



23 December 2010

### **Admission Document and Placing**

Leyshon Resources Limited (AIM/ASX: LRL) (Company) advises that it has today lodged the attached Admission Document with the Alternative Investment Market (AIM) of the London Stock Exchange pursuant to its readmission to trading on AIM.

The Company will be placing 30,435,130 new ordinary fully paid ordinary shares at A\$0.23 to raise approximately A\$7 million before costs as part of its readmission.

The shares have been placed with a number of high profile Beijing based institutional fund managers who are supportive of the Company's business plans.

As previously advised the Company is in active discussions for the acquisition of a large thermal coal project in eastern Xinjiang and in addition it is reviewing a number of thermal coal projects in Inner Mongolia. It is continuing the process of applying for exploration licences in south west Mongolia that have the potential to host coking coal.

Following the issue the Company will have cash of approximately A\$54 million (including term deposit interest) and 246,525,724 ordinary fully paid shares on issue.

*For further information contact:*

**Leyshon Resources Limited**

*Paul Atherley - Managing Director*

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**Seymour Pierce**

*Jonathan Wright/John Cowie*

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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take you are recommended immediately to seek your own financial advice from an independent financial adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under FSMA, if you are in the United Kingdom, or otherwise from another appropriately authorised and independent financial adviser, if you are taking advice from a territory outside the United Kingdom. The whole of this document should be read.**

Application has been made for the entire issued and to be issued share capital of Leyshon Resources Limited (the "**Company**") to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that dealings in the Ordinary Shares on AIM will commence on 31 December 2010. The existing ordinary share capital of the Company is quoted on the Official List of ASX. Application will also be made to ASX for quotation on the Official List of ASX of 30,435,130 new Ordinary Shares to be issued pursuant to the Placing. It is expected that dealings in the Placing Shares will commence on the securities market operated by ASX on or about 7 January 2011.

**The rules of AIM are less demanding than those of the Official List of the UKLA. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UKLA. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission to AIM in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

The Company and the directors of the Company whose names appear on page 6 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the information, knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. This document, which is an admission document drawn up in accordance with the AIM Rules for Companies, does not constitute a prospectus within the meaning of section 85 of FSMA and has not been approved in accordance with the Prospectus Rules made by the FSA. This document has not been approved by the FSA, the UKLA or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

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# Leyshon Resources Limited

*(incorporated in Australia under the Australian Corporations Act 2001 with ACN 010 482 274)*

**Placing of 30,435,130 Ordinary Shares of no par value at A\$0.23 per share**

**and**

**Admission to trading on AIM**

***Nominated Adviser and Broker***

**Seymour Pierce Limited**

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## Share capital before and immediately following Admission

	<i>Before Admission</i>	<i>Following Admission</i>
Issued and fully paid Ordinary Shares of no par value	216,090,594	246,525,724

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Seymour Pierce Limited, which is authorised and regulated by the FSA and is a member of the London Stock Exchange, is acting as nominated adviser and broker exclusively to the Company in connection with the Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person or entity in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Seymour Pierce Limited as to the contents of this document for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). Seymour Pierce Limited will not be responsible to any person other than the Company for providing the protections afforded to clients of Seymour Pierce Limited or for providing advice to any other person in connection with the Placing and Admission.

Seymour Pierce Limited has not authorised the contents of any part of this document nor is it responsible for the accuracy of any information or opinion contained in this document or for any omission of material information.

Your attention is drawn to Part III of this document, which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this document.

The Ordinary Shares have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction and should not be distributed directly or indirectly to any persons with addresses in Canada, Japan, the United States of America, its territories or possessions or to any citizen thereof or to any corporation, partnership or other entity created or organised under the laws thereof.

The distribution of this document in certain jurisdictions may be restricted by law. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons outside of the UK into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

This document contains forward-looking statements. These statements relate to the Company's future prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily but not exclusively contained in Parts I and II of this document.

The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

If one or more of the risks or uncertainties described in Part III of this document materialises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

## CONTENTS

	<i>Page</i>
<b>Definitions</b>	<b>4</b>
<b>Directors, Secretary and Advisers</b>	<b>6</b>
<b>Placing Statistics</b>	<b>8</b>
<b>Expected Timetable of Principal Events</b>	<b>8</b>
<b>Part I – Background to the Placing &amp; Admission</b>	<b>9</b>
<b>Part II – Information on the Company</b>	<b>11</b>
<b>Part III – Risk Factors</b>	<b>17</b>
<b>Part IV – Financial Information on the Company and its subsidiaries</b>	<b>23</b>
<b>Part V – Additional Information</b>	<b>60</b>

## DEFINITIONS

The following words and expressions shall have the following meanings in this document, unless the context otherwise requires:

“Australian Corporations Act”	the Corporations Act 2001 of the Commonwealth of Australia (as amended)
“2006 Act”	the Companies Act 2006 of Great Britain, as amended
“Admission”	the admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules governing the operation of AIM being together the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the AIM Rules for Companies as published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers as published by the London Stock Exchange from time to time
“ASX”	ASX Limited (ABN 98 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited
“ASX Admission”	the quotation of the Placing Shares on the Official List of ASX
“ASX Listing Rules”	the rules governing the procedures and behaviour of all entities listed on ASX
“Board”	the board of directors of the Company from time to time
“CHES”	ASX Clearing House Electronic Subregistry System
“Company” or “Leyshon”	Leyshon Resources Limited, a company incorporated in Australia with ACN 010 482 274
“Constitution”	the constitution of the Company as amended from time to time
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in securities and the holding of securities in uncertificated form, operated by Euroclear UK & Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 of the United Kingdom, as amended
“Directors”	the directors of the Company whose names are set out on Page 6 of this document
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules made by the FSA pursuant to Part VI of FSMA
“Existing Ordinary Shares”	216,090,594 Ordinary Shares

“FSA”	the UK Financial Services Authority
“FSMA”	the UK Financial Services and Markets Act 2000 of the United Kingdom, as amended
“Group”	the Company and its controlled entities
“Investing Company”	any AIM company which has as its primary business or objective the investing of its funds in securities, businesses or assets of any description
“Lock-in Agreement”	the agreement entered into between Seymour Pierce (1), the Company (2) and the Directors (3), a summary of which is set out in paragraph 11.3 of Part V of this document
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the Official List of the UKLA or (as the case may be) ASX
“Ordinary Shares”	ordinary shares of no par value each in the capital of the Company
“Placing”	the conditional placing by or on behalf of the Company of the Placing Shares at the Placing Price
“Placing Agreement”	the conditional agreement between the Company (1), the Directors (2) and Seymour Pierce (3) relating to the Placing and Admission, a summary of which is set out in paragraph 11.1 of Part V of this document
“Placing Price”	A\$0.23 per Placing Share
“Placing Shares”	the 30,435,130 new Ordinary Shares which are subject to the Placing
“Prospectus Rules”	the Prospectus Rules made by the FSA pursuant to section 73A of FSMA
“Securities Act”	the United States Securities Act of 1933 (as amended) and the rules and regulations of the Securities and Exchange Commission promulgated thereunder
“Seymour Pierce”	Seymour Pierce Limited which is authorised and regulated by the FSA
“Shareholders” or “Members”	holders of issued Ordinary Shares
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UKLA”	the UK Listing Authority of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA

## **EXCHANGE RATE**

The rate of exchange used for the purpose of this document is £1.00: A\$ 1.60, except where otherwise stated.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	John Wilfred Sword Fletcher <i>Non-executive Chairman</i> Paul Campbell Atherley <i>Managing Director</i> Andrew Jefferson Berry III <i>Non-executive Director</i> Richard Phillip Seville <i>Non-executive Director</i> <i>all of</i>
<b>Registered Office</b>	36 Outram Street West Perth WA 6005 Australia <i>Except for:</i> Paul Campbell Atherley, Managing Director <i>whose business address is:</i> Suite 03A, 11/F, The Beijing Exchange Tower B-118 Jianguo Avenue Chaoyang Beijing 100022 China
<b>Company Secretary</b>	Stacey Apostolou 36 Outram Street West Perth WA 6005 Australia
<b>Chinese Operating Office</b>	Suite 03A, 11/F, The Beijing Exchange Tower B-118 Jianguo Avenue Chaoyang Beijing 100022 China
<b>Nominated adviser and broker</b>	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN United Kingdom
<b>Australian Solicitors to the Company</b>	Hardy Bowen Level 1, 28 Ord Street West Perth WA 6005 Australia
<b>UK Solicitors to the Company</b>	Cobbetts LLP 58 Mosley Street Manchester M2 3HZ United Kingdom
<b>Chinese Solicitors to the Company</b>	Jun He Law Offices China Resources Building 20th Floor, 8 Jianguomenbei Avenue Beijing 100005 China

**Auditors and Reporting Accountants**

Deloitte Touche Tohmatsu  
Level 14  
Woodside Plaza  
240 St George's Terrace  
Perth  
WA 6000  
Australia

**Accountants reporting to the Company and the Nominated Adviser**

BDO Corporate Finance (WA) Pty Ltd  
38 Station Street  
Subiaco  
WA 6008  
Australia

**Share Registrars**

*Australia*

Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth  
WA 6000  
Australia

*UK*

Computershare Investor Services plc  
2nd Floor, Vintners Place  
68 Upper Thames Street  
London  
EC4V 3BJ  
United Kingdom

**ASX code**

LRL

**AIM TIDM**

LRL

**Website**

[www.leyshonresources.com](http://www.leyshonresources.com)

## PLACING STATISTICS

Number of existing Ordinary Shares prior to the Placing	216,090,594
Placing price	A\$ 0.23
Number of new Ordinary Shares being issued under the Placing	30,435,130
Percentage of the enlarged issued share capital the subject of the Placing	12.35%
Number of Ordinary Shares in issue immediately following completion of the Placing and Admission	246,525,724
Gross proceeds of the Placing	A\$7,000,000/£4,375,000
Estimated net proceeds of the Placing	A\$6,520,000/£4,075,000

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Cancellation of trading on AIM of Ordinary Shares	7.00 a.m. on 31 December 2010
Admission effective and dealing in Existing Ordinary Shares and Placing Shares expected to commence on AIM	8.00 a.m. on 31 December 2010
Admission effective and dealing in Placing Shares expected to commence on ASX	7 January 2011
Expected date for CHES accounts to be credited (in respect of the Placing Shares)	31 December 2010
Expected date for posting of statements detailing holdings of the Placing Shares (where applicable)	31 December 2010

## PART I

### BACKGROUND TO THE PLACING & ADMISSION

Leyshon Resources Limited is seeking admission to AIM as an Investing Company under Part One of the AIM Rules for Companies. The following sets out the background to and reasons for the Placing and Admission.

Leyshon's Ordinary Shares have been quoted on the Official List of ASX since 1985 and, until 2002, Leyshon carried on the business of operating a gold mine in Australia. In October 2005, Leyshon's entire issued share capital was admitted to trading on AIM. At that time, Leyshon's principal asset was its 70 per cent. interest in a gold project in China known as the Zheng Guang project.

In September 2009, the Company agreed terms for the disposal of its interest in the Zheng Guang project for approximately US\$45 million. The disposal was completed in December 2009 at which point the Company ceased to have any trading activities. Under the AIM Rules, the Company was required, at its general meeting convened to approve the disposal, also to seek adoption by Shareholders of an investing policy. At the Company's annual general meeting held on 30 November 2009 the Company duly approved the disposal and adopted an investing policy which is reproduced below under Part II, Information on the Company, paragraph 1.1 ("Investing Policy"). Following that general meeting, the Company became treated as an Investing Company under AIM Rule 15.

If a company has become an Investing Company following the disposal of all of its trading business activities under AIM Rule 15, as Leyshon did in November 2009, trading in the company's shares is automatically suspended after 12 months if it has not effected a reverse takeover or substantially implemented its investing policy. If a company fails to satisfy the requirement to effect a reverse takeover or substantially implement its investing policy within the following 6 months, such company's admission to trading on AIM is automatically cancelled.

Despite having seen and made significant progress with a number of interesting opportunities over the course of the last year, Leyshon has not yet satisfied these requirements and trading in its Ordinary Shares on AIM was suspended on 1 December 2010. Consequently, the Board has resolved to seek a readmission to AIM of the Company as a new Investing Company. The Company therefore released the following announcement on 23 November 2010:

*"Proposed Readmission to AIM:*

*As previously announced, Leyshon Resources Limited disposed of its principal asset, its interest in the Zheng Guang gold project in China, in late 2009. The Company adopted an investing policy at its AGM on 30 November 2009 and therefore has been treated as an Investing Company on AIM under Rule 15 of the AIM Rules for Companies since that date.*

*The Company has not yet effected a reverse takeover nor has it substantially implemented its investing policy. As a consequence, trading in the ordinary share capital of Leyshon is expected to be suspended on AIM in accordance with Rule 15 with effect from 1 December 2010. Leyshon's ordinary shares will continue to be traded on the Australian Stock Exchange.*

*The Board has seen many interesting investment opportunities over the course of the last year, many of which are in China, but is conscious that such transactions take some considerable time to complete and does not feel that a continued suspension of the Company's shares from trading on AIM will be in the longer term interests of shareholders.*

*The Board therefore announces that it is their intention to seek an admission to trading on AIM as an Investing Company ("New Admission") under Part One of the AIM Rules for Companies of the London Stock Exchange (the "Exchange"). In order to effect the New Admission, the Company must first seek a cancellation of trading on AIM of its ordinary shares. It has informed the Exchange of its preferred cancellation date and it is expected that such cancellation will be effective at 7.00 a.m. on 22 December 2010. It is also anticipated that the New Admission will be effective from 8 am on the same day, 22 December 2010."*

As a new applicant seeking admission to AIM as an Investing Company, under Rule 8 of the AIM Rules, Leyshon is required to raise a minimum sum of £3 million before expenses as a condition of its Admission.

**Your attention is drawn to the Risk Factors set out in Part III of this document.**

## PART II

### INFORMATION ON THE COMPANY

#### 1.1 Investing policy

The Company adopted the following investing policy at its annual general meeting on 30 November 2009:

- Pending the investment of the Company's available cash pursuant to the policy described below, the Company may embark on an on-market share buyback programme on AIM and ASX if the Company's shares trade at a discount to net tangible assets.
- In the view of the Directors and the Company's advisers this will provide the liquidity necessary to enable those Shareholders who otherwise may not be able to do so, to sell their Ordinary Shares at or around cash backing per share.
- The Company is of the view that the urbanisation of 400 million people over the next decade will drive China's growing demand for minerals and energy and that, increasingly, Chinese companies will wish to acquire and develop resource projects in their own right to meet this demand.
- The Company proposes to draw on its six years' experience in China and focus on acquiring and developing mineral and energy projects in those commodities and located in those countries which it believes will be of interest to Chinese mining and other groups for either offtake, partnership or sale.
- In the Company's view, based on its experience dealing with private and state owned resource groups, China's rapid growth in metal and mineral production has to a large extent been based on known discoveries. The Directors believe that the challenge is going to be to fill the demand pipeline with new projects, which does not appear to be taking place now that state funding has been redirected away from the provincial Bureau of Geology and Minerals Resources. As a result Chinese companies are seeking to acquire and develop known resources elsewhere in the world.
- The Company's primary strategy is to continue to operate from Beijing, taking advantage of the strong technical base it has established with the local design institutes, and apply its technical, financial and development skills to invest in early to late stage projects that can be advanced through a combination of Australian and Chinese technical expertise to a point where, based on the Company's experience, the project meets the investment criteria for Chinese groups.
- The initial focus will be those countries and regions which rank highly for Chinese minerals and energy investment such as Africa, South America, Australia, Canada, China and those countries close to or bordering China.
- The commodities and types of projects will be those which in the Company's view will be of strong interest to Chinese groups over the expected investment horizon and are typically expected to be high value minerals and energy with good development potential.
- A key part of the strategy will be to bring the Chinese group(s) into the project at the financing and development stage. The Company will not be looking invest in the construction and operation of projects itself and, accordingly, the Company expects the return to Shareholders to be generated by the capital growth in its projects.
- The Company will be looking to make one or two project investments at any one time with an expected investment horizon of 2 to 3 years.
- The Company does not anticipate that it will require any significant debt funding as part of the proposed investment strategy.
- The Directors are experienced in evaluating acquisition and investment opportunities and realising value in the countries, commodities and types of project targeted and are able to call on an extensive network of contacts and consultants with independent expertise in the sector.
- As the Company has disposed of its main undertaking it will consider the application of ASX Listing Rule 11.1.2 (shareholder approval for a significant change to the nature and scale of its activities) and ASX Listing Rule 11.1.3 (application of chapter 1 and 2 of the ASX Listing Rules) at the time of any future acquisition. Depending on the size and the nature of any acquisition these ASX Listing Rules may apply to the transaction.

- The Company will be mindful at all times of minimising expenditure and preserving the Company's cash balance and evaluating investment opportunities against the alternative of returning cash to Shareholders.
- Any major investment will be put to Shareholders for approval.

