

LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2011

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

Murray Wylie

Principal and Registered Offices

China

Suite 03A, 11/F
The Beijing Exchange Tower
B-118 Jianguo Avenue
Chaoyang District
Beijing 100022
Telephone: (86 10) 6566 9977
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Australia

Suite e, Level 3
1292 Hay Street
West Perth WA 6005
Telephone: (61 8) 9321 0077
Facsimile: (61 8) 9322 4073

Auditor

Deloitte Touche Tohmatsu

Bankers

Bank of China – Beijing
National Australia Bank

Share Register

UK

Computershare Investor Services plc
2nd Floor, Vintners Place
68 Upper Thames Street
London
EC4V 3BJ
United Kingdom

Australia

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

Solicitors

Jun He Law Offices – Beijing
Hardy Bowen – Australia

Stock Exchange Listing

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

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

AIM and ASX Code – LRL

DIRECTORS' REPORT

The Board of Directors of Leyshon Resources Limited present their report on the consolidated entity of Leyshon Resources Limited ("the Company" or "Leyshon Resources") and its subsidiaries during the half-year ended 31 December 2011 ("Consolidated Entity").

DIRECTORS

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

John Fletcher
Paul C Atherley
Richard Seville
Andrew Berry

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax attributable to members of the Consolidated Entity for the half-year ended 31 December 2011 was \$3,097,761 (2010: \$550,925).

Operations

Leyshon Resources Limited (AIM/ASX: LRL) (Company) is pleased to report that during the half year it continued to review, and is continuing to undertake due diligence on, a number of project investment opportunities, some of which have the potential to meet the Company's investment criteria.

The Company has completed a preliminary technical and legal due diligence review on a PRC entity that holds an exploration licence over a thermal coal project in the Western Chinese province of Xinjiang. More detailed review of the technical data collated to date has confirmed that the asset has the potential to meet the Company's investment criteria.

The Company's main focus during the half year has been on advancing the commercial negotiations in relation to the proposed transaction. These discussions are ongoing.

In addition, the Company and its advisors have continued discussions and negotiations with a large state owned enterprise on joint venture arrangements which, in the event of a successful completion of the transaction, would become the Company's joint venture partner on the project.

Whilst the Company believes that the asset is attractive in that it has the potential to meet its demanding internal investment criteria, it can give no assurance that these due diligence investigations, approval processes and/or discussions will lead to the successful completion of the transaction.

Management 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. The Company can give no assurance that these due diligence investigations and/or discussions will successfully conclude in an acquisition.

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

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

PAUL ATHERLEY

Director
Beijing, 13 March 2012

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

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

PAUL ATHERLEY
Director

Beijing, 13 March 2012

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Half-year Ended 31 Dec 2011 \$	Half-year Ended 31 Dec 2010 \$
Revenue	2	1,583,194	1,414,244
Exploration expenses		(2,881)	(11,914)
Project evaluation		(835,090)	(553,565)
Administration expenses		(846,179)	(751,633)
AIM readmission expenses		-	(319,054)
Foreign exchange losses		(13,767)	(13,730)
Mt Leyshon holding costs		(2,895,410)	(191,857)
Loss before tax		(3,010,133)	(427,509)
Income tax expense		(87,628)	(123,416)
Loss attributable to members of Leyshon Resources Limited		(3,097,761)	(550,925)
Loss Per Share			
Basic loss per share (cents per share)		(1.26)	(0.25)
Diluted loss per share (cents per share)		(1.26)	(0.25)

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

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Note	Half-year Ended 31 Dec 2011 \$	Half-year Ended 31 Dec 2010 \$
Loss for the period		(3,097,761)	(550,925)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		13,203	(18,616)
Other comprehensive income for the period net of tax		13,203	(18,616)
Total comprehensive income attributable to members of Leyshon Resources Limited		(3,084,558)	(569,541)

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

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Note	31 Dec 2011 \$	30 June 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	52,152,705	52,901,790
Trade and other receivables	4	544,634	743,088
Other		49,003	8,923
Total Current Assets		52,746,342	53,653,801
Non-Current Assets			
Other financial assets at fair value through profit and loss		1	1
Other financial assets		14,999	14,999
Property, plant and equipment		27,870	29,177
Total Non-Current Assets		42,870	44,177
TOTAL ASSETS		52,789,212	53,697,978
LIABILITIES			
Current Liabilities			
Trade and other payables	5	878,285	183,873
Current tax liabilities		301,947	313,589
Provisions		67,896	62,890
Total Current Liabilities		1,248,128	560,352
Non-Current Liabilities			
Trade and other payables	5	1,488,016	-
Total Non-Current Liabilities		1,488,016	-
TOTAL LIABILITIES		2,736,144	560,352
NET ASSETS		50,053,068	53,137,626
EQUITY			
Issued capital		71,102,376	71,102,376
Reserves		(5,410)	(18,613)
Accumulated losses		(21,043,898)	(17,946,137)
TOTAL EQUITY		50,053,068	53,137,626

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

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Half-year Ended 31 Dec 2011 \$	Half-year Ended 31 Dec 2010 \$
<u>Issued Capital</u>		
Issued and paid up capital – at the beginning of the half-year	71,102,376	64,175,728
Transactions with equity holders in their capacity as equity holders:		
Issue of ordinary shares	-	7,000,080
Less share issue costs	-	(69,235)
	-	6,930,845
Issued and paid up capital – at the end of the half-year	71,102,376	71,106,573
<u>Employee Benefit Reserve</u>		
Balance at the beginning of the half-year	-	1,373,173
Transactions with equity holders in their capacity as equity holders:		
Expiry of options	-	(1,220,000)
Employee benefit reserve at the end of the half-year	-	153,173
<u>Foreign Exchange Reserve</u>		
Foreign exchange reserve at the beginning of the half-year	(18,613)	6,136
Exchange differences on translation of foreign operations attributable to members of Leyshon Resources Limited	13,203	(18,616)
Total comprehensive income for the period	13,203	(18,616)
Foreign exchange reserve at the end of the half-year	(5,410)	(12,480)
Total reserves at the end of the half-year	(5,410)	140,693

