

**LEYSHON RESOURCES LIMITED**

ABN 75 010 482 274

**FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2003**

## CORPORATE DIRECTORY

### **Directors**

Ian P Middlemas

Gary R Pearce

Mark L Pearce

### **Secretary**

Mark L Pearce

### **Registered and Principal Office**

Level 9, BGC Centre

28 The Esplanade

Perth WA 6000

Australia

International: (61 8) 9322 6322

Facsimile: (61 8) 9322 6558

### **Share Register**

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St Georges Terrace

Perth WA 6000

Australia

Telephone: 1300 557 010

Telephone: (61 8) 9323 2000

Facsimile: (61 8) 9323 2033

### **Solicitors**

Hardy Bowen, Lawyers

28 Ord Street

West Perth WA 6005

Australia

### **Auditor**

Deloitte Touche Tohmatsu

Central Park

Level 16

152 – 158 St Georges Terrace

Perth WA 6000

Australia

### **Bankers**

Australia and New Zealand Banking

Group Limited

77 St Georges Terrace

Perth WA 6000

Australia

### **Stock Exchange Listing**

Leyshon Resources Limited shares

are listed on the Australian Stock

Exchange (Symbol: LRL).

Home Exchange: Perth Office

Australian Stock Exchange

2 The Esplanade

Perth WA 6000

Australia

## **DIRECTORS' REPORT**

The Directors of Leyshon Resources Limited ("Leyshon Resources") present their report for the half-year ended 31 December 2003.

### **DIRECTORS**

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

Ian P Middlemas  
Gary R Pearce  
Mark L Pearce

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

### **REVIEW AND RESULTS OF OPERATIONS**

#### **Operating Results**

Net operating loss after tax for the half-year ended 31 December 2003 was \$87,285 (2002: Net operating profit after tax of \$2,202,743).

The operating result for the December 2003 half year was in line with the Board's expectation, and was an improvement on the prior half-year's result (when adjusted for the one off gain of \$2,382,624 that related to the transfer of environmental obligations).

The Company's exploration portfolio was further enhanced during the half year with two new joint ventures finalised: The BHP-Billiton Joint Venture for the Company's Cloncurry interests in the Mount Isa region; and The Newcrest Joint Venture for the Company's Mt Leyshon properties.

Further details on exploration activities being undertaken on the Company's various exploration projects are contained in the September 2003 and December 2003 Quarterly Reports to the Australian Stock Exchange.

#### **Post Balance Date Events**

As announced on 29 January 2004, the Company has entered into a conditional agreement to acquire China Metals Limited. This company has copper and gold exploration and development projects in China through a province wide agreement with the northeastern province of Heilongjiang. Further details of the acquisition were contained in the Announcement.

Signed in accordance with a resolution of Directors.

**MARK PEARCE**  
**Director**  
**Perth, 11 MARCH 2004**

## **DIRECTORS' DECLARATION**

The directors declare that

- (a) The financial statements and notes thereto comply with Accounting Standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Consolidated Entity;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

**MARK PEARCE**  
**Director**

**Perth, 11 MARCH 2004**

**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL PERFORMANCE  
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	Note	Half Year Ended 31 Dec 2003 \$	Half Year Ended 31 Dec 2002 \$
<b>Revenue from ordinary activities</b>	2	278,195	2,565,251
Administration costs		(188,830)	(173,581)
Business development costs		(20,000)	-
Re-structure costs		-	(2,790)
Exploration and evaluation costs		(156,650)	(186,137)
<b>Profit/(Loss) from ordinary activities before income tax expense</b>		<b>(87,285)</b>	<b>2,202,743</b>
Income tax expense relating to ordinary activities		-	-
<b>Net Profit/(Loss)</b>		<b>(87,285)</b>	<b>2,202,743</b>
<b>Total changes in equity other than those resulting from transactions with owners as Owners attributable to members of Leyshon Resources</b>		<b>(87,285)</b>	<b>2,202,743</b>
<b>Earnings Per Share</b>			
Basic earnings per share (cents per share)		(0.10)	2.4
Dilutive earnings per share (cents per share)		(0.10)	2.4