## 1.2 Review of Investing Policy

The Directors will review the Company's investing policy on an annual basis and, subject to their review and in the absence of unforeseen circumstances, the Company intends to adhere to the above investing policy. As required by the AIM Rules for Companies and until the Company is substantially invested, the Company will seek shareholder approval annually for its investing policy. Should the Company make an investment that is not in accordance with its investing policy, such an investment would be conditional on the approval of Shareholders. Changes to the investing policy may be prompted, *inter alia*, by changes in government policies or economic conditions which alter or introduce additional investment opportunities.

It is the intention of the Company to invest its cash resources as far as practicable in accordance with the investing policy outlined in this document. However, due to market and other investment considerations, it may take some time before the cash resources of the Company are substantially invested.

The Company will provide an update on its investing activities at the same time that it publishes its audited annual results for the year ending 30 June 2011 and as otherwise required by the AIM Rules. The Company has no current plans to publish any regular estimates of net asset value or updates on its investments.

Shareholders should note that where a transaction is considered to be a reverse takeover for the purposes of the AIM Rules for Companies and the Shareholders approve any such transaction, trading on AIM in the Ordinary Shares will be cancelled and re-admission to AIM will be required to be sought in the same manner as any other applicant applying for admission of its securities for the first time. Trading in the Ordinary Shares will normally be suspended following the announcement of any such transaction until the publication of an AIM admission document in respect of the Company as enlarged by the transaction.

## 1.3 Directors

The Board comprises four Directors as follows:

**John Fletcher CBE**, Age 70, *Non-Executive Chairman, Member of the Audit Committee and Chairman of the Remuneration Committee*

Mr Fletcher served as an Executive and main Board Director of the Trafalgar Group ("Trafalgar") for more than 20 years, which at the time was one of the UK's largest industrial groups. Following the acquisition of Trafalgar by Kvaerner ASA ("Kvaerner"), he became Chairman and President of Kvaerner's engineering and construction worldwide operations.

In 1996, he was awarded the title of CBE (Commander of the British Empire) for his contribution to British industry. He was a member of the international advisory team to the Beijing Mayor in 1998 and was Executive Vice Chairman of the Construction Supervision Committee for the National Stadium for the Beijing 2008 Olympics.

Mr Fletcher is based in Hong Kong and is a significant shareholder in Somerley Group Limited ("Somerley"), a corporate advisory firm which has been operating for more than 20 years. Somerley advises both Chinese and international groups from its Hong Kong and Beijing offices on access to capital via the Hong Kong Stock Exchange and via foreign direct investment. Mr Fletcher continues to maintain his well-established industry, government and financial connections in London.

Mr Fletcher was appointed Chairman of Leyshon on 7 April 2006.

**Paul Atherley BSc (Hons), MappSC, MBA, MAusIMM, ARSM**, Age 54, *Managing Director*

Mr Atherley graduated in mining engineering from the Royal School of Mines, Imperial College in 1982 and has over 25 years' industry operating experience including periods with British Coal in the UK and Mount Isa Mines Ltd in Australia. 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.

He was previously the Managing Director of an ASX and AIM listed mining company between 1994 and 2006 and during this period he completed a number of acquisitions and financings of resource projects in Australia, South-East Asia, Africa and Western Europe.

He was responsible for introducing Leyshon to China and for relocating the Company's main operating office to Beijing. Mr Atherley was appointed a Director of Leyshon on 4 May 2004 and has been based in Beijing since 2005.

**Andrew Berry** *BSC, MB, Age 72, Non-Executive Director – Chairman of the Audit Committee*

Mr Berry has over 35 years' experience in financing projects mainly with Chase Manhattan Bank in the Far East and Australia. During this period Mr Berry played an integral role in the completion of over US\$25 billion in transactions for power generation, mining and petroleum companies in Australia and throughout the international arena.

Mr Berry is a graduate from the University of Arizona in the United States where he earned a Bachelor of Science degree in Geological Engineering and a Master of Business Administration degree. After graduation in 1963, Mr. Berry worked in Washington D.C. for the Agency for International Development until 1968 when he joined the Chase Manhattan Bank in New York.

He is currently the Chairman of Viridis Investment Management Limited which is the manager and operator of the ASX listed Viridis Clean Energy Group and a Non-Executive Director of the unlisted Corporactive Fund Limited. Previously Mr Berry was a Non-Executive Director of several listed and unlisted Australian resource focussed companies including the ASX and Port Moresby Stock Exchange listed Highlands Pacific Limited. Mr Berry is a citizen of the United States and Australia.

Mr Berry was appointed a Director of Leyshon on 10 October 2008.

**Richard Seville** *BSC (Hons) M.Eng.Sc, MAusIMM, ARSM, Age 50, Non-Executive Director – Member of the Audit Committee and Remuneration Committee*

Mr Seville is a geologist and geotechnical engineer by qualification holding a BSc (Hons) in Mining Geology from the Royal School of Mines, Imperial College, London and MEngSc in Rock Engineering from James Cook University, North Queensland. Mr Seville has over 27 years' experience in the resources sector with technical roles ranging from exploration, through feasibility studies and project development to production in a broad range of commodities in projects on 5 continents. Mr Seville has held corporate roles as Operations Director or Managing Director over the last 16 years on ASX and AIM listed companies.

Mr Seville is currently Managing Director of ASX and Toronto Stock Exchange listed lithium exploration and development company, Orocobre Ltd, a position he has held since mid 2007.

Mr Seville was appointed a Director of Leyshon on 1 February 2007.

**Employees**

	<i>2009 Number</i>	<i>2010 Number</i>
Directors	4	4
Other employees	5	8

The table above sets out the average number of employees and Directors of the Group for the financial years ending 30 June 2010 and 30 June 2009.

**1.4 Directors' interests and lock-in arrangements**

The Directors' aggregate interests in Ordinary Shares following the Placing will amount to 32,596,324 Ordinary Shares representing approximately 13.22 per cent. of the enlarged issued share capital of the Company following Admission.

The interests in the issued Ordinary Shares of each of the Directors (including the interests of their spouses and infant children and the interest of any persons connected with them), all of which are beneficial, which

have been notified to the Company as at the date of publication of this document and as they are expected to be immediately following Admission, are as follows:

Name	Present		Following Admission	
	Ordinary Shares	%	Ordinary Shares	%
John Fletcher <sup>(1)</sup>	2,316,324	1.07	2,316,324	0.94
Paul Atherley <sup>(2)</sup>	29,530,000	13.67	29,530,000	11.98
Andrew Berry	Nil	Nil	Nil	Nil
Richard Seville <sup>(3)</sup>	750,000	0.35	750,000	0.30

<sup>(1)</sup> 2,202,824 of these shares are held in the name of Cleveland Investment Global Limited of which John Fletcher is a beneficiary and 113,500 are held in the name of The Estate of the late MJ Fletcher, of which John Fletcher is one of the beneficiaries.

<sup>(2)</sup> These shares are held in the name of North Asia Metals Limited of which Paul Atherley is the sole shareholder.

<sup>(3)</sup> These shares are held in the name of The Seville Superannuation Fund of which Richard Seville is one of the beneficiaries.

Save as disclosed in this paragraph 1.4, none of the Directors has any interests in the issued share capital of the Company nor does any person connected with the Directors have any such interests, whether beneficial or non-beneficial.

The Directors will comply with Rule 21 of the AIM Rules for Companies relating to trading in the Company's securities and will take all reasonable steps to ensure that any future applicable employees of the Company also comply with Rule 21.

In accordance with Rule 7 of the AIM Rules for Companies, each of the Directors has entered into the Lock-in Agreement under which, subject to certain exceptions, they have agreed not to dispose of any Ordinary Shares or options to subscribe for Ordinary Shares owned by them for a period of 12 months from Admission and in order to ensure an orderly market in the Ordinary Shares not to dispose of any such Ordinary Shares for a further 12 month period except through Seymour Pierce or the broker for the time being to the Company for the purposes of the AIM Rules in the UK or the broker for the time being to the Company in the case of a disposal on ASX in Australia. The parties subject to the lock-in have also each agreed that they will procure (in so far as they are reasonably able) that each of their associates (for the purposes of the AIM Rules) will comply with such restrictions. Further details of these arrangements are set out in paragraph 11.3 of Part V of this document.

## 1.5 Current Trading and Prospects

The Company has not traded since the date of its disposal of its interest in Zheng Guang project in December 2009 and its trading and prospects for the 12 months following Admission will be dependent on the Directors identifying appropriate investments and successfully acquiring an interest in any such investments.

## 1.6 Reasons for Admission to AIM

Following Admission, Shareholders will have access to AIM for buying and selling Ordinary Shares (subject always to the risk factors set out in Part III of this document). The Directors believe that the ability to issue quoted Ordinary Shares, which may be freely traded on AIM, to potential vendors may facilitate the Company's Investing Policy and thereby enhance value for Shareholders.

## 1.7 Dividend policy

The Company has not yet developed any investment or trading activities. The Directors intend to invest as large a proportion of the Company's cash resources as soon as possible and therefore do not presently intend to recommend a dividend for the foreseeable future. The Directors will determine the dividend policy of the Company after the acquisition of any future investments.

## 1.8 Corporate governance

As an Australian registered company and under the AIM Rules, the Company is not required to comply with the Corporate Governance Code. The Directors, however, place a high degree of importance on ensuring that the Company maintains high standards of corporate governance and have therefore adopted

the spirit of the Corporate Governance Code to the extent that they consider appropriate, taking into account the size of the Company and nature of its operations and believe that the Company complies with all relevant Australian Corporate Governance regimes.

The ASX Listing Rules require disclosure of a company's main Corporate Governance practices and the Company's corporate governance statement is set out in its most recent Annual Report and Accounts for the year ended 30 June 2010 which are available on the Company's website at [www.leyshonresources.com](http://www.leyshonresources.com).

The Company has adopted a share dealing code in accordance with Rule 21 of the AIM Rules for Companies and will take steps to ensure compliance by the Directors and any relevant employees with the terms of this code. Details of the code are set out in the Company's Annual Report and Accounts for the year ended 30 June 2010 and further details can be found on its website at [www.leyshonresources.com](http://www.leyshonresources.com).

The Directors have established financial controls and reporting procedures which they consider to be appropriate given the size of and structure of the Group. These controls will be reviewed following any significant acquisitions by the Group and adjusted accordingly.

### **1.9 Reasons for the Placing and use of proceeds**

The proceeds of the Placing, being £4.375 million (A\$7 million) (£4.075 million (A\$6.52 million) net of expenses), are intended to be applied towards paying the costs of Admission, in carrying out due diligence and to help fund future investments.

### **1.10 Details of the Placing**

The Company, conditional upon Admission, is issuing a total of 30,435,130 new Ordinary Shares pursuant to the Placing at the Placing Price to raise £4.075 million (A\$6.52 million) (net of expenses). The Placing Shares will represent approximately 12.35 per cent. of the enlarged issued share capital of the Company following the Placing and will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares.

The arrangements for the Placing include the direct placement by the Company of the Placing Shares at the Placing Price with certain institutional investors in China, for which firm Placing commitments (subject only to allotment and Admission) have been received by the Company. The Placing is not being underwritten by Seymour Pierce.

The Placing and the Placing Agreement are conditional, *inter alia* upon Admission taking place by 8.00 a.m. on 31 December 2010 or such later time and date (being not later than 8.00 a.m. on 31 January 2011) as the Company and Seymour Pierce may agree.

Further details of the Placing Agreement are set out in paragraph 11.1 of Part V of this document.

### **1.11 Taxation**

Information regarding taxation is set out in paragraph 13 of Part V of this document. These details are however intended only as a general guide to the current tax position under Australian and UK taxation law.

**If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.**

### **1.12 Settlement, dealing and CREST**

#### **(a) UK Registered Shareholders and CREST**

CREST is a computerised paperless share transfer and settlement system which allows shares to be held in electronic rather than paper form in accordance with the CREST Regulations. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through the CREST system, a depository or

custodian can hold the relevant securities and issue dematerialised depository interests representing the underlying securities which are held on trust for the holder of the depository interests.

With effect from Admission, it will be possible for CREST members to hold and transfer depository interests in respect of Ordinary Shares (“Depository Interests”) within CREST pursuant to a depository interest arrangement established by the Company with Computershare Investor Services plc. From a practical perspective, the Depository Interests can be credited to the same member account as all the other CREST investments of a particular investor and held and transferred in the same way as other companies’ securities participating in CREST.

Holders of Depository Interests will be entitled to receive notices of meetings and other notices issued by the Company, exercise the voting rights attached to the underlying Ordinary Shares and receive all dividends paid by the Company from time to time to Shareholders.

The Depository Interests will have the same security code (ISIN) as the underlying Ordinary Shares which, following Admission, will be admitted to trading on AIM.

CREST is a voluntary system and holders of Ordinary Shares who wish to have them held outside of CREST will have their details recorded on the Company’s register maintained in Australia. In line with common practice for Australian listed securities, holders registered on the Australian register will receive a statement detailing their holding rather than a certificate.

Computershare Clearing Pty Limited, which is a non broker participant in CHESS, the ASX settlement and clearing engine, will hold all underlying securities that support the issuance of Depository Interests in the UK. Because securities held in CHESS are held and transferred electronically, it is possible upon completion of a removal and transfer form, for securities held within CHESS to be transferred from Australia to the UK in CREST within the same day, provided the recipient has the necessary account with a CREST participant.

#### **(b) Australian Registered Shareholders and CHESS**

The Existing Ordinary Shares will continue to be listed and traded on the ASX where trades are settled electronically on the Australian register through CHESS. Application will also be made to ASX for the Placing Shares to be quoted on the Official List of ASX.

#### **1.13 Other Securities and City Code**

There are no options in respect of Ordinary Shares quoted on the Official List of ASX. Further, it is not proposed that application be made for the quotation of any such options on the Official list of ASX or the admission of such options to trading on AIM.

It is emphasised that, although the Ordinary Shares will be admitted to trading on AIM, the Company will not be subject to takeover regulation in the UK. The City Code on Takeovers and Mergers will not apply to the Company. However, being an Australian incorporated company, Leyshon is subject to the provisions regulating takeovers under Australian law as set out in paragraph 3.2 of Part V.

#### **Further Information**

**Prospective Investors should carefully consider the information in Parts III to V of this document, which provides additional information regarding the Company and, in particular, Part III which sets out certain risk factors relating to an investment in Ordinary Shares.**

## PART III

### RISK FACTORS

**In addition to the other relevant information set out in this document, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt as to the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. No relative importance of the risk factors below ought to be inferred by reference to the order in which they appear.**

**In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors consider that the risks and other factors described below are the most significant and should be considered carefully together with all the information contained in this document. It should be noted that the risks described below are not the only risks faced by the Group; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.**

**If any of these risks actually occur, the business, financial condition, results or future operations of the Group could be materially adversely affected. In such case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.**

The Directors are responsible for ensuring that appropriate policies and procedures are in place to identify and monitor risks faced by the Group and to ensure that whenever possible such risks are managed or mitigated by the use of safeguards and appropriate controls. However many risks are outside the control of the Directors and cannot be mitigated. There are also general risks associated with any investment in shares.

Hence, investors should be aware that the performance of the Company and the Group may be affected and the value of the Ordinary Shares may rise or fall over any given period. Factors which potential investors and their advisers should be aware of when dealing in the Ordinary Shares include, but are not limited to the following:

#### **1.1 General Risks**

General risk factors include:

##### ***Investment risks***

An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's investments, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations. The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value.

### ***Liquidity and possible price volatility of the Ordinary Shares***

Admission of the Ordinary Shares to trading on AIM should not be taken to imply that there will be an ongoing liquid market for the Ordinary Shares. Further, the Placing Price may not be indicative of the market price for the Ordinary Shares following Admission.

The trading price of the Ordinary Shares may be subject to significant volatility in response to, among other factors:

- investor perceptions of the Group and the Company's business plans;
- variations in the Group's operating results;
- changes in senior management personnel; and
- general economic and other factors.

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price of Ordinary Shares, regardless of the performance of the Group.

### ***Dividends***

There can be no assurance as to the future payment of dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among others, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

### ***Securities traded on AIM***

The Ordinary Shares will be quoted on AIM rather than the UKLA's Official List. The rules of AIM are less demanding than those of the Official List of the UKLA and an investment in shares quoted on AIM may carry a higher risk than an investment quoted on the Official List of the UKLA. Admission of the Ordinary Shares to trading on AIM should not be taken as implying that there will be a liquid market in the Ordinary Shares. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List of the UKLA. Shares held on AIM are perceived to involve higher risk. AIM has been in existence since 1995 and is a market designed for small and growing companies but its future success and liquidity as a market for the Ordinary Shares cannot be guaranteed.

### ***Difficulties and implications of raising additional capital***

Whilst the Directors are satisfied that the working capital available to the Group will, from Admission, be sufficient for its present requirements, it is possible that the Company will need to raise extra capital in the future. If additional funds are raised through the issuance of new equity in the Company, other than on a pro-rata basis to existing Shareholders, the percentage ownership of the Shareholders may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

There can be no guarantee that any future capital raisings will be successful.

