk.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in Notes 16, 17 and 18 respectively.

30. SHARE BASED PAYMENTS

The Company does not have a formal employee share option plan, however the Board has from time to time granted shares or options to employees and officers on a discretionary basis as it is considered that this provides a cost-effective and efficient means of remunerating and incentivising employees. In addition, shareholders have in General Meeting approved the granting of all incentive options to Directors. The share based payment expenses have been recognised in respect of the fair value of shares or options granted as remuneration.

Valuation of Securities

30 June 2010

There were no share based payments or options granted by the Company during the year.

30 June 2009

There were no options granted by the Company during the year. In October 2008 there were 144,801 fully paid ordinary shares issued to employees of the Company in accordance with agreements for negotiated salary reductions. Valuation of the shares was determined from the volume weighted average price on ASX over a 10 day period prior to issue.

31. PARENT ENTITY DISCLOSURES
Financial Statements

(a) Financial Position

	2010 $	2009 $
Assets		
Current assets	33,093,092	3,894,195
Non-current assets	9,700,989	40,544,766
Total assets	**42,794,081**	**44,438,961**
Liabilities		
Current liabilities	171,253	215,094
Total liabilities	**171,253**	**215,094**
Equity		
Issued capital	64,175,728	64,552,218
Retained losses	(22,926,073)	(22,270,244)
Employee benefits reserve	1,373,173	1,941,893
Total equity	**42,622,828**	**44,223,867**

(b) Financial performance

	2010 $	2009 $
Loss for the year	(1,224,550)	(1,481,030)
Other comprehensive income	-	-
Total comprehensive income	**(1,224,550)**	**(1,481,030)**

	2010 $	2009 $
(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries	**-**	**-**
(d) Contingent liabilities of the parent entity	**-**	**-**
(e) Commitments for the acquisition of property, plant and equipment by the parent entity	**-**	**-**

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Leyshon Resources Limited , which comprises the statement of financial position as at 30 June 2010, the income statement**,** the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 54.

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 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.

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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 consolidated entity's financial position as at 30 June 2010 and of its 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 8 to 13 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Leyshon Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 10 September 2010

CORPORATE GOVERNANCE STATEMENT

Leyshon Resources Limited is committed to creating and building sustainable value for shareholders and protecting stakeholder interests. The Company recognises that high standards of corporate governance are essential to achieving that objective. The Company continues to develop and review its corporate governance practices. This statement summarises the Corporate Governance policies and practices adopted by the Company.

Additional information can be found on the Company's website at www.leyshonresources.com.

Role of the Board

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit
- Remuneration.

The roles and responsibilities of these committees are discussed later within this Corporate Governance Statement.

Management Functions

The Company has established the functions that are reserved for management. Management is responsible, on a shared basis with and subject to the approval of the Board, for developing strategy, and is directly responsible for implementing the strategies into the Company's business activities. Management is also responsible for safeguarding the Company's assets, maximizing the utilization of available resources and for creating wealth for Leyshon's shareholders.

Composition of Board

The Board comprises four Directors, being one executive Director and three non-executive Directors. The three non-executive Directors are considered to be independent. Therefore, the Board comprises a majority of independent Directors.

Director	Independent	Non-executive	Term in office
John Fletcher	Yes	Yes	4 years
Paul Atherley	No – Managing Director	No	6 years
Richard Seville	Yes	Yes	3 years
Andrew Berry	Yes	Yes	2 year

Evaluation of the Board, Committees and Senior Management

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

Board Committees

Audit Committee

The Board has established an Audit Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The members of the Audit Committee during the year were:

Mr Andrew Berry (Committee chairman – appointed 19 March 2009)
Mr John Fletcher
Mr Richard Seville

Qualifications of audit committee members

Mr Berry's qualifications include a Master of Business Administration degree and he has more than 35 years financial experience mainly with Chase Manhattan Bank in the Far East and Australia. He is currently the Chairman of Viridis Investment Management Limited which is the Responsible Entity of the ASX listed Viridis Clean Energy Group and has been Non-Executive Director of several listed and unlisted Australian resource focused companies.

Mr Fletcher has acquired extensive international corporate experience in executive and non-executive directorships, including 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. In 1996, he was awarded the title of CBE (Commander of the British Empire) for his contribution to British industry.

Mr Seville is a mining geologist and geotechnical engineer with 25 years relevant industry experience. Mr Seville also has significant corporate experience and has held the roles of operations director and/or managing director for ASX/AIM listed companies since 1994.

A copy of the Audit Committee Charter is available on the Company's website.

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team. The Board has established a Remuneration Committee, comprising two non-executive directors. Members of the Remuneration Committee throughout the year were:

Mr John Fletcher (Committee chairman)
Mr Richard Seville

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

A copy of the Remuneration Committee Charter is available on the Company's website.

Nomination Committee

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 the 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.

Independent professional advice and access to Company information

All Directors have the right of access to all relevant Company information, to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice concerning any aspect of the Company's operations or undertakings at the Company's expense.

Code of Conduct

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the directors of the Company.
Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

A copy of the Company's Securities Dealing Policy is available on the Company's website.

Continuous Disclosure

The Company is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Board has implemented a Continuous Disclosure Policy to ensure that information considered material by the Company is immediately reported to the ASX Limited. Other information such as Company presentations are also disclosed to the ASX and are on the Company's website.

The Company's website provides access to all current and historical information, including ASX announcements, financial reports and other releases.