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

**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION  
AS AT 31 DECEMBER 2003**

	<b>31 Dec 2003</b>	<b>30 Jun 2003</b>
	\$	\$
<b>Current Assets</b>		
Cash assets	8,476,367	8,663,152
Other	11,992	22,525
<b>Total Current Assets</b>	<b>8,488,359</b>	<b>8,685,677</b>
<b>Non-Current Assets</b>		
Receivables	158,450	-
Property, plant and equipment	2,645	-
Capitalised exploration assets	294,053	294,053
Other financial assets	132,000	132,000
<b>Total Non-Current Assets</b>	<b>587,148</b>	<b>426,053</b>
<b>TOTAL ASSETS</b>	<b>9,075,507</b>	<b>9,111,730</b>
<b>Current Liabilities</b>		
Payables	152,364	101,302
<b>Total Current Liabilities</b>	<b>152,364</b>	<b>101,302</b>
<b>TOTAL LIABILITIES</b>	<b>152,364</b>	<b>101,302</b>
<b>NET ASSETS</b>	<b>8,923,143</b>	<b>9,010,428</b>
<b>Equity</b>		
Contributed equity	15,456,759	15,456,759
Accumulated losses	(6,533,616)	(6,446,331)
<b>TOTAL EQUITY</b>	<b>8,923,143</b>	<b>9,010,428</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	<b>Half Year ended 31 Dec 2003</b>	<b>Half Year ended 31 Dec 2002</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(303,695)	(3,507,498)
Interest received	278,195	196,044
	<u>                    </u>	<u>                    </u>
<b>Net cash flows used in operating activities</b>	<u>(25,500)</u>	<u>(3,311,454)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(2,835)	-
Loans to unrelated entities	(158,450)	-
Refund of payments for exploration tenements	-	186,048
	<u>                    </u>	<u>                    </u>
<b>Net cash flows from/(used in) investing activities</b>	<u>(161,285)</u>	<u>186,048</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Net cash flows used in financing activities</b>	<u>-</u>	<u>-</u>
<b>NET DECREASE IN CASH HELD</b>	(186,785)	(3,125,406)
Cash at the beginning of the half year	8,663,152	11,754,311
	<u>                    </u>	<u>                    </u>
<b>CASH AT THE END OF THE HALF YEAR</b>	<u>8,476,367</u>	<u>8,628,905</u>

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

**1. BASIS OF PREPARATION**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the economic entity as the full financial report.

The half year report should be read in conjunction with the Annual Financial Report of Leyshon Resources Limited as at 30 June 2003. It is also recommended that the half-year report be considered together with any public announcements made by Leyshon Resources Limited and its controlled entities during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of Accounting**

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention. The accounting policies adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the 2003 annual financial report.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

<b>Half Year Ended 31 December 2003</b>	<b>Half Year Ended 31 December 2002</b>
\$	\$

**2. REVENUE FROM ORDINARY ACTIVITIES**

**Revenue from non-operating activities**

Interest received/receivable	278,195	182,627
Gain on transfer of environmental obligations ( <i>Note 3</i> )	-	2,382,624
	<u>278,195</u>	<u>2,565,251</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

### 3. SIGNIFICANT TRANSACTIONS

#### Transfer of Environmental Obligations

During the period ended 31 December 2002, a net gain of \$2,382,624 arose upon the transfer of the environmental restoration obligations and several assets associated with the Mt Leyshon mine to the Newmont Australia Group. The transfer occurred pursuant to the Restructure Agreement approved by shareholders in November 2001.

A reconciliation of the assets and liabilities transferred is as follows:

	\$
Liabilities	
- Payables	4,444,731
- Provisions	3,613,470
Assets	
- Cash assets	(2,469,308)
- Receivables	(103,730)
- Plant and equipment	(904,724)
- Tax assets	(2,081,135)
- Other	(116,680)
	<hr/>
Gain on transfer of environmental obligations	2,382,624
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No environmental obligations were transferred during the current period.

### 4. DIVIDENDS PAID OR PROVIDED FOR

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

### 5. SUBSEQUENT EVENTS AFTER BALANCE DATE

Other than as disclosed below, there were no significant events occurring after balance date requiring disclosure.

- a) On 29 January 2004, the Company entered into a conditional agreement to acquire China Metals Limited. This company has copper and gold exploration and development projects in China through a province wide agreement with the northeastern province of Heilongjiang.

### 6. SEGMENT INFORMATION

The Consolidated Entity operates in one business segment, being the mining and exploration of gold and other minerals in the resources sector.

### 7. CONTINGENT ASSETS AND LIABILITIES

At the last annual reporting date, the Consolidated Entity did not have any contingent assets or liabilities. There has been no material change in the contingent assets or liabilities of the Consolidated Entity during the half year.

Deloitte Touche Tohmatsu  
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**INDEPENDENT REVIEW REPORT TO THE MEMBERS  
OF LEYSHON RESOURCES LIMITED**

**Scope**

We have reviewed the financial report of Leyshon Resources Limited for the half-year ended 31 December 2003 as set out on pages 4 to 9. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Statement**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

Peter McIver  
Partner  
Chartered Accountants

Perth, WA, 11 March 2004