



13 September 2013

## CORPORATE RESTRUCTURE

### SEPARATION OF ENERGY AND MINERAL ASSETS

Leyshon Resources Limited (ASX/AIM: LRL) (the **Company** or **Leyshon Resources**) is pleased to announce that it plans to undertake a corporate restructuring to effect the separation of its energy and mineral businesses.

Subject to necessary shareholder and regulatory approvals, the Company intends to demerge the Company's energy assets comprising the Company's interests in the Zijinshan Gas Project held through its wholly owned subsidiary Pacific Asia Petroleum Limited (**PAPL**), along with cash reserves of approximate US\$35 million, into an energy focused vehicle, Leyshon Energy Limited (**Leyshon Energy**). The demerger will be effected via a pro-rata in-specie distribution of 100% of shares in Leyshon Energy to the Company's shareholders (**Energy Separation**).

Leyshon Energy will apply for listing on the ASX and AIM and has appointed Cantor Fitzgerald Europe as its Nominated Adviser to assist with an application for admission to trading on AIM. The Energy Separation will not be implemented until Leyshon Energy is able to satisfy the admission requirements of the ASX and/or AIM.

Non-Executive Chairman John Fletcher commented:

*"Our aim in these restructurings is to allow shareholders to own an interest in two listed companies, Leyshon Energy and Leyshon Resources, at no additional cost to their original investment.*

*Leyshon Energy will be focussed on the exploration and commercialisation of the Zijinshan project and has appointed a Board of Directors with an enviable track record in acquisition growth looking to exploit opportunities in the oil and gas sector.*

*Leyshon Resources will be looking to take advantage of the currently depressed asset values in the minerals sector with a view to collaboration with Chinese and other buyers.*

*Both companies will be well funded, with strong management teams looking to create significant shareholder value.”*

### **Leyshon Resources' Energy Assets**

The Company has an interest in the Zijinshan Gas Project, through PAPL, which was acquired in August 2012. Since the acquisition the Company has been focused on conducting an accelerated exploration and appraisal programme on the project.

The Zijinshan Gas Project comprises the Zijinshan Production Sharing Contract (**PSC**) located on the eastern fringe of the Ordos Basin in central China, covering an area of 705 km<sup>2</sup>. The PSC is with China National Petroleum Corporation (**CNPC**), which is the largest oil and gas producer in China.

PAPL is the operator of the PSC and has a 100% working interest in the exploration phase of the PSC. CNPC has the rights to back in to the project with a 40% interest at the development stage. The PSC is valid for 30 years and expires in 2038.

In the financial report for the six months ended 31 December 2012 (**Financial Report**), the Company disclosed that a loss of US\$3.1 million was attributable to the activities of PAPL and its subsidiaries. As at 31 December 2012, in respect of the acquisition of PAPL, an asset of US\$5.3 million was recognised in the Financial Report. A copy of the Financial Report can be found on the Company's website [www.leyshonresources.com](http://www.leyshonresources.com).

### **Leyshon Energy Board**

Following the Energy Separation, the Leyshon Energy board of directors will comprise:

*Mr John Manzoni as Non-Executive Chairman*

Mr Manzoni is a highly experienced international oil and gas executive. During his 24 years with BP he held a number of positions including Chief Executive of Refining and Marketing, spanning six businesses across 100 countries.

He became a leading member of the executive team that helped BP grow to become one of the world's largest energy companies. He managed the integration of acquired companies, including the origination and leading of the acquisition of Amoco, then the largest industrial merger in business history.

He was Chief Executive Officer of Talisman Energy from 2007-2012 and led the company through a period of significant growth to a market capitalisation of US\$30 billion. He was

named International Business Leader of the Year in 2010 by the Canadian Chamber of Commerce. He is currently a Non-Executive Director of SAB Miller.

Mr Manzoni currently resides in the United Kingdom.

*Mr Paul Atherley as Managing Director*

Mr Atherley has over 25 years' industry operating experience. He was an Executive Director of the Investment Bank arm of HSBC Australia where he undertook a range of advisory roles in the resources sector.

During this period he completed a number of acquisitions and financings of resource projects in Australia, South East Asia, Africa and Western Europe.

He is an experienced Managing Director with well established relationships in China as well as the London and Australian capital markets. Mr Atherley has been in Beijing since 2005. He is the Vice Chairman of the China Britain Business Council and currently serves on the Executive Committee of the European Union Energy Working Group in Beijing.

Mr Atherley currently resides in China.