### ***Economic Risk***

Changes in the general economic climate in which the Group operates may adversely affect its financial performance. Factors that may contribute to that general economic climate include: the level of direct and indirect competition, industrial disruption, the rate of growth of gross domestic product in Australia and other jurisdictions where the Group has mineral assets (including China), interest rates and the rate of inflation.

### ***Competition***

The Group will compete with other companies, including major mineral exploration and mining companies. Some of these companies have greater financial and other resources than the Group and, as a result, may be in a better position to compete for future business opportunities. Many of the Group's competitors not only explore for and produce minerals, but also carry out refining operations and produce other products

on a worldwide basis. There can be no assurance that the Group can compete effectively with these companies.

## **1.2 Mineral Industry Risks**

### ***Exploration and Development Risks***

Mineral exploration and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic mineral deposit, factors such as the demand for commodities, economic sentiment, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that mineral interests that may be acquired by the Group in the future will result in the discovery of an economic mineral deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

### ***Policies and Legislation***

Changes in government, monetary policies, taxation and other laws and regulations can have a significant influence on the outlook for projects and affect the viability and profitability of the Group.

## **1.3 Specific Risks in Relation to the Group**

### ***Reliance on Key Personnel***

The Group is reliant on a number of key personnel. The loss of one or more of its key personnel could have an adverse impact on the business of the Group pending a suitable replacement being identified and retained by the Group.

### ***Future Capital Needs and Additional Funding***

The future capital requirements of the Group will depend on many factors including any acquisition made by the Group.

Should the Group require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would be likely to have a material adverse effect on the Group's business and its financial condition and performance.

### ***Acquisition of New Projects***

The Group may, from time to time, acquire new exploration and/or other businesses. There can be no guarantee that these acquisitions will eventuate or be successful.

## **1.4 Additional Risk Factors – China risks**

In addition to those risk factors set out above for the Group, there are also a number of risk factors which apply to the seeking of investment prospects in China.

China's economy differs from the economies of most developed countries in many respects, including government intervention, level of development, growth rate, control of foreign exchange and allocation of resources.

### ***Political Risk***

Leyshon may own a controlling interest in a number of mineral exploration and development projects. The Group's investment in these projects may be exposed to adverse political developments that could affect the economics of any one or more such projects.

### ***State Ownership***

China's economy has been undergoing a transition from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented economic reforms, reduced state ownership and established sound corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, control of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

### ***Government Economic Intervention***

The economy of China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. The Chinese government has implemented various measures from time to time to control the rate of economic growth. Some of these measures benefit the overall economy of China, but may have a negative effect. For example, the operating results and financial position of possible projects may be adversely affected by: changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and remittances abroad, reduction in tariff or quota protection and other import restrictions, changes in the usage and costs of state-controlled transportation services and state policies affecting the resources industry.

### ***Foreign Investment***

In China, foreign companies could be required to work within a framework which is different to that imposed on local companies. The Chinese government could also prevent and/or influence the sale of interests to companies registered in China, which may reduce the value of investments and/or mining projects located in China.

China was admitted to the World Trade Organisation in 2001. If the Chinese government should reverse the practice of reducing trade and/or investment restrictions into China on foreign companies, the Company's business and future earnings could be negatively affected.

### ***Repatriation of Local Currency***

Repatriation is subject to a mixture of controls and regulations. While the Chinese government is generally relaxing restrictions on foreign trade and investment, there is no certainty that all future local currency can be repatriated.

### ***Currency Conversion***

Foreign exchange transactions continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. These limitations could affect the Company's ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures. The value of the yuan is subject to change in the Chinese government's policies and to international economic and political developments. There can be no assurance that the yuan will not become volatile against other currencies or that the yuan will not be devalued. Any future changes in the exchange rate of the yuan may adversely affect the Company's financial position.

### ***Developing Legal System***

The Chinese legal system is a system based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, as the Chinese legal system develops, changes in such laws and regulations, their interpretation or their enforcement may have a material adverse effect on the Company's business operations.

### **Approval Process**

Nearly all projects require government approval. There can be no certainty that future approvals for the Group's projects will be granted in a timely manner, or at all.

### **Mining Titles**

The ability of the Group to carry out successful mining activities will depend on a number of factors, one of the most critical factors being the ability to obtain tenure to the satisfaction of international lending institutions. While commitments to transfer and re-issue the required licences may have been made by the relevant statutory bodies, the issue of any such licences must be in accordance with the Chinese law and in particular the relevant mining legislation. Conditions imposed by the government as well as the Chinese mining legislation generally, must also be complied with. No guarantee can be given that these tenures will be granted to the Group, or if they are granted, that the Group will be in a position to comply with all conditions that are imposed. Furthermore, while it is common practice that permits and licences may be renewed or transferred into other forms of licences appropriate for the ongoing operation, no guarantee can be given that a renewal or a transfer will be granted to the Group or, if they are granted, that the Group will be in a position to comply with all conditions that are imposed.

### **Foreign exchange risk**

As the Group's assets are likely to be located in the People's Republic of China, capital and ongoing operational expenditure are likely to be denominated in US\$ and RMB, thereby increasing the Group's exposure to foreign currency risk.

### **Joint venture parties and contractors**

There is no certainty that any potential joint venture partner will act in the best commercial interest of the potential joint venture. This could have a material adverse effect on the interests of the Group.

Furthermore, the Directors are unable to predict the risk of:

- (a) financial failure, non compliance with obligations or default by any potential participant in any joint venture to which the Company may become a party; or
- (b) insolvency or other managerial failure by any of the contractors used by the Company; or
- (c) insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

### **Policies and legislation**

Any material adverse changes in government policies or legislation of the People's Republic of China that affect mineral exploration, development or mining activities, may affect the viability and profitability of the Group or its investments.

## **1.5 Forward-looking statements**

This document includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "plan", "project", "believes", "estimates", "aims", "intends", "can", "may", "expects", "forecasts", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those in forward-looking statements include those factors in this Part III and elsewhere in

this document. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgment of the Company's management and prospective investors should not rely on any forward looking statements.

## **1.6 Taxation**

The taxation implications of investing in the Company are dealt with in Part V of this document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax reliefs referred to in this document are those currently available and their application depends on the individual circumstances of investors.

The information given in this document relates only to implications for UK and Australian investors. Investors in other jurisdictions must seek their own tax advice.

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Group, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax return of Shareholders. Statements in this document concerning the taxation of the Company, the Group and/or its investors are based upon current law and practice which are subject to change.

## **1.7 Acquisitions**

There can be no guarantee that the Directors will be able to find appropriate acquisition targets or be able to agree acceptable terms with the vendors of an appropriate target or targets in the 18 months following Admission.

**PART IV**

**FINANCIAL INFORMATION ON THE COMPANY AND ITS SUBSIDIARIES**

23 December 2010

The Board of Directors  
Leyshon Resources Limited  
36 Outram Street  
West Perth  
WA 6006  
Australia

Seymour Pierce Limited  
20 Old Bailey  
London EC4M 7EN  
United Kingdom

Dear Sirs

**Leyshon Resources Limited (the “Company” and, with its subsidiaries, the “Group”)**

We report on the financial information set out in Part IV of the AIM admission document dated 23 December 2010 of Leyshon Resources Limited (the “Company” and, together with its subsidiaries, the “Group”) (the “Admission Document”) solely in respect of the year ended 30 June 2010. For the avoidance of doubt, this report is not in respect of the comparative financial information for the year ended 30 June 2009.

This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with Australian Accounting Standards (including Australian Accounting Interpretations). Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (‘A-IFRS’). Compliance with A-IFRS ensures that the financial information complies with International Financial Reporting Standards (‘IFRS’).

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It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

Our work has, where appropriate, been conducted in accordance with International Standards on Auditing. Our work has not been carried out in accordance with any other auditing or other standards and practices generally accepted in other jurisdictions, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 30 June 2010 and of its profits, cash flows and changes in equity for the year then ended in accordance with the basis of preparation set out in Note 1 and in accordance with A-IFRS.

#### **Declaration**

For the purposes of Paragraph (a) of Schedule Two to the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully

Deloitte Touche Tohmatsu

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Year Ended 30 June 2010 A\$	Year Ended 30 June 2009 <sup>(1)</sup> A\$
<b>Continuing operations</b>			
<b>Revenue</b>	2	1,468,472	518,802
Other income		6,230	4,093
Exploration expenses		(185,839)	(967,422)
Corporate and administration expenses		(2,500,831)	(1,400,665)
Project evaluation expenses		(293,849)	–
Business development expenses		–	(181,181)
Foreign exchange gains/(losses)		(283,646)	138,765
Share based payments		–	(46,336)
		<u>(1,789,463)</u>	<u>(1,933,944)</u>
<b>Loss before tax</b>		(1,789,463)	(1,933,944)
Income tax expense	4	(158,261)	–
		<u>(1,947,724)</u>	<u>(1,933,944)</u>
Loss for the year from continuing operations		(1,947,724)	(1,933,944)
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	3	28,444,569	(1,463,883)
		<u>28,444,569</u>	<u>(1,463,883)</u>
<b>Profit/(Loss) attributable to members of Leyshon Resources Limited</b>		<u>26,496,835</u>	<u>(3,397,827)</u>
<b>Earnings Per Share</b>			
From continuing and discontinued operations			
Basic (cents per share)	19	12.2	(1.6)
Diluted (cents per share)	19	12.2	(1.6)
From continuing operations			
Basic earnings per share (cents per share)	19	(0.9)	(0.9)
Diluted earnings per share (cents per share)	19	(0.9)	(0.9)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

<sup>(1)</sup>The accountant's report in Part IV of this Document is in respect of the Financial information for the year ended 30 June 2010 and, for the avoidance of doubt, is not in respect of the year ended 30 June 2009.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Year Ended 30 June 2010 A\$	Year Ended 30 June 2009 <sup>(2)</sup> A\$
Profit/(loss) for the year	26,496,835	(3,397,827)
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations		
Exchange differences arising during the year	(876,170)	986,685
Reclassification adjustment relating to foreign operations disposed of in the year (Note 3)	393,389	—
Other comprehensive income for the year net of tax	<u>(482,781)</u>	<u>986,685</u>
<b>Total comprehensive income attributable to members of Leyshon Resources Limited</b>	<u>26,014,054</u>	<u>(2,411,142)</u>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

<sup>(2)</sup> The accountant's report in Part IV of this Document is in respect of the Financial information for the year ended 30 June 2010 and, for the avoidance of doubt, is not in respect of the year ended 30 June 2009.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	30 June 2010 A\$	30 June 2009 <sup>(a)</sup> A\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	27(a)	46,193,725	3,918,963
Trade and other receivables	6	1,145,616	76,010
Other assets	7	13,260	14,078
		<u>47,352,601</u>	<u>4,009,051</u>
Non-Current Assets held for sale	8	–	24,328,083
<b>Total Current Assets</b>		<u>47,352,601</u>	<u>28,337,134</u>
<b>Non-Current Assets</b>			
Other financial assets at fair value through profit and loss	9	1	1
Other financial assets	10	14,999	14,999
Property, plant and equipment	11	28,938	2,771
		<u>43,938</u>	<u>17,771</u>
<b>TOTAL ASSETS</b>		<u>47,396,539</u>	<u>28,354,905</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	158,455	1,567,699
Current tax liabilities	4	158,261	–
Provisions	14	64,112	45,452
		<u>380,828</u>	<u>1,613,151</u>
Non-Current Liabilities held for sale	15	–	5,363,607
<b>Total Current Liabilities</b>		<u>380,828</u>	<u>6,976,758</u>
<b>TOTAL LIABILITIES</b>		<u>380,828</u>	<u>6,976,758</u>
<b>NET ASSETS</b>		<u>47,015,711</u>	<u>21,378,147</u>
<b>EQUITY</b>			
Issued capital	16	64,175,728	64,552,218
Reserves	17	1,379,309	2,430,810
Accumulated losses	18	(18,539,326)	(45,604,881)
<b>TOTAL EQUITY</b>		<u>47,015,711</u>	<u>21,378,147</u>

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

<sup>(a)</sup> The accountant's report in Part IV of this Document is in respect of the Financial information for the year ended 30 June 2010 and, for the avoidance of doubt, is not in respect of the year ended 30 June 2009.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Year Ended 30 June 2010 A\$	Year Ended 30 June 2009 <sup>(4)</sup> A\$
<b>Issued Capital</b>		
<b>Issued and paid up capital – at the beginning of the year</b>	64,552,218	64,507,082
Transactions with equity holders in their capacity as equity holders:		
Issue of shares as part of employee benefits	–	46,336
Less share transaction costs	–	(1,200)
Buy back of shares	(374,284)	–
Share transaction costs	(2,206)	–
	<u>(376,490)</u>	<u>45,136</u>
<b>Issued and paid up capital – at the end of the year</b>	<u>64,175,728</u>	<u>64,552,218</u>
<b>Employee Benefit Reserve</b>		
<b>Balance at the beginning of the year</b>	1,941,893	1,941,893
Transactions with equity holders in their capacity as equity holders:		
Expiry of options	(568,720)	–
<b>Employee benefit reserve at the end of the year</b>	<u>1,373,173</u>	<u>1,941,893</u>
<b>Option Premium Reserve</b>		
<b>Option premium reserve at the beginning of the year</b>	–	112,841
Expiry of options	–	(112,841)
<b>Option premium reserve at the end of the year</b>	<u>–</u>	<u>–</u>
<b>Foreign Exchange Reserve</b>		
<b>Foreign exchange reserve at the beginning of the year</b>	488,917	(497,768)
Exchange differences arising during the year on translation of foreign operations attributable to members of Leyshon Resources Limited	(876,170)	986,685
Transfer to Statement of Comprehensive Income on sale of foreign operations as stated in Note 3	393,389	–
Total comprehensive income for the year	<u>(482,781)</u>	<u>986,685</u>
<b>Foreign exchange reserve at the end of the year</b>	<u>6,136</u>	<u>488,917</u>
<b>Total reserves at the end of the year</b>	<u>1,379,309</u>	<u>2,430,810</u>
<b>Accumulated Losses</b>		
<b>Accumulated losses at the beginning of the year</b>	(45,604,881)	(42,319,895)
Profit/(Loss) for the year attributable to members of Leyshon Resources Limited	26,496,835	(3,397,827)
Other comprehensive income	–	–
Total comprehensive income for the year	<u>26,496,835</u>	<u>(3,397,827)</u>
Transactions with equity holders in their capacity as equity holders:		
Transfer from employee benefit reserve	568,720	–
Transfer from option premium reserve	–	112,841
<b>Accumulated losses at the end of the year</b>	<u>(18,539,326)</u>	<u>(45,604,881)</u>

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

<sup>(4)</sup> The accountant's report in Part IV of this Document is in respect of the Financial information for the year ended 30 June 2010 and, for the avoidance of doubt, is not in respect of the year ended 30 June 2009.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Year Ended 30 June 2010 A\$	Year Ended 30 June 2009 <sup>(6)</sup> A\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(3,206,459)	(3,687,184)
Interest received	398,823	272,207
<b>Net cash flows used in operating activities</b>	<u>(2,807,636)</u>	<u>(3,414,977)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(26,461)	(2,580)
Proceeds from sale of interest in jointly controlled entity	3 46,039,933	-
Loans to other entities	(50,276)	(702,176)
Development expenditure	3 (458,097)	(1,324,435)
<b>Net cash flows provided by/(used in) investing activities</b>	<u>45,505,099</u>	<u>(2,029,191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Share issue costs	-	(1,200)
Payment for buy-back of shares	(374,284)	-
Share buy-back costs	(2,206)	-
<b>Net cash flows provided by/(used in) investing activities</b>	<u>(376,490)</u>	<u>(1,200)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	42,320,973	(5,445,368)
Cash and cash equivalents at the beginning of the year	3,918,963	9,399,324
Effects of exchange rate changes on cash and cash equivalents	(46,211)	(34,993)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><u>46,193,725</u></u>	<u><u>3,918,963</u></u>

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

<sup>(6)</sup> The accountant's report in Part IV of this Document is in respect of the Financial information for the year ended 30 June 2010 and, for the avoidance of doubt, is not in respect of the year ended 30 June 2009.

## NOTES TO THE FINANCIAL INFORMATION

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The Financial Information for the year ended 30 June 2010 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (including Australian Accounting Interpretations) ("Standards"), which include Australian equivalents to International Financial Reporting Standards.

#### Basis of preparation

The Financial Information has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Significant accounting policies

The significant accounting policies adopted in the preparation of the Financial Information are summarised below:

(a) **Going Concern Basis**

The Financial Information has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(b) **Basis of Consolidation**

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries) as at 30 June 2010 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to as the "Group" or the "Consolidated Entity". A list of subsidiaries is provided in Note 23.

Subsidiaries are all those entities (including special purpose entities) over which the Company 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 Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. 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 (refer to note 1(h)). Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial information.

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.

