

10 January 2017

Mr James Rowe
Manager, Listings Compliance
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

By email: james.rowe@asx.com.au

Dear Mr Rowe

Response to ASX aware letter

Padbury Mining Limited (**Company**) refers to your letter dated 4 January 2017 (**attached**) and responds using the same numbering as your letter.

1. Yes.
2. In light of previous experiences, including the difficulty of enforcing contracts or judgements in China, the Company reserved concerns about the proposed issue of Tranche I Shares completing, and therefore potentially misleading the market by announcing the issue prior to completion occurring.
3. Yes.
4. The Company considered that, for the reasons set out below, information regarding the Strategic Cooperation Agreement (**SCA**) was information that:
 - (a) concerns an incomplete proposal or negotiation;
 - (b) is confidential; and
 - (c) a reasonable person would not expect to be disclosed,

and, therefore, the Company did not immediately disclose the SCA (or the Tranche II Shares) to ASX in reliance on the carve-out in Listing Rule 3.1A.

The SCA was signed to provide a period of exclusivity for Zhongying Property Development Company Limited (**ZYPD**), and for cultural purposes provide a framework for the parties (and in particular ZYPD and its network of investors), to invest significant time and money in due diligence and negotiating binding documents regarding investments in the Company and the advancement of the Company's assets.

The SCA is expressly provided to be non-binding, other than with respect to exclusivity, non-disclosure, confidentiality, termination, costs, governing law, dispute resolution and miscellaneous. Therefore, although the SCA contemplates placements of \$2m and \$98m in the Company, it does not create any legally binding rights or obligations on the parties to proceed with these placements. The SCA expressly provides that any placements are to be subject to separate agreements, and that no party is obliged by the SCA to enter into such an agreement.

Ultimately, the Company was of the view that it would be premature and irresponsible to disclose the terms of the SCA to the market given its non-binding, confidential and highly conditional nature.

The Company notes that Example C of Annexure A of ASX Guidance Note 8 confirms that Listing Rule 3.1A can apply in the context of a proposed issue of securities.

5. See response to question 4.
6. Yes. The Company lodged an announcement and Appendix 3B with ASX relating to the Tranche I Shares on 1 September 2016 after issuing the Tranche I Shares on 31 August 2016. The announcement was not released to the market by ASX. The Company sought to announce the Tranche I Shares at this time due to the concerns noted in its response to question 2. After obtaining legal advice, the Company acknowledges that it ought to have disclosed the proposed issue of the Tranche I Shares immediately upon executing the Subscription Agreement on 14 June 2016.

The Company notes that since entering into the Subscription Agreement, it has made significant changes to its board of directors with Michael Keemink and Edward Saunders replacing 2 outgoing directors with effect on 19 August 2016. Further, the Company has engaged legal counsel to assist with managing its continuous disclosure obligations as required from time to time.

7. No – see response to question 4.
8. The Company, in consultation with its advisers.
9. Yes.
10. In anticipation of confidentiality regarding the SCA being lost through this letter, the Company confirms that it entered into the SCA with ZYPD, a company registered in Hong Kong, on 14 June 2016.

The SCA was signed to provide a period of exclusivity for ZYPD, and for cultural purposes provide a framework for the parties (and in particular ZYPD and its network of investors), to invest significant time and money in due diligence and negotiating binding documents regarding investments in the Company and the advancement of the Company's assets.

The SCA is expressly provided to be non-binding, other than with respect to exclusivity, non-disclosure, confidentiality, termination, costs, governing law, dispute resolution and miscellaneous.

The SCA contemplates placements by the Company of 200m shares at \$0.01 each to raise \$2m (i.e. the Tranche I Shares) and 9.8b shares at \$0.01 each to raise \$98m (i.e. the Tranche II Shares), but does not create any legally binding rights or obligations on the parties to proceed with these placements. The SCA expressly provides that any placements are to be subject to separate agreements, and that no party is obliged by the SCA to enter into such agreements. The exclusivity period to conduct due diligence and negotiate with respect to the contemplated placements formally ended on 31 December 2016.

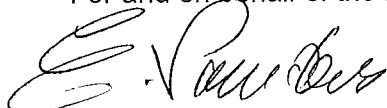
The Subscription Agreement with ZYPD related to the placement of the Tranche I Shares contemplated in the SCA. Although discussions and due diligence are ongoing, no binding agreement has been entered into with respect to all or any part of the Tranche II Shares contemplated in the SCA.

Investors in Tranche II Shares have not been identified but would likely be sourced from ZYPD's network of investors. Any placement of Tranche II Shares may be subject to conditions such as shareholder approval (including takeover approval) and FIRB approval. Funds raised would likely be applied to feasibility studies.

The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

11. Confirmed.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'E. Saunders', written over a horizontal line.

Edward Saunders
Chairman



4 January 2017

Mr Henko Vos
Company Secretary
Padbury Mining Limited
100 Colin Street
West Perth WA 6005

Dear Mr Vos

Padbury Mining Limited ("PDY")

ASX Limited ("ASX") refers to the following

- A. Page 12 of PDY's annual report for the year ended 30 June 2016 ("Annual Report") lodged on the ASX Market Announcements Platform on Monday, 19 December 2016 stating:

EVENTS SUBSEQUENT TO REPORTING DATE

On 19 August 2016 the Company was found to have contravened Sections 1041H(1) and 674(2) of the Corporations Act 2001 (Cth) with no penalty being imposed on the Company. Two of its former directors, Gary Stokes and Terence Quinn, were found to have contravened sections 674(2A) and 180(1) of the Corporations Act 2001 (Cth). They were replaced on the Board by Edward Saunders as Executive Chairman and Michael Keemink as a Non-Executive Director.

