

Capital Raising and Non-Binding Proposal for Further Capital Raising

Capital Raising

As set out in its annual report for FY 2016, Padbury Mining Limited (ASX:PDY, **Company**) has 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.

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

Further, 77,715,047 of the shares were issued to Zhongying Property Development Company (**Zhongying**), a company established under the laws of Hong Kong. The Company has agreed to issue a further 112,284,953 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 \$1,122,953 payable for the additional shares is being held by the Company in trust pending the relevant shareholder approval and subsequent issue. The Company intends to convene a general meeting for the purposes of obtaining the shareholder approval in or about April 2017.

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 by the Company.

All shares referred to above (whether issued or proposed to be issued) will be held in escrow for 12 months from issue, and a holding lock will be applied to the shares.

Proceeds from the placement will be applied towards commencing pre-feasibility studies, geological work on the Company's tenements, funding the Company's Shanghai operations, and working capital.

All agreements entered into with respect to the placement are otherwise on standard terms and conditions, including with respect to warranties.

Non-Binding Proposal for Capital Raising

In addition, as disclosed to ASX on 11 January 2017, the Company confirms that it entered into a strategic cooperation agreement (**SCA**) with Zhongying on 14 June 2016.

The SCA was signed to provide a period of exclusivity for Zhongying, and for cultural purposes provide a framework for the parties (and in particular Zhongying 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 shares referred to above that have been or are to be issued to Zhongying) and 9.8b shares

at \$0.01 each to raise \$98m (**Tranche 2 Shares**), but does not itself create any legally binding rights or obligations on the parties to proceed with these placements (a separate subscription agreement was entered into between the Company and Zhongying for the placement of 200m shares to raise \$2m).

The SCA provides that any placement of the Tranche 2 Shares is to be subject to a separate agreement, and that no party is obliged by the SCA to enter into such an agreement. The exclusivity period to conduct due diligence and negotiate with respect to the placement formally ended on 31 December 2016.

Although discussions and due diligence are ongoing, no binding agreement has been entered into with respect to all or any part of the placement of Tranche 2 Shares contemplated in the SCA.

Any investors in Tranche 2 Shares have not been identified but would likely be sourced from Zhongying's network of investors. Any placement of Tranche 2 Shares may be subject to conditions such as shareholder approval, regulatory approval (including FIRB approval) and the Company entering into certain agreements with respect to the development of the Oakajee Project. Funds raised would likely be applied to feasibility studies.

Further inquiries:

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