LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2014

CORPORATE DIRECTORY

Directors
Paul Atherley– Non-Executive Chairman
Corey Nolan – Managing Director
Richard Seville – Non-Executive Director

Company Secretary
Murray Wylie

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Facsimile: +618 9322 4073

Auditor
Deloitte Touche Tohmatsu

Bankers
Bank of China - Beijing
National Australia Bank

Share Register
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68 Upper Thames Street
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Solicitors
Jun He Law Offices - Beijing
Hardy Bowen Solicitors - Perth

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

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

AIM and ASX Code
LRL

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DIRECTORS' REPORT

The Directors of Leyshon Resources Limited present their report on the Group consisting of Leyshon Resources Limited ("the Company" or "Leyshon Resources") and the entities it controlled at the end of, or during, the year ended 31 December 2014 ("Group"). All amounts presented in the annual report including the Directors' Report are presented in United States Dollars (US$) unless otherwise indicated.

DIRECTORS

The following persons were Directors of the Company during the year ended 31 December 2014 and up to the date of this report:

Paul C Atherley
Corey Nolan – Appointed 14 February 2014
Richard P Seville
Andrew Berry III – Retired 31 March 2014

INFORMATION ON DIRECTORS

Paul C Atherley
Non-Executive Chairman from 1 February 2015
Non-Executive Director from 14 February 2014 until 1 February 2015
Managing Director from date of appointment 4 May 2004 until 14 February 2014
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 30 years industry experience. 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. During this period he completed a number of acquisitions and financings of resource projects in Australia, South-East Asia, Africa and Western Europe.

Mr Atherley is an experienced Managing Director with well established relationships in the London and Australian capital markets. He has been based in Beijing since 2005 and has pioneered the company's former activities in China. During this period he has built the Leyshon Management team and established extensive government and industry relationships. He currently serves as the Vice Chairman of the China Britain Business Council and is Chairman of the Energy Committee. He also serves on the EU-China Chamber Energy Working Group.

During the three year period to the end of the financial year, Mr Atherley has held a directorship with Leyshon Energy Limited (January 2014 – present).

Corey Nolan
Managing Director from date of appointment 14 February 2014
Qualifications – B Com, MMEE, GAICD

Nr Nolan has twenty years of diverse experience in the resources sector. This has included experience in mining operations, global resource evaluation, and the financing and development of new opportunities in Australia, South Africa, Asia and South America.

Mr Nolan is a qualified mineral economist. He has held specialist roles as an equities analyst in the mining and natural resources sector of stock broking firms Morgan Stanley and Wilson HTM. During this period he undertook detailed coverage of the Australian and global resources sector including the commodities market.

Mr Nolan has been a Director at PWC in the corporate finance and valuations practice, specialising in resources industry valuations for Australian and global resources firms.

During the three year period to the end of the financial year, Mr Nolan has held a directorship with Elementos Limited (July 2009 – present).

INFORMATION ON DIRECTORS (Cont'd)

Richard Seville
Non-Executive Director from date of appointment 1 February 2007 to 25 November 2013 and from 1 February 2015 onwards
Non-Executive Chairman from 25 November 2013 to 1 February 2015
Qualifications – BSC (Hon), MEngSc, MAusIMM, ARSM

Mr Seville is a mining geologist and geotechnical engineer with more than 30 years experience covering exploration, mine development and mine operations in gold, base metals and coal projects in Australia, South America, Africa and Asia. 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. He is currently Managing Director of ASX/TSX listed industrial minerals company Orocobre Ltd.

During the three year period to the end of the financial year, Mr Seville has held directorships in Orocobre Limited (November 2007 – present) and Elementos Limited (October 2013 – present).

Andrew Berry III
Non-Executive Director from date of appointment 10 October 2008 until retirement on 31 March 2014
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.

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 and the unlisted CorporActive Fund 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 held a directorship in CorporActive Fund Limited (September 2007 – August 2013).

Company Secretary

Murray Wylie
Company Secretary from date of appointment 20 January 2012
Qualifications - B Com (Hon), GradDipAppCorpGov, ACIS

Mr Wylie has more than 30 years experience in administrative and accounting roles in both the public and private sectors. He also holds Company Secretary positions with two other listed companies.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year consisted of the identification and evaluation of suitable investment opportunities and undertaking a strategic review of its existing Mt Leyshon gold project in Queensland, Australia. During the year, shareholders voted to change the Group's investing policy on 13 January 2014 to remove references to energy projects and focus on mineral exploration opportunities following the demerger of its energy assets.

CONSOLIDATED RESULTS

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Loss of the Group before income tax from continuing operations	**(1,936,139)**	(1,183,279)
Income tax expense – excludes discontinued tax	**(1,079)**	(10,095)
Loss of the Group for the year from continuing operations	**(1,937,218)**	(1,192,374)
Profit/(loss) of the Group from discontinued operations	**903,792**	(7,531,601)
Net loss attributable to members of Leyshon Resources Limited	**(1,033,426)**	(8,723,975)
Net cash flows used in operating activities	**(1,367,972)**	(7,394,400)

	31 December 2014 $	31 December 2013 $
Net assets	**1,262,752**	32,352,084

REVIEW OF OPERATIONS

Operations

On 13 January 2014, shareholders approved the demerger of the Company's energy assets via the pro-rata in-specie distribution of 100% of the ordinary shares of Leyshon Energy Limited to eligible shareholders of the Company. The demerger was completed and Leyshon Energy Limited commenced trading on the AIM market of the London Stock Exchange on 23 January 2014.

On 14 February 2014, Mr Corey Nolan was appointed Managing Director of Leyshon Resources. Mr Paul Atherley resigned from his position as Managing Director of Leyshon Resources on the same day to concentrate on his role as Managing Director of Leyshon Energy. Mr Atherley remains on the Board of Leyshon Resources as a non-executive director and is currently the Chairman.

Following the demerger, the primary activities of the Company have been the identification and evaluation of suitable investment opportunities and undertaking a strategic review of its existing Mt Leyshon gold project in Queensland, Australia.

New Project Opportunities

During the reporting period, the Company has been actively pursuing and studying potential investment opportunities in the resources sector which are in line with the Company's stated investing policy.

The Company's strategic objective is to identify mineral resource projects that have a clear pathway to production or monetisation and can generate high returns to shareholders. This will be achieved by leveraging the in-house expertise and track-record in identifying, acquiring, financing, developing and operating resource projects, and un-locking value. The Company's plan is to identify advanced or brown-field assets which have a stronger chance of being re-rated in the listed market.

The investment climate in the resources sector continues to be difficult. Resource equity and asset valuations are currently substantially discounted which we believe will provide an attractive entry opportunity for the Company at the bottom of the investment cycle.

Since the completion of the demerger, the Company has commenced preliminary discussions with prospective debt and equity financiers with regard to a number of investment opportunities and has been encouraged by the response in relation to the level and types of funding that could be available.

International Tungsten Services Transaction

On 20 November 2014, the Company signed a Heads of Agreement for a proposed transaction to acquire a 50.1% interest in International Tungsten Services Limited ("ITS"), a private Korean company.

In return for its 50.1% interest in ITS, Leyshon Resources would provide management and corporate expertise, arrange funding of US$13.5 million for the on-going development of the project, and provide an initial unsecured loan of US$500,000 to ITS. The loan was to provide working capital and on an interest free basis. This facility was subsequently increased by US$120,000 and the aggregate loan of US$620,000 is due for repayment in accordance with its terms by 26 December 2015.

Subsequent to the year end, the Company announced that it was no longer pursuing the transaction with ITS due to a number of factors including declining tungsten prices and the expanding project timetable, which resulted in the proposed transaction ceasing to meet the Company's financial return objectives. As at 31 December 2014 the loan is fully provided for.

Mt Leyshon Strategic Review

The Company completed a high-level strategic review of the Mt Leyshon project and a number of potential opportunities during the period, including:

1) Utilising the existing pit and other infrastructure for small-scale hydro power generation;
2) Reassessing the exploration potential of the ground in the vicinity of the old mine; and
3) The potential to recover the gold from the ball mill scat stockpiles. A previous economic study demonstrated only modest returns at a gold price of US$780 per ounce, compared to the current price of US$1300 per ounce.

