

LEYSHON RESOURCES LIMITED
ABN 75 010 482 274

FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2016

CORPORATE DIRECTORY

Directors

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

Company Secretary

Murray Wylie

Principal and Registered Offices

Australia

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West Perth WA 6005
Telephone: +618 9321 0077
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Auditor

RSM Australia Partners

Bankers

National Australia Bank

Share Register

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Level 11
172 St Georges Terrace
Perth WA 6000
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Telephone: 1300 787 272
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Solicitors

Hopgood Ganim Lawyers - Brisbane

Stock Exchange Listing

Australian Securities Exchange
Home Branch – Perth
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

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") and the entities it controlled at the end of, or during, the year ended 31 December 2016 ("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 2016 and up to the date of this report:

Paul C Atherley
Corey Nolan
Richard P Seville

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 was based in Beijing for ten years until 2015 and 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 was the Chairman of the British Chamber of Commerce in China and Vice Chairman of the China Britain Business Council in London and has wide ranging international media experience.

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) and Berkeley Energia Limited (July 2015 – present).

Interest in shares: 31,330,000

Interest in options: Nil

Corey Nolan

Non-Executive Director from 8 May 2015

Managing Director from date of appointment 14 February 2014 until 8 May 2015

Qualifications – B Com, MMEE, GAICD

Mr Nolan has more than 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 directorships with Elementos Limited (July 2009 – present).

Interest in shares: Nil

Interest in options: 9,000,000

DIRECTORS' REPORT

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 – October 2015).

Interest in shares: 750,000

Interest in options: Nil

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 completing the divestment of its Mt Leyshon legacy gold project in Queensland, Australia.

REVIEW OF OPERATIONS

Consolidated Results

	Year ended 31 December 2016 \$	Year ended 31 December 2015 \$
Loss of the Group before income tax from continuing operations	(2,212,700)	(798,096)
Income tax expense – excludes discontinued tax	-	-
Loss of the Group for the year from continuing operations	(2,212,700)	(798,096)
Profit of the Group from discontinued operations	-	-
Net loss attributable to members of Leyshon Resources Limited	<u>(2,212,700)</u>	<u>(798,096)</u>
Net cash flows used in operating activities	(153,550)	(938,630)
	31 December 2016 \$	31 December 2015 \$
Net (liabilities)/assets	(1,744,386)	389,948

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Cont'd)

Operations

Following the demerger of Leyshon Energy Limited in January 2014, 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.

Mt Leyshon Settlement with Newmont

Over the last two years, Leyshon has been engaging with the key stakeholders in the Mt Leyshon mine site as part of a strategic review to reduce the long-term costs of holding this legacy asset. The Directors resolved that a restructure of the Mt Leyshon asset was a priority focus for Leyshon to be a viable entity able to undergo a recapitalisation and stock exchange listing process. At Mt Leyshon, the Company held five Mining Licenses ("ML's"), an Environmental Authority ("EA") and land covering the historical mining operations which are now subject to long-term rehabilitation. Newmont Australia Pty Ltd ("Newmont") performed management services related to the site closure (including rehabilitation) in 2002-2003. Leyshon and Newmont had been in dispute since 2006 as to the validity and status of the ongoing obligations with respect to management of the site.

The Company had been incurring significant and growing costs associated with holding Mt Leyshon including, ML and EA fees, council rates, land taxes and other administration costs, totalling more than A\$300,000 per year. The ML's and EA cannot be relinquished until the rehabilitation is completed and the ML's are cancelled by the Queensland Department of Mines and Natural Resources, and the EA by the Queensland Department of Environment and Heritage Protection.

On 6 May 2016, the Company announced that it had entered a Deed of Settlement with Newmont whereby the parties agreed to:

- Resolve the dispute with respect of the management agreement;
- Transfer the Mt Leyshon ML's and EA, and Leyshon's land holdings at Mt Leyshon to Newmont;
- Newmont to pay Leyshon A\$220,000 for expenses incurred on the tenements in 2015; and
- Leyshon will provide Newmont with cash and/or shares in Leyshon as additional compensation. The payments to Newmont include A\$220,000 (paid in cash) when Leyshon re-lists on the ASX, A\$170,000 in December 2016 (Leyshon's election payable as cash or shares), A\$200,000 in December 2017 (Newmont's election payable as cash or shares), and A\$275,000 each year between December 2018 and 2025 (Newmont's election payable as cash or shares).

On 13 July 2016 the Company received payment of A\$220,000 from Newmont for reimbursement of 2015 tenement expenditure. Transfer of the land holdings was completed in September 2016 and final approval for the transfer of the ML's and EA to Newmont was received on 25 October 2016.