On 19 August 2016, Mr Edward Saunders was appointed Non-Executive Chairman to replace Mr Terence Quinn. He was appointed as Executive Chairman on 15 September 2016. On 19 August 2016 Mr Michael Keemink was appointed as a Non-Executive director to replace Mr Gary Stokes.

On 31 August 2016 the Company issued 476,115,047 fully paid ordinary shares to various investors at an issue price of \$0.01 per share to raise \$4,761,150. The issue was made without disclosure using the Company's 15% capacity under ASX Listing rule 7.1 so that shareholder approval was not required.

Of the shares issued, 200,000,000 were issued to entities associated with Du Yong Yi pursuant to an agreement first announced on 22 March 2016.

Further, 77,715,047 of the shares were issued to Zhongying Property Development Company, a company established under the laws of Hong Kong. The Company has agreed to issue a further 122,284,953 shares at \$0.01 per share to Zhongying (which would bring its total subscription under the placement to 200,000,000 shares) subject to obtaining shareholder approval. The \$1,222,850 payable for the additional shares is being held by the Company in trust pending the relevant shareholder approval and subsequent issue.

The Company has also entered into an agreement with an investor for the issue of 50,000,000 shares at \$0.01 per share to raise a further \$500,000. These shares will not be issued unless and until the subscription funds have been received in Australia.

All issues and proposed issues of shares referred to above will be held in escrow for 12 months from issue, and a holding lock will be applied to the shares.

Other than the abovementioned matters, no other circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years, other than as outlined in the company review which is contained in this Financial Statements.

(“the Subsequent Events Note”).

- B. Listing Rule 18.6, which states:

On admission to the official list, an entity must comply with the listing rules. This applies even if quotation of the entity’s securities is deferred, suspended or subject to a trading halt.

- C. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.

- D. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity”

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* “When does an entity become aware of information”.

- E. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- F. ASX’s policy position on what is an incomplete proposal or negotiation, which is detailed in section 5.4 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

- G. Listing Rule 3.10.3, which requires a listed entity to immediately tell ASX of a proposed issue of securities and, if it is not a pro rata issue, to give ASX the following information:
- Class of securities to be issued.
 - Number of securities to be issued (if known) or maximum number which may be issued.
 - Principal terms of the securities to be issued.
 - Issue price or consideration.
 - Purpose of the issue.
 - Whether the entity will seek security holder approval in relation to the proposed issue of securities.
 - Whether the issue will be to a class of +security holders.

Having regard to the above, ASX asks PDY to respond separately to each of the following questions:

1. ASX understands that the issue of the 77,715,047 PDY shares to Zhongying Property Development Company Limited ("ZYPD") at \$0.01 per share that took place on 31 August 2016 and the agreement to issue a further 122,284,953 shares to ZYPD at \$0.01 per share subject to obtaining shareholder approval, both as referred to in the Subsequent Events Note, were documented in a written agreement entered into by PDY and ZYPD on 14 June 2016 (the "Subscription Agreement"). Is this correct? If ASX's understanding is not correct, please explain when and how PDY and ZYPD documented their agreement to the issue of these PDY shares (the "Tranche I Shares") to ZYPD.
2. Please explain why the proposed issue of the Tranche I Shares was not disclosed immediately to ASX, as required by Listing Rule 3.10.3.
3. ASX also understands that the agreement to issue Tranche I Shares arose from, or was otherwise connected with, a strategic cooperation agreement entered into by PDY and ZYPD on 14 June 2016 (the "Strategic Cooperation Agreement") pursuant to which ZYPD indicated an intention, together with other relevant investors acceptable to ZYPD, to subscribe for an additional 9.8 billion shares in PDY at \$0.01 per share (the "Tranche II Shares") subject to certain conditions having been met. Is this correct? If ASX's understanding is not correct, please explain when and how PDY and ZYPD documented their agreement to the issue of Tranche II Shares.
4. Please explain why the proposed issue of the Tranche II Shares was not disclosed immediately to ASX, as required by Listing Rule 3.10.3.
5. Please explain why the proposed issue of the Tranche II Shares was not disclosed in the Subsequent Events Note.
6. Does PDY consider that information about the Subscription Agreement and/or the proposed issue of the Tranche I Shares to be information that a reasonable person would expect to have a material effect on the price or value of its securities? If so, please explain why information regarding those matters was not released to the market until the Subsequent Events Note, commenting specifically on when you believe PDY was obliged to release the information under Listing Rules 3.1 and 3.1A. If not, please explain the basis for that view.
7. Does PDY consider that information about the Strategic Cooperation Agreement and/or the proposed issue of the Tranche II Shares to be information that a reasonable person would expect to have a material effect on the price or value of its securities? If so, please explain why information regarding

those matters has not yet been released to the market, commenting specifically on when you believe PDY was obliged to release the information under Listing Rules 3.1 and 3.1A. If not, please explain the basis for that view.

8. Who drafted the Subsequent Events Note?
9. Noting that the Directors' Declaration in the Annual Report makes various representations about the financial statements and the notes thereto, can you confirm that the Board of PDY was aware of, and authorised or approved the inclusion of, the Subsequent Events Note?
10. Please confirm that PDY is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that PDY's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PDY with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before 6.30 am WST on Wednesday, 11 January 2017).

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PDY's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at james.rowe@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to PDY's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that PDY's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

James Rowe
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