1) Hydro Power Generation

During the reporting period, the Company completed the concept study into developing a pumped storage hydro ("PSH") power project at Mt Leyshon.

The concept involves generating near-instantaneous electrical power and supplying it into the grid at times of peak power demand by releasing water from the existing upper reservoir through a hydro generation plant. The upper reservoir is refilled from the existing open pit during periods of off-peak prices.

The optimal project sizing based on the physical reservoir characteristics is estimated to be around 40 megawatts ("MW"). The existing power line infrastructure connected to the site supports a project of up to 20MW and with modest upgrades may support up to 40MW.

The unit cost of production for a 20-40MW PSH plant at the Mt Leyshon site compares favourably to the cost of a larger-scale open-cycle gas turbine project, the assumed next best alternative for providing fast-start peak to intermediate generation capacity.

Whilst the study demonstrated positive project economics, further work will be required in areas including water chemistry, capital and operating cost estimates, networks, engineering, and regulatory.

The report recommended identifying a strategic partner to assist with managing market risk and underpinning the commercial viability of the project by securing either a medium to long-term off-take with an electricity retailer or major energy user, or a medium to long-term network support contract with the local network service provider. The Company has spoken to a number of new players and will continue to seek potential partners during 2015.

2) Further Exploration

The historical focus of the Leyshon mining operations was the Mt Leyshon Breccia, the main ore host, comprising a large pipe-like breccia, approximately 400 x 300 metres in plan, with a minimum vertical extent of 650 metres. A number of areas of brecciation and porphyry intrusion extend outside the main pit area. Historical surface sampling has identified areas of anomalous grades of gold, silver, lead and zinc. The Company completed a review of all the historical data and decided not to proceed with any further exploration activities.

3) Recovery of Gold from Mill Scats

In June 2012, the Company completed a drilling program and economic study on the potential recovery of gold from a large stock pile of between 12 and 15 million tonnes of ball mill scats from the historical operations. The study considered a number of different process routes to recover between 100,000 and 175,000 ounces of gold through the retreatment of the highly mineralised material. The material was stockpiled at a time when gold prices averaged around US$300 per ounce, and the 2012 study was based on a gold price of US$780 per ounce. Despite more recent higher prices for gold, the Company believes the high capital required to develop the project outweighs the potential risk adjusted returns.

BUSINESS STRATEGIES AND PROSPECTS

After approving the demerger of Leyshon Energy on 13 January 2014, shareholders approved amendments to the Company's investing policy to reflect the Company's focus on gold and other minerals exploration and investment opportunities by removing references to energy projects. The investing policy aims to capitalise on the Company's extensive experience in China. The policy focuses on acquiring and developing mineral 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.

DIVIDENDS

No interim or final dividend has been declared in respect to the year ended 31 December 2014 (year ended 31 December 2013: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 13 January 2014, shareholders approved the demerger of the Company's energy assets via the in-specie distribution of 100% of the ordinary shares of Leyshon Energy Limited to eligible shareholders of the Company. The demerger was completed and Leyshon Energy Limited commenced trading on the AIM market of the London Stock Exchange on 23 January 2014.

Mr Corey Nolan was appointed as Managing Director of Leyshon Resources on 14 February 2014.

The shares of Leyshon Resources have been suspended from trading on the Australian Securities Exchange ("ASX") since 14 July 2014 and will remain suspended. ASX policy, in accordance with Chapter 12 of the Listing Rules, is to allow companies that have disposed of their main undertakings a six-month period within which to satisfy ASX that the company has a sufficient level of operations to justify continued quotation of the Company's securities on the ASX. The Company was not able to satisfy the ASX that it was in compliance with Chapter 12 and was suspended from trading on 14 July 2014.

On 20 November 2014, the shares of Leyshon Resources were also suspended from trading on the AIM Market on the announcement of the proposed transaction with ITS (which constituted a possible reverse takeover). As the Company is an investing company subject to AIM Rule 15, and it has not implemented its investing policy or completed an acquisition which constitutes a reverse takeover under the AIM Rules for Companies within 12 months of becoming an investing company, trading of the Company's shares on the AIM Market will remain suspended pending implementation of its investing policy or completion of an acquisition which constitutes a reverse takeover.

The Company envisages the shares will remain suspended on the ASX and the AIM Market until such time as the Company completes a transaction and seeks re-compliance for listing on the ASX and re-admission to the AIM Market.

SUBSEQUENT EVENTS

Other than as disclosed below, as at the date of this report there are no matters or circumstances which have arisen since 31 December 2014 that have significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 31 December 2014, of the Group 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 31 December 2014, of the Group.

On 23 January 2015, the Company announced that it had terminated the Heads of Agreement with ITS due to a number of factors including declining tungsten prices and the expanding project timetable.

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 Group and the expected results of these operations in subsequent financial years may prejudice the interests of the Group and accordingly, has not been disclosed.

ENVIRONMENTAL REGULATIONS

The Group'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, no shares were issued by the Company.

OPTIONS

During the year ended 31 December 2014 there were 9,000,000 options granted. There were no unissued ordinary shares of Leyshon Resources under option at the date of this report.

During 2013, the Company agreed to issue 5,000,000 performance rights to Key Management Personnel. These were deemed granted and an expense recognised. The intended recipients subsequently agreed to forego their entitlement should the demerger of the Company's energy assets proceed. The demerger was completed on 23 January 2014 and accordingly the performance rights, lapsed, will not be issued.

During the year no shares were issued as a result of the exercise of options. Since 31 December 2014 and up to the date of this report, 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 year ended 31 December 2014, and the number of meetings attended by each director.

	Board Meetings		**Audit Committee Meetings**		**Remuneration Committee Meetings**	
	Held	Attended	Held	Attended	Held	Attended
Directors						
Corey Nolan	3	3	N/A	N/A	N/A	N/A
Richard Seville	3	3	1	1	-	-
Paul C Atherley	3	3	N/A	N/A	N/A	N/A
Andrew Berry III [(1)]	1	1	1	1	-	-

[(1)] Mr Berry retired on 31 March 2014.

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF LEYSHON RESOURCES

	Interest in Securities at the date of this Report	
	Ordinary Shares	**Options**
Richard Seville	750,000	-
Corey Nolan	-	9,000,000
Paul C Atherley	31,330,000	-

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 year ended 31 December 2014. 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:

- Paul C Atherley *(Chairman from 1 February 2015 until present, Non Executive Director from 14 February 2014 until 1 February 2015, Managing Director until 14 February 2014)*
- Corey Nolan *(Managing Director appointed 14 February 2014)*
- Richard P Seville *(Non Executive Director from 1 February 2015 until present, Chairman from 25 November 2013 until 1 February 2015)*
- Andrew J Berry III *(Non Executive Director, retired 31 March 2014)*

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 – *Chief Financial Officer (resigned 23 January 2014)*
- Frank Fu – *Chief Operating Officer (resigned 23 January 2014)*

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

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 Board 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 Board 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 Board'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 or performance rights schemes with the prior approval of shareholders. Senior management may also participate in employee share option or performance rights schemes, with any option or performance right 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. In line with recommended corporate governance principles, non-executive directors are not 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 Group's earnings and movements in shareholder wealth for the five financial periods to December 2014. All amounts have been restated to reflect the change in the Group's presentation currency effective 1 January 2013.

	Year ended 31 December 2014	Year ended 31 December 2013	6 months ended 31 December 2012	Year ended 30 June 2012	Year ended 30 June 2011
	$	$	$	$	$
Revenue	18,951	715,130	1,162,143	3,160,146	2,979,510
Net (loss)/profit before tax	(1,032,347)	(8,713,880)	(4,309,715)	(3,240,541)	(525,996)
Net (loss)/profit after tax	(1,033,426)	(8,723,975)	(4,379,972)	(3,527,333)	(771,708)
Share price at start of period (AUD)	0.105	0.210	0.175	0.250	0.200
Share price at end of period (AUD)	0.012	0.105	0.210	0.175	0.250
Dividend paid	-	-	-	-	-
Basic (loss)/profit per share (cents)	(0.4)	(3.5)	(1.8)	(1.4)	(0.3)
Diluted (loss)/profit per share (cents)	(0.4)	(3.5)	(1.8)	(1.4)	(0.3)

There is currently no direct link in the relationship between the remuneration for key management personnel and the Company's financial performance, however, this position may change and be reassessed in the future.