New Project Opportunities

During the year, the Company has continued to pursue 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 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 high probability of being re-rated in the listed market.

There has been a noted improvement in the investment climate in the resources sector and the Directors are currently assessing several opportunities that may be suitable for a potential transaction, although none are at an advanced stage.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Cont'd)

Shares of the Company remain listed on Australian Securities Exchange ('ASX'). However in accordance with ASX policy, the securities of the Company were suspended from quotation on the ASX on 14 July 2014 following the disposal of its main undertaking through the demerger of Leyshon Energy Limited. Following completion of the Newmont settlement, the Company is focused on completing a suitable transaction that will allow it to seek re-compliance for listing on the ASX.

DIVIDENDS

No interim or final dividend has been declared in respect to the year ended 31 December 2016 (year ended 31 December 2015: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 6 May 2016, the Company entered into a settlement with Newmont in relation to the Mt Leyshon legacy asset as detailed earlier in this report. In accordance with this agreement, final approval for the transfer of the mining leases and Environment Authority ("EA") to Newmont was received on 25 October 2016.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

SUBSEQUENT EVENTS

As at the date of this report there are no matters or circumstances which have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- a) the operations, in financial years subsequent to 31 December 2016, 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 2016, of the Group.

LIKELY DEVELOPMENTS

Having completed the restructuring of its commitments associated with the Mt Leyshon legacy asset 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. Directors are assessing several opportunities in the resources sector that may be suitable for a potential transaction.

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.

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 the settlement agreement between the Company and Newmont detailed earlier in this report, the Environmental Authority associated with Mt Leyshon was transferred to Newmont on 25 October 2016.

DIRECTORS' REPORT

SHARES

During the year, no shares were issued by the Company.

OPTIONS

During the year, there were no options (2015: nil) granted by the Company.

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

Grant date	Expiry date	Exercise price	Number under option
30 May 2014	18 June 2017	A\$0.02	3,000,000
30 May 2014	18 June 2017	A\$0.04	3,000,000
30 May 2014	18 June 2017	A\$0.06	3,000,000

During the year, no shares were issued as a result of the exercise of options. Since 31 December 2016 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 2016, and the number of meetings attended by each director. Due to the Company's current status, the Board has elected not to appoint separate committees.

	Board Meetings	
	Held	Attended
Directors		
Paul C Atherley	4	4
Corey Nolan	4	4
Richard Seville	4	4

DIRECTORS' REPORT

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 executives for the year ended 31 December 2016, in accordance with the Corporations Act 2001 and its regulations.

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*)
- Corey Nolan (*Non-Executive Director from 15 May 2015 until present, Managing Director appointed 14 February 2014 until 14 May 2015*)
- Richard P Seville (*Non-Executive Director from 1 February 2015 until present, Chairman from 25 November 2013 until 1 February 2015*)

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.

DIRECTORS' REPORT

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 Board is responsible for determining actual payments to directors. The maximum aggregate remuneration approved for non-executive directors is currently A\$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.

Use of remuneration consultants

During the year ended 31 December 2016, the Group did not engage a remuneration consultant.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')

At the 2015 AGM, 91% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DIRECTORS' REPORT

REMUNERATION REPORT (Cont'd)

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 2016. All amounts have been restated to reflect the change in the Group's presentation currency effective 1 January 2013.

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013	6 months ended 31 December 2012
	\$	\$	\$	\$	\$
Revenue	733	930	18,951	715,130	1,162,143
Net loss before tax	(2,212,700)	(798,096)	(1,936,139)	(8,713,880)	(4,309,715)
Net loss after tax	(2,212,700)	(798,096)	(1,033,426)	(8,723,975)	(4,379,972)
Share price at start of period (AUD)	0.012 ⁽¹⁾	0.012 ⁽¹⁾	0.105	0.210	0.175
Share price at end of period (AUD)	0.012 ⁽¹⁾	0.012 ⁽¹⁾	0.012 ⁽¹⁾	0.105	0.210
Dividend paid	-	-	-	-	-
Basic loss per share (cents)	(1.2)	(0.3)	(0.4)	(3.5)	(1.8)
Diluted loss per share (cents)	(1.2)	(0.3)	(0.4)	(3.5)	(1.8)

⁽¹⁾ Trading of shares on ASX was suspended on 14 July 2014.

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 in his capacity as Non-Executive Chairman with effect from 1 February 2015. Under the agreement, he was paid a fee of A\$66,000 per annum. The fee reduced by 50% to A\$33,000 per annum from 15 May 2015. 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 in his capacity as Non-Executive Director with effect from 1 February 2015. Under the agreement, he was paid a fee of A\$45,000 per annum including superannuation. The fee reduced by 50% to A\$22,500 per annum from 15 May 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.

