



8 July 2014

DEMERGER TAX COST BASE APPORTIONMENT

Leyshon Resources Limited (AIM/ASX: LRL) ("Leyshon Resources" or the "Company") provides the following information to the Company's Shareholders in relation to the demerger of Leyshon Energy Limited (AIM: LEN) ("Leyshon Energy") through a return of capital by way of a pro rata in-specie distribution which was completed on 23 January 2014. On the Record Date of 14 January 2014, Leyshon Resources Shareholders received one share in Leyshon Energy for each Leyshon Resources share held.

The potential taxation consequences of the distribution are described in Section 3.15 of the Explanatory Memorandum that accompanied the Notice of Meeting dated 9 December 2013. The Company has not applied, and does not intend to apply, for a class ruling from the Australian Tax Office in respect to the In-Specie Distribution. The purpose of this announcement is to provide guidance to the Leyshon Resources Shareholders of a reasonable apportionment of the Capital Gains Tax ("CGT") cost base in their Leyshon Resources shares between their existing Leyshon Resources shares and their Leyshon Energy shares acquired through the demerger.

The following summary only applies to Australian resident Shareholders who, as of the Record Date, held their Shares on capital account for tax purposes, and not on revenue account, and are not subject to the taxation of financial arrangements rules in relation to gains and losses on their Shares; and to non-Australian resident Shareholders who, as of the Record Date, held an interest in the Company of 10% or more.

Applying Demerger Relief

Australian resident Shareholders who choose demerger relief will ignore any potential capital gain from the return of capital and apportion the cost base of their Leyshon Resources shares between those shares and the Leyshon Energy shares they received. The apportionment is based on a reasonable approximation of the market values of Leyshon Resources shares and Leyshon Energy shares just after the in-specie distribution. Leyshon Resources considers that at the relevant time, the value of Leyshon Energy shares distributed represented 80.29% of the total value of Leyshon Resources and Leyshon Energy shares. This apportionment has been calculated based on volume weighted average price (vwap) calculations for the first five trading days for the two entities after completion of the in specie distribution. The ATO has accepted this methodology in similar circumstances as outlined in publicly available ATO Class rulings for similar transactions.

The following examples illustrate the way in which demerger relief would apply.

Example:

You held 200,000 Leyshon Resources shares at 14 January 2014 for which the cost base was \$20,000 (10 cents per share).

You received 200,000 shares in Leyshon Energy in the distribution.



The cost base of your Leyshon Energy shares will be **80.29%** of \$20,000, which is \$16,058 or 8.029 cents per share for the Leyshon Energy shares.

The cost base of your Leyshon Resources shares will be reduced to **19.71%** of \$20,000, which is \$3,942 or 1.971 cents per share for 200,000 Leyshon Resources shares.

On a future disposal of the Leyshon Energy Shares, certain Shareholders (such as individuals and complying superannuation funds) may be entitled to a CGT discount if they have held their Shares for at least 12 months. For these purposes, Shareholders can treat their Leyshon Energy Shares as having been acquired on the date that they acquired the corresponding original Leyshon Resources Shares.

Not Electing Demerger Relief

An Australian resident Shareholder who does not choose demerger roll-over relief will have the same tax consequences as a Shareholder who does choose demerger roll-over relief, except that any capital gain arising to the extent the In-Specie Distribution exceeds the Shareholder's CGT cost base of the Shares will not be disregarded. Shareholders may be entitled to discount CGT treatment. Shareholders should seek appropriate tax advice to determine the application of the CGT discount in their specific circumstances.

If the In-Specie Distribution does not exceed the CGT cost base in the Shares, no capital gain will be made. Shareholders will not make a capital loss as a result of the return of capital under the Demerger.

Shareholders who are not residents of Australia

Shareholders who are not residents of Australia for income tax purposes will generally not have any Australian CGT implications under the Demerger, unless their shares represent "taxable Australian property". This will generally be the case where:

- (i) they (together with associates) hold an interest in the Company of 10% or more at the time of the In-Specie Distribution or for a continuous period of at least 12 months in the 24 months immediately preceding the In-Specie Distribution; and
- (ii) certain other conditions relating to the underlying assets of the Company are satisfied.

As such, if non-resident Shareholders do not hold, or have not held, an interest in the Company of 10% or more as described above, they should not be subject to Australian CGT under the Demerger. If they do hold such an interest, they should consult their tax adviser in relation to whether other relevant conditions are satisfied as this may result in an Australian CGT liability. Withholding tax implications have not been considered on the basis that the entire demerger distribution has been treated as a return of capital (i.e. no dividend component).

Disclaimer

In the Explanatory Memorandum, Leyshon Resources advised that although it reasonably expected that capital gains tax demerger relief would apply to the distribution it could not provide any assurance that demerger relief would apply. Demerger relief is complex and if you are in any doubt about your tax position you should seek professional advice. This summary is not intended, and should not be relied upon, as specific taxation advice to any individual Shareholder. The comments in this summary are of a general nature only, may not apply to your specific circumstances, and cannot be relied upon for accuracy or completeness. This information is provided for the guidance of shareholders and neither the Company, nor any of its officers or advisers, accepts liability or responsibility with respect to such consequences or the reliance by any Shareholder on any part of the summary.



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