(c) ***Interests in Joint Ventures***

The Group accounts for its interests in jointly controlled entities with proportionate consolidation. Proportionate consolidation is a method of accounting whereby the Group's share of each of the assets, liabilities, income and expenses of its jointly controlled entities is reported on a line-by-line basis in the consolidated entity's financial information. The Group considers that proportionate consolidation provides users of the Financial Information with reliable and relevant information.

(d) ***Foreign Currency Translation***

(i) *Functional and presentation currency*

Items included in the financial information 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 information is presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(iii) *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 presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of 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 statement of 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.

(e) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

*Interest*

Interest is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) **Income Tax**

The income tax expense on 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 information, 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.

The Company and its wholly owned Australian controlled entities have not implemented the tax consolidation legislation.

(g) **Operating Leased Assets**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leased assets, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are not capitalised and rental payments are expensed to the statement of comprehensive income over the lease term on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) **Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Company attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(i) **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).

(j) **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.

(k) **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.

(l) **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. Derivatives are also categorised as held for trading unless they are designated as hedges. 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 reporting date.

(ii) *Loans and receivables*

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

(m) **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 reporting 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.

(n) **Non-current assets held for sale**

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

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

(o) **Property, Plant and Equipment**

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

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

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

	<i>Life</i>	<i>Method</i>
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 (note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(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 the defined contribution superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(r) **Issued Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) **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.

(t) **Earnings per Share (EPS)**

Basic earnings per share is calculated by dividing the consolidated profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) **Exploration and evaluation expenditure**

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

- (1) the rights to tenure of the area of interest are current; and

- (2) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred until it is determined that expenditures are expected to be recouped and an asset is recognised.

(v) **Development Expenditure**

Development expenditure represents the costs incurred in preparing mines for production. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Group's mining properties and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Development expenditure is reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the development expenditure is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(w) **Goods and Services Tax ("GST")**

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 statement of financial position.

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) **Share Based Payments**

Share based payments may be provided to directors, employees, consultants and other advisors.

For shares issued as payment, the fair value of the shares issued is recognised as an expense with a corresponding increase in equity. The fair value of the shares issued is based on the volume weighted average share price on the ASX for the previous 10 trading days before they are issued.

For share options granted after 7 November 2002 and vested after 1 January 2005, the following treatment is adopted:

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the holders become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes 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.

## 2. LOSS FROM OPERATIONS

	<i>Continuing</i>		<i>Discontinued</i>		<i>Total</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	\$	\$			\$	\$
<b>(a) Revenue</b>						
Revenue consisted of the following items:						
Interest received/receivable	1,468,472	518,802	–	–	1,468,472	518,802
Total revenue	<u>1,468,472</u>	<u>518,802</u>	<u>–</u>	<u>–</u>	<u>1,468,472</u>	<u>518,802</u>
<b>(b) Loss before income tax</b>						
Loss before income tax has been arrived at after crediting the following gains:						
Sundry income	6,230	4,093	–	–	6,230	4,093
Total other income	<u>6,230</u>	<u>4,093</u>	<u>–</u>	<u>–</u>	<u>6,230</u>	<u>4,093</u>
Loss before income tax has been arrived at after charging the following losses and expenses:						
Depreciation and amortisation – plant and equipment	13,046	13,408	–	–	13,046	13,408
Net movement in provisions for – employee entitlements	18,660	(75,495)	–	–	18,660	(75,495)
Exploration expenses	185,839	527,682	156,714	1,463,883	342,553	1,991,565
Project evaluation expenses	293,849	–	–	–	293,849	–
Foreign exchange (gain)/loss	283,646	(138,765)	–	–	283,646	(138,765)
Rental expense relating to operating leases (minimum lease payments)	54,327	126,669	–	–	54,327	126,669
Equity settled share based payments	–	46,336	–	–	–	46,336
Post-employment benefits	9,540	12,798	–	–	9,540	12,798

### 3. GAIN ON DISPOSAL OF INTEREST IN JOINTLY CONTROLLED ENTITY

On 2 December 2009 the Company disposed of its 70 per cent. interest in the Sino Foreign Joint Venture company Black Dragon Mining Company Limited ("Black Dragon"), which owns the Zheng Guang Gold Project.

	<i>Period from 1 July 2009 to 2 December 2009 \$</i>	<i>Year Ended 30 June 2009 \$</i>
Exploration loss for the period	(156,714)	(1,463,883)
Gain on disposal of interest in Black Dragon	28,601,273	–
	<u>28,444,559</u>	<u>(1,463,883)</u>

The following were the results for the Consolidated Entity's interest in Black Dragon for the period:

Revenue	–	–
Operating expenses	(156,714)	(1,463,883)
Loss before income tax	(156,714)	(1,463,883)
Income tax expense	–	–
Loss after income tax	<u>(156,714)</u>	<u>(1,463,883)</u>

The following cash flows for the Consolidated Entity's interest in Black Dragon for the period have been included in the Consolidated Entity's Statement of Cash Flows:

	<i>*Period from 1 July 2009 to 2 December 2009 \$</i>	<i>Year Ended 30 June 2009 \$</i>
Net cash outflows from operating activities	–	–
Net cash inflows/(outflows) from investing activities	45,581,836	(1,486,355)
Net cash outflows from financing activities	–	–
Net cash inflows/(outflows)	<u>45,581,836</u>	<u>(1,486,355)</u>

The Consolidated Entity's interest in the net assets of Black Dragon at the date of disposal was as follows:

	2 December 2009 \$
<b>Book value of net assets sold</b>	
<i>Current assets</i>	
Cash and cash equivalents	5,699
Trade and other receivables	852,471
<i>Non-current assets</i>	
Development properties	23,918,553
Other financial assets	3,560,518
Exchange differences transferred from foreign exchange reserve	393,389
<i>Current liabilities</i>	
Trade and other payables	(872,195)
<i>Non-current liabilities</i>	
Deferred tax liabilities	(3,604,688)
Net assets disposed	24,253,747
Less withholding tax for equity transfer	(3,077,876)
	<u>21,175,871</u>
Gain on disposal	28,601,273
Total consideration	<u><u>49,777,144</u></u>
<b>Consideration</b>	
Cash and cash equivalents	46,039,933
Liabilities assumed by purchaser	3,737,211
	<u><u>49,777,144</u></u>

A gain of \$28,444,559 was recognised on the disposal of the Consolidated Entity's interest in Black Dragon. People's Republic of China withholding tax of \$3,077,876 was withheld from the sale proceeds. No other tax charge or credit arose on the transaction.

#### 4. INCOME TAX

	2010 \$	2009 \$
<b>Income tax expense</b>		
Current tax	158,261	–
Deferred tax	–	–
	<u>158,261</u>	<u>–</u>
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(1,789,463)	(3,397,827)
Tax at the Australian tax rate of 30% (2009: 30%)	(536,839)	(1,019,348)
Tax effect of amounts which are not deductible in calculating taxable income:		
Share based payments	–	13,901
Other non-deductible expenditure	325,013	623,695
	<u>(211,826)</u>	<u>(381,752)</u>
Tax losses not brought to account	370,087	381,752
Income tax expense	<u>158,261</u>	<u>–</u>

Current tax and income tax expense relate to assessable income in China Metals Pty Ltd as this entity is not included in the tax consolidated group.

#### Deferred tax liabilities

The balance comprises temporary differences attributable to:

Fair value adjustments on acquisition of subsidiary <sup>①</sup>	–	–
	<u>–</u>	<u>–</u>

<sup>①</sup> The deferred tax liability arises upon adoption of the balance sheet method required by AASB 112 *Income Taxes*. Although this does not represent a cash liability payable by the controlled entity, nonetheless the adoption of AASB 112 requires that it be brought to account. On the basis that the controlled entity receives revenue in the future from its operations in China, it will receive an income tax benefit to its Statement of Comprehensive Income representing the amortization of the deferred tax liability in line with the amortization of the Exploration and Evaluation expenditure which has since been transferred to development properties which has been carried forward in respect of this asset. The deferred tax liability has now been transferred to Non-Current Liabilities held for resale following the Company entering into an equity transfer agreement with respect to the sale of its Zheng Guang gold project in China.

#### Movements

Opening balance at 1 July	–	3,604,688
Charged/(credited) to the statement of comprehensive income	–	–
Transferred to Non-Current Liabilities held for sale	–	–
	<i>Note 15</i>	<u>(3,604,688)</u>
Closing balance at 30 June	<u>–</u>	<u>–</u>

#### Unrecognised Deferred Tax Balances

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

Tax losses – revenue	9,895,628	9,525,541
	<u>9,895,628</u>	<u>9,525,541</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 Consolidated Entity for tax purposes. The Board will review this position annually, before lodging of that year's income tax return.

## 5. REMUNERATION OF AUDITORS

	2010	2009
	\$	\$
<b>Auditor of the parent entity</b>		
Audit Services		
Fees paid to Deloitte Touche Tohmatsu		
– Audit and review of the financial reports and other audit work	49,000	47,215
Other non-audit services		
– Taxation advice	15,450	6,690
Total remuneration	<u>64,450</u>	<u>53,905</u>

## 6. TRADE AND OTHER RECEIVABLES

	2010	2009
	\$	\$
<b>Current</b>		
Amounts relating to:		
– interest receivable	1,089,765	–
– other persons	55,851	76,010
	<u>1,145,616</u>	<u>76,010</u>

## 7. OTHER ASSETS

	2010	2009
	\$	\$
<b>Current</b>		
Prepayments	<u>13,260</u>	<u>14,078</u>

## 8. NON-CURRENT ASSETS HELD FOR SALE

Zheng Guang assets and liabilities were recognised as held for sale. The Group completed the sale of its interest in Black Dragon on 2 December 2009 (Note 3).

		2010	2009
		\$	\$
Transferred from:			
Property, plant and equipment	11	–	12,752
Other financial assets	10	–	4,026,976
Development properties	12	–	20,288,355
		<u>–</u>	<u>24,328,083</u>

Additions to development properties of \$3,630,198 during 2010 are included in the net value of assets sold (Note 3).

## 9. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	\$	\$
<b>Non-current</b>		
Shares in other entities	<u>1</u>	<u>1</u>

## 10. OTHER FINANCIAL ASSETS

	2010 \$	2009 \$
<b>Non-current</b>		
Security deposits	14,999	14,999
Loans to other entities <sup>(1)</sup>	–	4,026,976
Transferred to Non-current assets held for sale	–	(4,026,976)
Total Loans to other entities	–	–
	<u>14,999</u>	<u>14,999</u>

(1) This represents money paid on behalf of the Consolidated Entity's joint venture partner, Qiqiha'er Brigade ("Qiqiha'er Brigade") of the Heilongjiang Bureau of Geology and Mineral Resources, in accordance with the joint venture agreement entered into in April 2006. The loan to the Qiqiha'er Brigade commenced accruing in September 2006 when the Consolidated Entity had satisfied its expenditure commitment for a 70 per cent. interest in Black Dragon. The loan was repaid during the settlement of the sale of the Zheng Guang project that was completed 2 December 2009.

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.

## 11. PROPERTY, PLANT AND EQUIPMENT

	2010 \$	2009 \$
<b>Plant &amp; equipment</b>		
At cost	100,677	20,714
Accumulated depreciation	(71,739)	(17,943)
Total plant and equipment (Note 11(a))	<u>28,938</u>	<u>2,771</u>
<b>(a) Reconciliation</b>		
<i>Plant and Equipment</i>		
Carrying amount at beginning of year	2,771	26,352
Additions	26,461	2,580
Disposals	–	–
Depreciation expense	(11,346)	(13,408)
Transferred to Non-Current Assets held for sale	–	(12,752)
Adjustment to Non-Current Assets held for sale <sup>(1)</sup>	11,052	–
Total plant & equipment	<u>28,938</u>	<u>2,771</u>

<sup>(1)</sup> The decision was made not to sell the previously identified plant and equipment and therefore the adjustment includes depreciation of \$1,700 for the period to 2 December 2009.

## 12. DEVELOPMENT PROPERTIES

	Note	2010 \$	2009 \$
Balance brought forward		–	16,324,326
Development expenditure incurred		3,630,198	3,964,029
Subtotal		3,630,198	20,288,355
Transferred to Non-Current Assets held for sale	8	(3,630,198)	(20,288,355)
Closing balance		<u>–</u>	<u>–</u>

Development expenditure in 2010 includes \$3,289,484 for liabilities assumed by the purchaser.

### 13. TRADE AND OTHER PAYABLES

	<i>Note</i>	<i>2010</i> \$	<i>2009</i> \$
<b>Current</b>			
Trade creditors and accruals (unsecured)		<u>158,455</u>	<u>1,567,699</u>
<b>Non-current</b>			
Trade creditors and accruals (unsecured)		–	1,758,919
Transferred to Non-Current Liabilities held for sale	15	<u>–</u>	<u>(1,758,919)</u>
		<u>–</u>	<u>–</u>

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 non-interest bearing with average payment terms of 30 days.

### 14. PROVISIONS

		<i>2010</i> \$	<i>2009</i> \$
Employee benefits		<u>64,112</u>	<u>45,452</u>

### 15. NON-CURRENT LIABILITIES HELD FOR SALE

Zheng Guang assets and liabilities were recognised as held for sale. The Group completed the sale of its interest in Black Dragon on 2 December 2009 (Note 3).

	<i>Note</i>	<i>2010</i> \$	<i>2009</i> \$
Transferred from:			
– Trade and other payables	13	–	1,758,919
– Deferred tax liabilities	4	–	3,604,688
		<u>–</u>	<u>5,363,607</u>

### 16. ISSUED CAPITAL

#### (a) *Issued and paid up capital*

		<i>2010</i> \$	<i>2009</i> \$
216,090,594 (2009: 218,255,692) fully paid ordinary shares		<u>64,175,728</u>	<u>64,552,218</u>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) **Movements in share capital during the past two years were as follows (Consolidated Entity and Company):**

<i>Date</i>	<i>Details</i>	<i>Ordinary Shares (Number)</i>	<i>Ordinary Shares (\$)</i>	<i>Total (\$)</i>
1/07/08	Opening Balance	218,110,891	64,507,082	64,507,082
8/10/08	Issue of shares <sup>(i)</sup>	144,801	46,336	64,553,418
	Share issue costs	–	(1,200)	64,552,218
30/06/09	Closing Balance	<u>218,255,692</u>	<u>64,552,218</u>	<u>64,552,218</u>
21/01/10	Buy-back of shares <sup>(ii)</sup>	(2,165,098)	(374,284)	64,177,934
	Share buy-back costs	–	(2,206)	64,175,728
30/06/10	Closing Balance	<u>216,090,594</u>	<u>64,175,728</u>	<u>64,175,728</u>

*Note*

(i) On 8 October 2008, the Company issued 144,801 fully paid ordinary shares at \$0.32 as part of employee benefits, fair value was determined based on the volume weighted average share price on the ASX for the previous 10 trading days before they were issued.

(ii) On 21 January 2010, the Company cancelled 2,165,098 fully paid ordinary shares that were acquired in an on market share buy-back at an average price of 17.4 cents per share.

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

## 17. RESERVES

	<i>2010</i>	<i>2009</i>
	<i>\$</i>	<i>\$</i>
Employee benefits reserve	1,373,173	1,941,893
Foreign currency translation reserve	6,135	488,917
	<u>1,379,308</u>	<u>2,430,810</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

#### *Employee benefits reserve*

The employee benefits reserve is used to recognise the fair value of services provided to the Company by employees who are paid through the issue of options in the Company.

Details of the options that comprise the employee benefits reserve are as follows:

	<i>2010</i>	<i>2009</i>
	<i>\$</i>	<i>\$</i>
Nil (2009: 700,000) \$0.40 options	–	268,100
Nil (2009: 550,000) \$0.55 options	–	300,620
4,750,000 (2009: 4,750,000) \$0.70 options	1,373,173	1,373,173
	<u>1,373,173</u>	<u>1,941,893</u>

#### *Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve as described in note 1(d). The accumulated exchange difference is recognised in profit and loss when the net investment is disposed of.

## 18. ACCUMULATED LOSSES

	2010	2009
	\$	\$
Balance at the beginning of the financial year	(45,604,881)	(42,319,895)
Net profit/(loss) attributable to members of the Company	26,496,835	(3,397,827)
Transfer from Employee Benefits Reserve	568,720	–
Transfer from Option Premium Reserve	–	112,841
	<u>(18,539,236)</u>	<u>(45,604,881)</u>
Balance at the end of the financial year	<u>(18,539,236)</u>	<u>(45,604,881)</u>
Adjusted franking account balance (tax paid basis)	<u>6,913,764</u>	<u>6,913,764</u>

## 19. EARNINGS PER SHARE

	2010	2009
	\$	\$
From continuing and discontinued operations		
Basic profit/(loss) per share (cents per share)	12.2	(1.6)
Dilutive profit/(loss) per share (cents per share)	12.2	(1.6)
From continuing operations:		
Basic loss per share (cents per share)	(0.9)	(0.9)
Diluted loss per share (cents per share)	(0.9)	(0.9)

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:

	2010	2009
	\$	\$
Net profit/(loss) used in calculating basic earnings per share	26,496,835	(3,397,827)
Adjustment to exclude profit from discontinued operations	28,444,559	1,433,879
	<u>(1,947,724)</u>	<u>(1,963,948)</u>
Earnings used in calculating basic and diluted earnings per share from continuing operations	<u>(1,947,724)</u>	<u>(1,963,948)</u>
	<i>Number of</i>	<i>Number of</i>
	<i>Shares</i>	<i>shares</i>
	<i>2010</i>	<i>2009</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	217,306,608	218,216,417
Effect of dilutive securities	–	–
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	<u>217,306,608</u>	<u>218,216,417</u>

### (a) **Conversions, calls, subscriptions or issues after 30 June 2010**

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since 30 June 2010.