DIRECTORS' REPORT

REMUNERATION REPORT (Cont'd)

Service Agreements (Cont'd)

Non-Executive Directors (Cont'd)

Mr Nolan

The Company has entered into a service agreement with Mr Nolan in his capacity as Non-Executive Director with effect from 16 May 2015. Under the agreement, he is paid a fee of A\$22,500 per annum including superannuation. Mr Nolan 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 Mr Nolan for the provision of technical and management services for a fee of up to A\$77,500 per annum. Either party can terminate the consultancy arrangement by providing one month written notice.

Details of Remuneration

The emoluments (paid or payable) of the Directors and executives for the year ended 31 December 2016 are as follows:

	Short-term employee benefits			Post-employment		Share Based Payment	Total	% relating to options
	Salary & fees	Bonus	Other	Super-annuation	Termination Benefits	Options		
	\$	\$	\$	\$	\$	\$		
Directors								
Corey Nolan	34,478	-	-	3,275	-	-	37,753	-
Paul C Atherley	24,562	-	-	-	-	-	24,562	-
Richard Seville	15,294	-	-	1,453	-	-	16,747	-
Total	74,334	-	-	4,728	-	-	79,062	-

The emoluments (paid or payable) of the Directors and executives for the year ended 31 December 2015 are as follows:

	Short-term employee benefits			Post-employment		Share Based Payment	Total	% relating to options
	Salary & fees	Bonus	Other	Super-annuation	Termination Benefits	Options		
	\$	\$	\$	\$	\$	\$		
Directors								
Corey Nolan	114,375	-	-	9,495	52,088	20,042	196,000	10.2%
Paul C Atherley	32,823	-	-	-	-	-	32,823	-
Richard Seville	22,460	-	-	2,134	-	-	24,594	-
Total	169,658	-	-	11,629	52,088	20,042	253,417	7.9%

DIRECTORS' REPORT

REMUNERATION REPORT (Cont'd)

Share-based Compensation

There were no shares issued, options granted, vested, exercised or lapsed in relation to Directors and executives during the year.

In 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. There were no other options held by Directors or executives during this period.

The grant of share options is not directly linked to previously determined performance milestones or hurdles as the current stage of the Group's activities make it difficult to determine effective and appropriate key performance indicators and milestones.

Key management personnel equity holdings

Shareholdings of key management personnel

	Balance at the start of the period	Purchases	Received on exercise of options	Other changes	Disposals	Balance at the end of the period
31 Dec 2016						
Mr Paul Atherley	31,330,000	-	-	-	-	31,330,000
Mr Corey Nolan	-	-	-	-	-	-
Mr Richard Seville	750,000	-	-	-	-	750,000
31 Dec 2015						
Mr Paul Atherley	31,330,000	-	-	-	-	31,330,000
Mr Corey Nolan	-	-	-	-	-	-
Mr Richard Seville	750,000	-	-	-	-	750,000

Option holdings of key management personnel

	Balance at the start of the period	Granted	Exercised	Other changes	Expired /forfeited	Balance at the end of the period
31 Dec 2016						
Mr Paul Atherley	-	-	-	-	-	-
Mr Corey Nolan	9,000,000	-	-	-	-	9,000,000
Mr Richard Seville	-	-	-	-	-	-
31 Dec 2015						
Mr Paul Atherley	-	-	-	-	-	-
Mr Corey Nolan	9,000,000	-	-	-	-	9,000,000
Mr Richard Seville	-	-	-	-	-	-

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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.

The directors are of the opinion that the services as disclosed in note 4 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the company who are former partners of RSM Australia Partners.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, RSM Australia Partners, to provide the directors of Leyshon Resources with an Independence Declaration in relation to the audit of the attached Financial Statements. This Independence Declaration is included in this Financial Report at page 14 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Corey Nolan
Director

3 April 2017
Perth, WA

RSM Australia Partners

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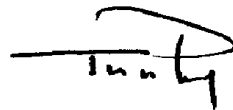
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Leyshon Resources Limited for the year ended 31 December 2016, 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.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 3 April 2017

DIRECTORS' DECLARATION

In the Directors opinion:

- a) the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- b) the attached financial statements and notes comply with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements;
- c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and
- d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

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)(a) of the Corporations Act 2001.