*Mr Kim Howell as Non-Executive Director*

Mr Kim Howell is a highly experienced international oil and gas executive with 40 years of experience with BG Group plc and Atlantic Richfield Company (ARCO).

During his 25 years career with ARCO, he held various management positions in Mergers & Acquisition, Assets Management, Reservoir Engineering, Strategic Planning and Investor Relations.

He was Vice President for Commercial, responsible for BG Group's global commercial functions. He became Group Head of the Mergers & Acquisition department of BG Group plc and was responsible for over 90 transactions totalling more than \$22 billion.

He has a BSc in Mechanical Engineering from Stanford University and an MSc in Petroleum Engineering from the University of Southern California.

He is a member of the Institute of Directors, the Association of International Petroleum Negotiators and the Society of Petroleum Engineers. He has been a director of BG subsidiary companies and is currently a director of a UK property management limited company.

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Mr Howell currently resides in the United Kingdom.

Following the implementation of the proposed demerger, Leyshon Energy proposes to seek to make an appointment of a suitably qualified Executive Director with relevant skills and experience to its board.

### **The Proposed Energy Separation**

Leyshon Energy was incorporated on 27 March 2013 under the laws of the British Virgin Islands and is a wholly-owned subsidiary of the Company.

In order to effect the Energy Separation, the Company proposes to undertake an initial corporate restructure whereby:

- (i) ownership of the entire issued share capital of PAPL will be transferred from the Company to Leyshon Energy (representing the Company's interest in the Zijinshan Gas Project) in consideration for the issue by Leyshon Energy of shares of Leyshon Energy (**Leyshon Energy Shares**) to the Company; and
- (ii) the Company will subscribe for additional Leyshon Energy Shares in consideration for a cash payment of US\$35 million to Leyshon Energy.

Subject to being able to satisfy the admission requirements of the ASX and/or AIM, the Company then intends to undertake a capital reduction (i.e. a return of capital) by way of a pro rata in-specie distribution of the entirety of the Leyshon Energy Shares whereby each eligible shareholder of the Company will receive Leyshon Energy Shares.

### **Leyshon Resources' Shareholder Approval**

The Company will post a notice of meeting/circular to shareholders shortly in order to obtain shareholder approval of the proposed Energy Separation, and of an amendment to the Company's investing policy so as to exclude from it the pursuit by the Company of acquisition and investment opportunities in the oil and gas sector. The notice of meeting/circular will contain further details of the Energy Separation and will also contain a technical report on the energy assets. A further notification will be made at that stage.

The shareholder meeting is expected to be held in October, 2013. The record date for the Energy Separation in-specie distribution will be determined by the Company and announced in due course.

After completion of the Energy Separation, the Company will hold cash resources of approximately US\$3 million (unaudited), and will be an investing company under the AIM Rules under an amended investing policy, and would no longer consolidate PAPL in its future financial reporting.

### **Relief against Prospectus for Leyshon Energy Shares**

The Company has lodged an application to the Australian Securities and Investments Commission (ASIC) for relief consistent with Regulatory Guide 188 such that the Company will not be required to issue a prospectus in relation to the Leyshon Energy Shares the subject of the proposed in-specie distribution. If ASIC relief is granted, the Company's shareholders will be provided with all necessary information about the Leyshon Energy Shares in the explanatory statement accompanying the notice of meeting/circular. If ASIC relief is not granted, the Company will issue a prospectus in respect to Leyshon Energy and the Leyshon Energy Shares being distributed with such prospectus being despatched to the Company's shareholders with the notice of meeting/circular seeking approval for the distribution in specie of the Leyshon Energy Shares.

### **Benefits of Energy Separation to Leyshon Resources' Shareholders**

The Directors believe that the principal advantages to shareholders of the proposed Energy Separation are as follows:

- Shareholders will continue to retain their current indirect interest in the Zijinshan Gas Project through their pro rata shareholding in Leyshon Energy.
- Shareholders will retain their shareholding in the Company in the same proportion in which it is held prior to the implementation of the proposed Energy Separation.
- It will allow the Company to focus on the Mt Leyshon Gold Project, and other mineral investment opportunities whilst enabling Leyshon Energy to focus on the Zijinshan Gas Project as well as actively seeking other investment and acquisition opportunities in the oil and gas sector in China and elsewhere.
- It provides a strategic opportunity to develop Leyshon Energy as a stand-alone company which can continue to explore and commercialise the Zijinshan Gas Project and should enable a more transparent market value to be placed on the Zijinshan Gas Project.

**-ENDS-**

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