(b) **Non-dilutive securities**

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share from continuing and discontinued operations:

	<i>Number of potential shares 2010</i>	<i>Number of potential shares 2009</i>
Options – 40 cents exercise price	–	700,000
Options – 55 cents exercise price	–	550,000
Options – 70 cents exercise price	4,750,000	4,750,000

**20. DIVIDENDS PAID OR PROVIDED FOR**

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

**21. COMMITMENTS FOR EXPENDITURE**

	<i>2010 \$</i>	<i>2009 \$</i>
<b>Development Expenditure</b>		
Not longer than 1 year <sup>(i)</sup>	–	1,888,944
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
<b>Total Development Commitment</b>	<u>–</u>	<u>1,888,944</u>
<b>Total Commitments</b>	<u>–</u>	<u>1,888,944</u>

(i) Following the sale of the consolidated entity's interest in Black Dragon and the Zheng Guang projects, the consolidated entity no longer has these commitments.

**22. LEASE COMMITMENTS**

**Operating leases**

*Leasing arrangements*

The operating leases relate to the lease of an office in China and an office in Mongolia. The current lease in China is for a period of two years commencing 28 March 2009 and the lease in Mongolia is for a period of six months commencing 27 April 2010. The Consolidated Entity does not have an option to acquire the leased assets at the expiry of the lease period.

	<i>2010 \$</i>	<i>2009 \$</i>
<i>Non-cancellable operating leases</i>		
Not longer than 1 year	94,746	22,057
Longer than 1 year and not longer than 5 years	87,696	–
Longer than 5 years	–	–
	<u>182,442</u>	<u>22,057</u>

## 23. SUBSIDIARIES

<i>Name of Entity</i>	<i>Country of Incorporation</i>	<i>Class of Shares</i>	<i>Equity Holding</i>	
			<i>2010</i> %	<i>2009</i> %
<b>Parent Entity</b>				
Leyshon Resources Limited	Australia			
<b>Controlled Entities</b>				
China Metals Pty Ltd	Australia	Ordinary	100	100
Ikh Zuchi Resources LLC	Mongolia	Ordinary	100	–
South Gobi Coal Company Limited	Cayman Islands	Ordinary	100	–

## 24. SEGMENT INFORMATION

The Consolidated Entity has adopted AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Consolidated Entity's reportable segments has changed.

In previous years, segment information reported externally was analysed on the basis of the geographical areas in which it operated its business of exploration of gold and other minerals. However, information reported to the Consolidated Entity's Managing Director for the purposes of resource allocation and assessment of performance is more specifically focused on one operating segment, being the exploration of gold and other minerals.

The accounting policies of the new reportable segment are the same as those of the Consolidated Entity. As the Consolidated Entity has only one operating segment, all the necessary reporting disclosures are disclosed elsewhere in the notes to the financial information.

On 2 December 2009 the Consolidated Entity sold its interest in the Zheng Guang Gold Project in China and is actively seeking other projects in the China region to invest in that meet its investment guidelines.

## 25. RELATED PARTY DISCLOSURES

### (a) ***Equity interests in related parties***

#### *Equity interests in subsidiaries*

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 23 to the financial information.

### (b) ***Key management personnel compensation***

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

- John WS Fletcher (Chairman)
- Paul C Atherley (Managing Director)
- Richard Seville (Non Executive Director)
- Andrew J Berry III (Non Executive Director)
- Peter Niu – Financial Controller
- Stacey Apostolou – Company Secretary
- Henry Tebar – Exploration Manager – Appointed 16 November 2009

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

	2010	2009
	\$	\$
Short-term employee benefits	1,455,873	1,158,012
Post-employment benefits	5,574	5,302
Termination benefits	–	–
Share-based payment	–	46,336 <sup>(i)</sup>
	<u>1,461,447</u>	<u>1,209,650</u>

(i) Represents 144,801 fully paid ordinary shares issued at \$0.32 in consideration of a reduction in the cash component of the individual's remuneration during the 2009 financial year.

(c) **Key management personnel equity holdings**

*Fully paid ordinary shares of Leyshon Resources*

	<i>Balance at the start of the year</i>	<i>Purchases</i>	<i>Received on exercise of options</i>	<i>Other changes<sup>(1)</sup></i>	<i>Disposals</i>	<i>Balance at the end of the year</i>
<b>2010</b>						
Mr Paul Atherley	29,000,000	530,000	–	–	–	29,530,000
Mr John Fletcher	2,202,824	113,500	–	–	–	2,316,324
Mr Richard Seville	–	750,000	–	–	–	750,000
Mr Andrew Berry III	–	–	–	–	–	–
Mr Peter Niu	28,026	–	–	–	–	28,026
Ms Stacey Apostolou	100,000	–	–	–	–	100,000
Mr Henry Tebar	–	–	–	–	–	–
<b>2009</b>						
Mr Paul Atherley	29,000,000	–	–	–	–	29,000,000
Mr John Fletcher	2,202,824	–	–	–	–	2,202,824
Mr Richard Seville	–	–	–	–	–	–
Mr Andrew Berry III	–	–	–	–	–	–
Ms Stacey Apostolou	100,000	–	–	–	–	100,000
Mr Vic McLaglen <sup>(2)</sup>	–	–	–	116,775	–	116,775
Mr Peter Niu	–	–	–	28,026	–	28,026

(1) 2009 – shares issued in return for accepting a reduction in cash remuneration

(2) 2009 – Mr Vic McLaglen ceased employment during the year

Options exercisable @ \$0.70 each on or before 30 November 2010 or 30 June 2011 (as appropriate)

	<i>Balance at the start of the year</i>	<i>Granted as remuneration</i>	<i>Exercised</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>	<i>Vested during the year</i>	<i>Vested and exercisable at the end of the year</i>
<b>2010</b>							
Mr John Fletcher – 2010 Options	1,000,000	–	–	–	1,000,000	–	1,000,000
Mr Richard Seville – 2010 Options	1,000,000	–	–	–	1,000,000	–	1,000,000
Ms Stacey Apostolou – 2010 Options	2,000,000	–	–	–	2,000,000	–	2,000,000

	<i>Balance at the start of the year</i>	<i>Granted as remuneration</i>	<i>Exercised</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>	<i>Vested during the year</i>	<i>Vested and exercisable at the end of the year</i>
<b>2009</b>							
Mr John Fletcher – 2010 Options	1,000,000	–	–	–	1,000,000	–	1,000,000
Mr Richard Seville – 2010 Options	1,000,000	–	–	–	1,000,000	–	1,000,000
Ms Stacey Apostolou – 2010 Options	2,000,000	–	–	–	2,000,000	–	2,000,000
Dong Ping Ye – <sup>(1)</sup> 2011 Options	750,000	–	–	–	750,000	–	750,000

(1) 2009 – Mr Dong Ping Ye ceased employment during the year

Options exercisable @ \$0.40 or \$0.55 (as appropriate) each on or before 30 November 2009

	<i>Balance at the start of the year</i>	<i>Granted as remuneration</i>	<i>Exercised</i>	<i>Other changes</i>	<i>Balance at the end of the year</i>	<i>Vested during the year</i>	<i>Vested and exercisable at the end of the year</i>
<b>2010</b>							
Mr Vic McLaglen – \$0.40 Options	550,000	–	–	(550,000)	–	–	–
Mr Vic McLaglen – \$0.55 Options	550,000	–	–	(550,000)	–	–	–
<b>2009</b>							
Mr Vic McLaglen – \$0.40 Options	550,000	–	–	–	550,000	–	550,000
Mr Vic McLaglen – \$0.55 Options	550,000	–	–	–	550,000	–	550,000

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

Richard Seville & Associates Pty Ltd, a company of which Mr Richard Seville is a director and beneficial shareholder, was paid nil (2009: \$4,752) for the provision of technical services. This amount is included in exploration expenses for the year.

(e) **Transactions with other related parties**

*Transactions between Leyshon and its subsidiaries*

Inter-company Account

The Company provides working capital to its controlled entities. Transactions between the Company and other controlled entities in the wholly owned group during the financial year ended 30 June 2010 consisted of:

- (i) Working capital advanced by the Company;
- (ii) Working capital repaid to the Company; and

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

At balance date amounts receivable from controlled entities totalled \$440,518 (2009: \$31,392,366).

(f) **Parent entities**

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

**26. SUBSEQUENT EVENTS AFTER BALANCE DATE**

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

**27. NOTES TO THE STATEMENT OF CASH FLOWS**

(a) **Reconciliation of cash and cash equivalents**

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

	2010	2009
	\$	\$
Cash and cash equivalents	46,193,725	3,918,963

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

	2010	2009
	\$	\$
Profit/(loss) for the year	26,496,835	(3,397,827)
Depreciation and amortisation	13,046	13,408
Increase in provision for employee entitlements	18,660	(75,495)
Interest on loan to joint venture partner	-	(270,418)
Unrealised foreign exchange differences	283,646	(138,765)
(Gain)/loss from sale of interest in Black Dragon Mining	(28,444,559)	-
Share based payment expense	-	46,336
(Increase)/decrease in trade and other receivables and other assets	(1,075,367)	(85,330)
(Decrease)/increase in payables	(99,897)	493,114
Net cash provided (used) by operating activities	(2,807,636)	(3,414,977)

(c) **Non cash transactions**

30 June 2010

During the financial year:

- (a) On 30 November 2009, 700,000 options with an exercise price of 40 cents expired.
- (b) On 30 November 2009, 550,000 options with an exercise price of 55 cents expired.
- (c) Grant of options – there were no options granted by the Company during the year.

30 June 2009

During the financial year:

- (a) On 8 October 2008, 144,801 shares valued at \$46,336 were issued to employees as consideration for negotiated reductions in cash remuneration;

**28. JOINTLY CONTROLLED ENTITY**

The Group was a venturer in the following jointly controlled entity:

Name of venture	Principal activity	Interest	
		2010 %	2009 %
Black Dragon Mining Company Limited	Exploration and development	–	70

The Group's interest in assets employed in the above jointly controlled entity is detailed below. The amounts are included in the consolidated statement of financial position under their respective assets categories:

	2010 \$	2009 \$
<b>Current assets</b>		
Cash	–	51,387
Other	–	6,579
<b>Total current assets</b>	–	57,966
<b>Non current assets</b>		
Other	–	–
Development properties	–	6,475,892
<b>Total non current assets</b>	–	6,475,892
<b>Total assets</b>	–	6,533,858

As disclosed in note 3, the Group completed the sale of its interest in Black Dragon on 2 December 2009.

During the year, the Company announced that it was entering into a 51 per cent. joint venture interest in the QHD Iron Mountain project. After completing its assessment, the Company decided to withdraw from the project.

## **29. FINANCIAL RISK MANAGEMENT**

### **Overview**

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

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

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

### **Significant Accounting Policies**

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

### **Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial information represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial information.

### **Credit risk**

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity 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 consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counter-party.

#### *Cash and cash equivalents*

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

#### *Trade 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:

	2010	2009
	\$	\$
Loans and receivables	1,145,616	4,093,650
Cash and cash equivalents	46,193,725	3,918,963
	<u>47,339,342</u>	<u>8,012,613</u>

### Impairment losses

None of the Groups' other receivables are past due (2009: Nil).

### 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.

On 2 December 2009 the Company completed the sale of the Group's interests in Black Dragon which holds the Zheng Guang development project. As part of the sale, an amount of more than A\$34 million cash and cash equivalents was received.

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

	2010	2009
	\$	\$
Less than 6 months	47,339,342	8,012,613
6 months to 1 year	–	–
1 to 5 years	–	–
Over 5 years	–	–
	<u>47,339,342</u>	<u>8,012,613</u>

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

	2010	2009
	\$	\$
Less than 6 months	158,455	286,745
6 months to 1 year	–	726,150
1 to 5 years	–	2,313,723 <sup>(i)</sup>
Over 5 years	–	–
	<u>158,455</u>	<u>3,326,618</u>

(i) Consists of \$1,758,919 of Non-Current Liabilities Held for Sale that were settled or assumed by the purchaser and \$554,804 of Non-Current liabilities which have been classed as Current given that they were dealt with as part of the overall sale process.

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 three months.

## Currency Risk

The Group is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, which is primarily the Australian Dollar (AUD). The currencies in which these transactions primarily are denominated are USD, GBP and RMB.

The Group has not entered into any derivative financial instruments to hedge such transactions.

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

### Exposure to Currency Risk

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

	RMB	A\$ USD	GBP	Total
<b>30 June 2010</b>				
<i>Financial Assets</i>				
Cash and cash equivalents	43,159	120,563	1,162	164,884
<i>Financial Liabilities</i>				
Amortised cost	(39,314)	(9,800)	(3,360)	(52,474)
Net balance sheet exposure	<u>3,845</u>	<u>110,763</u>	<u>(2,198)</u>	<u>112,410</u>
<b>30 June 2009</b>				
<i>Financial Assets</i>				
Cash and cash equivalents	69,817	1,427	295,794	367,038
Loans and receivables	4,057,739	-	-	4,057,739
<i>Financial Liabilities</i>				
Amortised cost	(2,377,709)	(117,383)	(14,621)	(2,509,713)
Net balance sheet exposure	<u>1,749,847</u>	<u>(115,956)</u>	<u>281,173</u>	<u>1,915,064</u>

### *Sensitivity analysis*

A 20 per cent. strengthening of the Australian dollar against the following currencies at 30 June 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 2009.

	<i>Other Equity A\$</i>	<i>Profit or loss A\$</i>
<b>30 June 2010</b>		
RMB	–	769
USD	–	22,153
GBP	–	440
	<hr/>	<hr/>
	–	22,482
	<hr/> <hr/>	<hr/> <hr/>
	<i>Other Equity A\$</i>	<i>Profit or loss A\$</i>
<b>30 June 2009</b>		
RMB	–	349,970
USD	–	(23,191)
GBP	–	56,234
	<hr/>	<hr/>
	–	383,013
	<hr/> <hr/>	<hr/> <hr/>

A 20 percent weakening of the Australian dollar against the above currencies at 30 June would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### **Interest rate risk**

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 90 day rolling periods.

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	<i>Weighted Average Effective Interest Rate %</i>	<i>Variable Interest Rate \$</i>	<i>Fixed Interest Rate \$</i>	<i>Total \$</i>
<b>2010</b>				
<i>Financial Assets</i>				
Cash and cash equivalents	6.0%	46,193,725	–	46,193,725
<i>Financial Liabilities</i>				
Financial liabilities		–	–	–
		<u>46,193,725</u>	<u>–</u>	<u>46,193,725</u>
<b>2009</b>				
<i>Financial Assets</i>				
Cash and cash equivalents	3.4%	3,918,963	–	3,918,963
Other financial assets	5.8%	4,026,976	–	4,026,976
<i>Financial Liabilities</i>				
Financial liabilities		–	–	–
		<u>7,945,939</u>	<u>–</u>	<u>7,945,939</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 2009.

	<i>Other Equity A\$</i>	<i>Profit or loss A\$</i>
<b>30 June 2010</b>		
Variable rate instruments	–	461,937
	<u>–</u>	<u>461,937</u>
<b>30 June 2009</b>		
Variable rate instruments	–	78,611
	<u>–</u>	<u>78,611</u>

#### **Commodity Price Risk**

The Group is still operating primarily in the evaluation and development phase and accordingly the Group's financial assets and liabilities are not yet subject to commodity price risk.

#### **Capital Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 16, 17 and 18 respectively.

### 30. 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.

#### Valuation of Securities

30 June 2010

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

30 June 2009

There were no options granted by the Company during the year. In October 2008 there were 144,801 fully paid ordinary shares issued to employees of the Company in accordance with agreements for negotiated salary reductions. Valuation of the shares was determined from the volume weighted average price on ASX over a 10 day period prior to issue.