On behalf of the Directors



Corey Nolan
Director

3 April 2017
Perth, WA

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Year Ended 31 Dec 2016 \$	Year Ended 31 Dec 2015 \$
Revenue	2(a)	733	930
Expenses			
Project evaluation		(28,061)	(160,879)
Administration expenses		(225,771)	(382,108)
Foreign exchange (losses)/gains		(409)	72,444
Mt Leyshon holding costs		(1,959,192)	(308,441)
Share-based payments		-	(20,042)
Loss before tax	3	(2,212,700)	(798,096)
Income tax expense	3	-	-
Loss after income tax for the year		(2,212,700)	(798,096)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		20,956	15,365
Exchange differences on translating into presentation currency		57,410	(110,115)
Other comprehensive income/ (loss) for the year, net of tax		78,366	(94,750)
Total comprehensive loss for the year		(2,134,334)	(892,846)
Loss attributable to members of Leyshon Resources Limited		(2,212,700)	(798,096)
Total comprehensive loss attributable to members of Leyshon Resources Limited		(2,134,334)	(892,846)
Loss Per Share			
Basic (cents per share)	12	(1.2)	(0.3)
Diluted (cents per share)	12	(1.2)	(0.3)

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 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
ASSETS			
Current Assets			
Cash and bank balances	20(a)	259,985	411,835
Trade and other receivables	5	30	142
Other assets	6	19,319	14,821
Total Current Assets		279,334	426,798
Non-Current Assets			
Other financial assets	7	10,854	10,950
Total Non-Current Assets		10,854	10,950
TOTAL ASSETS		290,188	437,748
LIABILITIES			
Current Liabilities			
Trade and other payables	8	442,654	47,800
Total Current Liabilities		442,654	47,800
Non-Current Liabilities			
Other payables	8	1,591,920	-
Total Non-Current Liabilities		1,591,920	-
TOTAL LIABILITIES		2,034,574	47,800
NET (LIABILITIES)/ASSETS		(1,744,386)	389,948
EQUITY			
Issued capital	9	16,910,852	16,910,852
Reserves	10	(405,954)	(484,320)
Accumulated losses	11	(18,249,284)	(16,036,584)
TOTAL EQUITY		(1,744,386)	389,948

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 2016**

	Issued Capital	Equity- settled employee benefits reserve	Foreign exchange reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 Jan 2015	16,910,852	5,190	(414,802)	(15,238,488)	1,262,752
Loss for the year	-	-	-	(798,096)	(798,096)
Other comprehensive loss for the period, net of tax	-	-	(94,750)	-	(94,750)
Total comprehensive loss for the period	-	-	(94,750)	(798,096)	(892,846)
Recognition of share- based payments	-	20,042	-	-	20,042
Balance at 1 Jan 2016	16,910,852	25,232	(509,552)	(16,036,584)	389,948
Loss for the year	-	-	-	(2,212,700)	(2,212,700)
Other comprehensive income for the period, net of tax	-	-	78,366	-	78,366
Total comprehensive income for the period	-	-	78,366	(2,212,700)	(2,134,334)
Balance at 31 Dec 2016	16,910,852	25,232	(431,186)	(18,249,284)	(1,744,386)

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 2016

	Note	Year Ended 31 Dec 2016 \$	Year Ended 31 Dec 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(244,548)	(655,369)
Mt Leyshon holding costs		95,025	(308,441)
Income tax (payment)/refund		(4,760)	24,250
Interest received		733	930
		<hr/>	<hr/>
Net cash flows used in operating activities	20(b)	(153,550)	(938,630)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(153,550)	(938,630)
Cash and cash equivalents at the beginning of the year		411,835	1,342,668
Effects of exchange rate changes on cash and cash equivalents		1,700	7,797
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR *	20(a)	259,985	411,835
		<hr/> <hr/>	<hr/> <hr/>

* At 31 December 2016, cash and cash equivalents at the end of the financial year included an amount of US\$103,037 that is not currently available for use by the Group. The funds are held in an inactive bank account in Mongolia. Management has been advised that these funds will be available for use following the winding up of its wholly owned subsidiary Ikh Zuchi Resources Limited, which the directors expect to complete within the next 6 months.

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 2016

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 (ASX). Shares in the Company are currently suspended from trading on the ASX 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.

Significant accounting policies

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

Basis of preparation

These financial statements are a general purpose financial report which have 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. All amounts are presented in United States dollars, unless otherwise noted.

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.

The financial statements were authorised for issue by the directors on 3 April 2017.

Historical cost convention

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.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1(z).

(a) Going Concern Basis

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

As disclosed in the financial report, the consolidated entity incurred a net loss of \$2,212,700 and had net cash outflows from operating activities of \$153,550 for the year ended 31 December 2016. As at that date, the consolidated entity had net current liabilities of \$163,320 and net liabilities of \$1,744,386. The ability of the consolidated entity to continue as a going concern is dependent on a combination of factors, the most significant of which being the ability of the consolidated entity to successfully re-capitalise and raise additional capital.