Service Agreements

Non Executive Directors

Mr Atherley

The Company has entered into a service agreement with Mr Atherley whereby he is paid a fee of A$66,000 per annum in his capacity as Non-Executive Chairman with effect from 1 February 2015. From 14 February 2014 until 1 February 2015 Mr Atherley was paid a fee of A$45,000 per annum in his capacity as Non-Executive Director. Mr Atherley 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 providing 90 days written notice.

Mr Seville

The Company has entered into a service agreement with Mr Seville whereby he is paid a fee of A$45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 February 2015. From 25 November 2013 until 1 February 2015 Mr Seville was paid a fee of A$66,000 per annum including superannuation in his capacity as Non-Executive Chairman. 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 providing 90 days written notice.

In addition, the Company has entered into a consultancy arrangement with Richard Seville & Associates Pty Ltd for the provision of technical services by Mr Seville at the rate of A$1,600 per day. Either party can terminate the consultancy agreement by providing three months written notice.

Mr Berry

The Company had entered into a service agreement with Mr Berry whereby he was paid a fee of A$45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 January 2009. Mr Berry was entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement was for no fixed term, did not provide for the payment of termination benefits and was able to be terminated by either party by providing 90 days written notice. Mr Berry retired 31 March 2014.

Executive Director

Mr Nolan

The service agreement in place with Mr Nolan for the position of Managing Director, contains the following key provisions:

- Entered into with effect from 14 February 2014 with end date 31 December 2015;
- Base fee of A$200,000 per annum plus statutory superannuation entitlement;
- May be terminated by the Company providing at least six months notice or by Mr Nolan by providing at least three months notice;
- If Mr Nolan 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;
- An annual cash bonus of up to 50% of base fee per annum is payable based on, in the Board's view, the contribution of Mr Nolan towards the general performance of the Company and his achievement of any agreed personal objectives;
- An annual long term incentive to be based on the achievement of agreed performance targets;
- No amount is payable in the event of termination for neglect of duty or gross misconduct; and
- If Mr Nolan's contract is terminated, other than for neglect of duty or gross misconduct, then the Company shall pay to Mr Nolan a Termination Payment equal to the base fee for six months. 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.

Mr Atherley

The service agreement in place during the year with North Asia Metals Ltd (NAM) for Managing Director and consultancy services provided by Mr Atherley until novation of the agreement to Leyshon Energy on 23 January 2014, contained the following key provisions:

- Entered into with effect from 6 August 2012 with end date 31 December 2015;
- Base fee of $460,000 per annum; and
- May be terminated by the Company with not more than three months notice or by NAM 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;
- An expatriate allowance of $105,000 per annum;
- An annual cash bonus of up to 50% of base fee per annum is payable based on, in the Board's view, the contribution of Mr Atherley towards the general performance of the Company and his achievement of any agreed personal objectives. No cash bonus was paid during the year ended 31 December 2014 (2013: $105,000);
- An annual long term incentive with the maximum accounting cost to the Company of 50% of the annual base fee;
- 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 equal to the base fee for one year. 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 year until novation of the agreement to Leyshon Energy on 23 January 2014, contained the following key provisions:

- Entered into with effect from 6 August 2012 with end date 5 August 2015;
- Base salary of $300,000 per annum;
- May be terminated by the Company with not more than three months notice or by Mr Nui by providing at least six months notice;
- An expatriate allowance of $105,000 per annum;
- An annual discretionary cash bonus of up to 50% of base salary per annum is payable based on, in the Board's view, the contribution of Mr Nui towards the general performance of the Company and his achievement of any agreed personal objectives. No cash bonus was paid during the year ended 31 December 2014 (2013: $105,000);
- An annual long term incentive with the maximum accounting cost to the Company of 50% of the annual base salary;
- No amount is payable in the event of termination for neglect of duty or gross misconduct; and
- If Mr Niu's contract is terminated, other than for neglect of duty or gross misconduct, then the Company shall pay to Mr Nui an amount equal to the base fee for six months.
- Mr Niu resigned on 23 January 2014 upon the demerger of Leyshon Energy.

Mr Fu

The service agreement in place with Mr Frank Fu during the year until novation of the agreement to Leyshon Energy on 23 January 2014, contained the following key provisions:

- Entered into with effect from 1 March 2013 with end date 29 February 2016;
- Base salary of RMB1,785,000 ($292,000) per annum;
- May be terminated by the Company with not more than three months notice or by Mr Fu by providing at least three months notice;
- Additional allowances and statutory welfare of RMB717,000 ($117,300) per annum;
- An annual discretionary cash bonus of up to 50% of base salary per annum is payable based on, in the Board's view, Mr Fu's achievement of any agreed personal objectives, performance targets and Company targets. No cash bonus was paid during the year ended 31 December 2014 (2013: $75,000);
- An annual long term incentive with the maximum accounting cost to the Company of 50% of the annual base fee;
- No amount is payable in the event of termination for neglect of duty or gross misconduct; and
- If Mr Fu's contract is terminated, other than for neglect of duty or gross misconduct, then the Company shall pay to Mr Fu an amount equal to the base salary for three months
- Mr Fu resigned on 23 January 2014 upon the demerger of Leyshon Energy.

Novation of Service Agreements to Leyshon Energy Limited

Deeds of novation were entered into with Mr Atherley, Mr Nui and Mr Fu to terminate their agreements with Leyshon Resources and transfer the agreements to Leyshon Energy Limited, with effect from the implementation of the demerger agreement on 23 January 2014.

REMUNERATION REPORT (Cont'd)

Details of Remuneration

The emoluments (paid or payable) of the Directors and senior management for the year ended 31 December 2014 are as follows:

	Short-term employee benefits			Post-employment		Share Based Payment		
	Salary & fees	Bonus[1]	Other[1]	Super-annuation	Termination Benefits	Options/ Performance rights[2]	**Total**	% relating to performance rights
	$	$	$	$	$	$	**$**	
Directors								
Corey Nolan [3]	165,255	-	-	15,487	-	5,735	186,477	3.1%
Paul C Atherley	54,144	-	3,379	-	-	(6,377)	51,146	(12.5%)
Richard Seville	56,139	-	-	3,552	-	-	59,691	-
Andrew Berry III [4]	9,282	-	-	859	-	-	10,141	-
Senior management								
Peter Niu [5]	9,653	-	3,379	-	-	(2,365)	10,667	(22.2%)
Frank Fu [5]	6,446	-	-	-	-	(1,577)	4,869	(32.4%)
Total	300,919	-	6,758	19,898	-	(4,584)	322,991	(1.4%)

(1) Expatriate allowance for Mr Atherley and Mr Niu.

(2) Agreements to issue performance rights but the officers subsequently agreed to forego conditional upon the demerger which was completed effective 23 January 2014. Refer Note 28 for further details.

(3) Mr Nolan was appointed 14 February 2014.

(4) Mr Berry retired 31 March 2014.

(5) Mr Niu and Mr Fu resigned 23 January 2014 upon the demerger of Leyshon Energy.

The emoluments (paid or payable) of the Directors and senior management for the year ended 31 December 2013 are as follows:

	Short-term employee benefits			Post-employment		Share Based Payment		
	Salary & fees	Bonus[1]	Other[2]	Super-annuation	Termination Benefits	Perform-ance rights[3]	**Total**	% relating to perfor-mance rights
	$	$	$	$	$	$	**$**	
Directors								
Paul C Atherley	556,896	104,585	104,737	-	-	6,825	773,043	0.9%
Richard Seville	42,511	-	-	896	-	-	43,407	-
Andrew Berry III	39,800	-	-	3,607	-	-	43,407	-
John WS Fletcher [4]	57,435	-	19,251	-	-	-	76,686	-
Senior management								
Peter Niu	314,297	109,943	103,130	-	-	2,531	529,901	0.5%
Frank Fu	265,936	78,530	102,498	13,389	-	1,688	462,041	0.4%
Total	1,276,875	293,058	329,616	17,892	-	11,044	1,928,485	0.6%

(1) 2012 Short Term Incentive bonus granted at the discretion of the Board.