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	Half-year Ended 31 Dec 2011 \$	Half-year Ended 31 Dec 2010 \$
<u>Accumulated Losses</u>		
Accumulated losses at the beginning of the half-year	(17,946,137)	(18,539,326)
Loss for the half-year attributable to members of Leyshon Resources Limited	(3,097,761)	(550,925)
Total comprehensive income for the period	(3,097,761)	(550,925)
Transactions with equity holders in their capacity as equity holders:		
Transfer from employee benefit reserve	-	1,220,000
Accumulated losses at the end of the half-year	(21,043,898)	(17,870,251)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Half-year ended 31 Dec 2011 \$	Half-year ended 31 Dec 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,659,711)	(1,390,288)
Mt Leyshon holding costs	(746,427)	(146,295)
Income tax paid	(99,270)	(66,443)
Interest received	1,760,561	1,334,593
	<hr/>	<hr/>
Net cash flows used in operating activities	(744,847)	(268,433)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(5,093)	(4,023)
	<hr/>	<hr/>
Net cash flows used in investing activities	(5,093)	(4,023)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	6,950,040
	<hr/>	<hr/>
Net cash flows provided by financing activities	-	6,950,040
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(749,940)	6,677,584
Cash and cash equivalents at the beginning of the half-year	52,901,790	46,193,725
Effects of exchange rate changes on cash and cash equivalents	855	(6,289)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	52,152,705	52,865,020
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The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Leyshon Resources Limited for the year ended 30 June 2011 and any public announcements made by Leyshon Resources Limited and its subsidiaries during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the year ended 30 June 2011, other than for the impact of the adoption of new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the consolidated entity and effective for annual reporting periods beginning on or after 1 July 2011. The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

2. REVENUE

	Note	Half-year Ended 31 Dec 2011 \$	Half-year Ended 31 Dec 2010 \$
Interest received/receivable		<u>1,583,194</u>	1,414,244
		31 Dec 2011 \$	30 June 2011 \$

3. CASH AND CASH EQUIVALENTS

Cash at bank		<u>52,152,705</u>	<u>52,901,790</u>
		52,152,705	52,901,790

4. TRADE AND OTHER RECEIVABLES

Interest Receivable		499,363	676,730
Other Debtors		<u>45,271</u>	<u>66,358</u>
		544,634	743,088

5. TRADE AND OTHER PAYABLES

Current

Trade Creditors		217,318	183,873
Compensation Agreements	9	<u>660,967</u>	-
		878,285	183,873

Non-Current

Compensation Agreements	9	<u>1,488,016</u>	-
		1,488,016	-

6. DIVIDENDS PAID OR PROVIDED FOR

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

7. 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.

As the Consolidated Entity has only one operating segment, all the necessary reporting disclosures are disclosed elsewhere in the notes to the financial statements.

8. SUBSEQUENT EVENTS AFTER BALANCE DATE

In January 2012 settlement was reached for the final landholder's Compensation Agreement in relation to the Company's Mount Leyshon assets. See Note 9 for further details.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

9. COMMITMENTS AND CONTINGENCIES

Commitments

Operating leases

Leasing arrangements

The operating leases relate to the lease of an office in Beijing, China and an office in Perth, Australia. The current lease in Beijing expires 15 May 2014 and the current lease in Perth expires 31 August 2012. The Consolidated Entity does not have an option to acquire the leased assets at the expiry of the lease periods.

COMMITMENTS FOR EXPENDITURE	Half-year Ended 31 Dec 2011	Half-year Ended 31 Dec 2010
	\$	\$
Non-cancellable operating leases		
Not longer than 1 year	155,973	77,114
Longer than 1 year and not longer than 5 years	168,345	28,918
Longer than 5 years	-	-
Total Commitments	324,318	106,032

Contingencies

Contingent liabilities –Mount Leyshon Assets

Details of contingent liabilities associated with the Company's Mount Leyshon assets were disclosed in the annual financial report for the year ended 30 June 2011. Leyshon Resources and Newmont Australia Limited ("Newmont") have reached settlement for the landholder Compensation Agreements. The Company will continue to be responsible for its share of ongoing management costs in relation to the Mount Leyshon assets.

Under the agreements Leyshon Resources is required to make payments totalling \$2.0 million to \$2.5 million over the next two years. The estimated costs have been included in the Consolidated Income Statement at 31 December 2011 under Mt Leyshon holding costs. Details of the net present value of the associated current and non-current liabilities are provided in Note 5.

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

10. ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

There were no movements in ordinary share capital or other issued share capital of the Company during the current half-year reporting period (2010: The Company issued 30,435,130 ordinary shares at \$0.23 per share for a total value before issue costs of \$7,000,080).

During the half-year reporting period, there were no movements in options over ordinary shares (2010: 4,000,000 options over ordinary shares expired).

13 March 2012

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

Dear Board Members

Leyshon Resources Limited

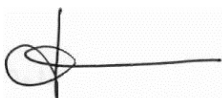
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Leyshon Resources Limited.

As lead audit partner for the review of the financial statements of Leyshon Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Leyshon Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, the condensed consolidated income statement, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 2 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Leyshon Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Leyshon Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

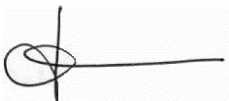
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles

Partner

Chartered Accountants

Perth, 13 March 2012