These factors indicate material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Significant accounting policies (cont'd)

(a) Going Concern Basis (cont'd)

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Following settlement with Newmont Australia Pty Ltd with respect to Mt Leyshon (refer to Note 8), the consolidated entity is actively reviewing potential resource projects for acquisition. Upon satisfaction by the Directors of an appropriate project in the coming months, the consolidated entity will undertake a capital raise, request reinstatement and official quotation of the Company's shares on the ASX; and
- The consolidated entity has the ability to issue additional equity securities under the *Corporations Act 2001* to raise further working capital.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

(b) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 23.

(c) 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 2016 and the results of all subsidiaries for the year then ended. Leyshon Resources Limited and its subsidiaries together are referred to as the Group.

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 statement of profit or loss and other comprehensive income and statement of financial position respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Significant accounting policies (cont'd)

(d) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(e) Foreign currency translation

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 Group's functional currency.

The financial statements are presented in United States dollars, which is the Group's presentation currency.

Foreign currency transactions

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 profit or loss.

All assets and liabilities have been translated using the exchange rate prevailing at reporting date. 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.

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 Group's functional currency are translated into the functional currency as follows:

- Assets and liabilities in the statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses in the statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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.

(f) Revenue Recognition

Interest revenue is recognised as interest accrues using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Significant accounting policies (cont'd)

(g) 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.

(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) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Significant accounting policies (cont'd)

(j) Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 profit or loss during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Significant accounting policies (cont'd)

(o) Plant and equipment (cont'd)

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 reporting 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(p) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and long service leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave not expected to be settled within 12 months is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to superannuation funds are recognised as an expense as they become payable.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Significant accounting policies (cont'd)

(s) 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.

(t) 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.

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 an 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 reporting 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.

(u) Dividends

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

(v) Earnings per share

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 2016

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

Significant accounting policies (cont'd)

(w) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Significant accounting policies (cont'd)

(y) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2016.

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 2018

(z) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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.

i) 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.

ii) 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 Co. Limited (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 Group 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 2016, the loan is fully impaired.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Year Ended 31 Dec 2016 \$	Year Ended 31 Dec 2015 \$
2. LOSS FROM CONTINUING OPERATIONS		
(a) Revenue		
Revenue consisted of the following items:		
Interest received/receivable	733	930
Total revenue	<u>733</u>	<u>930</u>
(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:		
Net movement in provisions for employee entitlements	-	(25,035)
Project evaluation expenses	28,061	160,879
Foreign exchange gain/(loss)	409	(72,444)
Mt Leyshon holding costs	1,959,192	308,441
Share-based payments	-	20,042
Rental expense relating to operating leases (minimum lease payments)	12,556	21,137
Directors fees	55,146	83,877
Post-employment benefits	8,602	18,097
Legal fees	4,398	16,911
3. INCOME TAX		
Income tax expense		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(2,212,700)	(798,096)
Tax at the Australian tax rate of 30% (31 December 2015: 30%)	(663,810)	(239,429)
Tax effect of amounts which are not deductible in calculating taxable income:		
Other non-deductible expenditure	495	3,877
	<u>(663,315)</u>	<u>(235,552)</u>
Tax losses not brought to account	663,315	235,552
	<u>663,315</u>	<u>235,552</u>
Income tax expense	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	Year Ended 31 Dec 2016 \$	Year Ended 31 Dec 2015 \$
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3. INCOME TAX (Cont'd)

Unrecognised Deferred Tax Balances

The following deferred tax assets have not been brought to account as assets:

Tax losses	12,162,920	11,112,517
	<u>12,162,920</u>	<u>11,112,517</u>

Movements

Opening balance at start of period	11,112,517	13,301,512
Tax losses not brought to account during the period	663,315	235,552
Foreign exchange movement	387,088	(2,424,547)
Closing balance at 31 December	<u>12,162,920</u>	<u>11,112,517</u>

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.

4. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditors of the company:

Fees paid to RSM Australia Partners		
- Audit and review of the financial reports and other audit work	18,606	18,810
Other non-audit services		
- Option valuation advice	-	1,128
Total remuneration	<u>18,606</u>	<u>19,938</u>

5. TRADE AND OTHER RECEIVABLES

Current

Amounts relating to:

- Loan to external party ⁽¹⁾	620,000	620,000
- Provision for non-recovery of loan to external party	(620,000)	(620,000)
- Other ⁽²⁾	30	142
	<u>30</u>	<u>142</u>

⁽¹⁾ Unsecured loan to ITS Co. Limited

⁽²⁾ Other receivables comprise office rent security deposits and staff expense advances.