(2) Expatriate allowance for Mr Atherley and Mr Niu. Additional allowances for Mr Fu. Consultancy fees for Mr Fletcher

(3) Agreements to issue performance rights but the officers subsequently agreed to forego conditional upon the demerger which was completed effective 23 January 2014. Refer Note 27 for further details.

(4) Mr Fletcher resigned 25 November 2013.

REMUNERATION REPORT (Cont'd)

Share-based Compensation

During the year, the Company granted 9,000,000 share options to Mr Nolan. The options were granted fully vested with a three year expiry and were issued in three tranches of 3,000,000 with exercise prices of A$0.02, A$0.04 and A$0.06 respectively.

There were no other options granted, vested, exercised or lapsed in relation to Directors and senior management during the year. There were no other options held by Directors or senior management during the period.

In 2013, the Company agreed to issue 2,500,000 performance rights to Mr Atherley, 1,500,000 performance rights to Mr Niu and 1,000,000 to Mr Fu. Mr Atherley, Mr Fu and Mr Niu subsequently agreed in writing to forego their performance rights conditional on the successful demerger of the Group's energy assets and subsequent listing of Leyshon Energy Limited on London's AIM exchange. This occurred on 23 January 2014. As a result these performance rights were not issued.

The grant of share options or performance rights 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. Certain additional details in relation to the options have been included within Note 27 of the financial statements.

Key management personnel equity holdings

Shareholdings of Key Management Personnel

Fully paid ordinary shares of Leyshon Resources

	Balance at the start of the period	Purchases	Received on exercise of options	Other changes[i]	Disposals	Balance at the end of the period
31 Dec 2014						
Mr Paul Atherley	31,330,000	-	-	-	-	31,330,000
Mr Corey Nolan	-	-	-	-	-	-
Mr Richard Seville	750,000	-	-	-	-	750,000
Mr Andrew Berry III	-	-	-	-	-	-
Mr Peter Niu [1]	28,026	-	-	(28,026)	-	-
31 Dec 2013						
Mr Paul Atherley	29,530,000	1,800,000	-	-	-	31,330,000
Mr John Fletcher [1]	2,316,324	-	-	(2,316,324)	-	-
Mr Richard Seville	750,000	-	-	-	-	750,000
Mr Andrew Berry III	-	-	-	-	-	-
Mr Peter Niu	28,026	-	-	-	-	28,026
	-	-	-	-	-	-

(1) Mr Niu resigned on 23 January 2014. Mr Fletcher resigned on 25 November 2013

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the period 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 Board 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 period by the auditor are outlined in note 4 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 18 and forms part of this Directors' Report.

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

On behalf of the Directors

Corey Nolan
Managing Director

31 March 2015

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Leyshon Resources Limited
Suite 3, Level 3
1292 Hay Street
West Perth WA 6005

31 March 2015

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 31 December 2014, 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

D Newman

David Newman
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group 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 Group;

(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

Corey Nolan
Managing Director

31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
Continuing operations			
Revenue	2(a)	**18,951**	715,130
Exploration expenses		-	(697)
Project evaluation		(427,336)	-
Administration expenses		(623,966)	(1,988,894)
Foreign exchange gains		118,123	352,774
Allowance for doubtful debts		(685,052)	-
Mt Leyshon holding costs		(329,922)	(249,548)
Share-based payments		(6,938)	(11,044)
Loss before tax	**2(b)**	**(1,936,139)**	(1,183,279)
Income tax expense	3	(1,079)	(10,095)
Loss for the year from continuing operations		**(1,937,218)**	(1,192,374)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8	903,792	(7,531,601)
Loss for the year		**(1,033,426)**	(8,723,975)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(143,095)	(591,142)
Exchange differences on translating into presentation currency		280,003	(6,165,424)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit and loss on loss of control of subsidiary		(2,429,383)	-
Other comprehensive income for the period net of tax		**(2,292,474)**	(6,756,566)
Total comprehensive income for the year		**(3,325,901)**	(15,480,541)
Loss attributable to members of Leyshon Resources Limited		(1,033,426)	(8,723,975)
Total comprehensive income attributable to members of Leyshon Resources Limited		(3,325,901)	(15,480,541)
Loss Per Share			
From continuing and discontinued operations			
Basic (cents per share)	16	(0.4)	(3.5)
Diluted (cents per share)	16	(0.4)	(3.5)
From continuing operations			
Basic (cents per share)	16	(0.8)	(0.5)
Diluted (cents per share)	16	(0.8)	(0.5)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31 Dec 2014 $	31 Dec 2013 $
ASSETS			
Current Assets			
Cash and bank balances	24(a)	1,342,668	3,070,886
Trade and other receivables	5	19,195	35,336
Current tax assets		32,659	24,639
Other assets	6	7,657	20,175
		1,402,179	3,151,036
Assets classified as held for distribution		-	38,186,634
Total Current Assets		**1,402,179**	41,337,670
Non-Current Assets			
Other financial assets	7	12,237	13,309
Property, plant and equipment	10	-	10,541
Total Non-Current Assets		**12,237**	23,850
TOTAL ASSETS		**1,414,416**	41,361,520
LIABILITIES			
Current Liabilities			
Trade and other payables	11	124,519	77,214
Provisions	12	27,145	74,086
		151,664	151,300
Liabilities directly associated with assets classified as held for distribution		-	8,858,136
Total Current Liabilities		**151,664**	9,009,436
TOTAL LIABILITIES		**151,664**	9,009,436
NET ASSETS		**1,262,752**	32,352,084
EQUITY			
Issued capital	13	16,910,852	57,071,050
Reserves	14	(409,612)	1,470,493
Accumulated losses	15	(15,238,488)	(26,607,683)
		1,262,752	31,933,860
Less amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for distribution	14	-	418,224
TOTAL EQUITY		**1,262,752**	32,352,084

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 31 DECEMBER 2014

	Issued Capital	Equity-settled employee benefits reserve	Foreign exchange reserve	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 Jan 2013	**57,071,050**	**-**	**8,634,239**	**(17,883,708)**	**47,821,581**
Loss for the year	-	-	-	(8,723,975)	(8,723,975)
Other comprehensive income for the year, net of tax	-	-	(6,756,566)	-	(6,756,566)
Total comprehensive income for the year	**-**	**-**	**(6,756,566)**	**(8,723,975)**	**(15,480,541)**
Recognition of share-based payments	-	11,044	-	-	11,044
Balance at 31 Dec 2013	**57,071,050**	**11,044**	**1,877,673**	**(26,607,683)**	**32,352,084**
Loss for the year	-	-	-	(1,033,426)	(1,033,426)
Other comprehensive income for the period, net of tax	-	-	136,908	-	136,908
Total comprehensive income for the period	**-**	**-**	**136,908**	**(1,033,426)**	**(896,518)**
Recognition of share-based payments	-	6,938	-	-	6,938
Forfeiture of performance rights	-	(12,792)	-	12,792	-
Redistribution of capital [1]	(12,389,829)	-	-	12,389,829	-
In-specie distribution of Leyshon Energy shares	(27,770,369)	-	-	-	(27,770,369)
Exchange differences transferred to Statement of Profit or Loss on disposal of foreign operations (Note 9)			(2,429,383)		(2,429,383)
Balance at 31 Dec 2014	**16,910,852**	**5,190**	**(414,802)**	**(15,238,488)**	**1,262,752**

[1] Adjustment between issued capital and accumulated losses at demerger on 23 January 2014

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 31 DECEMBER 2014

	Note	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(849,645)	(1,894,718)
Mt Leyshon holding costs		(325,046)	(699,410)
Income tax refund/(paid)		6,118	(212,446)
Interest received		18,952	1,194,868
Net operating cash flows from discontinued operations	8	(218,351)	(5,782,695)
Net cash flows used in operating activities	24(b)	(1,367,972)	(7,394,401)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment	10	-	-
Loans to other entities		(1,586,260)	-
Loans repaid by other entities		908,054	-
Net investing cash flows from discontinued operations	8	-	(122,136)
Net cash flows used in investing activities		(678,206)	(122,136)
CASH FLOWS FROM FINANCING ACTIVITIES			
Demerger of Leyshon Energy	9	(32,833,304)	-
Net cash flows used in finance activities		(32,833,304)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(34,876,505)	(7,516,537)
Cash and cash equivalents at the beginning of the year		36,190,991	47,253,874
Effects of exchange rate changes on cash and cash equivalents		28,182	(3,546,346)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24(a)	1,342,668	36,190,991

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

Leyshon Resources Limited (the Company) is a limited company incorporated in Australia whose shares are listed on the Australian Securities Exchange, and on the AIM Board of the London Stock Exchange. Shares in the Company are currently suspended from trading on both exchanges whilst the Company seeks a new project acquisition.