### 31. PARENT ENTITY DISCLOSURES

#### Financial Information

##### (a) Financial Position

	2010	2009
	\$	\$
<b>Assets</b>		
Current assets	33,093,092	3,894,195
Non-current assets	9,700,989	40,544,766
Total assets	<u>42,794,081</u>	<u>44,438,961</u>
<b>Liabilities</b>		
Current liabilities	171,253	215,094
Total liabilities	<u>171,253</u>	<u>215,094</u>
<b>Equity</b>		
Issued capital	64,175,728	64,552,218
Retained losses	(22,926,073)	(22,270,244)
Employee benefits reserve	1,373,173	1,941,893
Total equity	<u>42,622,828</u>	<u>44,223,867</u>
<b>(b) Financial performance</b>		
Loss for the year	(1,224,550)	(1,481,030)
Other comprehensive income	-	-
Total comprehensive income	<u>(1,224,550)</u>	<u>(1,481,030)</u>

(c) **Guarantees entered into by the Company in relation to the debts of its subsidiaries**

2010	2009
\$	\$
—	—

(d) **Contingent liabilities of the Company**

2010	2009
\$	\$
—	—

(e) **Commitments for the acquisition of property, plant and equipment by the Company**

2010	2009
\$	\$
—	—

## PART V

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated as an Australian proprietary limited company under the Australian Corporations Act on 24 October 1983 and registered in Australia with an Australian Company Number (ACN) of 010482274. The legal and commercial name of the Company is Leyshon Resources Limited. The Company is obliged to comply with the Australian Corporations Act and also with specific obligations arising from other laws that relate to its activities.
- 1.2 The Ordinary Shares are quoted on the Official list of ASX and will continue to be so listed.
- 1.3 The Ordinary Shares have been admitted to the Official list of ASX since 10 January 1985.
- 1.4 The Directors consider that the Company has adhered to all legal and regulatory requirements involved in having its securities quoted on the Official list of ASX.
- 1.5 The Directors consider that the Company has complied with the continuous disclosure requirements of the ASX Listing Rules. All significant changes in its financial or trading position since the end of the financial year ended 30 June 2010 have been the subject of announcements available on the Company's and ASX web sites.
- 1.6 The registered office of the Company is at 36 Outram Street, West Perth WA 6005, Australia and the telephone number of the registered office is +618 9321 0077. The ISIN for the Ordinary Shares is AU000000LRL1.
- 1.7 The Company is the holding company of the Group. The Company currently has seven wholly owned subsidiaries, the details of which are set out below:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage owned</i>
China Metals Pty Limited	Australia	Investing company	100
Ikh Zuchi Resources LLC	Mongolia	Dormant	100
South Gobi Coal Company Limited	Cayman Islands	Dormant	100
Chang Xing Ltd	British Virgin Islands	Management company	100
Trident Investments Ltd	Hong Kong	Management company	100
Beijing North Asia Mining Management and Consulting Co., Ltd	China	Wholly owned foreign entity	100
Xinjiang Exploration and Development Ltd	British Virgin Islands	Investing company	100

These are not considered to be significant subsidiaries (in that they are not likely to have a significant effect on the assessment of the Company's own assets and liabilities, financial position or profits or losses.)

- 1.8 Save as referred to above, the Company does not hold any shares or other securities in the capital of any company and is not otherwise part of any group of companies.
- 1.9 The number of Ordinary Shares in issue at 1 July 2009 and as at 30 June 2010 and an analysis of the movement during the course of the Company's last financial year is as follows:

<i>As at:</i>	<i>Ordinary Shares (Number)</i>
1 July 2009	218,225,692
Shares acquired in an on market buy back by the Company at A\$0.174 per share and cancelled on 21 January 2010	(2,165,098)
30 June 2010	216,090,594

## 2. Constitution

The Company is governed by its Constitution. A complete copy of the Company's Constitution is available on the Company's website, [www.leyshonresources.com](http://www.leyshonresources.com).

2.1 In accordance with the AIM Rules, the Company provides the following specific information in relation to the provisions of its Constitution:

(a) The Company is a public company limited by shares.

(b) *Shares*

Subject to applicable law and any rights and restrictions attached to a class of shares, the Company may allot and issue unissued shares and grant options over unissued shares, on any terms and for any consideration, as the Directors resolve. The powers of the Company to do so may only be exercised by the Directors.

Subject to any rights and restrictions for the time being attached to any class or classes of shares whether by their terms of issue, the Constitution or the Australian Corporations Act, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of the shares in the Company have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney) the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

The Company may issue any shares as preference shares including preference shares which are liable to be redeemed in a manner permitted by the Australian Corporations Act and preference shares in accordance with the schedule contained in the Constitution. Holders of preference shares have the same rights as holders of ordinary shares in relation to receiving notices, reports and audited accounts, an attending meetings of members, however they have limited voting rights and can only vote during a period when a dividend is in arrears; on a proposal to reduce the share capital of the Company; on a resolution to approve the terms of a buy-back agreement; on a proposal that affects rights attaching to the preference shares; on a proposal to wind up the Company; on a proposal for the disposal of the whole of the property, business and undertaking of the Company and during the winding up of the Company.

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Constitution, the Australian Corporations Act and the ASX Listing Rules.

The Company may vary or cancel rights attaching to shares in the class or convert shares from one class to another by a special resolution of the Company and either a special resolution passed at a meeting of the members holding shares in that class or the written consent of shareholders who are entitled to at least 75 per cent. of the votes that may be cast in respect of shares in the relevant class. These conditions are not more than is required by Australian law.

In addition to payment of dividends, the Directors may capitalise any profits of the Company and distribute the capital to the members, in the same proportions as the members are entitled to a dividend.

On a winding up of the Company, the profits are to be divided equally between the members in proportion to their shareholdings (subject to any rights or restrictions attaching to the shares). The assets of the Company on liquidation are also to be divided up between the members, but the proportions are to be decided by the liquidator and sanctioned by a special resolution (75 per cent.) of the members.

(c) *Transfer of Shares*

Subject to the Constitution and the Australian Corporations Act shares in the Company are freely transferable. A transfer may be effected by a proper ASTC transfer, an instrument of transfer in compliance with the Constitution or any other method permitted by applicable law.

(d) *Dividends*

The Company in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionately to the amount paid up or credited as paid up on the shares.

(e) *Meetings*

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Australian Corporations Act. All members, each Director, alternate director, auditor and ASX must be given notice of a meeting and the Company must give 28 days notice to the members unless the Australian Corporations Act permits otherwise. The notice must also set out the place, date and time for the meeting, state the general nature of the business and set out any information or documents set out in the law. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 eligible voters.

The Company will hold annual general meetings in accordance with the Australian Corporations Act and the ASX Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a company) to speak and to vote at general meetings of the Company.

(f) *Proportional Takeover Bid Approval*

The Company must refuse to register a transfer of shares giving effect to a takeover contract for a proportional takeover bid unless and until a resolution approving a proportional takeover bid in accordance with the Constitution is passed.

(g) *Directors*

The Company must have a minimum of three Directors up to a maximum of ten (although the numbers can be changed in a general meeting of the Company, providing the minimum is never less than three). In the event that the number of Directors is less than three, the Directors must not act, except as in an emergency to appoint more Directors.

Subject to the above, the Directors may appoint any person as a Director and the members may appoint any person as a director by ordinary resolution.

Election of Directors must be held every year, and nominations for the Directors must be received 35 days in advance of the meeting (or 30 days if the meeting is a meeting called by the members).

The nominations must be received in writing, signed by a member and lodged at the Company's registered office. The nominee must also consent in writing.

All Directors, except the managing director of the Company, must retire on rotation, on the longer of the third annual general meeting or three years after his appointment. If the Company has more than three Directors, a third of Directors must retire at each AGM although those that do retire are eligible for re-election at the same AGM.

*Alternate Directors*

With the approval of the other Directors, any Director can appoint an alternate director, who need not be a Member. The notice of appointment (or termination of appointment) of an alternate must be signed by the Director, the nominee alternate and be lodged at the Company.

If the Director is not present at a meeting, the alternate can exercise all that Director's power.

### *Remuneration*

The maximum remuneration payable to the non-executive Directors shall be as decided by the Company in a general meeting. The Directors will determine, up to the maximum amount payable, how such remuneration will be distributed amongst the non-executive Directors.

The remuneration of the executive Directors is subject to the terms of the service agreements between the Company and each of them.

Remuneration for the executive Directors and the non-executive Directors is not to be calculated as a percentage or commission on operating revenue (or, in the case of the non-executive directors, profit). However, if a Director performs extra duties, such as participation on a committee, additional remuneration may be payable, subject to the provisions of the Australian Corporations Act.

### *Interests*

A Director may hold an office or any place of profit (except as an auditor) as the Directors resolve; may hold office, or otherwise be interested in any related body corporate that the Company has an interest in; and the Director's firm may also act in a professional capacity on behalf of the Company (except as an auditor) and that Director may retain the benefit from that position, provided always such interest is disclosed.

If the Director discloses the fact, in accordance with the Australian Corporations Act, the Director may also make arrangements or contracts with the Company in which the Director is interested; the Director may be considered in the quorum for considering the contract, the Director may vote on the contract, sign the contract on behalf of the Company and retain the benefit (subject, always, to all applicable law).

The Directors must also provide the Company with the information the Company is required by the ASX Listing Rules to disclose to ASX in respect of notifiable interests of the Directors (and their changes).

## *(h) Officers*

### *Managing Director*

The Directors may appoint one or more of themselves as a managing director, for any period and on any terms (including remuneration) as the Directors resolve.

Subject to any agreement between the Company and a managing director, the Directors may remove or dismiss a managing director at any time, with or without cause. The Directors may delegate any of their powers (including the power to delegate) to a managing director. A person ceases to be a managing director if the person ceases to be a Director.

### *Secretary*

The Directors may appoint one or more secretaries, for any period and on any terms (including remuneration) as the Directors resolve. Subject to any agreement between the Company and a secretary, the Directors may remove or dismiss a secretary at any time, with or without cause.

### *Indemnity and Insurance*

To the extent permitted by Australian law, the Company must indemnify each relevant officer against a liability of that person and legal costs of that person. To the extent permitted by Australian law, the Company may enter into an agreement or deed with a relevant officer or a person who is, or has been on officer of the Company or a subsidiary of the Company, to indemnify them against certain activities and to maintain certain records.

## *(i) Powers of the Company and Directors*

The Company may exercise in any manner permitted by the Australian Corporations Act any power which a public company limited by shares may exercise under the Australian Corporations Act. The business of the Company is managed by or under the direction of the Directors. The Directors may exercise all the powers of the Company except any powers that the Australian Corporations Act or the Constitution requires the Company to exercise in general meeting.

The Company may execute a document with or without a common seal so long as in either case the document or the fixing of the seal is witnessed by two Directors, a Director and a secretary or a Director and another person appointed by the Directors for that purpose.

The Directors may delegate any of their powers (including this power to delegate) to a committee of Directors, a Director, an employee of the Company or any other person. The Directors may also revoke or vary any of these powers. A committee or delegate must exercise the powers delegated in accordance with any directions of the Directors.

The Directors may appoint any person to be attorney or agent of the Company for any purpose, for any period and on any terms (including as to remuneration) as the Directors resolve. The Directors may delegate any of their powers to an attorney or agent and may revoke or vary any such powers.

(j) *Proceedings of Directors*

The Directors may pass a resolution without a meeting of the Directors being held if all of the Directors entitled to vote on the resolution assent to a document containing a statement that they are in favour of the resolution set out in the document.

The Directors may meet, adjourn and otherwise regulate their meetings as they think fit. A meeting of Directors may be held using any technology.

A Director may call a meeting of Directors at any time, and upon such a request, the secretary of the Company must call a meeting of the Directors.

Notice of a meeting of Directors must be given to each Director and alternate director no less than 12 hours prior to the commencement of the meeting unless all Directors agree otherwise.

Subject to the Australian Corporations Act, a quorum for a meeting of Directors is: if the Directors have a fixed number for the quorum, that number of Directors; and in any other case, two Directors entitled to vote on a resolution that may be proposed at that meeting. A quorum for a meeting of Directors must be present during the entire meeting.

The Directors may elect a Director as chairperson of Directors or deputy chairperson of Directors for any period they resolve, or if no period is specified, until that person ceases to be a Director. The Directors may remove the chairperson of Directors or deputy chairperson of Directors at any time.

A resolution of Directors is passed if more votes are cast in favour of the resolution than against it. Each Director has one vote on a matter arising at a meeting of the Directors, unless that Director is acting as alternate director for another Director, in which case that Director will also have one vote as an alternate director. Where a person is present as an alternate director for more than one Director, that person has, subject to the provisions of the Constitution, one vote for each appointment.

### **3. Other relevant laws and regulations**

#### **3.1 *Disclosure of interests in shares***

A shareholder in a public company incorporated in the United Kingdom whose shares are admitted to trading on AIM is required pursuant to Rule 5 of the Disclosure and Transparency Rules to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds. A company not subject to the Disclosure and Transparency Rules must nonetheless comply with the AIM Rules requiring notification without delay of any relevant changes to any holdings of 3 per cent. or more of its AIM securities. Pursuant to Chapter 6C of the Australian Corporations Act, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be interested in the Company's shares or, to have been so interested at any time during the three years immediately preceding the date on which the notice is issued, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares of the Company held by that person or to his knowledge any other person also having an interest in the same shares.

## 3.2 *Takeover Regulation and Compulsory Acquisition*

### 3.2.1 General Scheme of Takeover Regulation

Chapter 6 of the Australian Corporations Act applies to the Company. Chapter 6 seeks to regulate takeovers by imposing a blanket prohibition on acquisitions beyond a 20 per cent. threshold, unless certain gateways and exemptions are used.

Section 606 of the Australian Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from:

- (a) 20 per cent. or below to more than 20 per cent.; or
- (b) a starting point that is above 20 per cent. and below 90 per cent.

The voting power of a person in a company is determined by reference to section 610 of the Australian Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Australian Corporations Act) have a relevant interest.

The principal means of lawfully exceeding the 20 per cent. threshold are:

- (a) by making offers under an off-market bid;
- (b) by making offers under a market bid;
- (c) by acquiring not more than 3 per cent. of the voting shares of the target company in any period of six months; and
- (d) by making the acquisition after shareholder approval.

### 3.2.2 Compulsory acquisition of bid class securities

Part 6A.1 of the Australian Corporations Act establishes a procedure whereby, after making a takeover bid, a bidder may proceed to compulsorily acquire the outstanding minority shareholdings of bid class securities (i.e. ordinary shares in a company).

Section 661A of the Australian Corporations Act provides that a bidder under a takeover bid may compulsorily acquire any securities in the bid class if:

- (a) the bid is an off-market bid or a market bid to acquire all securities in the bid class; and
- (b) during, or at the end of, the offer period the bidder and its associates have:
  - (i) relevant interests in at least 90 per cent. (by number) of the securities in the bid class; and
  - (ii) acquired at least 75 per cent. (by number) of the securities that the bidder offered to acquire under the bid (whether under the bid or not).

Where the provisions apply, the bidder must proceed with compulsory acquisition for all securities in the bid class that were issued before the end of the offer period and in which the bidder does not have a relevant interest: Section 661A(4)(a). The terms of the compulsory acquisition will be those that apply to the acquisition of securities under the bid. The bidder must dispatch compulsory acquisition notices within one month of the end of the offer period.

### 3.2.3 Protection for Minority Shareholders

The Australian laws also provide protection for minority shareholders. The compulsory buy-out rules in Division 2 of Part 6A.1 provide rights to minority security holders to compel majority holders ("90 per cent. holders") to offer to buy out the holdings of the minority holders following a takeover. Where the provisions apply, the bidder must make its offer by preparing a notice in a prescribed form within one month after the end of the offer period.

A holder who wishes to be bought out must give written notice to the bidder within one month: Section 662C(1). By giving notice a contract is formed between the holder and the

bidder for the sale of those securities on the terms that applied under the takeover immediately before the end of the offer period or, if the holder and the bidder agree on other terms, those terms.

There have been no takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.

### 3.3 *ASX Listing Rules*

As an ASX listed company, the Company has a general obligation to comply with the ASX Listing Rules.

## **4. Share capital**

- 4.1 Pursuant to the Australian Corporations Act, Australian companies are no longer required to have a par value for their issued shares, therefore, the Company does not have an authorised share capital that sets the limit to the number of shares it can issue. The issued share capital of the Company as at the date of this document is 216,090,594 fully paid Ordinary Shares. Pursuant to the Placing, 30,435,130 Placing Shares are to be issued, increasing the issued share capital by 14.08 per cent., resulting in an immediate dilution to existing Shareholders of 12.35 per cent.
- 4.2 The Ordinary Shares have no nominal or par value and are recorded in the accounts of the Company at their issue price.
- 4.3 Whilst there is generally no limit in the Australian Corporations Act or the Constitution on the power of the Directors to issue shares, subject to certain exceptions (including those in respect of pro rata issues) rule 7.1 of the ASX Listing Rules prohibits a company which is quoted on the Official List of ASX from issuing shares or options representing more than 15 per cent. of its issued ordinary capital in any twelve month period without shareholder approval. Such shareholder approval requires an ordinary resolution passed by a simple majority. No shareholder approval is required to issue the Placing Shares which the Directors will resolve to issue in accordance with their authority to do so under the Constitution.
- 4.4 The Company has in issue 750,000 unlisted options to subscribe for Ordinary Shares. No application is to be made for the unlisted options to be quoted on the Official List of ASX or admitted to trading on AIM.
- 4.5 Save as disclosed in this document:
- (a) since 30 June 2010, being the date of the latest audited accounts of the Company, no share of the Company has been issued or is now proposed to be issued, fully or partly paid either for cash or for a consideration other than cash;
  - (b) the Company has no agreement in place to put any share under option and has not agreed conditionally or unconditionally to put any share under option and there are not in issue any convertible securities, exchangeable securities or securities with warrants;
  - (c) no person has any rights over the capital in any subsidiary of the Company and the Company has not agreed conditionally or unconditionally to grant any option over the capital of any subsidiary;
  - (d) there are no shares in issue that do not represent share capital and there are no Ordinary Shares (nor will there be Ordinary Shares at Admission) held by or on behalf of the Company or by any member of the Group;
  - (e) since 30 June 2010, being the date of the latest audited accounts of the Company, no commission, discount, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share capital of the Company;
  - (f) no founder, management or deferred shares have been issued by the Company; and
  - (g) no amount or benefit has been paid or is agreed or proposed to be paid or given to any promoter of the Company in connection with the Placing or Admission.