Refer Note 21 for disclosures on interest rate, foreign exchange, liquidity and credit risk, including aging and recoverability of trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	31 Dec 2016 \$	31 Dec 2015 \$
6. OTHER ASSETS		
Current		
BAS receivable	10,274	5,696
Prepayments	9,045	9,125
	<u>19,319</u>	<u>14,821</u>
7. OTHER FINANCIAL ASSETS		
Non-current		
Shares in other entities	1	1
Security bonds	10,853	10,949
	<u>10,854</u>	<u>10,950</u>

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. TRADE AND OTHER PAYABLES

Current		
Trade creditors	16,446	20,401
Accruals	-	27,399
Newmont settlement payment following ASX re-listing ⁽¹⁾	158,475	-
Newmont settlement contribution ⁽¹⁾	267,733	-
	<u>442,654</u>	<u>47,800</u>
Non-Current		
Newmont settlement contribution ⁽¹⁾	1,591,920	-
	<u>1,591,920</u>	<u>-</u>

⁽¹⁾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. Leyshon and Newmont had been in dispute since 2006 as to the validity and status of the ongoing obligations with respect to management of the site.

Under the terms of the settlement announced 6 May 2016, the transfer of the Mt Leyshon land holdings, mining licences and environmental authority to Newmont was completed on 25 October 2016. The agreement also requires the Company to provide Newmont with cash and/or shares in Leyshon as additional compensation. The payments to Newmont include A\$220,000 (payable in cash) when Leyshon re-lists on the ASX, A\$170,000 in December 2016 (payable as cash or shares at Leyshon's election), A\$200,000 in December 2017 (Newmont's election payable as cash or shares), and A\$275,000 each year between December 2018 and 2025 (Newmont's election payable as cash or shares).

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. ISSUED CAPITAL

(a) Issued capital

249,457,212 (31 Dec 2015: 249,457,212) fully paid ordinary shares 16,910,852 16,910,852

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There is no current on-market share buy-back.

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

Date	Details	Ordinary Shares (Number)	Ordinary Shares (\$)
1/01/2015	Opening Balance	249,457,212	16,910,852
31/12/2015	Closing Balance	<u>249,457,212</u>	<u>16,910,852</u>
31/12/2016	Closing Balance	<u>249,457,212</u>	<u>16,910,852</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. RESERVES	31 Dec 2016	31 Dec 2015
	\$	\$
Share-based payment reserve	25,232	25,232
Foreign currency translation reserve	(431,186)	(509,552)
	<u>(405,954)</u>	<u>(484,320)</u>

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

	31 Dec 2016	31 Dec 2015
	\$	\$
Foreign exchange translation reserve relating to translation of foreign operations	146,211	140,575
Foreign exchange translation reserve relating to translation into presentation currency	(577,397)	(650,127)
	<u>(431,186)</u>	<u>(509,552)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. ACCUMULATED LOSSES	31 Dec 2016 \$	31 Dec 2015 \$
Balance at the beginning of the financial year	(16,036,584)	(15,238,488)
Net loss attributable to members of Leyshon Resources	(2,212,700)	(798,096)
	<hr/>	<hr/>
Balance at the end of the financial period	(18,249,284)	(16,036,584)

12. EARNINGS PER SHARE	Year Ended 31 Dec 2016 \$	Year Ended 31 Dec 2015 \$
Basic loss per share (cents per share)	(1.2)	(0.3)
Diluted loss per share (cents per share)	(1.2)	(0.3)

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:

Net loss used in calculating basic earnings per share	(2,212,700)	(798,096)
Earnings used in calculating basic and diluted earnings per share	(2,212,700)	(798,096)

	Number of Shares 31 Dec 2016	Number of shares 31 Dec 2015
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	<hr/> 249,457,212	<hr/> 249,457,212

(a) Conversions, calls, subscriptions or issues after 31 December 2016

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 2015: 9,000,000) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. DIVIDENDS

No dividends have been paid or provided for during the year (Dec 2015: nil).

Franking credits

	31 Dec 2016	31 Dec 2015
Adjusted franking account balance (tax paid basis)	5,113,076	5,158,160

The above amounts represent the balance of the franking account as at the end of the financial year.

14. COMMITMENTS FOR EXPENDITURE AND CONTINGENT ASSETS & LIABILITIES

There are no contingent assets, liabilities or commitments for expenditure at 31 December 2016.

