

LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

30 JUNE 2014

CORPORATE DIRECTORY

Directors

Richard Seville – Non-Executive Chairman

Corey Nolan – Managing Director

Paul Atherley – Non-Executive Director

Company Secretary

Murray Wylie

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Auditor

Deloitte Touche Tohmatsu

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Bank of China - Beijing

National Australia Bank

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Alternative Investment Market

London Stock Exchange

10 Paternoster Square

London EC4M 7LS

Australian Stock Exchange

Home Branch – Perth

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Perth WA 6000

AIM and ASX Code

LRL

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DIRECTORS' REPORT

The Directors of Leyshon Resources Limited present their report on the Group consisting of Leyshon Resources Limited ("the Company" or "Leyshon Resources") and the entities it controlled at the end of, or during, the half-year ended 30 June 2014 ("Group").

DIRECTORS

The following persons were Directors of the Company during the half-year ended 30 June 2014 and up to the date of this report:

Richard P Seville
Corey Nolan (appointed 14 February 2014)
Paul C Atherley
Andrew Berry III (retired 31 March 2014)

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating profit after tax attributable to members of the Consolidated Entity for the half-year ended 30 June 2014 was US\$256,678 (2013: loss of US\$4,782,043).

Operations

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

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

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

New Project Opportunities

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

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

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

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

DIRECTORS' REPORT (continued)

Mt Leyshon Strategic Review

The Company is continuing its strategic review of the Mt Leyshon project and a number of potential opportunities to create value from the project have been identified, including:

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

1) Hydro Power Generation

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

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

The Australian Energy Market Operator forecasts that new generation capacity will be required in Queensland by 2020 in order to maintain supply reliability within the National Electricity Market Reliability Standard. Under a high growth scenario, this requirement for new capacity may be as early as 2017.

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

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

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

The report recommended identifying a strategic partner to assist with managing market risk and underpinning the commercial viability of the project by securing either a medium to long-term off-take with an electricity retailer or major energy user, or a medium to long-term network support contract with the local network service provider. The Company is currently discussing proposals with a number of industry players.

2) Further Exploration

The historical focus of the Leyshon mining operations was the Mt Leyshon Breccia, the main ore host, comprising a large pipe-like breccia, approximately 400 x 300 metres in plan, with a minimum vertical extent of 650 metres. A number of areas of brecciation and porphyry intrusion extend outside the main pit area. Historical surface sampling has identified areas of anomalous grades of gold, silver, lead and zinc. The Company will study the historical data to assess whether a new re-interpretation should be undertaken using modern day exploration methodologies including sampling and geophysics.

3) Recovery of Gold from Mill Scats

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

DIRECTORS' REPORT (continued)

The results of the program indicated that the project was viable but required significant capital expenditure for a relatively modest return, and the project was put on hold. Given the current gold price of approximately US\$1300 per ounce, the Directors have decided to revisit the economics of the project.

SUBSEQUENT EVENTS

Australian Securities Exchange ("ASX") policy is to allow companies that have disposed of their main undertakings a six-month period within which to satisfy ASX that the company has a sufficient level of operations to justify continued quotation of the company's securities on the ASX. On 14 July 2014 the securities of the Company were suspended from quotation on the ASX until the Company is able to demonstrate compliance with Chapter 12 of the ASX Listing Rules. The Company's securities continue to trade on the AIM Market.

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of Leyshon Resources with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 6 and forms part of this Directors' Report.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Corey Nolan', written over a light blue rectangular background.

Corey Nolan
Managing Director

12 September 2014

12 September 2014

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

Dear Sir

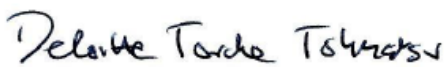
Auditor's Independence Declaration to Leyshon Resources Limited

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

As lead audit partner for the review of the financial statements of Leyshon Resources Limited for the half year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

Yours faithfully


DELOITTE TOUCHE TOHMATSU



David Newman
Partner

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Corey Nolan', is written over a light blue rectangular background.