- 4.6 On Admission there will be no Ordinary shares in issue that are not fully paid and all Ordinary Shares will be in registered form.
- 4.7 The Company has not during the financial year ended 30 June 2010 issued shares in the capital of the Company which have been paid up as to more than 10 per cent. by assets other than cash.
- 4.8 Save as disclosed to in this document, no person has any right to subscribe for shares in the capital of the Company and no person has been given an undertaking by the Company to increase its share capital.

## 5. Unlisted options

- 5.1 As at the date of this document, 750,000 unlisted options over Ordinary Shares have been issued to former employees as set out below.

<i>Security Description</i>	<i>Expiry date</i>	<i>Exercise price A\$</i>	<i>Number</i>
Unlisted options	30 June 2011	0.70	750,000

## 6. Leyshon Resources Limited Rights Plan

### Background

The Leyshon Resources Limited Rights Plan ("Plan") provides for the issuance of performance share rights ("Performance Rights") which, upon a determination by the Board that the performance conditions attached to the Performance Rights have been met, will result in the issue of one Ordinary Share in the Company for each Performance Right.

### Reasons for the Plan

To achieve its corporate objectives, the Company needs to attract and retain its key staff, whether employees or contractors. The Board believes that grants made to eligible participants under the Plan will provide a powerful tool to underpin the Company's employment strategy, and that the implementation of the Plan will:

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- align the financial interest of participants of the Plan with those of Shareholders; and
- provide incentives to participants of the Plan to focus on superior performance that creates Shareholder value.

### Outline of the Plan

This section gives a brief outline of how the Board intends to implement initial participation under the rules of the proposed Plan.

### Participation

Carefully designed equity plans are widely considered to be very effective in providing long term incentives to staff. As well, they are used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Performance Rights under the Plan to employees (including Directors) and eligible contractors, to achieve the objectives outlined above. A Performance Right is a right to be issued an Ordinary Share upon satisfaction of certain vesting conditions that are attached to the Performance Right, as determined by the Board. In accordance with

the requirements of the ASX Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan.

### **Overview of the Plan Rules and terms and conditions**

The main features of the Plan (and the terms and conditions to be attached to the Plan) are summarised as follows:

- **Eligible Participants:** The eligible participants under the Plan are employees (including Directors) and contractors of the Company and its subsidiaries.
- **Limits on Entitlements:** The Plan has a fixed maximum percentage of Ordinary Shares that are issuable under the Plan. The maximum number of Ordinary Shares that is issuable under the Plan, when combined with the number of Ordinary Shares issued during the previous five years pursuant to the Plan or any other employee incentive scheme of the Company but disregarding any offer made, or Performance Rights acquired or Ordinary Shares issued by way of or as a result of:
  - (i) an offer to a person situated at the time of receipt of the offer outside Australia; or
  - (ii) an offer that did not need disclosure to investors because of section 708 of the Australian Corporations Act; or
  - (iii) an offer made under a disclosure document,must not exceed 5 per cent. of the total number of issued Ordinary Shares.
- **Consideration:** Performance Rights are granted for no consideration. Upon Performance Rights vesting under the Plan, Ordinary Shares will be issued for no consideration.
- **Vesting:** The Performance Rights granted under the Plan and the performance conditions that must be satisfied in order for the Performance Rights to vest, at which time the Company is then obliged to issue a specified number of Ordinary Shares to the participant, are established by the Board and expressed in a written offer (the "Offer") made by the Company to the eligible participant which is subject to acceptance by the eligible participant within a specified period. The performance conditions may include one or more of work performance, of a minimum period of time, achievement of specific performance objectives by the participant and/or by the Company or such other performance objectives as the Board may determine and set out in the Offer. The Board will determine whether performance conditions have been met and Performance Rights therefore have vested. Upon Performance Rights becoming vested, the Company shall issue Ordinary Shares to the participant, without any further action being required on the part of the participant.
- **Term & Lapse:** Performance Rights have a term as the Board may determine in its absolute discretion and specify in the Offer and are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry date (if no other measurement date is specified) or if employment is terminated for cause or in circumstances other than as described in the next paragraph. If a contractor is terminated for any reason, the contractor's Performance Rights which have not vested will lapse.
- **Retirement, Disability, Redundancy or Death:** Under the Plan, upon the retirement, total and permanent disability, redundancy or death of an employee, performance conditions will be deemed to have been satisfied or waived and Ordinary Shares shall be issued. In relation to contractors, if at any time prior to the expiry of Performance Rights the contractor dies, the contractor's legal personal representative shall be entitled to receive the Performance Rights and exercise any rights in respect of the Performance Rights that may exist.
- **Forfeiture:** If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Ordinary Shares to be forfeited.
- **Assignment:** Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.
- **Takeover Bid or Change of Control:** All Performance Rights automatically vest in the event of
  - (i) a takeover bid (as defined in the Australian Corporations Act) is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50 per cent. or more of the Ordinary Shares of the Company;

- (ii) a change of control of the Company; or
- (iii) approval by the court of a merger by way of scheme of arrangement.
- **Alteration in Share Capital:** Subject to the ASX Listing Rules and Australian Corporations Act, the Board is empowered to make, without being required to seek shareholder approval, appropriate adjustments to Performance Rights in the event of a reconstruction of the share capital of the Company.
- **No Participation Rights:** There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- **Amendments Without Shareholder Approval:** Subject to the ASX Listing Rules and Australian Corporations Act, the Plan provides that the Board may make the following amendments without shareholder approval:
  - amendments of a “housekeeping” or ministerial nature including without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the Plan or any terms and conditions or to correct or supplement any provision of the Plan or any terms and conditions that is inconsistent with any other provision of the Plan or any terms and conditions;
  - amendments necessary to comply with the provisions of applicable law (including without limitation, the ASX Listing Rules);
  - amendments respecting administration of the Plan;
  - any amendment respecting termination provisions of the Plan or any terms and conditions;
  - any amendments respecting any form of financial assistance by the Company under the Plan;
  - the addition or modification of a cashless exercise feature;
  - amendments necessary to suspend or terminate the Plan;
  - amendments to address possible adverse tax implications in respect of the Plan arising from, amongst other things, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a court of competent jurisdiction; and
  - any other amendment, whether fundamental or otherwise, which does not require Shareholder approval under the Plan or applicable law (including without limitation, the ASX Listing Rules).
- **Amendments Requiring Shareholder Approval:**
  - amendments to the maximum number of Performance Rights issuable under the Plan;
  - any amendment to the amendment provision of the Plan; and
  - amendments required to be approved by shareholders under applicable law (including without limitation, the ASX Listing Rules).
- **Suspension or Termination:** The Board may suspend or terminate the Plan at any time, without notice, but the suspension or termination will not affect any existing grants of Performance Rights already made.

## 7. Working Capital

- 7.1 The Directors believe, having made due and careful enquiry, that the working capital available to the Company and the Group will be sufficient for its present requirements, that is, for at least twelve months from the date of Admission.

## 8. Directors' and other interests

- 8.1 In addition to their directorships in the Company and other members of the Group, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships</i>	<i>Former directorships</i>
John Fletcher	FF Financial Services Ltd Somerley China Associates Ltd Somerley Group Ltd Asian Cleveland Ltd Begrand Resources Ltd Huge Seas Ltd Somerley Ltd Somerley Asset Management Ltd Inteq Ltd Somerley Australia Ltd Sword Events Ltd EPC China Inc	Pacific Energy Ltd KTL Technologies Ltd Pacific Energy Corporation Limited K.T.L Limited Atlantic Pacific Infrastructure Limited Pacific Energy (Victorian Hydro) Pty Limited Ausi Iron NL Project Global Ltd Power Asia Ltd APIL UK Ltd Trafalgar House Construction (Jersey) Ltd Trafalgar House Overseas Ltd APIL (Philnico) Ltd Mount Hope Hydro Inc. Philnico Development Ltd SMC-DAG USA Pt. Citra Ganesha Marga Nusantra
Paul Atherley	Cheadle Mining Pty Ltd China Metals Pty Ltd Kokong Holdings Pty Ltd Philip Nominees Pty Ltd Renison Bell Limited North Asia Metals Limited	Leyshon Resources (Coal) Pty Ltd
Andrew Berry	Viridis Investment Management Limited as the manager and operator of the Viridis Clean Energy Group Corporactive Fund Limited Teakbear Pty Ltd	Highlands Pacific Limited Pacific Energy Limited
Richard Seville	Kenmore Pianos Sales & Services Pty Ltd Kokong Holdings Pty Ltd Ockleston Nominees Pty Ltd Orocobre Ltd Richard Seville & Associates Pty Ltd South American Salar Minerals Pty Limited South American Salars S.A.	Agate Creek Holdings Pty Ltd Cheadle Mining Pty Ltd Fifth Floor Rads Pty Ltd Marble Tile Co.Pty Ltd Northern Energy Corporation Limited Renison Coal Pty Ltd Renison Consolidated Mines N.L. Taroom Coal Proprietary Limited Toms Gully Mining Pty Ltd

8.2 Save as disclosed in sub paragraph 8.3 below, none of the Directors:

- (a) has any unspent convictions in relation to indictable offences; or
- (b) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to the assets of such Director; or
- (c) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- (d) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or

- (e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
  - (f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 8.3
- (a) Mr Fletcher was a non-executive director of GEI plc, resigning in 2000. GEI plc went into receivership in February 2001. Brandrill Limited, a company of which Mr Fletcher was a non-executive director from July 2002 to September 2003, appointed a voluntary administrator in June 2004 and receivers and managers were appointed the same day. In December 2004, the administrator and the receivers and managers retired and the company was returned to its directors.
  - (b) Mr Atherley is a director of Renison Bell Limited. In June 2003, Renison Bell Limited was placed into voluntary administration. In December 2003, that company entered into a Deed of Company Arrangement with its creditors. Mr Atherley was also a director of Minerals International NL. In January 1999, at the request of the directors, Minerals International NL was placed into voluntary liquidation.
  - (c) Mr Seville was a director of Marble Tile Co Pty Ltd which was put into liquidation following the appointment of an Administrator on 21 June 2002 and a Receiver and Manager on 26 June 2002. An order was made to wind the company up on 23 October 2002 and the process was completed on 7 December 2005. No fault was found in the conduct of the directors.
- 8.4 Save as disclosed in this document:
- (a) none of the Directors or persons connected with them has any interest, beneficial or non-beneficial in the share capital of the Company;
  - (b) there are no outstanding loans granted by the Company to any Director nor are there any guarantees provided by the Company for their benefit;
  - (c) no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of or leased to the Group;
  - (d) no Director or any person connected with him has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares;
  - (e) none of the Directors has any interest direct or indirect in any contract which is or was unusual in its nature or conditions or significant to the Group taken as a whole and which was effected by the Group in the current or immediately preceding financial year.

## **9. Directors' service arrangements**

### *9.1 Non Executive Directors*

#### ***John Fletcher***

The Company has entered into a service agreement with Mr Fletcher whereby he is paid a fee of \$66,000 per annum in his capacity as Chairman with effect from 1 January 2009 (\$90,000 prior to 1 January 2009). Mr Fletcher 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 by providing 90 days written notice.

#### ***Andrew Berry***

The Company has entered into a service agreement with Mr Berry whereby he is paid a fee of \$45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 January 2009 (\$50,000 prior to 1 January 2009). Mr Berry 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 by providing 90 days written notice.

### **Richard Seville**

The Company has entered into a service agreement with Mr Seville whereby he is paid a fee of \$45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 January 2009 (\$50,000 prior to 1 January 2009). 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 by providing 90 days written notice.

In addition, the Company has entered into a consultancy arrangement with Richard Seville & Associates Pty Ltd in relation to the provision of technical services by Mr Seville at the rate of \$1,600 per day. The consultancy agreement can be terminated by either party providing three months written notice.

## 9.2 *Executive Director*

### **Paul Atherley**

The service agreement in place with Mr Atherley contains the following key provisions:

- Entered into with effect from 1 July 2006 for a rolling twelve month term as Managing Director;
- May be terminated by the Company by providing no more than three months' notice;
- May be terminated by Mr Atherley by providing at least six months' notice;
- If Mr Atherley is removed as a director of the Company by shareholders, or as the managing director of the Company, then the Company will be deemed to have terminated the contract;
- Base salary of \$300,000 per annum with effect from 1 September 2008 (\$450,000 prior to 1 September 2008);
- An expatriate allowance of \$75,000 per annum with effect from 1 January 2010;
- A discretionary cash bonus of up to \$500,000 per annum is payable based on, in the Board's view, the contribution of Mr Atherley towards the Company's achievement of its overall objectives. A cash bonus of \$250,000 was granted during 2010 (2009: Nil);
- No amount is payable in the event of termination for neglect of duty or gross misconduct; and
- If Mr Atherley's contract is terminated, other than for neglect of duty or gross misconduct, then the Company shall pay to Mr Atherley a Termination Payment. The Termination Payment shall be the aggregate of the contract rate that would be payable for the period commencing when the contract terminates and ending at the end of the contract term. In the event that the Termination Payment exceeds the amount calculated in accordance with section 200F of the Australian Corporations Act or Chapter 10.19 of the ASX Listing Rules, then the Termination Payment will be reduced by such amount as is necessary so as to not exceed the amount permitted.

9.3 The amounts payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 30 June 2011 are expected to be approximately A\$530,000 (£331,000), excluding any discretionary payments which may be made under these arrangements.

## **10. Principal holders of securities**

10.1 So far as the Company is aware, as at 22 December 2010, being the latest practicable date prior to the publication of this document, the following persons hold voting rights (within the meaning of the Disclosure and Transparency Rules) directly or indirectly, in respect of 3 per cent. or more of the Company's issued and outstanding Ordinary Shares:

Shareholder	Before Admission		After Admission	
	No. of Ordinary Shares	Percentage of Ordinary share capital	No. of Ordinary Shares	Percentage of Ordinary share capital
Paul Atherley <sup>(1)</sup>	29,530,000	13.67	29,530,000	11.98
Newmont Mining Corporation	12,500,000	5.79	12,500,000	5.07
IDG-Accel China Growth Fund II L.P. and its affiliated entity	–	–	19,565,217	7.94

<sup>(1)</sup> These shares are held in the name of North Asia Metals Limited of which Paul Atherley is the sole shareholder.

10.2 The voting rights attaching to the Ordinary Shares held by the Company's major shareholders are no different to the voting rights attaching to any other Ordinary Share.

10.3 Save as disclosed in this document, the Directors are not aware of any persons who, immediately following Admission, will directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor are they aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## 11. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries during the two years immediately preceding the date of this document and are, or may be, material as of the date of this document:

11.1 The Placing Agreement dated 23 December 2010 between the Company (1), the Directors (2) and Seymour Pierce (3) pursuant to which and conditional *inter alia*, upon Admission taking place by 8 a.m. on 31 December 2010 or such later time and date (being not later than 8 a.m. on 31 January 2011) as the Company and Seymour Pierce may agree, Seymour Pierce has agreed to use its reasonable endeavours to procure subscribers at the Placing Price for any Placing Shares not placed directly by the Company. However, the Placing is not being underwritten by Seymour Pierce.

The Placing Agreement contains certain indemnities and warranties by the Company in favour of Seymour Pierce together with provisions that enable Seymour Pierce to terminate the Placing Agreement in certain circumstances prior to Admission including a breach of warranty by the Company that Seymour Pierce considers to be material in the context of the Placing or in the event that certain *force majeure* events should occur. Under the Placing Agreement the Company has agreed to pay to Seymour Pierce a corporate finance fee of £125,000 and, in the event that Seymour Pierce shall procure any subscribers for Placing Shares, a commission at the rate of 5 per cent. of the value at the Placing Price of the Placing Shares subscribed by such persons.

11.2 Certain firm placement commitment letters dated on or about 16 December 2010 received directly by the Company from certain institutional and sophisticated investors who have subscribed (conditional only upon allotment and Admission) for a total of 30,435,130 new Ordinary Shares at the Placing Price.