15. 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 on a monthly basis. The Group does not have an option to acquire the leased assets at the expiry of the lease period.

Non-cancellable operating leases

Not longer than 1 year	434	365
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>434</u>	<u>365</u>

16. SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			31 Dec 2016 %	31 Dec 2015 %
Parent Entity				
Leyshon Resources Limited	Australia			
Controlled Entities				
China Metals Pty Ltd	Australia	Ordinary	100	100
Ikh Zuchi Resources LLC	Mongolia	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

17. SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. RELATED PARTY DISCLOSURES

(a) Parent entity, subsidiaries and associates

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

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 16 to the financial statements.

(b) Key management personnel compensation

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

	Year Ended 31 Dec 2016 \$	Year Ended 31 Dec 2015 \$
Short-term employee benefits	74,334	169,658
Post-employment benefits	4,728	11,629
Termination benefits	-	52,088
Share-based payments	-	20,042
	79,062	253,417

Details of individual key management personnel compensation are disclosed in the Remuneration Report which is included in the Directors report.

(c) Transactions with related parties

There were no transactions with related parties during the year.

(d) Receivables from and payables to related parties

There were no transactions with related parties during the year.

(e) Loans to/from related parties

Refer to note 23(g).

(f) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

19. SUBSEQUENT EVENTS AFTER REPORTING DATE

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

20. 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 2016 \$	31 Dec 2015 \$
Cash and bank balances	259,985	411,835
	259,985	411,835

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

	Year Ended 31 Dec 2016	Year Ended 31 Dec 2015
	\$	\$
Loss for the year	(2,212,700)	(798,096)
Share based payments	-	20,042
Unrealised foreign exchange differences	409	(72,444)
<i>Movement in assets and liabilities:</i>		
Trade and other receivables and other assets	(114)	(17,557)
Payables	2,365,955	(45,540)
Provisions	-	(25,035)
Net cash used by operating activities	<u>(153,550)</u>	<u>(938,630)</u>

(c) Restrictions on cash

At 31 December 2016, cash and cash equivalents at the end of the financial year included an amount of US\$103,037 that is not currently available for use by the Group. The funds are held in an inactive bank account in Mongolia. Management has been advised that these funds will be available for use following the winding up of its wholly owned subsidiary Ikh Zuchi Resources Limited, which the directors expect to complete within the next 6 months.

21. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL RISK MANAGEMENT (Cont'd)

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 Co. Limited (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. This has been provided for in full.

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 receivables 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 2016	31 Dec 2015
	\$	\$
Loans and receivables	9,075	11,092
Cash and cash equivalents	259,985	411,835
	<u>269,060</u>	<u>422,927</u>

Impairment

As at 31 December 2016, an accumulated impairment charge of \$620,000 (31 Dec 2015: \$620,000) has been recognised for the unsecured loan to ITS, none of the Groups' other receivables are past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. 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.

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

	31 Dec 2016	31 Dec 2015
	\$	\$
Less than 6 months	279,334	426,798
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	<u>279,334</u>	<u>426,798</u>

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	297,934	47,800
6 months to 1 year	144,720	-
1 to 5 years	994,950	-
Over 5 years	596,970	-
	<u>2,034,574</u>	<u>47,800</u>

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.

Price Risk

The Group is not exposed to any significant price risk.

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 American Dollar (USD), Hong Kong Dollar (HKD) and Chinese Yuan (CNY).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. 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 reporting date based on notional amounts was as follows:

	\$			
	CNY	USD	HKD	Total
31 Dec 2016				
<u>Financial Assets</u>				
Cash and cash equivalents	-	180,284	24,275	204,559
<u>Financial Liabilities</u>				
Amortised cost	-	(875)	-	(875)
Net exposure	-	179,409	24,275	203,684
31 Dec 2015				
<u>Financial Assets</u>				
Cash and cash equivalents	6,963	358,328	24,896	390,187
<u>Financial Liabilities</u>				
Amortised cost	(5,802)	(2,072)	-	(7,874)
Net exposure	1,161	356,256	24,896	382,313

Sensitivity analysis

A 20 percent strengthening of the Australian dollar against the following currencies at 31 December 2016 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 2015.

	31 Dec 2016		31 Dec 2015	
	Other equity \$	Profit/(loss) \$	Other equity \$	Profit/(loss) \$
CNY	-	-	-	232
USD	-	35,882	-	71,251
HKD	-	4,855	-	4,980
	-	40,737	-	76,463

A 20 percent weakening of the Australian dollar against the above currencies at 31 December 2016 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL RISK MANAGEMENT (cont'd)

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 2016				
Financial assets				
Cash and cash equivalents	0.56%	259,985	-	259,985
		<u>259,985</u>	<u>-</u>	<u>259,985</u>
31 Dec 2015				
Financial assets				
Cash and cash equivalents	0.12%	411,835	-	411,835
		<u>411,835</u>	<u>-</u>	<u>411,835</u>

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 2015.