Shareholder Communication

In adopting a Continuous Disclosure Policy, the Board ensures that shareholders are provided with up-to-date information.

Communication to shareholders is facilitated by the production of the annual report, quarterly and half yearly reports, public announcements and the posting of all ASX announcements and other information on the Company's website.

Shareholders are encouraged to attend and participate in the Annual General Meeting of the Company. Shareholders may raise questions at the AGM and the external auditor is in attendance at such meetings to address any questions in relation to the conduct of the audit.

Risk Management

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the Business Plan presented to the Board by the Managing Director each year.

Arrangements put in place by the Board to monitor risk management include regular reporting to the Board in respect of operations and the financial position of the Group.

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

ASX Best Practice Recommendations

The table below contains a list of each of the ASX Best Practice Recommendations and whether the Company was in compliance with the recommendations at the end of the year. Where the Company considers that it is divergent from these recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons set out below the table.

	Principle/Recommendation	**Complied**	**Note**
1	**Lay solid foundations for management and oversight**		
1.1	Establish and disclose the functions reserved to the Board and those delegated to management.	√	
1.2	Disclose the process for evaluating the performance of senior executives.	√	
2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	√	
2.2	The chair should be an independent director.	√	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	√	
2.4	The Board should establish a nomination committee.	×	1
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	√	
3	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√	
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	√	
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	√	
4.2	The Audit Committee should be structured so that it: • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; • has at least three members.	√	
4.3	The audit committee should have a formal charter.	√	
5	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	√	

6	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	√	
7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√	
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√	
8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee	√	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√	

Notes:

1. 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 the 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.

Various corporate governance practices are discussed within this statement and the Company's Annual Report. For further information on the Company's corporate governance practices and policies, please refer to our website: www.leyshonresources.com

ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2010.

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	Number of Ordinary Shares Held	Percentage of Issued Shares
Computershare Clearing Pty Ltd <CCNL DI A/C>	59,075,598	27.34%
North Asia Metals Ltd	29,530,000	11.31%
Newmont NGL Holdings Pty Ltd	7,819,801	3.62%
Nefco Nominees Pty Ltd	5,191,100	2.40%
HSBC Custody Nominees (Australia) Limited – GSCO ECA	5,078,304	2.35%
Colbern Fiduciary Nominees Pty Ltd	5,025,000	2.33%
Standard Bank PLC	5,000,000	2.31%
Newmont Yandal Operations Limited	4,680,199	2.17%
Greenslade Holdings Pty Ltd	4,000,000	1.85%
Arredo Pty Ltd	3,658,389	1.69%
Mr Ian Peter Middlemas	3,500,000	1.62%
HSBC Custody Nominees (Australia) Limited	2,263,000	1.05%
Piat Corp Pty Ltd	2,250,000	1.04%
Cleveland Investment Global Limited	2,202,824	1.02%
Yangtze Investment Pty Ltd	1,611,757	0.75%
Mr Craig Ian Burton & Mrs Katrina Lee Burton <Burton Super Fund A/c>	1,500,000	0.69%
Arredo Pty Ltd	1,341,611	0.62%
AWJ Family Pty Ltd <AW Johnson Family A/C>	1,336,530	0.62%
Mr Gregory FP Jones <The Jones Family A/C>	1,083,585	0.50%
Showteam Enterprises Pty Ltd	1,012,933	0.47%
Total Top 20	**147,160,631**	**65.75%**
Others	68,929,963	34.25%
Total Ordinary Shares on Issue	**216,090,594**	**100.00%**

2. DISTRIBUTION OF EQUITY SECURITIES

	Ordinary Shares	30 November 2010 Options exerciseable at 70 cents	30 June 2011 Options exerciseable at 70 cents
1 - 1,000	309	-	-
1,001 - 5,000	429	-	-
5,001 - 10,000	158	-	-
10,001 - 100,000	492	-	-
100,001 - and over	155	3	1
Total	**1,543**	**3**	**1**

The number of shareholders holding less than a marketable parcel of Ordinary Shares at 30 September, 2010 was 538.

3. SUBSTANTIAL SHAREHOLDERS

The following details appear in the Company's register of substantial shareholdings as at 30 September 2010:

Substantial Shareholder	Number of Shares	% Interest
Paul Atherley	29,530,000	11.31
Newmont Mining Corporation	12,500,000	5.79

4. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of each class of unlisted securities is as follows:

	30 November 2010 Options exerciseable at 70 cents	30 June 2011 Options exerciseable at 70 cents
Asian Cleveland Limited	1,000,000	-
Ockleston Nominees Pty Ltd	1,000,000	-
Apostman Holdings Pty Ltd	2,000,000	-
Dong Ping Ye	-	750,000
Total	**4,000,000**	**750,000**

5. VOTING RIGHTS

Fully Paid Ordinary Shares

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

Holders of options do not have voting rights.

6. ON-MARKET BUY BACK

The Company announced an on-market buy back program on 19 January 2010. Thr program is to last for a maximum period of 12 months. The Company has bought back and cancelled a total of 2,165,098 ordinary shares under the buy back program to date.

7. EXPLORATION INTERESTS

The Company has an interest in the following tenements:

PROJECT	TENEMENT	NAME
MOUNT LEYSHON 100%	ML 1546	GOLDEN STAR
	ML 10144	MT LEYSHON
	ML 10148	PUDDLER CREEK
	ML 10149	WATER DAM GAP CREEK
	ML 10172	EASTERN STAR
	ML 10173	SOUTHERN STAR

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