11.3 The Lock-in Agreement dated 23 December 2010 between Seymour Pierce (1), the Company (2) and each of the Directors (3) (the "Rule 7 Parties") pursuant to which the Rule 7 Parties have agreed with Seymour Pierce and the Company not to dispose of any Ordinary Shares held by them for a period of 12 months from the date of Admission except in certain limited circumstances. The agreement also contains certain orderly market provisions that are to apply for a further 12 months after the expiry of the lock-in period.

11.4 On 16 September 2009 Leyshon, through its wholly owned subsidiary China Metals Pty Ltd, entered into an Equity Transfer Agreement to sell to Heilongjiang Heilong Mining Company Limited its 70 per cent. interest in Black Dragon Mining Company Limited. The consideration for the sale and purchase of the entire share capital of Black Dragon Mining Company Limited was a total cash consideration of RMB340 million (~US\$50 million) plus the assumption of existing liabilities totalling approximately RMB9.5 million. Accordingly, Leyshon received a total cash consideration of RMB230 million (~US\$34 million) for its 70 per cent. interest in Black Dragon Mining Company Limited.

## **12. Mount Leyshon Assets**

- 12.1 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.

Pursuant to the terms of the Management Agreement, Newmont agreed to be responsible in perpetuity for the Company's rehabilitation obligations arising out of the Mt Leyshon mine site and has agreed to provide an indemnity to the Company in respect of all environmental obligations in relation to or as a result of mining activities at Mt Leyshon.

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

- 12.2 Before the restructure of the Company in November 2001, the Company had previously entered into Compensation Agreements with landholders part of whose lands were covered by the Company's mining leases at the Mt Leyshon mine site. The entry into Compensation Agreements with landholders is a statutory requirement for the holder of a mining lease in Queensland. Compensation had been paid in advance under each landholder Compensation Agreement. In each case advance compensation was only paid until 2002 or thereabouts on the basis that production from the Mt Leyshon mine site would have ceased. The Company has a continuing primary responsibility to the landholders under the Compensation Agreements whilst it remains the holder of mining leases in Queensland and Newmont continues to undertake rehabilitation activities.

There have been claims from some landholders that their compensation arrangements have not been properly dealt with and these claims are now the subject of proceedings in the Supreme Court of Queensland. The amount of the claims is not considered to be material. The proceedings have been defended by the Company and are continuing.

## **13. Taxation**

### **Summary of Taxation Implications**

The paragraphs below comment on the general Australian and UK taxation position of individual and corporate resident and non-resident Shareholders in relation to the payment of dividends by the Company and future disposals of Ordinary Shares.

The following comments are intended as a general guide to the UK and Australian tax implications only. This should not be a substitute for individual advice from an appropriate professional adviser and all persons are strongly advised to obtain their own professional advice on the tax implications of acquiring, owning and disposing of Ordinary Shares based on their own specific circumstances.

The comments are based on the law and understanding of the practice of the tax authorities in the UK and Australia at the date of this document.

#### *13.1 Australian Taxation*

The following is a summary of the potential Australian income tax consequences of the acquisition, ownership and disposition of Ordinary Shares by a holder that, for Australian income tax purposes, is a resident or a non-resident. It is a general guide to the Australian income tax implications only. Shareholders are strongly recommended to obtain their own independent professional advice on the tax implications based on their own specific circumstances.

The comments are based on the law and understanding of the practice of the tax authorities in Australia as at the date of this document. These laws and practices are subject to change periodically as is their interpretation by the Courts.

This summary discusses the Australian taxation position of Australian resident individuals, companies, complying superannuation funds, trusts and non-Australian resident shareholders of

Leyshon. Where relevant to the particular type of taxpayer, each of the following sections contains information relating to the tax implications of:

- the acquisition of shares in Leyshon;
- the receipt of future dividends from Leyshon; and
- the future disposal of Ordinary Shares.

#### *Australian tax consequences for Australian resident individuals*

The Australian tax consequences of acquiring Ordinary Shares will depend on whether you hold your Ordinary Shares on capital or revenue account.

Whether Ordinary Shares are held on capital or revenue account is a question of fact. Generally, Ordinary Shares are held on capital account where they are being acquired for long term investment. Ordinary Shares are held on revenue account where they have been acquired for short term investment or you are in the business of trading shares. You should obtain advice from a professional adviser if you are unsure whether you hold your Ordinary Shares on capital or revenue account.

(a) Ordinary Shares held on capital account

The disposal of Ordinary Shares you acquire will be subject to the Australian capital gains tax ('CGT') provisions. The money paid, or required to be paid, in respect of the acquisition will form the cost base of the Ordinary Shares together with any incidental costs of purchase, such as brokerage. The cost base will be carried forward until such time as a CGT event (i.e. a disposal) crystallises a net capital gain or loss in respect of the acquired Ordinary Shares. Future additions to the cost base may occur which will be dependent on your personal circumstances.

(b) Ordinary Shares held on revenue account

The cost of acquiring the Ordinary Shares will be deductible from your assessable income when incurred (i.e. when paid). A general deduction will also be available for incidental costs associated with the acquisition, such as brokerage.

(c) Tax on future dividends from Leyshon

There can be no assurance that any dividends will be paid in the future, however, if any dividend is paid to you, the Australian income tax consequences are as follows.

Generally speaking, dividends paid out of company profits derived from any source are assessable income of the recipient.

(d) Tax on a future disposal of Ordinary Shares held on capital account

A capital gain will arise where the capital proceeds (that is, the sale value of the Ordinary Shares) received upon disposal exceeds the cost base of such shares. A capital loss will arise where the capital proceeds received is less than the cost base of the Ordinary Shares. As outlined above, the cost base or adjusted cost base of your Ordinary Shares will depend on your specific circumstances. Incidental costs incurred upon disposal (i.e. brokerage) are deducted from the capital proceeds before calculating any net capital gain or loss.

In preparing your Australian income tax return, you will need to total your individual capital gains and capital losses in a year of income to ascertain whether you have a net capital gain for the year of income. Subject to your eligibility for the capital gains discount concession (considered below), any net capital gain is included in your assessable income and is subject to income tax at your personal marginal tax rate. A net capital loss may be carried forward to offset against capital gains derived in future income years.

You may be eligible for the capital gains discount concession where you have held your Ordinary Shares for at least 12 months prior to disposal. If the capital gains discount concession applies, only half of any net capital gain arising from the disposal of such shares

(after first applying any capital losses) is included as an assessable capital gain in your income tax return.

- (e) Tax on a future disposal of Ordinary Shares held on revenue account

The proceeds from the disposal of your Ordinary Shares held on revenue account will be taxable as ordinary income when derived. Incidental costs incurred at the point of sale are available as a deduction against your assessable income.

The capital gains discount concession will not be available to you.

#### *Australian tax consequences for Australian resident companies*

- (a) Acquisition of Ordinary Shares held on capital or revenue account

The Australian tax implications of the acquisition of Ordinary Shares held on capital or revenue account by a company are the same as for an Australian resident individual (outlined above).

- (b) Tax on future dividends from Leyshon

The Australian tax implications of the receipt of dividends are largely the same as for an Australian resident individual.

- (c) Tax on future disposal of Ordinary Shares held on capital or revenue account

The Australian tax implications of the future disposal of Ordinary Shares are the same as for a resident individual.

However, the 50 per cent. capital gains discount concession is not available to a company.

#### *Australian tax consequences for Australian resident complying superannuation funds*

The Australian tax implications of your acquisition, potential receipt of dividends and disposal of Ordinary Shares are the same as described for an Australian resident individual. However, the capital gains discount concession applicable to the disposal of Ordinary Shares held for greater than 12 months is 33 $\frac{1}{3}$  per cent. (not 50 per cent.).

#### *Australian tax consequences for Australian resident trusts that are not taxed as companies*

Where Ordinary Shares are held by a trust (and the trust is not taxed as a company for Australian tax purposes) and gains are distributed to individual or corporate beneficiaries, the CGT consequences are the same as described for Australian resident individuals and companies. This includes the CGT discount of 50 per cent. where the beneficiary is an individual.

However, where Ordinary Shares are beneficially owned by the trust itself (i.e. any dividends and capital gains are not to be distributed to beneficiaries) the tax consequences that arise will vary depending upon the nature of the trust. These tax consequences have not been considered. Shareholders in these circumstances should seek their own independent professional advice.

#### *Australian tax consequences for Non-Australian Resident Shareholders generally*

- (a) Tax on disposal of Ordinary Shares

Non-Australian resident Shareholders who hold Ordinary Shares on revenue account may need to include profits from the sale of shares in their assessable income. The applicable double taxation agreements may provide relief from Australian taxation and will need to be considered.

Non-Australian resident Shareholders who do not hold Ordinary Shares on revenue account may be subject to Australian capital gains tax upon disposal of their Ordinary Shares. To the extent that the Company is not a private company for Australian income tax purposes, non-Australian resident Shareholders will only be subject to Australia's capital gains tax on the disposal of Ordinary Shares if they and their associates held 10 per cent. or more of the issued capital of the Company at any time within five years of the disposal. These

Shareholders may be able to obtain relief from Australian capital gains tax via the application of any relevant double taxation agreement.

Non-Australian resident Shareholders, who together with their associates have always owned less than 10 per cent. of the Company's issued capital in the 5 years prior to disposal and in circumstances where the Company is not a private company for Australian tax purposes at the time of disposal, will not be subject to Australia's capital gains tax rules.

(b) Tax on future dividends from Leyshon

Unfranked dividends payable to non-Australian resident Shareholders will be subject to withholding tax. Withholding tax is generally imposed at a rate of 30 per cent. unless a Shareholder is a resident of a country with whom Australia has a double taxation agreement. In this instance, the withholding tax rate will be reduced to the rate specified by that double tax agreement.

Fully franked dividends are not subject to withholding tax. Non-Australian resident Shareholders may be assessable for tax on any such dividends in their country of residence. They should consider the impact of dividends under their domestic tax regime.

### 13.2 *UK Taxation of UK Resident Shareholders*

The following paragraphs broadly outline the taxation position of UK Shareholders in Leyshon. The following paragraphs provide general advice only. Each Shareholder's specific circumstances will impact on their taxation position. All Shareholders are recommended to obtain their own taxation advice. In particular, all Shareholders, including UK tax resident Shareholders are advised to consider the potential impact of any relevant double tax agreements on their shareholding.

(a) Taxation of Chargeable Gains

*UK Resident Shareholders*

A disposal of Ordinary Shares or Depository Interests by a Shareholder who is (at any time in the relevant UK tax year) resident or ordinarily resident in the UK may give rise to a chargeable gain or allowable loss for the purpose of UK taxation of chargeable gains.

*Non-UK Resident Shareholders*

A Shareholder who is not resident in the UK for tax purposes but who carried on a trade, profession or vocation in the UK through a branch or agency and has used, held or acquired the Ordinary Shares or Depository Interests for the purpose of such trade, profession or vocation may also be subject to UK taxation on chargeable gains on a disposal of those Ordinary Shares or Depository Interests.

Special rules may apply to tax gains on disposals made by individuals who are not currently (but who have been) either UK resident or ordinarily UK resident or to any individuals who are temporarily not resident nor ordinarily resident in the UK. Any such individuals are advised to obtain specialist tax advice.

(b) Dividends

The Company will not be required to withhold UK tax from dividends paid on the Ordinary Shares. Any holder of Ordinary Shares who is resident in the UK, or who carries on a trade, profession or vocation in the UK to which the Ordinary Shares are attributable, will generally be subject to UK tax on income in respect of any dividends paid on the Ordinary Shares. As these dividends will be foreign income for the purposes of UK taxation, they will be subject to a different tax regime from that applying to dividends received from UK companies. In particular, there will be no notional UK tax credit attaching to the dividends.

If the dividend has been subject to Australian dividend withholding tax ("WHT"), the amount of the dividend received plus the WHT will be included in the assessable income of the UK Shareholder. In these circumstances the Shareholder should be entitled to a credit for the

WHT. The credit would be limited to the lesser of the WHT or the UK tax payable on the combined amount of the dividend plus WHT. If the WHT exceeds the UK tax payable on the dividend, the excess is neither creditable nor repayable.

#### *UK Resident Company Shareholders*

Dividends paid to a UK resident company by a company resident outside the UK are generally exempt from corporation tax.

- **Inheritance Tax**

If any Shareholder is an individual and is regarded as domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the Ordinary Shares or Depository Interests on the death of the Shareholder. The gift of the Ordinary Shares or Depository Interests may have Inheritance Tax implications.

In the case of a Shareholder who is an individual but who is not regarded as domiciled in the UK for these purposes, no such UK inheritance tax will be payable if the Ordinary Shares or Depository Interests are not situated in the UK for inheritance tax purposes. The Ordinary Shares or Depository Interests must be regarded as situated in the UK for these purposes if they are registered on the Company's UK branch register.

- **UK Stamp Duty and Stamp Duty Reserve Tax**

The following comments do not apply to Ordinary Shares issued or transferred into depository or clearance arrangements, to which special rules apply.

There is generally no liability to UK stamp duty or stamp duty reserve tax ("SDRT") on the issue of Ordinary Shares by Leyshon.

Any agreement to transfer, or any transfer of, Ordinary Shares registered on a UK branch register will generally be subject to UK stamp duty or SDRT at the rate of 0.5 per cent. of the consideration for the transfer. UK stamp duty may potentially arise on transfers of other Ordinary Shares depending on the circumstances, such as whether the transfer is executed in the UK. The payment of stamp duty will satisfy any liability to pay SDRT and any SDRT paid will be refunded on the payment of stamp duty so long as the stamp duty is paid within six years of the date on which the liability to pay SDRT arose.

**Any person who is in any doubt as to his tax position or is subject to taxation in a jurisdiction other than Australia or the UK should consult an appropriate professional adviser.**

## **14. Litigation**

14.1 The Group is not, and has not, been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

## **15. General**

15.1 There have been no interruptions in the Company's business which may have or have had in the last twelve months a significant effect on the Company's financial position.

15.2 Other than those disclosed in this Part I of this document, there have been no significant investments since 30 June 2010, being the date to which the last audited financial statements of the Company were published and there are no significant investments under active consideration by the Company.

- 15.3 Save as disclosed in this document the Directors are not aware of any exceptional factors which have influenced the Company's recent activities.
- 15.4 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 15.5 Other than as disclosed in this Part V of this document, there has been no significant change in the financial or trading position of the Company since 30 June 2010, being the date to which the last audited financial statements of the Company were published.
- 15.6 Save as set out in this document, as far as the Company and the Directors are aware, there are no environmental issues that may affect the Company's utilisation of any of its tangible assets.
- 15.7 The Placing Shares are not being offered generally and no applications for such shares will be accepted otherwise than pursuant to personalised placing letters. Monies received pursuant to the Placing will be held in accordance with the terms of the placing letters until such time as the Placing becomes unconditional. If the Placing fails to become unconditional or is terminated, application monies will be returned to the persons entitled thereto in accordance with the placing letters.
- 15.8 As required by the AIM Rules for Companies and until the Company is substantially invested, the Company's Investing Policy will be approved by Shareholders on an annual basis. The Company may not materially change its principal investment objectives and policies for a period three years from Admission without Shareholder approval in general meeting.
- 15.9 There are no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) who have received, directly or indirectly, from the Company within the 12 months preceding the date of the application for Admission or who have entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly from the Company on or after Admission, fees totalling £10,000 or more, securities in the Company to the value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.
- 15.10 The Company's accounting reference date is 30 June.
- 15.11 The proceeds of the Placing are sufficient to fund the proposed uses stated in this document and accordingly there are no amounts to be provided in respect of such uses otherwise than out of proceeds of the Placing or the Company's existing resources.
- 15.12 There are no arrangements in place under which dividends on the Ordinary Shares are to be waived or are agreed to be waived.
- 15.13 The Company and the Directors are not aware of any takeover bid for the Company in the current or preceding financial year of the Company.
- 15.14 There are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 15.15 The Company's auditors, Deloitte Touche Tohmatsu, were appointed on 19 November 1990 and are members of the Institute of Chartered Accountants in Australia. Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report in Part IV of this document in the form and context in which it appears.
- 15.16 BDO Corporate Finance (WA) Pty Ltd have given and have not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which it appears.
- 15.17 Seymour Pierce Limited has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

15.18 The costs, charges and expenses payable by the Company in connection with or incidental to Admission, including registration and stock exchange fees, legal and accounting fees and expenses are estimated to amount to £300,000 excluding VAT (A\$480,000). Other than as specified above, the Company has no other borrowings or indebtedness or contingent liabilities and has granted no mortgages or other security interests.

**16. Availability of document**

Copies of this document will be available on the Company's website ([www.leyshonresources.com](http://www.leyshonresources.com)) and free of charge to the public at the offices of Seymour Pierce during normal business hours on any weekday (public holidays excepted) until the date falling one month after the date of Admission.

**17. Documents Available for Inspection**

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Seymour Pierce during business hours on any weekday for a period of one month following Admission (Saturdays and public holidays excepted):

- (i) the Constitution of the Company;
- (ii) the material contracts referred to in paragraph 11 above;
- (iii) the written consents referred to in paragraph 15 above; and
- (iv) this document.

Dated: 23 December 2010