The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

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. The Group is a for profit entity primarily involved in mineral exploration.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards 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 31 March 2015.

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 United States dollars, unless otherwise noted.

Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year

In the current year the Consolidated Entity has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*
As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014) the application of the amendments has had no impact on the disclosures or the amounts recognised in the Consolidated Entity's consolidated financial statements.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*
The amendments have been applied retrospectively. (As the Consolidated Entity does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosure or on the amounts recognised in the Consolidated Entity's consolidated financial statements. The Consolidated Entity has assess whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Consolidated Entity's consolidated financial statements.)

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*
The application of these amendments has had no material impact on the disclosures in the Consolidated Entity's consolidated financial statements.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*
The amendments have been applied retrospectively. As the Consolidated Entity does not have any derivatives that are subject to novation, the application of these amendments has had no impact of the disclosures or on the amounts recognised in the Consolidated Entity's consolidated financial statements.

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

Application of new and revised International Financial Reporting Standards (IFRSs) (cont'd)

IFRIC 21 *Levies*
IFRIC 21 has been applied retrospectively. The application of the interpretation has had no material impact on the disclosures or on the amounts recognised in the Consolidated Entity's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of the financial report, a number of new and revised IFRSs were on issue but not yet effective:

Affected Standards and Interpretations	**Effective for annual reporting periods beginning on or after**
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017
Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
Amendments to IFRSs 'Annual Improvements to IFRSs 2010-2012 Cycle'	1 July 2014
Amendments to IFRSs 'Annual Improvements to IFRSs 2011-2013 Cycle'	1 July 2014

The Consolidated Entity has not elected to early adopt any new standards or amendments. Management is currently evaluating the impact that the initial application of these standards and interpretations will have on the financial reports of the consolidated entity.

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, 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

a) Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets because it is not considered sufficiently probable at this point in time, that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Recoverability of trade and other receivables
A large portion of the amount recognised in trade and other receivables relates to an unsecured loan to Korean company, ITS. Under a Heads of Agreement with ITS, a total of $620,000 was advanced in November and December 2014.

On 23 January 2015, the Company terminated the Heads of Agreement due to a number of factors including declining tungsten prices and the expanding project timetable. The recoverability of the loan is dependent on a number of factors including changes to commodity prices and the ability of ITS to bring the project into production. As at 31 December 2014 the loan is fully provided for.

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. The cash assets held by the Group are considered sufficient to fund its known expenditure commitments beyond the next twelve months.

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

Significant accounting policies (cont'd)

(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 31 December 2014 and the results of all subsidiaries for the year then ended. Leyshon Resources Limited and its subsidiaries together are referred to as the Group. A list of subsidiaries is provided in note 20.

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. 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.

(c) 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, 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 Binomial 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.

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

(d) Foreign Currency Translation

(i) Reporting currency
Effective 1 January 2013, the Company changed its presentation currency from Australian dollars (AUD$) to United States dollars (US$). The Company followed the requirements set out in AASB 121 "The Effects of Change in Foreign Exchange Rates" ("AASB 121"). In accordance with AABS 121, the financial statements for all periods presented have been translated into the presentation currency using the current rate method. Under this method, the consolidated statement of Profit or Loss and other comprehensive income and the consolidated statement of cash flows for each period have been translated into the presentation currency using the average exchange rates prevailing during each reporting period.

All assets and liabilities have been translated using the exchange rate prevailing at the consolidated balance sheets dates. Shareholders' equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions, while shareholders' equity balances from the translation are included as a separate component of other comprehensive income. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income.

(ii) Functional 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 recognised in Australian dollars, which is the Company's functional currency. The consolidated financial statements are then translated in United States dollars, which is the company's presentation currency

(iii) 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.

(iv) 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 Company's functional currency are translated into the functional 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.

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

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

(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.

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

(h) Impairment of Assets

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

(i) Cash and Cash Equivalents

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

(j) Receivables

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

(k) Other Financial Assets

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

(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. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised costs less impairment.

(l) Fair value estimation

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

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

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

(m) Non-current assets held for distribution

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

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

(n) Property, Plant and Equipment

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

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

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

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

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

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

(o) 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.

(p) 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 superannuation funds are recognised as an expense as they become payable.

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

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(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.

Where the Company reacquires its own shares, for example as a result of share buy-back, those shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid to acquire the shares, including any directly attributable transaction costs net of income taxes, is recognised directly as a reduction from equity.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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) 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.

2. LOSS FROM CONTINUING OPERATIONS	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $

(a) Revenue
Revenue consisted of the following items:

Interest received/receivable	18,951	715,130
Total revenue	18,951	715,130

(b) Loss before income tax from continuing operations
Loss before income tax from continuing operations has been arrived at after charging the following losses and expenses:

Depreciation and amortisation - plant and equipment	7,914	4,557
Net movement in provisions for employee entitlements	13,632	(2,370)
Exploration expenses	-	697
Project evaluation expenses	427,336	-
Foreign exchange (gain)	(118,123)	(352,774)
Allowance for doubtful debts	685,052	-
Mt Leyshon holding costs	329,922	249,548
Share-based payments	6,938	11,044
Rental expense relating to operating leases (minimum lease payments)	31,712	50,528
Directors fees	140,415	278,971
Post employment benefits	27,768	14,849
Consultancy	71,883	385,200
Legal fees	29,434	353,303

3. INCOME TAX

Income tax expense

Current tax	1,079	10,095
Deferred tax	-	-
	1,079	**10,095**

Numerical reconciliation of income tax expense to prima facie tax payable

Loss before income tax expense from continuing operations	(1,936,139)	(1,183,279)
Gain/(loss) before income tax expense from discontinued operations	903,792	(7,531,601)
Loss before income tax expense	(1,032,347)	(8,713,880)
Tax at the Australian tax rate of 30% (31 December 2013: 30%)	(309,704)	(2,614,164)
Tax effect of amounts which are not deductible in calculating taxable income:		
Other non-deductible expenditure	(7,225)	(647,357)
	(316,929)	(3,261,521)
Tax losses not brought to account	318,008	3,271,616
Income tax expense	**1,079**	**10,095**

Current tax and income tax expense relate to assessable income in China Metals Pty Ltd as the Group is not consolidated for tax.

3. INCOME TAX (Cont'd)

	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
Deferred tax liabilities		
Movements		
Opening balance at start of period	-	1,273,689
Foreign exchange movement	-	(184,807)
Reclassification to assets held for distribution	-	(1,089,602)
Closing balance at 31 December	-	-

Unrecognised Deferred Tax Balances

	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	13,301,512	14,158,169
	13,301,152	14,158,169
Movements		
Opening balance at start of period	14,158,169	13,032,553
Tax losses not brought to account during the period	318,008	3,271,616
Foreign exchange movement	(1,174,665)	(2,146,000)
Closing balance at 31 December	13,301,512	14,158,169

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 Group for tax purposes. The Board will review this position annually, before lodging of that year's income tax return.