	31 Dec 2016		31 Dec 2015	
	Other equity \$	Profit/(loss) \$	Other equity \$	Profit/(loss) \$
Variable rate instruments	-	2,674	-	4,245

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. 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. At the date of this report, there have been no performance rights issued under the plan.

No options were granted, exercised, expired or forfeited during the year end 31 December 2016.

31 December 2016

There were no share based payments or options granted by the Company during 2016.

31 December 2015

In 2015, \$20,042 being the unrecognised portion of the valuation of the 9,000,000 share options granted to Mr Nolan in 2014, was recognised as a share based expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. PARENT ENTITY DISCLOSURES

Financial Statements

(a) Financial Position

	31 Dec 2016 \$	31 Dec 2015 \$
Assets		
Current assets	69,099	170,796
Non-current assets	221,089	250,150
Total assets	290,188	420,946
Liabilities		
Current liabilities	(442,654)	(41,998)
Non-current liabilities	(1,591,920)	-
Total liabilities	(2,034,574)	(41,998)
Equity		
Issued capital	16,910,852	16,910,852
Reserves	862,256	25,184
Retained losses	(19,517,494)	(16,557,088)
Total equity	(1,744,386)	378,948
	Year ended 31 Dec 2016 \$	Year ended 31 Dec 2015 \$
(b) Financial performance		
Loss for the year	(2,960,406)	(980,448)
Other comprehensive income	-	-
Total comprehensive income	(2,960,406)	(980,448)

(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

- -

(d) Contingent assets & liabilities of the Group and parent entity

There were no contingent assets or liabilities as at 31 December 2016 or at 31 December 2015.

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

There were no commitments for acquisitions of property, plant and equipment as at 31 December 2016 or at 31 December 2015.

(f) Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. PARENT ENTITY DISCLOSURES (cont'd)

(g) 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 2016 consisted of:

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

The above transactions were made interest free with no fixed terms for the repayment of principal on the working capital advanced by Leyshon.

At reporting date, amounts receivable from controlled entities totalled \$125,084 (31 December 2015: \$317,086).



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LEYSHON RESOURCES LIMITED**

Opinion

We have audited the accompanying financial report of Leyshon Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Material Uncertainty related to Going Concern

We draw attention to Note 1, which indicates that the consolidated entity incurred a net loss of \$2,212,700 and had net cash outflows from operating activities of \$153,550 for the year ended 31 December 2016. As at that date, the consolidated entity had net current liabilities of \$163,320 and net liabilities of \$1,744,386. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect to this matter.

In concluding that there is a material uncertainty related to going concern, we evaluated the extent of the uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our audit procedures included:

- Assessing the Group's cash flow forecast;
- Evaluating the feasibility, quantum and timing of the Group's plan to raise additional capital; and
- Determining the completeness of the going concern disclosures in Note 1.

Key Audit Matters

In addition to the matter described in the Material Uncertainty related to Going Concern section, we have determined the matter described below to be a Key Audit Matter to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Amounts Payable to Newmont Australia Pty Ltd Refer to Note 8	
<p>During the financial year, the Company entered into a Deed of Settlement with Newmont Australia Pty Ltd (Newmont), whereby the parties effected the transfer of the Mt Leyshon land holdings, five mining licenses and an environmental authority from the Company to Newmont.</p> <p>In the terms of the Deed of Settlement, the parties agreed;</p> <ul style="list-style-type: none"> • Newmont would pay the Company A\$220,000 for expenses incurred on the tenements during 2015; and • The Company will provide Newmont with cash and/or shares. The payments to Newmont include A\$220,000 when the Company re-lists on the ASX (payable in cash), A\$170,000 in December 2016 (payable as cash or shares at the Company's election), A\$200,000 in December 2017 (payable as cash or shares at Newmont's election) and A\$275,000 each year in December from 2018 to 2025 (payable as cash or shares at Newmont's election). <p>We considered this to be a key audit matter as this was the most significant transaction the Company undertook during the financial year.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Reviewing the Deed of Settlement; • Ensuring amounts payable per the Deed of Settlement were accounted for appropriately at the reporting date; and • Ensuring the disclosures in the financial statements for this transaction was in accordance with the requirements of the Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards/Auditors-Responsibilities.aspx>. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Leyshon Resources Limited, for the year ended 31 December 2016, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 3 April 2017