Corey Nolan
Managing Director

12 September 2014

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2014**

	Note	Half-Year Ended 30 June 2014 \$	Half-Year Ended 30 June 2013 \$
Revenue	2	1,775	742,663
Exploration expenses		-	(732)
Project evaluation		(66,181)	(34,846)
Administration expenses		(402,490)	(845,194)
Foreign exchange (losses)/gains		(160,032)	683,531
Mt Leyshon holding costs		(17,520)	(46,204)
Share-based payments		(2,666)	-
Profit/(loss) before tax		(647,114)	499,218
Income tax expense		-	(10,603)
Profit/(loss) for the period from continuing operations		(647,114)	488,615
Discontinued operations			
Profit/(loss) for the year from discontinued operations	4	903,792	(5,270,658)
Profit/(loss) for the period		256,678	(4,782,043)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences on translating foreign operations		(167,754)	(120,946)
Exchange differences on translating into presentation currency		543,415	(5,227,326)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit and loss on loss of control of subsidiary		(2,429,383)	-
Other comprehensive income for the period net of tax		(2,053,722)	(5,348,272)
Total comprehensive income for the period		(1,797,044)	(10,130,315)
Loss attributable to members of Leyshon Resources Limited		256,678	(4,782,043)
Total comprehensive income attributable to members of Leyshon Resources Limited		(1,797,044)	(10,130,315)
Loss Per Share			
From continuing and discontinued operations			
Basic (cents per share)		0.1	(1.9)
Diluted (cents per share)		0.1	(1.9)
From continuing operations			
Basic (cents per share)		(0.3)	0.2
Diluted (cents per share)		(0.3)	0.2

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	30 June 2014 \$	31 Dec 2013 \$
ASSETS			
Current Assets			
Cash and bank balances		2,756,074	3,070,886
Trade and other receivables	3	1,111,863	35,336
Current tax assets		49,703	24,639
Other assets		20,783	20,175
		<u>3,938,423</u>	<u>3,151,036</u>
Assets classified as held for distribution		-	38,186,634
Total Current Assets		3,938,423	41,337,670
Non-Current Assets			
Other financial assets		14,128	13,309
Property, plant and equipment		<u>6,372</u>	<u>10,541</u>
Total Non-Current Assets		20,500	23,850
TOTAL ASSETS		3,958,923	41,361,520
LIABILITIES			
Current Liabilities			
Trade and other payables	6	1,155,963	77,214
Provisions		<u>15,623</u>	<u>74,086</u>
		1,171,586	151,300
Liabilities directly associated with assets classified as held for distribution		-	8,858,136
Total Current Liabilities		1,171,586	9,009,436
TOTAL LIABILITIES		1,171,586	9,009,436
NET ASSETS		2,787,337	32,352,084
EQUITY			
Issued capital	7	16,910,852	57,071,050
Reserves	8	(174,559)	1,470,493
Accumulated losses		<u>(13,948,956)</u>	<u>(26,607,683)</u>
		2,787,337	31,933,860
Less amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for distribution		-	418,224
TOTAL EQUITY		2,787,337	32,352,084

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2014**

	Issued Capital	Equity- settled employee benefits reserve	Foreign exchange reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2013	57,071,050	-	8,634,239	(17,883,708)	47,821,581
Loss for the period	-	-	-	(4,782,043)	(4,782,043)
Other comprehensive income for the period, net of tax	-	-	(5,348,272)	-	(5,348,272)
Total comprehensive income for the period	-	-	(5,348,272)	(4,782,043)	(10,130,315)
Balance at 30 June 2013	57,071,050	-	3,285,967	(22,665,751)	37,691,266
<hr/>					
Balance at 1 January 2014	57,071,050	11,044	1,877,673	(26,607,683)	32,352,084
Profit for the period	-	-	-	256,678	256,678
Other comprehensive income for the period, net of tax	-	-	(2,053,722)	-	(2,053,722)
Total comprehensive income for the period	-	-	(2,053,722)	256,678	(1,797,044)
Recognition of share-based payments	-	2,666	-	-	2,666
Forfeiture of performance rights	-	(12,220)	-	12,220	-
Redistribution of capital	(12,389,829)	-	-	12,389,829	-
In-specie distribution of Leyshon Energy shares	(27,770,369)	-	-	-	(27,770,369)
Balance at 30 June 2014	16,910,852	1,490	(176,049)	(13,948,956)	2,787,337

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2014**

	Half-year ended 30 June 2014 \$	Half-year ended 30 June 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(666,921)	(3,246,541)
Mt Leyshon holding costs	(10,052)	(534,952)
Income tax paid	(22,846)	(173,557)
Interest received	1,772	1,246,417
	<hr/>	<hr/>
Net cash flows used in operating activities	<hr/> (698,047) <hr/>	<hr/> (2,708,633) <hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	-	(109,377)
Loans to other entities	(675,520)	-
Loans repaid by other entities	686,059	-
	<hr/>	<hr/>
Net cash flows used in investing activities	<hr/> 10,539 <hr/>	<hr/> (109,377) <hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash and cash equivalents transferred on demerger of Leyshon Energy	<hr/> (32,833,304) <hr/>	<hr/> - <hr/>
Net cash flows used in investing activities	<hr/> (32,833,304) <hr/>	<hr/> - <hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<hr/> (33,520,812) <hr/>	<hr/> (2,818,010) <hr/>
Cash and cash equivalents at the beginning of the period relating to continuing operations	3,070,886	47,253,874
Cash and cash equivalents at the beginning of the period relating to discontinued operations	33,120,105	-
Effects of exchange rate changes on cash and cash equivalents	<hr/> 85,895 <hr/>	<hr/> (4,373,825) <hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<hr/> <hr/> 2,756,074 <hr/>	<hr/> <hr/> 40,062,039 <hr/>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 30 June 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Leyshon Resources Limited for the year ended 31 December 2013 and any public announcements made by Leyshon Resources Limited and its subsidiaries during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's December 2013 financial report for the year ended 31 December 2013, other than as discussed below.