	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
4. REMUNERATION OF AUDITORS		
Auditor of the parent entity		
Audit Services		
Fees paid to Deloitte Touche Tohmatsu		
- Audit and review of the financial reports and other audit work	56,267	79,805
Other non-audit services		
- Taxation advice	3,605	25,683
Total remuneration	59,872	105,488

5. TRADE AND OTHER RECEIVABLES	31 Dec 2014 $	31 Dec 2013 $
Current		
Amounts relating to:		
- Loan to external party [1]	620,000	-
- Provision for non-recovery of loan to external party	(620,000)	-
- other [2]	19,195	35,336
	19,195	35,336

[1] Unsecured loan to ITS
[2] Other receivables comprise office rent security deposits and staff expense advances.

Refer note 26 for disclosures on interest rate, foreign exchange, liquidity and credit risk, including aging and recoverability of trade and other receivables.

6. OTHER ASSETS

Current		
Prepayments	7,657	20,175

7. OTHER FINANCIAL ASSETS

Non-current		
Shares in other entities	1	1
Security bonds	12,236	13,308
	12,237	13,309

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.

8. DISCONTINUED OPERATIONS

On 13 January 2014, shareholders gave approval to demerge the Company's energy assets via an in-specie distribution to eligible shareholders of the Company. The demerger was implemented on 23 January 2014.

The results of the discontinued operations included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income are set out below. The current and comparative period loss and cash flows relating to the energy business have been presented below and have been classified as discontinued operations.

	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
Loss for the year from discontinued operations		
Revenue	-	747
Exploration expenses	(172,416)	(8,327,824)
Exchange gains/(losses)	69,900	2,335,170
Other expenses	(39,105)	(1,539,694)
Loss before tax	(141,621)	(7,531,601)
Gain on disposal of operation including a cumulative exchange gain of $2,429,383 reclassified from foreign currency translation reserve to profit and loss (refer note 9)	1,045,413	-
Attributable income tax expense	-	-
Gain/(loss) for the year from discontinued operations (attributable to owners of the Company)	903,792	(7,531,601)
Gain/(loss) per share from discontinued operations		
Basic (cents per share)	0.4	(3.0)
Diluted (cents per share)	0.4	(3.0)
Cash flows from discontinued operations		
Net cash outflows from operating activities	(218,351)	(5,782,695)
Net cash outflows from investing activities	-	(122,136)
Net cash outflows from financing activities	-	-
Net cash outflows	(218,351)	(5,904,831)

9. DISPOSAL OF SUBSIDIARY

As disclosed in Note 8, the Group obtained shareholder approval on 13 January 2014 to demerge its energy assets via an in-specie distribution to eligible shareholders of the Company, which was implemented on 23 January 2014.

The major classes of assets and liabilities of the energy business at the implementation date were as follows:

	23 January 2014 $
Cash and bank balances	32,833,304
Trade and other receivables	105,684
Property, plant and equipment	205,886
Exploration & evaluation assets	4,711,162
Other assets	7,301
Assets disposed of	37,863,337
Trade and other payables	8,019,929
Provisions	93,920
Deferred tax liabilities	1,087,191
Liabilities disposed of	9,201,040
Net assets distributed to shareholders	28,662,297
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit and loss on loss of control of subsidiary	2,429,383

Gain on disposal of subsidiary

	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
Fair value of assets distributed	27,278,327	-
Net assets distributed to shareholders	(28,662,297)	-
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit and loss on loss of control of subsidiary	2,429,383	-
Gain on disposal	1,045,413	-

	31 Dec 2014 $	31 Dec 2013 $
10. PROPERTY, PLANT AND EQUIPMENT		
Plant & equipment		
At cost	127,231	111,221
Accumulated depreciation	(127,231)	(100,680)
Total plant and equipment (Note 10(a))	-	10,541

(a) Reconciliation

Plant and Equipment		
Carrying amount at beginning of year	10,541	229,983
Additions	-	82,763
Depreciation expense	(7,914)	(48,078)
Reclassification to assets held for distribution	-	(207,278)
Foreign exchange movement	(2,627)	(46,849)
Total plant & equipment	-	10,541

11. TRADE AND OTHER PAYABLES

Current		
Trade creditors	335,797	40,786
Accruals	88,722	36,428
	124,519	77,214

Trade creditors 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.

Refer note 26 for disclosures on foreign exchange and liquidity risk.

12. PROVISIONS

Employee benefits	27,145	74,086

13. ISSUED CAPITAL

(a) Issued capital

249,457,212 (31 Dec 2013: 249,457,212) fully paid ordinary shares	16,910,852	57,071,050

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.

13. ISSUED CAPITAL (Cont'd)

(b) Movements in share capital were as follows (Group and Company):-

Date	Details	Ordinary Shares (Number)	Ordinary Shares ($)
1/01/2013	**Opening Balance**	**249,457,212**	**57,071,050**
31/12/2013	**Closing Balance**	**249,457,212**	**57,071,050**
23/01/2014	In-specie distribution LEN	-	(27,770,369)
23/01/2014	Redistribution of capital	-	(12,389,829)
31/12/2014	**Closing Balance**	**249,457,212**	**16,910,852**

Note

(i) On 23 January 2014 the Company completed an in-specie distribution of LEN shares as a return of capital.

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

(iii) During 2013, the Company agreed to issue 5,000,000 performance rights to Key Management Personnel, however the officers concerned agreed to forego their entitlement should the demerger of the Company's energy assets proceed. The demerger was completed on 23 January 2014 and accordingly the performance rights have not been and will not be issued.

14. RESERVES	31 Dec 2014 $	31 Dec 2013 $
Share-based payment reserve	5,190	11,044
Foreign currency translation reserve	(414,802)	1,877,673
	(409,612)	1,888,717
Less amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for distribution	-	2,434,772
	(409,612)	(546,055)

The amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for distribution relates to foreign exchange on the translation of foreign operations.

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

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of services provided to the Company in return for the issue of equity-based payments in the Company.

Foreign currency translation reserve

The foreign currency translation reserve recognises exchange differences that arise from translation of foreign controlled entities into the Group's functional currency and from translation from the functional currency to the presentation currency for reporting. Exchange differences arising from translation of foreign controlled entities into the functional currency are taken to the foreign currency translation reserve as described in note 1(d). The accumulated exchange difference is recognised in profit or loss when the net investment is disposed of.

Foreign exchange translation reserve relating to translation of foreign operations	125,210	(412,110)
Foreign exchange translation reserve relating to translation into presentation currency	(540,012)	2,289,783
	(414,802)	1,877,673

15. ACCUMULATED LOSSES

Balance at the beginning of the financial year	(26,607,683)	(17,883,708)
Net loss attributable to members of Leyshon Resources	(1,033,426)	(8,723,975)
Forfeiture of performance rights	12,792	-
Redistribution of capital	12,389,829	-
Balance at the end of the financial period	(15,238,488)	(26,607,683)
Adjusted franking account balance (tax paid basis)	5,764,532	6,269,331

16. EARNINGS PER SHARE	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
From continuing and discontinued operations		
Basic loss per share (cents per share)	(0.4)	(3.5)
Diluted loss per share (cents per share)	(0.4)	(3.5)
From continuing operations:		
Basic loss per share (cents per share)	(0.8)	(0.5)
Diluted loss per share (cents per share)	(0.8)	(0.5)

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:

From continuing and discontinued operations:		
Net loss used in calculating basic earnings per share	(1,033,426)	(8,723,975)
Earnings used in calculating basic and diluted earnings per share	(1,033,426)	(8,723,975)
From continuing operations:		
Net loss used in calculating basic earnings per share	(1,937,218)	(1,192,374)
Earnings used in calculating basic and diluted earnings per share	(1,937,218)	(1,192,374)

	Number of Shares 31 Dec 2014	Number of shares 31 Dec 2013
Weighted average number of ordinary shares used in calculating basic earnings per share	249,457,212	249,457,212
Effect of dilutive securities	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	249,457,212	249,457,212

(a) Conversions, calls, subscriptions or issues after 31 December 2014

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

There were 9,000,000 (31 December 2013: 5,000,000) potential ordinary shares excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share. These have not been taken into account because they would not have a dilutive effect on earnings per share as calculated in accordance with AASB 133.

17. DIVIDENDS PAID OR PROVIDED FOR

No dividends have been paid or provided for during the year (Dec 2013: nil).

18. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There are no commitments for expenditure at 31 December 2014 (31 December 2013: nil). Refer to note 28(d) for a discussion around contingent liabilities for the parent entity, Leyshon Resources Limited.

19. LEASE COMMITMENTS

Operating leases

Leasing arrangements

The operating lease relates to the lease of an office in Perth, Australia. The current lease in Perth is for a period of 1 year commencing 1 September 2014. The Group does not have an option to acquire the leased assets at the expiry of the lease period.

	31 Dec 2014 $	31 Dec 2013 $
Non-cancellable operating leases		
Not longer than 1 year	9,790	279,970
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	9,790	279,970

20. SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 31 Dec 2014 %	Equity Holding 31 Dec 2013 %
Parent Entity				
Leyshon Resources Limited	Australia			
Controlled Entities				
China Metals Pty Ltd	Australia	Ordinary	100	100
Ikh Zuchi Resources LLC	Mongolia	Ordinary	100	100
South Gobi Coal Company Limited	Cayman Islands	Ordinary	100	100
Xinjiang Exploration & Development Ltd	British Virgin Islands	Ordinary	100	100
Chang Xing Ltd	British Virgin Islands	Ordinary	100	100
Trident Investment Ltd	Hong Kong	Ordinary	100	100
Beijing North Asia Mining Management and Consulting Co., Ltd	People's Republic of China	N/A	100	100
Leyshon Energy Limited (1)	United Kingdom	Ordinary	-	100
Leyshon Energy Limited (1)	British Virgin Islands	Ordinary	-	100
Pacific Asia Petroleum, Limited (1)	Hong Kong	Ordinary	-	100
Pacific Asia Petroleum (HK) Ltd (1)	Hong Kong	Ordinary	-	100

(1) These entities were demerged from the Group on 23 January 2014.

21. SEGMENT INFORMATION

At the end of the year, the Group had one operating segment, being exploration for minerals following the demerger of its energy assets. All non-current assets are located in Australia.

At the end of 2013, the Group had two operating segments, being the exploration for unconventional gas in China and exploration for minerals, (the Group's Energy and Minerals businesses respectively). In relation to the exploration for unconventional gas in China, the Group had non-current exploration and evaluation assets of $4,721,611 and property, plant and equipment of $207,278 located in China. These assets were disposed of (Note 9) in the demerger completed on 23 January 2014. All the other necessary reporting disclosures are disclosed elsewhere in the notes to the financial statements, specifically notes 8 and 9. All assets, liabilities, revenue and expenses that did not relate to the Energy business related to the Group's continuing Minerals business.

22. 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 20 to the financial statements.

(b) Key management personnel compensation

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

- Richard Seville (Non Executive Director from 1 February 2015, Chairman from 25 November 2013 to 1 February 2015, Non-Executive Director from 1 February 2007 until 25 November 2013))
- Paul C Atherley (Chairman from 1 February 2015, Non Executive Director from 14 February 2014 to 1 February 2015, Managing Director from 4 May 2004 until 14 February 2014)
- Andrew J Berry III (Non Executive Director) – retired 31 March 2014
- Peter Niu – Chief Financial Officer, Leyshon Resources Limited – resigned 23 January 2014
- Frank Fu – Chief Operating Officer – resigned 23 January 2014

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

	Year Ended 31 Dec 2014 $	**Year Ended 31 Dec 2013 $**
Short-term employee benefits	307,677	1,899,549
Post-employment benefits	19,898	17,892
Termination benefits	-	-
Share-based payments	(4,584)	11,044
	322,991	1,928,485

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

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

There were no transactions with key management personnel (and their related parties) during the year (2013: Mr Fletcher received consulting fees of $19,251 for business advisory services).

(d) Parent entity

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

23. SUBSEQUENT EVENTS AFTER BALANCE DATE

On 23 January 2015, the Company announced that it had decided to terminate the Heads of Agreement for the proposed acquisition of ITS due to a number of factors including, declining tungsten prices and the expanding project timetable, which resulted in the proposed transaction ceasing to meet the Company's financial return objectives.

On 1 February 2015. Mr Paul Atherley was appointed Non Executive Chairman of Leyshon Resources. Mr Richard Seville remains on the Board of Leyshon Resources as a non-executive director.

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

24. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	31 Dec 2014 $	31 Dec 2013 $
Cash and bank balances relating to continuing operations	1,342,668	3,070,886
Cash and bank balances included in a disposal group held for distribution	-	33,120,105
	1,342,668	36,190,991

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

24. NOTES TO THE STATEMENT OF CASH FLOWS (cont'd)

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

	Year Ended 31 Dec 2014 $	Year Ended 31 Dec 2013 $
(Loss)/profit for the period	(1,033,426)	(8,723,975)
Depreciation and amortisation	7,914	48,078
(Decrease)/increase in provision for employee entitlements	13,632	29,484
Unrealised foreign exchange differences	(177,991)	(2,687,944)
Share based payments	6,938	11,044
(Increase)/decrease in trade and other receivables and other assets	(58,954)	480,131
(Decrease)/increase in payables	(126,085)	3,448,781
Net cash used by operating activities	(1,367,972)	(7,394,401)

(c) Non cash transactions

During the year ended 31 December 2014 there were a non cash transaction for the impairment expense for the loan to ITS of $685,052 (2013: nil).

25. JOINTLY CONTROLLED ENTITY

The Group was not a venturer in any jointly controlled entities at 31 December 2014 (31 December 2013: nil).

Through PAPL, the Group held a 100% interest in the Zijinshan Production Sharing Contract ("PSC") with PetroChina Coal Bed Methane Company Limited (PCCBM). PCCBM has retained the right to buy back a 40% interest in the contract at the completion of the exploration phase and to jointly fund the project into production. The Group's interest in PAPL and the Zijinshan PSC ceased following the demerger of its energy assets into Leyshon Energy Limited on 23 January 2014 (Note 9).

26. 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.

26. FINANCIAL RISK MANAGEMENT (Cont'd)

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 Group. The Group 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 Group measures credit risk on a fair value basis. On 20 November 2014 the Group entered into an agreement for the proposed acquisition of ITS. Under the terms of the agreement an unsecured loan for $500,000 was advanced to ITS and a further $120,000 was advanced in December 2014. The Company does not have any other significant credit risk exposure to any single counter-party.

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 receivables 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:

	31 Dec 2014 $	31 Dec 2013 $
Loans and receivables	26,852	1,427,582
Cash and cash equivalents	1,342,668	3,070,886
	1,369,520	4,498,468

Impairment losses

As at 31 December 2014, an impairment of $620,000 has been recognised for the unsecured loan to ITS, none of the Groups' other receivables are past due or impaired (31 Dec 2013: nil)

26. FINANCIAL RISK MANAGEMENT (cont'd)

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.

After the demerger of Leyshon Energy in January 2014, Leyshon Resources has minimal expenditure commitments. It is unlikely that the Group will need to raise additional capital in the next 12 months to meet its currently known obligations.

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

	31 Dec 2014 $	31 Dec 2013 $
Less than 6 months	1,369,520	36,326,906
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	1,369,520	36,326,906

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

Less than 6 months	124,518	3,331,186
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	124,518	3,331,186

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 six 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, HKD and RMB.

26. FINANCIAL RISK MANAGEMENT (cont'd)

The Group has not entered into any derivative financial instruments to hedge such transactions. The Group has adopted a policy of maintaining the majority of its available cash and cash equivalents in USD to minimise currency risk.

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

Exposure to Currency Risk

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

	$				
	RMB	USD	HKD	GBP	**Total**
31 Dec 2014					
Financial Assets					
Cash and cash equivalents	6,990	1,257,054	27,783	-	**1,291,827**
Receivables	-	-	-	-	**-**
Financial Liabilities					
Amortised cost	-	-	-	(16,802)	**(16,802)**
Net balance sheet exposure	6,990	1,257,054	27,783	(16,802	**1,275,025**
31 Dec 2013					
Financial Assets					
Cash and cash equivalents	164,910	35,808,332	27,352	292	**36,000,886**
Receivables	113,595	-	-	-	**113,595**
Financial Liabilities					
Amortised cost	(6,313,275)	-	-	-	**(6,313,275)**
Net balance sheet exposure	6,034,770	35,808,332	27,352	292	**29,801,206**

Sensitivity analysis

A 20 percent strengthening of the Australian dollar against the following currencies at 31 December 2014 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 31 December 2013.

31 Dec 2014	**Other Equity $**	**Profit/(loss) $**
RMB	-	1,398
USD	-	251,410
HKD	-	5,557
GBP	-	(3,360)
	-	255,005

26. FINANCIAL RISK MANAGEMENT (cont'd)

31 Dec 2013	Other Equity $	Profit/(loss) $
RMB	-	27,531
USD	-	7,121,281
HKD	-	5,390
GBP	-	58
	-	7,154,260

A 20 percent weakening of the Australian dollar against the above currencies at 31 December 2014 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 has adopted a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in USD denominated accounts available at call. These accounts currently earn low interest.

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 $
31 Dec 2014				
Financial Assets				
Cash and cash equivalents	0.26%	1,342,668	-	1,342,668
Financial Liabilities				
Financial liabilities		-	-	-
		1,342,668	-	1,342,668
31 Dec 2013				
Financial Assets				
Cash and cash equivalents	0.31%	36,190,991	-	36,190,991
Financial Liabilities				
Financial liabilities		-	-	-
		36,190,991	-	36,190,991

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 31 December 2013.

26. FINANCIAL RISK MANAGEMENT (cont'd)

	Other Equity $	Profit or loss $
31 Dec 2014		
Variable rate instruments	-	14,835
31 Dec 2013		
Variable rate instruments	-	393,422

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 13, 14 and 15 respectively.

27. 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.

In May 2013, shareholders approved the implementation of the Leyshon Resources Limited Performance Rights plan. The rights to be granted under this plan are dependent on Company performance. Each Performance Right is a personal contractual right to be satisfied through the issue or procurement of shares in the Company. A performance right may be exercised if it has not otherwise lapsed in accordance with the performance rights plan, on the satisfaction of prescribed performance criteria within the performance period. During 2013, the Company agreed to grant 5,000,000 performance rights under the plan however the grantees agreed to forgo their performance rights and the performance rights were never issued. At the date of this report, there have been no performance rights issued under the plan.

27. SHARE BASED PAYMENTS (Cont'd)

31 Dec 2014

On 18 June 2014, the Company granted 9,000,000 share options to Mr Nolan. The options were granted fully vested with a three year expiry and were issued in three tranches of 3,000,000 with exercise prices of A$0.02, A$0.04 and A$0.06 respectively. Using the binomial option pricing methodology, the fair value of the options issued were calculated using the following inputs.

Options	Class A	Class B	Class C
Number of options	3,000,000	3,000,000	3,000,000
Grant date	30 May 2014	30 May 2014	30 May 2014
Share price at date of issue	A$0.013	A$0.013	A$0.013
Exercise price	A$0.02	A$0.04	A$0.062
Expiry date	18 June 2017	18 June 2017	18 June 2017
Expected volatility	80%	80%	80%
Risk free rate	2.86%	2.86%	2.86%
Each option was valued at	A$0.006	A$0.003	A$0.002

31 Dec 2013

During 2013, the Company agreed to issue 2,500,000 performance rights to Mr Atherley, 1,500,000 performance rights to Mr Niu and 1,000,000 to Mr Fu. Shareholder approval was obtained for Mr Atherley's performance rights on 31 May 2013.

Each performance right would be valid for five years and would entitle the holder to one free fully paid ordinary share in Leyshon Resources Limited. The rights would vest upon achievement of set performance milestones in relation to the Zijinshan PSC. 50% would vest when pilot gas production commenced, 25 % after obtaining approval of a Chinese Reserves Report and the final 25% following approval of the Overall Development Plan.

Mr Atherley, Mr Fu and Mr Niu subsequently agreed in writing to forego their performance rights conditional upon the successful demerger of the Group's energy assets and subsequent listing of Leyshon Energy Limited on London's AIM exchange. This occurred on 23 January 2014. As a result these performance rights have not been and will not be issued.

Fair value of performance rights granted in 2014

There were no performance rights granted during 2014. 5,000,000 performance rights granted in 2013 lapsed on 23 January 2014. There were no performance rights outstanding at 31 December 2013.

27. SHARE BASED PAYMENTS (Cont'd)

All of the Performance Rights were issued under the terms of the Company's Performance Rights Plan. Under the terms of the Performance Rights Plan, the above performance rights are only exercisable once the respective performance hurdles have been met. All performance hurdles relate to the Zijinshan Gas Project.

- 50% (2,500,000) performance rights were exercisable following the commencement of Pilot Production under a Pilot Development Programme approved by the relevant Chinese authorities. This was considered an important step forward from the exploration phase, both technically and commercially, with the generation of income from associated gas sales.
- 25% (1,250,000) performance rights were exercisable after approval is obtained for a Chinese Reserves Report. This was an important step for the project in determining the development strategy and is an essential requirement for obtaining approval of the Overall Development Plan.
- 25% (1,250,000) performance rights were exercisable after approval of the Overall Development Plan by the relevant Chinese authorities. This incorporated the detailed plans for construction and development of the production wells, associated plant and environmental and government approvals.

Inputs for the valuation of the performance rights include:

	M Atherley	P Nui	F Fu
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	90%	90%	90%
Risk-free interest rate (%)	2.75%	2.75%	2.75%
Expected life of performance right	5 years	5 years	5 years
Exercise price	Nil	Nil	Nil
Share price at grant date	0.23	0.18	0.18
Valuation date	31 May 2013	9 July 2013	9 July 2013

28. PARENT ENTITY DISCLOSURES

Financial Statements

(a) Financial Position

	31 Dec 2014 $	**31 Dec 2013 $**
Assets		
Current assets	1,081,640	36,839,903
Non-current assets	409,444	4,331,850
Total assets	**1,491,084**	**41,171,753**
Liabilities		
Current liabilities	(151,681)	1,471,635
Non-current liabilities	-	1,089,603
Total liabilities	**(151,681)**	**2,561,238**
Equity		
Issued capital	16,910,852	57,071,050
Reserves	5,190	
Retained losses	(15,576,640)	(18,460,535)
Total equity	**1,339,402**	**38,610,515**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

28. PARENT ENTITY DISCLOSURES (Cont'd)

	31 Dec 2014 $	31 Dec 2013 $
(b) Financial performance		
Loss for the period	(9,518,725)	(9,410,293)
Other comprehensive income	12,402,621	11,044
Total comprehensive income	**2,883,896**	**(9,399,249)**
(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries	**-**	**-**

(d) Contingent liabilities of the Group and parent entity

Mount Leyshon Assets

As part of the restructure of the Company in November 2001 that saw the Company cease to be a subsidiary of Newmont Australia Limited (then Normandy Mining Limited) ("Newmont"), the Company and Newmont entered into a Management Agreement on 30 November 2001 in respect of the closure of the Mt Leyshon mine ("Management Agreement"). It was intended and agreed that Newmont would implement a mine closure plan and be responsible for all ongoing environmental obligations associated with the Mt Leyshon assets.

Pursuant to the terms of the Management Agreement, Newmont agreed to be responsible in perpetuity for the Company's rehabilitation obligations arising out of the Mt Leyshon mine site and has agreed to indemnify the Company in respect of all environmental obligations in relation to or as a result of mining activities at Mt Leyshon. The Company will continue to be responsible for its share of ongoing management costs in relation to the Mount Leyshon assets.

It is not considered that the Company carries any risk of any substantive liability for anything done or omitted to be done, at the Mt Leyshon mine site, prior to 2001.

(e) Commitments for the acquisition of property, plant and equipment by the parent entity	**-**	**-**

(f) 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 controlled entities in the wholly owned group during the year ended 31 December 2014 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 $159,129 (31 December 2013: $7,432,478).

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 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 19 to 54.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply 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. Those 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 company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

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 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 16 of the directors' report for the year ended 31 December 2014. 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.

Opinion

In our opinion the Remuneration Report of Leyshon Resources Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman.

David Newman
Partner
Chartered Accountants
Perth, 31 March 2015