Adoption of new and revised Accounting Standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for reporting periods beginning on 1 January 2014.

The following new and revised Standards and Interpretations have been adopted in the current period:

- AASB 10 'Consolidated Financial Statements'
- AASB 11 'Joint Arrangements'
- AASB 12 'Disclosure of Interests in Other Entities'
- AASB 127 'Separate Financial Statements' (2011)
- AASB 128 'Investments in Associates and Joint Ventures' (2011)
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011), AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'

The adoption of these standards and interpretations has resulted in a change to the Group's presentation of, or disclosure in, the financial statements but did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

Half-Year Ended 30 June 2014 \$	Half-Year Ended 30 June 2013 \$
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2. REVENUE

Revenue consisted of the following items:

Interest received/receivable	1,775	742,663
Total revenue	1,775	742,663

30 June 2014 \$	31 Dec 2013 \$
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3. TRADE AND OTHER RECEIVABLES

Current

Amounts relating to:

- liabilities assumed by external party	1,102,006	-
- other ⁽¹⁾	9,857	35,336
	1,111,863	35,336

⁽¹⁾ Other receivables comprise office rent security deposits and staff expense advances.

4. DISCONTINUED OPERATIONS

On 13 September 2013, the Company announced that it would seek shareholder and regulatory approvals to separate its energy and mineral businesses. On 9 December 2013 the Company despatched a Notice of Meeting seeking shareholder approval to demerge its energy assets via an in-specie distribution to eligible shareholders of the Company. Shareholders subsequently approved the demerger on 13 January 2014 and the demerger was implemented on 23 January 2014.

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

Half-Year Ended 30 June 2014 \$	Half-Year Ended 30 June 2013 \$
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Gain for the year from discontinued operations

Revenue	-	475
Exploration expenses	(172,416)	(5,502,596)
Exchange gains	69,900	1,109,294
Other expenses	(39,105)	(877,831)
Loss before tax	(141,621)	(5,270,658)
Gain on disposal of operation including a cumulative exchange gain of \$2,429,383 reclassified from foreign currency translation reserve to profit and loss (refer note 5)	1,045,413	-
Attributable income tax expense	-	-
Gain for the year from discontinued operations (attributable to owners of the Company)	903,792	(5,270,658)

Gain/(loss) per share from discontinued operations

Basic (cents per share)	0.4	(2.1)
Diluted (cents per share)	0.4	(1.7)

4. DISCONTINUED OPERATIONS (Continued)

	Half-Year Ended 30 June 2014 \$	Half-Year Ended 30 June 2013 \$
Cash flows from discontinued operations		
Net cash outflows from operating activities	(218,351)	(1,866,996)
Net cash outflows from investing activities	-	(62,824)
Net cash outflows from financing activities	-	-
	<hr/>	<hr/>
Net cash outflows	(218,351)	(1,929,820)

The major classes of assets and liabilities of the energy business at the end of the reporting period are as follows:

	30 June 2014 \$	31 Dec 2013 \$
Cash and bank balances	-	33,120,105
Trade and other receivables	-	100,579
Property, plant and equipment	-	207,278
Exploration & evaluation assets	-	4,721,611
Other assets	-	37,061
	<hr/>	<hr/>
Assets classified as held for distribution	-	38,186,634
	<hr/>	<hr/>
Trade and other payables	-	7,726,308
Provisions	-	42,226
Deferred tax liabilities	-	1,089,602
	<hr/>	<hr/>
Liabilities associated with assets classified as held for distribution	-	8,858,136
	<hr/>	<hr/>
Net assets classified as held for distribution	-	29,328,498
	<hr/>	<hr/>
Amounts recognised directly in equity relating to assets classified as held for distribution	-	418,224

5. DISPOSAL OF SUBSIDIARY

As disclosed in Note 4, the Group obtained shareholder approval on 13 January 2014 to demerge its energy assets via an in-specie distribution to eligible shareholders of the Company, which was implemented on 23 January 2014.

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

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

Gain on disposal of subsidiary

	Half-Year Ended 30 June 2014 \$	Half-Year Ended 30 June 2013 \$
Fair value of assets distributed	27,278,327	-
Net assets distributed to shareholders	(28,662,297)	-
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit and loss on loss of control of subsidiary	<u>2,429,383</u>	-
Gain on disposal	<u>1,045,413</u>	-

6. TRADE AND OTHER PAYABLES	30 June 2014 \$	31 Dec 2013 \$
Current		
Trade creditors	1,128,961	40,786
Accruals	27,002	36,428
	<u>1,155,963</u>	<u>77,214</u>

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.

7. ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

During the half-year reporting period, there was a reduction in ordinary share capital due to the return of capital via an in-specie distribution of shares in Leyshon Energy Limited or other issued share capital of the Company during the current half-year reporting period (2013: There were no movements in ordinary share capital or other issued share capital of the Company).

During the half-year reporting period, there were 9,000,000 incentive options issued over ordinary shares (2013: nil).

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

Date	Details	Ordinary Shares (Number)	Ordinary Shares (\$)
1 January 2013	Opening Balance	249,457,212	57,071,050
30 June 2013	Closing Balance	249,457,212	57,071,050
1 January 2014	Closing Balance	249,457,212	57,071,050
23 January 2014	Redistribution of capital	-	(12,389,829)
23 January 2014	in-specie distribution of Leyshon Energy shares	-	(27,770,369)
30 June 2014	Closing Balance	249,457,212	16,910,852

Note

- (i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
- (ii) During 2013, the Company agreed to issue 5,000,000 performance rights to Key Management Personnel, however the officers concerned agreed to forego their entitlement should the demerger of the Company's energy assets proceed. The demerger was completed on 23 January 2014 and accordingly the performance rights have not been and will not be issued.
- (iii) On 18 June 2014, in accordance with shareholder approval, the Company granted the following incentive options to the Managing Director, Corey Nolan:
 - i. 3,000,000 options exercisable at A\$0.02 each, expiring 18 June 2017;
 - ii. 3,000,000 options exercisable at A\$0.04 each, expiring 18 June 2017;
 - iii. 3,000,000 options exercisable at A\$0.06 each, expiring 18 June 2017;

	30 June 2014	31 Dec 2013
	\$	\$
8. RESERVES		
Share-based payment reserve	1,490	11,044
Foreign currency translation reserve	(176,049)	1,877,673
	<u>(174,559)</u>	<u>1,888,717</u>

Movement in reserves

The movement in each of the reserves has been set out in the Statement of Changes in Equity.

Nature and purpose of reserves

Share-based payment reserve

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

Foreign currency translation reserve

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

9. DIVIDENDS PAID OR PROVIDED FOR

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

10. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There were no commitments for expenditure at 30 June 2014 (31 December 2013: nil).

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

11. LEASE COMMITMENTS

Operating leases

Leasing arrangements

The operating leases relate to the lease of an office in Beijing, China and an office in Perth, Australia. The current lease in Beijing is for a period of two years commencing 1 November 2012 and the lease in Perth is for a period of 1 year commencing 1 September 2013. The Group does not have an option to acquire the leased assets at the expiry of the lease period.

	30 June 2014 \$	31 Dec 2013 \$
<i>Non-cancellable operating leases</i>		
Not longer than 1 year	29,572	279,970
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>29,572</u>	<u>279,970</u>

12. SEGMENT INFORMATION

At 31 December 2013 the Group had two operating segments, being the exploration for unconventional gas in China ("the Energy business") and exploration for minerals and to the Group's continuing Minerals business ("the Mineral business").

As disclosed in notes 4 and 5, on 13 September 2013, the Company announced that it would seek shareholder and regulatory approvals to separate its energy and mineral businesses. On 9 December 2013 the Company despatched a Notice of Meeting seeking shareholder approval to demerge its energy assets via an in-specie distribution to eligible shareholders of the Company. Shareholders subsequently approved the demerger on 13 January 2014 and the demerger was implemented on 23 January 2014. The current and comparative period loss and cash flows relating to the energy business have been presented within note 4 and have been classified as discontinued operations.

Following the disposal of the Energy the Group has only one operating segments being the continuing Minerals business.

All assets, liabilities, revenue and expenses that do not relate to the Energy business (as disclosed in note 4 and 5) relate to the Group's continuing Minerals business.

13. SUBSEQUENT EVENTS AFTER BALANCE DATE

Australian Securities Exchange ("ASX") policy is to allow companies that have disposed of their main undertakings a six-month period within which to satisfy ASX that the company has a sufficient level of operations to justify continued quotation of the company's securities on the ASX. On 14 July 2014 the securities of the Company were suspended from quotation on the ASX until the Company is able to demonstrate compliance with Chapter 12 of the ASX Listing Rules. The Company's securities continue to trade on the AIM Market.

Subsequent to the balance date, a settlement with other parties resulted in a reduction in both receivables and trade creditors of \$1,036,074.

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

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

We have reviewed the accompanying half-year financial report of Leyshon Resources Limited, which comprises the condensed statement of financial position as at 30 June 2014, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 18.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Leyshon Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants
Perth, 12 September 2014